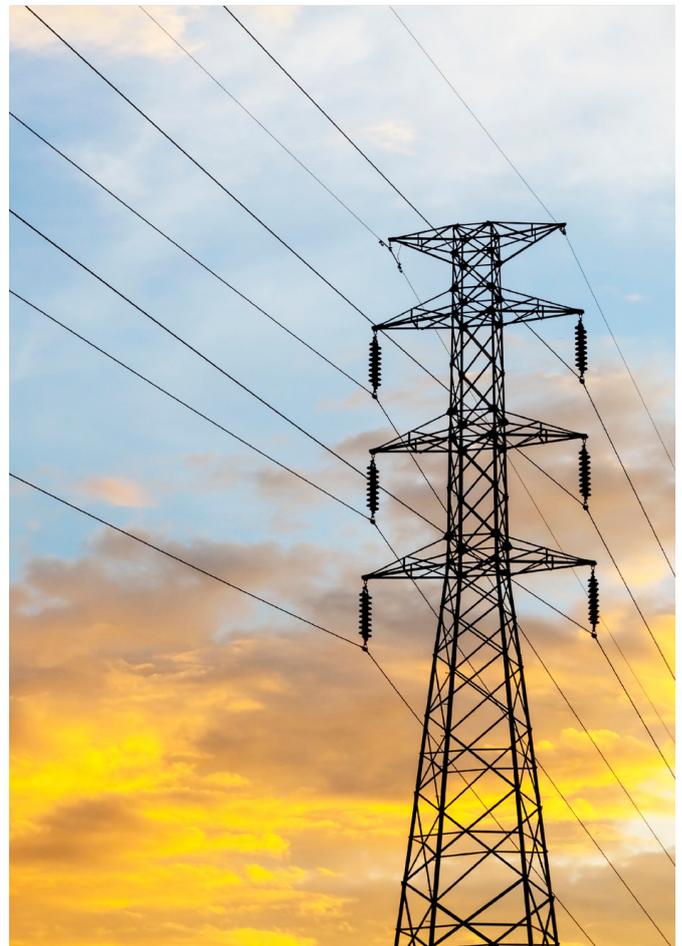


High levels of embedded generation have posed balancing challenges for some years. This summer, though, the National Grid Electricity System Operator (NGESO) must manage exceptionally low demand on the National Transmission System due to the lockdown brought about by the coronavirus disease 2019 (COVID-19) pandemic. To assist managing this demand, NGESO has developed a new Optional Downward Flexibility Management (ODFM) scheme for commercial scale distributed renewable generators who do not participate in the balancing market. The service went live at 11 p.m. on 8 May 2020, and will remain in place for the summer periods. A letter to the industry published on 1 May 2020, invited participants to sign onto the terms to enable them to offer operational downward flexibility. Rob Broom (associate) and Paul Brennan (consultant) from our Energy & Natural Resources Practice, take a closer look at the ODFM scheme in this client alert.

## What is ODFM?

ODFM is a service under which distributed renewable generators receive an agreed market price to turn off their generation. The service requires a minimum 1 MW commitment and the ability to deliver for three consecutive hours after receiving day-ahead instructions to reduce their outputs (via email). The scheme allows the NGESO to access downward flexibility that is not currently accessible to it in real time (i.e. through the Balancing Mechanism and the Platform for Ancillary Services) and expands its ability to control output from these providers.

Separate to the launch of ODFM, NGESO raised an urgent Grid Code modification proposal (GC143 “Last Resort Disconnection of Embedded Generation”)<sup>1</sup> on 30 April 2020, regarding its ability to instruct Distribution Network Operators (DNOs) to disconnect embedded generation as a last resort, which has been approved and took effect from 7 May 2020 (please refer to our publication “[ESO Raises Grid Code Modification Proposal Seeking Emergency Powers to Cut Off Embedded Generation](#)”<sup>2</sup> on these new powers).



