

# Monitoring of bi-directional contracts for Dynamic Regulation, Moderation and Containment Services

## Introduction

Dear industry colleague,

As part of our ongoing work to ensure that Frequency Response services are robust and fit for purpose, we are reviewing our performance monitoring processes and capabilities across a range of parameters.

On the back of this ongoing work, we are writing to remind you about some contractual obligations (set out in the [Response service terms](#)) for participating in the Dynamic Containment, Moderation and Regulation services which are essential to ensure that the delivery of the services can be met.

The purpose of this communication is to make you fully aware of our intention going forward, that we will be looking to enhance our monitoring (and hence enforcement) of the contractual terms specific to bi-directional bidding into the Dynamic Containment, Moderation and Regulation services.

This enhanced monitoring will focus on two aspects, in each case in the scenario where, for any Unit, two or more Sell Orders for any of the response services, but in opposite directions (i.e., LF and HF), have been submitted into the auction for the same or overlapping windows, and those Sell Orders have been accepted to result in bi-directional contracts for that asset and period. Those aspects are:

1. The contracted quantities (i.e., MWs contracted in the auctions for those bi-directional contracts), relative to the MW capacity of the Unit delivering the service(s).
2. The residual MW capacity of the Unit remaining, to enable effective State of Energy (SOE) management whilst delivering the contracted service(s).

For these purposes, and as described in the [Procurement rules](#), the MW capacity of the Unit is the aggregate registered quantity of each of its component eligible assets.

## Background

To collect additional data required, providers who have Units registered for the Dynamic Containment, Moderation and Regulation services should have received an email requesting the data to be provided. This will help the ESO to have greater detail of the Units when monitoring these services. For any Units where this data was not provided, the ESO will use the tested capacity for the service based on an 0.8-hour duration.

If you have not received this email, please contact [Commercial.Operation@nationalgrideso.com](mailto:Commercial.Operation@nationalgrideso.com).

## How the ESO will monitor.

We will use the data provided, along with published results, to identify any Units post auction that the ESO believes could not deliver a bi-directional contract. The ESO recognises that whilst Units are tested to their high and low capacities before being allowed to participate in the response auctions, there may be instances when a Unit is simply incapable of delivering these volumes when awarded bi-directional contracts over a single period.

# ESO

For example, Dynamic Regulation is a 1-hour service, a Unit with a badged capacity of 10MWhr is tested for 10MW DRL and 10MW DRH. However, when bidding into DR auctions, it must comply with paragraphs 5 and 6 of the [Response Services- Service terms](#), meaning that the combined volume for bi-direction contracts cannot exceed the MW/hr capacity even before SOE management is taken into consideration. Any Units whose aggregate contracted quantities exceed this unit capacity will be deemed unavailable in line with paragraph 5.7 of the Response Services -Service terms.

As far as State of Energy management for the DC, DM and DR services is concerned, the ESO provides Guidance and tools on our website (links below). As part of the monitoring of bi-directional Sell Orders and contract, where any Unit goes above these suggested thresholds then the participant will be contacted and asked to explain how SOE is being managed. Where ESO believes that a participant is not able demonstrate that SOE is being effectively managed as stated in paragraphs 6.10 and 6.11 of the [Response Services- Service terms](#), then as per paragraph 6.12, for the purposes of availability and payment the Unit will be deemed as unavailable (including, per paragraph 5.5, for all or the relevant part of the contracted window) until the ESO is satisfied that the provider is compliant.

For Guidance on how to manage SOE and service stacking please refer to the ESO documentation that can be located on the ESO website

- [Symmetrical Bid Calculations](#)
- [Guidance Document \(pg38\)](#)

If you have any questions regarding the communication, please send to [Commercial.Operation@nationalgrideso.com](mailto:Commercial.Operation@nationalgrideso.com) or alternatively contact your Account Manager.

## Next Steps

Going forward from December 2023, we will be producing performance monitoring reports to track potential overbidding and subsequently applying penalties/liabilities as per our agreement from January 2024 date onwards.