

DFS overview and what's next webinar March 2024 - Q&A Summary

Question	Answer
<p>I would be interested to see how each provider has performed against volumes bid or at least I&C vs SME. Is that level of granularity being considered?</p>	<p>Yes, we look at this internally and when we find large discrepancies, we approach the provider to find out the reason. However, so far, we have no plan to publish delivery rates per provider but instead show aggregate figures. It is noteworthy that DFS Units can contain both I&C and Domestic meters so variation in delivery from both consumer types cannot be calculated at the unit level.</p>
<p>Why do you think the uptake of I&C is so low?</p>	<p>Although the number of meters is low in comparison to domestic meters, the average delivery for each I&C unit is higher. We know that some I&C is already participating in other markets such as the Capacity Market and were therefore, unable to participate in DFS this year, but as part of the feedback we're keen to hear anything that would enable greater participation in future.</p>
<p>What's the average volume delivered per event?</p>	<p>This depends on many factors as we have outlined, for example what volume we set out to procure. Typically, delivery is between 70 and 120% of procured quantities.</p>
<p>The bid vs delivered difference on 5th December events is the highest by far. Do you know why?</p>	<p>5th December was still early in the testing period for DFS 23/24, and providers were still calibrating their subscribers' responses. Also, it was the first within-day test of the year. All previous tests were procured at the day-ahead stage.</p>

<p>What was the difference between domestic v I&C delivered percentage?</p>	<p>This changes depending on the despatch type and other factors. For example, in the event of 15 Dec, 78% of delivery came from domestic and 22% from I&C. On the 1st March test, it was 62% I&C and 38% domestic. Breakdown per event will be included in the final service report.</p>
<p>Well done on DFS! How easy would it be to create DFS "turn-up" service to soak up all the £1bn/y of curtailed wind constraint costs that consumers are paying?</p>	<p>Our local constraint market is trialling this concept and something we are considering as part of DFS design. The curtailed cost reflects the loss of subsidy for wind units, and so some of this cost would continue to be incurred through a different mechanism.</p>
<p>Some of this cost would continue to be incurred by a different mechanism. Could you elaborate?</p>	<p>Consumers fund subsidies for renewable generation. The costs incurred in curtailing that renewable generation reflect the loss of that subsidy, but the subsidy paid reduces also with the generation reduction. If demand is turned up, then there will be less curtailment cost, but the subsidy paid will increase due to the extra generation, and so the potential consumer saving is not equal to the curtailment cost.</p>
<p>Even though the magnitude of the variation in smaller DFS units was smaller, how does the difference appear measured as a percentage of the procured amount?</p>	<p>The % variation for the competitive tests can be seen on slide 12. On average, it is within 25% but it can reach higher values. The percentage variation per event will be included in the final service report.</p>
<p>Could you please talk more about the two live events and why/when DFS was called?</p>	<p>Both were instructed due to a requirement for additional MWs above commercial actions at the point in time that we made the decision. More information can be found in our Operational Transparency Forum deep dive on 13 December 2023: https://www.nationalgrideso.com/what-we-do/electricity-national-control-centre/operational-transparency-forum</p>
<p>Is the competitive phase broken down by domestic and non-domestic?</p>	<p>Competitive tests were directed to both domestic and non-domestic, we have seen both sectors successfully securing some volume. In the final service report, we will include breakdown of delivery by consumer type.</p>

