

Dynamic Response Services June 2024 Consultation

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Response Release 3 Terms and Conditions

Dear Industry and Colleagues,

In accordance with Commission Regulation (EU) 2017/2195 of 23 November 2017 as converted into retained EU law (EBR), National Grid ESO is proposing to update its terms and conditions relating to balancing with respect to its dynamic Response products (DM, DR and DC).

The proposed updates have been applied to the Response Service Terms and Procurement Rules.

In accordance with EBR, the ESO is now consulting on these updates to those terms and conditions. The consultation will be undertaken from Thursday 27 June 2024 to Monday 29 July 2024.

Please respond by 09:00 on 29 July 2024 using the proforma available on our website and submitting answers via the following MS Forms link: <https://forms.office.com/r/d1fVq94JWr>

Annexed to this document is a table showing how we believe the updated terms and conditions (and corresponding parts of the GB codes) map across to the terms and conditions related to balancing described by Article 18 of EBR.

If you have any queries regarding this proposal, please contact us at box.fututrofbalancingservices@nationalgrideso.com.

Yours sincerely,

Jonathan Wisdom
Market Change Delivery Manager

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EBR Article 18 Consultation

Article 18 of Commission Regulation (EU) 2017/2195 of 23 November 2017 as converted into retained EU law (EBR) requires TSOs to develop terms and conditions for balancing service providers, and sets out the requirements for terms and conditions for both balancing service providers and balance responsible parties. We publish a mapping document to show how we believe our contract terms, notably Service Terms and Procurement Rules but also other documentation such as Grid Code, map across to these requirements.

These terms and conditions are required by EBR to be approved by the regulatory authority after industry consultation, and the GB balancing terms and conditions as currently approved by Ofgem include contract terms related to our dynamic response services.

EBR provides a process for TSOs to propose amendments to approved terms and conditions, which is similarly subject to approval by the regulatory authority after industry consultation.

Accordingly, we are now proposing to consult on amendments to our dynamic response contract terms, and this document begins our formal industry consultation. In accordance with EBR, we are required to consult for not less than one month and must consider the views of stakeholders prior to submission of our proposals to Ofgem for approval. We are required to provide sound justification for including (or excluding) consultation feedback alongside our submission.

Introduction

Dynamic Containment (DC), Dynamic Moderation (DM) and Dynamic Regulation (DR) make up our suite of Dynamic Response Services. Together they work to control system frequency and keep it within our licence obligations of 50Hz plus or minus 1%. DM provides fast acting pre-fault delivery for particularly volatile periods, and DR is our staple slower pre-fault service. DC is our post-fault service.

The Response Service Terms and Response Procurement rules make up the terms and conditions for our Dynamic Response Services.¹

Over the past year we engaged extensively with service providers through Roadshows in London and Edinburgh as well as 1-2-1 meetings and a pre-consultation webinar. All of the feedback and insight received to date has been considered and input into the following proposals.

In this consultation, we are setting out our proposed changes to these terms and conditions and providing an opportunity for stakeholder feedback. We will take this feedback into account before submitting our final proposals to Ofgem for regulatory approval.

In this introduction section we set out the consultation process and implementation timelines. In 'Summary of changes' we set out at a high level all the proposed changes. Then, we provide more detail on each change and set out specifically which terms and conditions are to be changed.

Consultation process and how to respond

In this document, we describe and explain the changes we are making. We have also published clean and tracked changed version of the Response Service Terms and Response Procurement Rules which include the proposed changes described in this consultation. Respondents should review the revised terms alongside this document.

This consultation will be open until **09:00 29 July 2024**.

- [Response Services Service Terms \(tracked changes\)](#)
- [Response Services Procurement Rules \(tracked changes\)](#)

We include questions in this document, though we have separately published a pro-forma which includes all questions and space to draft a written response. We ask respondents to submit their responses through Microsoft Forms to help us collate and compare responses efficiently and effectively.