## Why the Need for ODFM?

NGESO, as system operator, balances generation and demand in real time. When demand is low, there may be a requirement for additional flexibility to balance generation and demand, as well as to achieve sufficient negative reserve and high-frequency response. According to NGESO, restrictions associated with COVID-19 are likely to present lower demand periods for longer durations this summer than has been seen in the past, and to help manage these changing system conditions, the ODFM is being implemented across the summer period<sup>3</sup>.

- 1 Grid Code modification proposal GC143 “Last Resort Disconnection of Embedded Generation”, available at: <https://www.nationalgrideso.com/document/168336/download>, accessed 6 May 2020.
- 2 Rob Broom and Paul Brennan “ESO Raises Grid Code Modification Proposal Seeking Emergency Powers to Cut Off Embedded Generation”, 6 May 2020, available at: <https://www.squirepattonboggs.com/-/media/files/insights/publications/2020/05/eso-raises-grid-code-modification-proposal-seeking-emergency-powers-to-cut-off-embedded-generation/eso-raises-grid-code-modification-proposal-seeking-emergency-powers-to-cut-off-embedded-generation.pdf>, accessed 13 May 2020.
- 3 NGESO Website, “Optional Downward Flexibility Management (ODFM) Market Information” Section, available at: <https://data.nationalgrideso.com/ancillary-services/optional-downward-flexibility-management-odfm-market-information>, accessed 13 May 2020.

## Who Can Participate in the ODFM Service?

To participate in this service, participants and/or their assets must meet service parameters, including:

- Ability to sustain service delivery for a minimum of three consecutive hours
- Ability to respond to email dispatch
- Service delivery either through generation curtailment, or increased demand type
  - If Generation, by reducing output to 0 MW for the applicable time period
  - If Demand, by increasing and sustaining demand for the applicable time period
  - In either case, the ability to follow pre-agreed min/max ramp up and ramp down rates
- 1 MW or more of demand increase or generation reduction capacity, including through the aggregation of assets of the same type (generation or demand) behind the same Grid Supply Point (GSP), in other words, on the same distribution network)

In addition, NGENSO states that participants and/or their assets should adhere to certain restrictions, including:

- Not being separately registered as BM Units or otherwise active in the Balancing Mechanism
- Not participating in or contracted to any other balancing/flexibility or related services during periods when the service is offered
- Not having a condition in their DNO connection agreement whereby they are signed up to an Active Network Management (ANM) Scheme / Flexibility Connection<sup>4</sup>

Prospective service providers will be pleased to see that unlike the original Demand Turn Up service launched in 2016, the service provision will not expose them to imbalance price risk. The ODFM scheme will be of greatest interest to demand side aggregators and renewable energy generators who do not benefit from subsidies under the Renewables Obligation or Feed-in Tariff Scheme.

General terms and conditions for ODFM were published on 30 April 2020<sup>5</sup> (ODFM T&Cs). However, at the time of writing, finalised ODFM detailed service terms were not available online.

If you are contemplating participating in the ODFM scheme and require assistance navigating its terms and conditions, or require advice on understanding its implications (including how this may affect your obligations under power purchase agreements entered into), do get in touch with one of the authors below.

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<sup>4</sup> NGENSO ODFM Guidance Document available at: <https://data.nationalgrideso.com/backend/dataset/812f2195-4e96-4bfd-8bf0-06c3d0126c57/resource/60a3d0f2-29b4-4338-9acf-b117d5448cc7/download/odfm-guidance.pdf>, accessed 13 May 2020.

<sup>5</sup> NGENSO Letter dated 30 April 2020, available at: <https://data.nationalgrideso.com/backend/dataset/b3c55e31-7819-4dc7-bf01-3950dccbe3c5/resource/5b6f5ace-75ee-4ee7-badb-a38cde3bc208/download/covid-19-update-letter-30.04.2020.pdf>, accessed 13 May 2020. General terms and conditions for ODFM are available at: <https://data.nationalgrideso.com/backend/dataset/812f2195-4e96-4bfd-8bf0-06c3d0126c57/resource/7be166a0-e837-4e4b-8227-8d6db96202f3/download/odfm-gtcs.pdf>, accessed 13 May 2020.