<p>Have you done any cost benefit analysis on DFS, comparing the cost of the service compared to the cost of equivalent BM actions for the same half hour periods?</p>	<p>DFS was developed as an enhanced action to help our operational colleagues manage periods where less generation is available and not able to meet demand in our worst-case scenario.</p> <p>Given the nature of this service, we weren't comparing the costs with the Balancing Mechanism when we initiated a live event, because we were planning to have used all commercial actions in our worst-case scenario. The test events were separate, they were done for separate reasons not seeking to commercially compete with the Balancing Mechanism. It was more expensive; however, we've been seeking through the competitive tests to learn where that price could get to and what the price sensitivity is at different volumes and prices. We are looking to learn for the future to decide where to place this service.</p>
<p>In the competitive market, how do we ensure users are engaged and not disappointed with the changes in /kWh they earn per event?</p>	<p>Our tests are a small number - but they have given us useful insight into how this solution could work in the future and the competitive tests were an opportunity for providers to show us bids at different prices. Also, for us to get evidence of how consumers and participants responded at those prices. Part of our next steps are the publication of our Flex Strategy, that will be looking across the whole energy market for opportunities in collaboration to work on how to value and where to put demand side response into markets as a whole.</p>
<p>How representative do you think this pricing information is? Does it really tell us anything with regards to real world market values for DSF?</p>	
<p>I understand bid accuracy seems to be consistent by provider, irrespective of price. Has the overall response level by asset been consistent as prices fell?</p>	<p>In general, yes. We have seen consistent delivery regardless of the accepted prices. We do plan to do more granular analysis of the data we have so far. For instance, we will look at correlations between end-consumer incentives and delivery, as well as links between delivery and notice period.</p>
<p>Will you allow any forms of stacking in future?</p>	<p>We're committed to ensuring that we listen and learn from the feedback - stacking was a key area of concern for the industry and one of our critical items to look at in any iteration of this service going forward. It is very likely that we would try to enable stacking.</p>

<p>what was the balance of supplier vs third party/aggregator in the market this year</p>	<p>We can observe that about 72% of registered participants are aggregators and 28% are suppliers.</p>
<p>Please can we change the name? It is not "flexible" in the sense that it can be used at very short notice, it is DSR.</p>	<p>Thanks for the feedback</p>
<p>We see low participation through asset metering route because of the HHS issue, how will ESO be approaching alternatives in the design process?</p>	<p>We required the boundary meter to be half hourly settled that was associated with an asset meter and this was an approach to reduce the likelihood of gaming so that consumers weren't increasing baselines on days when the service wasn't run. Or if they did, they would be exposed to the half hourly settlement of higher prices on the peak as a result of that.</p> <p>Part of the changes to increase Asset metering might be removing that requirement, but looking at other things that we could do to manage that gaming risk. So that's potentially performance monitoring etc. Or perhaps it's a change to the baseline methodology to rely less on historical baselines for asset meters. If you have a proposal of how we could do that, then please let us know.</p>
<p>We need non-delivery charges - it is undue discrimination that some parties are penalised for not doing what they agree to do and DSR is not.</p>	<p>Thanks for the feedback - we will take this on board as we develop our plans around this service going forwards. It is part of the consideration around introducing performance monitoring at this stage.</p>

<p>In the competitive market, how do we ensure users are engaged and not disappointed with the changes in /kWh they earn per event?</p>	<p>We've seen providers pass on the ESO payment in a variety of ways to consumers. We know that there is a subset of consumers that don't require an incentive, or they require a non-monetary incentive, such as lowering carbon emissions and things like that we've seen in France - Ecowatt have a good response just by asking without any financial incentive at all.</p> <p>This needs a collaborative piece between ESO, suppliers and the wider industry. As part of flexibility, getting consumers involved in the energy markets, it's going to be a difficult challenge to get that engagement and not everyone's going to want to do it. So, we need options there as to how we can ensure that the people that want to play in a market more frequently have that opportunity and those that just want a consistent and simple approach also have a route to market where they have a price signal that they can respond to.</p>
<p>Are you going to do an economic assessment of the lost income for the cheaper, flexible plants displaced from the market?</p>	<p>We don't have the details of individual market participants' cost structures, so it is not possible for us to calculate this accurately. However, we publish the volumes and times of the DFS events, so providers can analyse the impact on the market in line with availability and price data from the BM. Note that in the situation where the market was already long, DFS could actually increase market revenue through an increased number of bids.</p>
<p>Playing a part in decarbonising the grid - agree on this feedback, however official recognition for customers on this would help build volume for I&C market.</p>	<p>Thanks for this feedback.</p>
<p>Can we have users participating in DFS and LCM, without being barriered by stacking?</p>	<p>As per other stacking questions, we will look to make this service stackable with other services where possible</p>
<p>Is DFS 3.0 only for domestic volumes? Based on your "aims" it seems like this is the intention of any future service.</p>	<p>The service will be for any volume that does not have an effective route to market, and we want providers to help us understand what this volume is and why it can't participate in other markets to ensure that any new service is fit for purpose.</p>