- <https://forms.office.com/r/d1fVq94JWr>

Once the consultation is closed, we will consider all responses. We will then, in approximately 4 weeks, submit to Ofgem our final proposals for changes to Service Terms and Procurement rules that reflect our consideration of all responses. Ofgem will have 2 calendar months to approve or reject our proposals.

Should you have questions about the consultation process or wish to discuss any of the proposals in more detail, please contact us at box.futureofbalancingservices@nationalgrideso.com.

Implementation

Ofgem could approve our changes as soon October 2024, and we intend to publish new Service Terms and Procurement Rules as soon as feasible following approval. These documents would become the prevailing terms and conditions, published on our website.

Not all of our changes would be in effect upon the publication of the documents. In this consultation, and in the terms and conditions themselves, we describe where the effective date of the proposal is later than the publication of the document. We describe what would bring them into effect, for example a specific date further in the future or the publication by the ESO of additional documents.

Quick Reserve consultation

In parallel to this consultation, we are also publishing a consultation on the new Quick Reserve Procurement Rules and Service Terms. In that consultation, we are seeking feedback on a proposed change to the Response

¹ Available at: <https://www.nationalgrideso.com/industry-information/balancing-services/frequency-response-services/new-dynamic-services-dcdmdr#Document-library>

Services Procurement Rules that allows co-optimisation of Response and Reserve services. That consultation is available [here](#). **Any feedback on Quick Reserve related elements of the Response Services Procurement Rules should be submitted to that consultation.**

Summary of changes

For each proposal, we are asking respondents to set out whether they agree or not – and if not, to provide rationale – and whether they have any other comments on the proposal and proposed wording.

A high-level summary of each change is provided here for convenience:

1. We propose removing the Maximum Ramp Rate. This change would offer participants more flexibility to adjust their baselines and stack value. Our analysis has shown that the benefits of removing the restriction outweigh the risks of herded energy recovery following a Frequency event.
2. We propose to clarify the Service Terms around available / unavailable declarations to ensure no ambiguity in the requirements. This includes when and how providers should declare available or unavailable. There is no fundamental change to the existing policy we propose to add clarifications only.
3. We propose to clarify the Service Terms around State of Energy management (SoE) rules during service delivery to ensure no ambiguity in the requirements. This includes how providers should manage their SoE during service delivery and implications for them should they not manage this effectively. There is no fundamental change to the existing policy we propose to add clarifications only.
4. We propose moving the different percentage amounts of offered quantity that providers should reserve in their sell orders, such that they can manage state of energy effectively, into the Service Terms as opposed to only in guidance.
5. We propose requiring all providers to submit operational metering and operational baselines at all times. This change particularly affects Non-BMU providers. Enhanced situational awareness of Non-BMU assets will enhance system security and efficiency of actions taken.
6. Operating a fair and transparent market is a core objective for the ESO. In support of this we propose the introduction of a regime of Tiered Penalties which will address instances of non-compliance through a progressive series of actions and provides an opportunity for rectification.
7. We propose to be able to send instructions to service providers to disarm and re-arm outside of contracted service periods such that the instruction is effective from the start of the next contracted service period. This will ensure that instructions can be sent and received in a timely manner.
8. We propose to increase the Maximum Sell Size to 100MW for each of the dynamic response products to enhance consistency across the services.
9. In order to maximize participation from a diverse range of providers, Response Units which are not energy limited may choose to nominate a zero deadband.
10. Where there is a transfer of response contract, ESO transfers the availability payments to the secondary provider. This change will simplify the process and align with the new Quick Reserve Product.
11. Updates to Schedule 3 – Availability Payments including clarifications and corrections to formulas.
12. Housekeeping changes that do not fundamentally change the terms and conditions but aim to promote clarity or consistency across terms.

We provide more detail on each in the following sections.

1. Removal of Maximum Ramp Rate

We propose removing the Maximum Ramp Rate. This change would offer participants more flexibility to adjust their baselines and stack value.

What is the proposed change?

