



Making a positive difference
for energy consumers

Nicola White / Company Secretary
National Grid Electricity System Operator Limited
Faraday House, Gallows Hill
Warwick
CV34 6DA

Cc: Transmission Owners, Distributors
Generators, Suppliers, Traders, Consumers and
Other Interested Parties

Email: esoperformance@Ofgem.gov.uk

Date: 16 March 2022

Dear colleagues,

Decision not to use our power of veto in relation to annual revision of the National Grid Electricity System Operator C16 Statement changes for 2022-2023

Background

In accordance with Standard Condition C16 of its Electricity Transmission Licence, the Electricity System Operator ("ESO") is required to conduct an annual review of all statements set out under that condition, proposing changes as necessary. The C16 licence documents are:

- Procurement Guidelines Statement ("PGS");
- Balancing Principles Statement ("BPS");
- Balancing Services Adjustment Data Methodology Statement ("BSAD");
- System Management Action Flagging Methodology Statement ("SMAF");
- Applicable Balancing Services Volume Data Methodology Statement ("ABSVD").

Additionally, the ESO should promptly seek to revise these documents where there are changes to their methodologies or principles, or if new products or services are to be procured, as approved by the Authority.

The ESO held an industry forum in November 2021 with the aim of engaging early with industry on changes proposed and to enable industry to offer early challenge and further suggestions. The ESO then held an “early consultation” (an informal consultation that does not form part of the C16 Licence Condition but allows the ESO to do a more efficient and thorough review). The ESO sent a copy of the proposed revisions to the Authority and the formal consultation was held between 12th January and 9th February 2022.

The main changes proposed are to the PGS, where the ESO has:

1. Introduced new frequency response services which will replace Dynamic Firm Frequency Response (“DFFR”):
 - Dynamic Moderation (“DM”)¹ is the new pre-fault frequency service designed to rapidly deliver between ± 0.1 and ± 0.2 Hz frequency deviation. This service will be procured day-ahead in EFA² blocks on a pay as-clear auction platform.
 - Dynamic Regulation (“DR”)³ is the new pre-fault frequency service designed to slowly correct and deliver between ± 0.015 and ± 0.2 Hz frequency deviation. This service will be procured day-ahead in Electricity Forward Agreement (EFA) blocks on a pay-as-clear auction platform.
2. Included text regarding planned new reserve products; Positive Slow Reserve and Negative Slow Reserve.⁴
3. Proposed to stop procuring Enhanced Frequency Response (“EFR”), which was a one-time tender to deliver enhanced frequency response.

The ESO has also made housekeeping changes across all C16 Statement documents, including removal of duplicate wording in the PGS.

The Authority’s decision

There were no responses to the ESO’s formal consultation⁵ on their proposed changes. During the industry forum, respondents were positive about the ESO’s proposals and in general reflected positively on their overall stakeholder engagement on C16 updates. We agree that the changes proposed by the ESO reflect their procurement intentions for 2022-2023. As there were no industry responses to the consultation, we consider that

¹ More information on DM is accessible at: <https://www.nationalgrideso.com/industry-information/balancing-services/Frequency-Response-Services/Dynamic-Moderation>

² An EFA block is an Electricity Forward Agreement block, equal to 4 hours. There are thus six EFA blocks in a day (starting from midnight CET).

³ More information on DR is accessible at: <https://www.nationalgrideso.com/industry-information/balancing-services/Frequency-Response-Services/Dynamic-Regulation>

⁴ More details on these products can be found at: <https://www.nationalgrideso.com/document/187871/download>

⁵ The ESO conducted an informal early consultation from 16th November to 7th December 2021 and a formal consultation from 10th January to 7th February 2022. The consultation and responses can be accessed at: [Early Consultation](#), [Final Consultation](#)