<p>Should DFS Unit sizes be capped to mitigate large over/under delivery (e.g. 50 MW as per slides) and to prevent large providers from setting the bid prices?</p>	<p>The units are currently capped at 100MW, but we are considering all options in our service design - thank you for the feedback</p>
<p>As NESO do you think your role will widen to perhaps drive wider adoption of smart meters? They are vital for services like this surely?</p>	<p>Our flexibility strategy which we are currently developing will consider future opportunities and collaboration which may include the NESO role advising on specific areas.</p>
<p>Will all the raw data be available to all participants?</p>	<p>All data we've made available can be found on our data portal. Raw data includes personal identifiable information i.e., MPANs. So, for us to publish it would need to be anonymised. We will send an update if we expand the datasets shared publicly.</p>
<p>Consumers need a level playing field - DFS should move to an availability + utilisation payment if the utilisation payments are going to drop as we've seen</p>	<p>Thanks for the feedback, we'll take this on board in our next steps work</p>
<p>Regarding stacking with DSO flexibility services, would potential DFS participants have to match to a particular CMZ DSO zone to trigger potential stacking.</p>	<p>This is one of the areas we need to understand when contemplating how services will stack - thank you for flagging</p>
<p>Can Ofgem make a quicker decision next time? This allows businesses to make a decision on time as well.</p>	<p>As shown on our proposed service design timeline we have a number of steps and consultations to ensure that any new product is reasonable, efficient and legal. The regulatory deliberation and decision is a crucial part of this process, so we have designed this timeline with the required timescales in mind</p>
<p>Worth looking at how quickly domestic participants can change provider. Many are unwittingly with multiple schemes - changing is slow, can miss out on events</p>	<p>In our product development we are working with the suppliers on the issues that their customers may face and what they are doing to overcome this. This year we updated our systems to automatically check for duplications and apply participation to the last signed up service provider to ensure that consumers did not miss out.</p>
<p>Are you worried about large providers using market power to unduly influence or distort the market? Especially if they are cross-subsidising from other markets.</p>	<p>Ensuring an effective market through competition will be considered as part of our service design.</p>

<p>On enduring markets: Is your position that in the longer term, DFS should not be needed, as flexibility signals will come through dynamic time of use tariffs?</p>	<p>We believe that the wholesale market and network price signals are the main demand flexibility market signals in the long term, enabled through initiatives such as time of Market-Wide Half Hourly Settlement, time of use tariffs & VLP access to the Wholesale market. The ESO, as residual balancer of the system, is committed to opening up our markets to demand flexibility and these markets represent additional routes to market. Further detail will be set out in our Flexibility Strategy.</p>
<p>How do you see this service work with DSOs flex services where it seems some (UKPN) will pay higher prices now for turn-down than DFS?</p>	<p>That's part of our ongoing work for both this service, and our flexibility strategy going forwards.</p>
<p>If you are taking a strategic decision to try and move most flex into other markets is there really a requirement for such a long DFS consultation over summer?</p>	<p>Our product design timescales are designed to allow for all parties to contribute and input into the services. We know that summer is a busy period for many people and want to ensure our consultations meet the regulatory timelines of at least one month and give adequate time for responses to be collated and designs updated if required before passing to the regulator for consideration.</p>
<p>Is this closing out this winter's scheme or can we expect further events this month?</p>	<p>The DFS service has a derogation effective until 30th April, and live events could be called until then if required. We don't give any indication on test events other than in our Market Information Reports so that providers respond in the same way as they would for a live event. We will carry on receiving Weekly Indicative Forecasts and Unit Meter Point Schedules if Registered providers wish to update their data sets.</p>
<p>Is the service ending in March or April?</p>	
<p>Can you confirm whether DFS is over for this year?</p>	
<p>We appreciate ESO considering stacking for 3.0, we believe this will help unlock significant I&C volumes into DFS especially if stacked with the CM.</p>	<p>Thanks for the feedback</p>
<p>what is the total cost of DFS payments made this winter?</p>	<p>This and other stats will be included in our end of year service report as we do not have all the data from the most recent tests yet. That said, the payments for each event where data is available are included in the Utilisation Report Summary that can be accessed through the ESO Data Portal.</p>