The Maximum Ramp Rate limits the rate of change of power for energy limited assets as shown by Performance Baselines. The current Service Terms provide a Maximum Ramp Rate of 5% contracted MW per minute.

We propose removing the Maximum Ramp Rate, ie removing the restriction the Service Terms provide on MW/minute changes in active power.

Why are we proposing this change?

We understand the Maximum Ramp Rate represents a pain point for participants, imposing an opportunity cost through constraining opportunities for wholesale market participation and more efficient state of energy management. We recognise this cost may drive higher prices and ultimately be passed on to energy consumers.

We introduced the Maximum Ramp Rate to protect against the effects of herded energy recovery. Service Terms require units to recover their state of energy if they do not have enough energy (or capacity to import energy). Following a large high/low frequency event where units charge/export (respectively) to deliver the response service, many or all units may be required to recover energy at the same time. The Maximum Ramp Rate was to protect against the cumulative effect of such behaviour.

Taking on board feedback from providers, we carried out analysis, including modelling, reviewing historical provider behaviour, and stakeholder engagement, to consider the system security impact of changing or removing the ramp rate restriction. We concluded the benefits of removing the Maximum Ramp Rate likely outweighed the potential costs associated with additional actions to manage herded energy recovery.

In line with our duties as system operator, it is essential we take such decisions cautiously and we will continue to monitor participant behaviour and the effect of removing the restriction. At the same time, we recognise that fast, herded ramping of energy resources (including batteries) more broadly is creating system operability challenges and costs. We are carrying out a wider review of ramping, current restrictions, and the case for new approaches to manage it.

Revised Service Terms Text

We propose the following changes to bring this change into effect:

- the removal of clauses 6.8 and 6.9 from the Service Terms
- Removal of the definition of “Maximum Ramp Rate” from Schedule 1 - Defined Terms
- Removal of “Maximum Ramp Rate for Baselines” from Schedule 2 – Capability Data Tables.

Questions

- Do you agree with the proposal to remove the Maximum Ramp Rate? If not, please explain your rationale.
- Do you have any other comments or questions on the proposal and proposed wording?

2. Availability description

We propose to clarify the Service Terms around available / unavailable declarations. This includes when and how providers should declare available or unavailable. There are no fundamental changes to the existing policy; we are proposing to add clarifications only.

What is the proposed change?

Language changes to declaring available / unavailable

1. **Providers should declare unavailable if the Response Unit does not have full contracted MW.**
We require the provider to have the full contracted MW to deliver the service throughout service delivery. We do not require providers to have the full contracted response energy volume (MWh) apart from at the start of the EFA block (but that they do adhere to the state of energy management rules during service delivery as described in section 3 below). We understand some providers have found the Service Terms not to be sufficiently clear in this regard. To clarify:
 - a. Providers should declare unavailable if the Response Unit no longer has the contracted MW to deliver the service
 - b. Response Units must have the contracted REV (MWh) at the start of each EFA block (or we would deem unavailable with regard to payment)
 - c. Not having the full REV after this point is not a cause to declare unavailability
 - d. Providers must follow the state of energy management rules if at any point during the contracted period they do not have the full contracted REV (MWh) – see section 3 below
2. **Partial availability is not permitted**, and Response Units must declare either available or unavailable.

Why are we proposing this change?

Feedback from providers has highlighted that the Service Terms relating to availability are not sufficiently clear, leading to confusion on when providers should be declaring available/unavailable. We envision that this change should reduce confusion and ensure the Service Terms are not open to interpretation.

Revised Service Terms Text

We have proposed the following changes to section 5 Service Availability.