<p>Is it recognised industry providers will look at other flex schemes going forward? Many entered with draw of the GAP?</p>	<p>If there are enduring markets that providers are now able to enter into, then that is great for increased competition and participation.</p>
<p>Our feedback shows that domestic customers are becoming disillusioned by the low prices being secured. Is any consumer satisfaction/behaviour research planned?</p>	<p>Consumer research covering domestic and non-domestic participants is planned and will launch as soon as possible. We would also value understanding the feedback you have received in more detail – please can you share this with us?</p>
<p>How many hours per year is DFS procured? Now and in the future</p>	<p>You can find this info for this year and the previous year on our website and it will be included in the end of year service report. Future use will depend on how the service evolves.</p>
<p>Do you think the better domestic response in Dec is because people were on holiday with time to react but too being busy in Nov? Showing limit of manual response.</p>	<p>The test events during December were not in the core holiday period, and it is difficult to draw this level of conclusion without consumer engagement, but we appreciate feedback on potential explanations.</p>
<p>Given constraint costs, can you make this locational, so DSR is not coming off behind a constraint where demand is helping? Why pay DFS and wind to come off?</p>	<p>By so far mainly targeting peak weekday periods, we have reduced the likelihood of significant constraint action occurring at the same time as DFS. However, in the future that is something we will need to consider and balance against the simplicity and lower barrier of being able to aggregate volume at a national level increasing participation in the service.</p>
<p>ESO position re end user comms participation in DFS with comp bids it's hard to advise consumers why same amount of savings on events delivers different rewards</p>	<p>This will be part of engaging in a competitive market as prices will vary, but the design of the total revenue package may be able to help in this area. We accept that the test events by deliberately seeking to learn about price sensitivity might have larger variations than a general competitive service.</p>

<p>Do you know why British Gas (a large provider) has not responded with a bid in recent test events? Perhaps the price achievable is not attractive?</p>	<p>Registered providers have decided to do not take part in DFS test and live events at any point in time for numerous reasons and we are not in position to answer on behalf of any of the registered providers as they are in their right to do so.</p> <p>Our aims with the competitive tests were to gain further learnings for DFS evolution. As explained targeted lower volumes to simulate competition and lower prices. This meant fewer providers were successful in winning contracts which limited our evidence to show that consumers needed higher prices to respond effectively.</p>
<p>How will you ensure the competitive market you're aiming for – i.e. that consumers can compare prices between providers?</p>	<p>We updated our terms this year to make switching easier and we have seen a resulting increase in the number of switches this year. If you have any suggestions on further improvements, please let us know.</p>
<p>Is there any plan to share the data or collaboration with academia? Are you open to this kind of collaboration?</p>	<p>Yes, we are open to this kind of collaboration.</p>
<p>Could LCM be expanded to allow demand turn down south of the B6 boundary?</p>	<p>LCM is a trial to test and evolve this sort of service, and results will be used to determine if and how to expand the service further.</p>
<p>What is your opinion on competitive bids? Do you believe that low bids will disengage providers and domestic participants due to low value delivered to them?</p>	<p>We are hoping delivery data helps us to understand price-volume relationship further. However, we agree that the number of competitive tests and volume participating are limited to evidence consumers' needs and what reflects end consumers bottom line prices. The challenge will be finding the right value that delivers sufficient volume to be effective.</p>
<p>ESO would need to run approx. 75 DFS events next winter to get the same reward to consumers due to lower value and shorter events. Move to CM-type service?</p>	<p>The total revenue proposition is a critical area to consider, both the payment mechanism and also the value in comparison to previous iterations of the service.</p>
<p>Do you have an assessment of how successful the baselining methodology was?</p>	<p>Not at this stage, although we believe the changes made this year were a positive step in reducing gaming. We are open to collaboration with industry or academia to explore this further.</p>