5. Service Availability

- 5.1 ~~The Service Provider (or, where applicable, the Secondary Service Provider, and references in this paragraph 5 to “Service Provider” shall be construed accordingly) will procure that, with respect to each Response Contract, the applicable Auction Product is made available from the Response Unit for delivery throughout each Contracted Service Period in the manner provided in paragraph 6. It is a requirement of each Response Contract that, unless prevented by an unplanned outage or other unforeseen technical circumstances, a Response Unit will be available to provide that Auction Product in accordance with these Response Service Terms continuously throughout the Contracted Service Period, regardless of its State of Energy where applicable. the Service Provider will deliver the applicable Auction Product by procuring that the relevant Response Unit is capable of:-~~
 - i. providing the Contracted Quantity at any time during the Contracted Service Period; and
 - ii. delivering its full Contracted Response Energy Volume at any time during the Contracted Service Period (subject always to paragraph 5.6 where Energy Limited); and
 - iii. complying with a Disarming Instruction or Re-Arming Instruction or with any other requirement of the applicable Auction Product,

in each case in accordance with paragraph 6.
- 5.2 ~~The Service Provider shall notify NGENSO (by way of submission of Operational Data –and Performance Data pursuant to paragraphs 15.1 and 15.3 respectively) of unavailability to provide the applicable Auction Product promptly upon becoming aware that of any unavailability of any Response Unit (including any component Eligible Asset) has become unable to provide the applicable Auction Product as described in paragraph 5.1 (including, where it is Energy Limited, because of its State of Energy) at any time during a Contracted Service Period, either to provide). In the Contracted Quantity (in whole or part), or to comply with a Disarming Instruction or Re-Arming Instruction or with any other requirement absence of any such notification, the applicable Auction Product in accordance with these shall be treated as available from the relevant Response Unit throughout each Contracted Service Terms Period. For the avoidance of doubt, changes in Contracted Response Energy Volumes where whilst a Response Unit is Energy Limited shall also be notified by the Service Provider must be capable of providing the Contracted Quantity at any time during a Contracted Service Period, it is acknowledged by NGENSO that, if Energy Limited, it may not be able to carry the ability to NGENSO in the same manner but by way of~~

~~submission~~ deliver the full **Contracted Response Energy Volume** throughout the **Contracted Service Period** because of its **State of Energy**. In such circumstances, and subject as provided in paragraph 5.6, the **Response Unit** shall not thereby be deemed unavailable to provide the applicable **Auction Product** for the purpose of payment of the **Availability Payment** pursuant to paragraph 7 (but without prejudice to paragraph 7.3).

5.3 The submission of **Operational Data** and **Performance Data** pursuant to paragraph 15 shall also be used by the **Service Provider** to notify **NGESO** promptly when it becomes aware that, following notification pursuant to paragraph 5.2, the ability of a **Response Unit** to meet the requirements of the applicable **Auction Product** ~~as described in accordance with these Response Service Terms~~ paragraph 5.1 (including, where it is **Energy Limited**, because of its **State of Energy**) has been restored.

5.4 Upon request by **NGESO**, any notification pursuant to paragraph 5.2 or 5.3 shall be followed promptly by an explanation in sufficient (but not excessive) detail to enable **NGESO** to verify that the **Service Provider's** notification related to unplanned outage or other unforeseen technical circumstances.

5.5 Except as provided in paragraphs 5.6 and 5.8, with effect from the start of the **Settlement Period** in which the **Response Unit** becomes unable to meet the requirements of the relevant **Auction Product** (in whole or part, and whether or not notified by the **Service Provider** pursuant to paragraph 5.2) and until expiry of the **Settlement Period** in which the ability of a **Response Unit** to meet the requirements of such **Auction Product** is restored (or, if later, the time when the **Service Provider** notifies **NGESO** that it has been restored), the **Response Unit** shall, for the purposes of paragraph 7, be deemed to be unavailable to deliver the **Auction Product**.

5.6 Where a **Response Unit** which is **Energy Limited** becomes unable to ~~provide (in whole or part) deliver its full Contracted Response Energy Volume~~ at any time during a **Contracted Service Period** ~~any Contracted Quantity or Contracted Response Energy Volume~~ solely because of its **State of Energy**, then provided always that the **Service Provider** has:-

- i. notified **NGESO** of such inability in accordance with paragraph 5.2;
- ii. ~~complied with the state-~~ of energy management rules in accordance with paragraph 6.11 and no further such management is possible such that the capability to provide its **Contracted Response Energy Volume** is fully depleted; and
- iii. used all reasonable endeavours to comply with all and any **Disarming and Re-Arming Instructions** in accordance with paragraphs 6.16 and/or 6.17 (as the case may be),

~~then~~ for the purpose of payment of the **Availability Payment** pursuant to paragraph 7 (but without prejudice to paragraph 7.3), and for the duration of such inability, that **Response Unit** shall be deemed to be available to provide the applicable **Auction Product**.

5.7 Where either:-

- i. in the absence of notification from the **Service Provider** pursuant to paragraph 5.2, **NGESO** nonetheless has reasonable grounds for believing that a **Response Unit** is unable to meet the requirements of the **Response Contract** in all or any part of a **Contracted Service Period**; or
- ii. **NGESO** has reasonable grounds for believing that any notification from the **Service Provider** pursuant to paragraph 5.2 is for reasons other than related to an unplanned outage or other unforeseen technical circumstances or the **Response Unit's State of Energy** and/or that the **Service Provider** has deliberately or recklessly failed to comply with the **State of Energy management rules in accordance with paragraph 6.11, Management Rules**.

then, notwithstanding paragraph ~~5.4~~5.6 and for the purposes of paragraph 7, **NGESO** reserves the right to treat that **Response Unit** as deemed unavailable to deliver the applicable **Auction Product** for the entirety of the **Contracted Service Period** in question (including any part thereof prior to the commencement of unavailability).

5.8 ~~Until the coming into effect of the Performance Regime, a~~ **Response Unit** shall not be considered unavailable by reason solely of its inability to comply with a **Disarming Instruction** and/or a **Re-Arming Instruction** (as the case may be) provided always that the **Service Provider** has:-

- i. notified **NGESO** of such inability in accordance with paragraph ~~5.2~~5.2; and

- ii. used all reasonable endeavours to comply with such instruction in accordance with paragraphs 6.16 and/or 6.17 (as the case may be).

~~5.9 For the avoidance of doubt, with respect to any **Transfer Period** and for the purposes of this paragraph 5 and paragraph 7, all and any periods of unavailability of the applicable **Response Unit(s) Registered to the Secondary Service Provider** shall be treated as deemed unavailability of the **Response Unit**.~~

~~5.105.9 Further for~~ For the avoidance of doubt, the registration of **Eligible Assets** to a **Response Unit** may not be changed so as to be effective during the subsistence of a **Response Contract**.

Questions

- Do you agree that the proposed changes to the Service Terms clarifies the policy around availability? If not, what needs to be clarified further?

3. State of Energy management (SoE) rule – During service delivery

We propose to clarify the Service Terms around SoE rules during service delivery. This includes how providers should manage their SoE during service delivery and implications for them should they not manage this effectively. There are no fundamental changes to the existing policy; we are proposing to add clarifications only.

What is the proposed change?

1. **Deeming unavailable for failure to adhere to SoE rules.** We maintain the right to deem a provider unavailable should they not adhere to the SoE rules.
2. **Response Units must have the contracted response energy volume (MWh) at the start of the contracted service period (ie each EFA block), and then assess this at the start of each settlement period.** If they do not have the contracted response energy volume at the start of the settlement period then they must adjust their baseline for the next 'open' settlement period (ie accounting for gate closure), to recover their energy volume.
3. **Capability to recover energy.** Response Units must be capable of recovering at least 20% of contracted volume in a SP (ie, the Energy Recovery volume). This capability reflects the quantity (MW) that providers should have reserved for SoE management at the bidding stage, see section 4 below.
4. **Actions to recover energy.** Where providers must adjust baseline to recover energy volume (because they had less than REV), they must recover a minimum of 20% of the contracted response energy volume per settlement period (ie, the Energy Recovery Volume) unless recovering less than 20% would bring their SoE back to the contracted REV.
5. **If providers have made every effort to abide by the SoE rules** but, due to the continuous delivery of contracted response products, they no longer have the contracted MW during service delivery, they will still be considered available for payment purposes (as currently in paragraph 5.6 and 6.11). For clarity this is also applicable where a Response Unit participates in two adjacent service periods, i.e., we will take into account system frequency in the first period if it affects state of energy / availability in the second period.