<p>Are you thinking of any measures to protect vulnerable households from turning down their consumption when they should be turning up?</p>	<p>Ensuring consumers use the energy they need at the times they to is an important consideration of the service design. To date, we've worked with consumer organisations to help us understand the impact of the service on households in vulnerable situations and we will continue to do so.</p> <p>Registered DFS Providers are responsible for the communication that they have with their customers (consumers). Our Communcation Principles require Registered DFS Providers to tailor messaging appropriately for known consumers based on their individual information (for example Priority Service Register information) and recognise that households in vulnerable circumstances and/or that have medical needs will require the appropriate guidance.</p> <p>We welcome any additional suggestions that would provide additional protection for households in vulnerable situations.</p>
<p>Do the stats include demand reduction only or does it include export from domestic and industrial battery storage solutions?</p>	<p>The stats shown include net demand reduction, that is, exports to reduce consumption against the baseline are also included.</p>
<p>Has there been comparison between DFS and dynamic time of use tariffs in terms of effect on peak shaving, equity and vulnerability to gaming?</p>	<p>We haven't done this as we are looking to provide a route to market for assets that do not benefit from such tariffs and don't currently have a way to effectively participate in the market. We believe that time of use tariffs will become the main market signal in this area when Market wide Half Hourly Settlement is implemented.</p>
<p>Household flex is a journey. In developing other enduring market routes, pre-HHS, how will you ensure that awareness / customer momentum of DFS is not lost?</p>	<p>Indeed, it is a journey - and there are multiple parties involved with differing responsibilities and roles. We recognise that consumer engagement is key for accessing these volumes and will continue to ensure we include this through our work, including our Flexibility Market Strategy, and through work with others.</p>
<p>Please be aware, there are also questions in the team chat. Regards</p>	<p>Thank you for making us aware, all questions from the Teams chat have been picked up.</p>
<p>This might be a stupid q but is it a coincidence that the amount procured from 15 Dec more or less matches the delivered amounts in Nov?</p>	<p>The first few tests were used by participants to calibrate their offered quantities against the delivery from their end-consumers. From</p>

<p>I.e. did the people who weren't delivering their volumes stop participating as lost interest? Or does it not work like that?</p>	<p>around 14 Dec, which was only the third test of the year if we don't include Live events, they had sufficient feedback to better reflect their capacity available in their bids.</p>
<p>Hi, does your DFS domestic participation % (99.7%) also include SME business customers (not HH settled)? If so, do you have a split between domestic and non-domestic customers? Thanks</p>	<p>Yes, the 99.7% includes both HH settled and not HH settled. A full breakdown will be included in the end of year service report.</p>
<p>From the slide on enduring markets: Is your position that in the longer term, explicit demand response such as DFS should not be needed, as flexibility signals will be through dynamic time of use tariffs (which are also more equitable and don't favour consumers with high baselines and are not vulnerable to gaming)?</p>	<p>In the longer term we anticipate there will be greater opportunity for flexible assets to participate across a number of products. Time of use tariffs are one way that suppliers could incentivise use at this time for energy balance, but different types of flexibility will be able to participate across a range of markets for different needs, both at ESO level and DSO level.</p>
<p>Hopefully we'll see NG ESO providing consumer feedback from non-domestic customers this year.</p>	<p>Consumer research covering both domestic and non-domestic customers is currently planned and fieldwork will launch as soon as possible.</p>
<p>One way to tackle /KWh could be by providing availability payments.</p>	<p>Thanks for the feedback, we'll take this on board in our next steps work</p>
<p>Will you be responding to questions that were not published/reviewed?</p>	<p>Yes, we believe we have captured all questions asked on Sli.do and teams, please let us know if you feel a question has been missed.</p>