Why are we proposing this change?

Through clarifying the service terms around the State of Energy management rules during service delivery, we aim to remove any ambiguity or room for interpretation on the steps that providers must take to abide by the SoE management rules.

The SoE management rules are critical in giving the ESO confidence that material volume of response energy is being recovered until the full contracted response energy volume is restored. We believe these requirements are not excessively onerous on providers (and allows for quicker recovery, if desired).

Revised Service Terms Text

We propose changes to section 6 of the Service Terms

Energy Limited – State of Energy ~~management rules~~ Management Rules

~~6.8~~ Not Used

~~6.9~~ Not Used

~~6.86.10~~ It shall be the responsibility of each **Service Provider** to manage the **State of Energy** of any **Response Unit** which is **Energy Limited** (and constituent **Eligible Assets** if any) in order to ensure it can meet the requirements of the applicable **Auction Product(s)** and its obligations hereunder.

~~6.96.11~~ Without limiting paragraph 6.10, the **Service Provider** shall adhere to the following rules in order to manage State of Energy so as to deliver from the **Response Unit** the **Contracted Response Energy Volume(s)** following any activation at any point during the **Contracted Service Period**, ~~and with respect thereto:~~

- i) at the start of each **Settlement Period** within a **Contracted Service Period**, the **Service Provider** must assess (in accordance with **Good Industry Practice**) if the **State of Energy** is sufficient to deliver the **Contracted Response Energy Volume** as described above, and where **State of Energy** is assessed to be insufficient the **Service Provider** shall, before the end of that **Settlement Period**, calculate and submit a new **Operational Baseline** for either charging or discharging such that the **State of Energy** will become sufficient;
- ii) the **Response Unit** should always be capable of recovering at least the volume of **Energy Recovery** in any single **Settlement Period**, through the recalculation and resubmission (where possible) of **Operational Baselines**;
- iii) by way of explanation, in the case where, with respect to a **Response Unit**, the **Total LF Contracted Quantity** is not equal to the **Total HF Contracted Quantity**, then the **State of Energy** requirement will also be asymmetrical;
- iv) if stored energy moves outside of this range (for example in response to a **Frequency** event), the **Service Provider** must submit at the first opportunity a revised **Operational Baseline** that will recover the stored energy back to the acceptable range; (as specified by **NGESO** in guidance for **Registered Auction Participants** published from time to time);
- v) at its discretion ~~(acting reasonably)~~, **NGESO** may determine that the **Service Provider** should not be treated as having failed to manage **State of Energy** where **System Frequency** is affected by:-
 1. extended periods of high or low **System Frequency** deviation beyond 0.1 Hz above or below 50Hz;
or
 2. multiple concurrent frequency events; and
- vi) a **Response Unit** shall not deviate from its **Operational Baseline** (whether in order to manage **State of Energy** or otherwise) whilst **System Frequency** is within the **Deadband** ~~except as provided in paragraph 6.7iv (but for the avoidance of doubt a **Response Unit** providing **Dynamic Regulation** which is not **Energy Limited** may deviate from its **Operational Baseline** whilst **System Frequency** is within the **Deadband** to the extent it is providing equivalent **Mode A Frequency Response** up to the **Contracted Quantity** (or, where applicable, the **Zero Deadband**)).~~

~~6.106.12~~ If in the reasonable opinion of **NGESO** a **Response Unit** is operating during a **Contracted Service Period** with a **State of Energy** which indicates that the **Service Provider** is not complying with the **State of Energy** ~~management rules in paragraph 6.11, **Management Rules**~~, then **NGESO** reserves the right to treat that **Response Unit** as deemed unavailable to deliver the applicable **Auction Product** for the purposes of paragraphs 5 and 7 until such time as **NGESO** is satisfied ~~(acting reasonably)~~ that the **Service Provider** is in compliance once more, provided always that, with effect from the coming into effect of the **Performance Regime**, non-compliance with the **State of Energy Management Rules** shall only impact on availability to deliver the applicable **Auction Product** in the circumstances set out in paragraph 15A.

~~6.116.13~~ **State of Energy** may only be managed by way of the submission of, and adherence to, **Operational Baselines** in accordance with this paragraph 6 (and not, for example, through deliberate imbalance, “spilling” and over/under delivery).

Questions

- Do you agree that the proposed changes to the service terms accurately convey the intent around state of energy during service delivery? If not, what needs to be clarified further?

4. SoE rule – Submitting sell orders

We propose moving the different percentage amounts of offered quantity that providers should reserve in their sell orders, such that they can manage state of energy effectively, into the Service Terms as opposed to only in guidance.

What is the proposed change?

Providers must not submit sell orders with Offered Quantities that would prevent state of energy management. That is, in the sell order providers must reserve (ie, not include in the Offered Quantity) sufficient capacity in their Unit that allows them to recover energy in accordance with the energy recovery rules. The quantity of energy that must be reserved depends on the service they are delivering.

Providers must reserve the following percentage of their Offered Quantity when submitting sell orders to allow for effective management of SoE. This is dependent on the service that they are delivering, and the values are derived from the requirement to be able to recover at least 20% of the Response Energy Volume in a Settlement period:

10% - DC

20% – DM

40% – DR

When stacking services, providers should calculate the required reserve capacity for each of the services that they are submitting sell orders for individually, then calculate the sum of all high services and the sum of all low services to determine the total capacity required to reserve in each direction.

The Offered Quantity and the Reserved Capacity should not exceed the total unit capacity in MW.

Please refer to our supporting guidance that has been published alongside this consultation for more information on how this works in practice, as well as worked examples to demonstrate the justification for these numbers.

Why are we proposing this change?

The rules ensure that the providers have the required capacity (MW) to recover the minimum energy recovery volume whilst continuing to deliver the contracted service. This ensures system security and provides confidence that the service paid for is available.

Although this is clear in the Service Terms and Procurement Rules, we wish to clarify that we are not requiring units to maintain a specific SoE at the time of bidding. Instead, it is about how much capacity the provider includes in their sell order, which during service delivery ensures that the provider is able to abide by the SoE management rules.

Revised Procurement Rules Text

We have proposed changes to paragraph 8.3.3 and have added new definitions to the definitions table in Schedule 1 of the Procurement Rules

8.3.3 for each of such **Auction Products** comprising the **Sell Order**, an **Offered Quantity** (in MW), which ~~shall be an integer not less than one (1) MW.:-~~

8.3.3.1 shall be an integer not less than one (1) MW and not greater than the **Maximum Sell Size**; and

8.3.3.2 where the **Auction Unit** is **Energy Limited**, preserves its **Reserved Capacity** (such that the **Offered Quantity** does not utilise any part of that **Reserved Capacity**), and furthermore where a **Service Provider** has **Stacked** one or more **Auction Products**, the sum of (1) the **Offered**

Quantity of each Auction Product in the same Product Direction, when aggregated with the Reserved Capacity for each, and (2) such aggregate amount for the Auction Products in the other Product Direction, shall not exceed the Maximum Unit Registered Capacity.

Additional defined terms added to Schedule 1:

<u>“Maximum Unit Registered Capacity”</u>	in respect of any Auction Unit, the aggregate <u>Maximum Registered Capacities</u> of each of the <u>Eligible Assets</u> allocated to it;
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<u>“Reserved Capacity”</u>	with respect to any Auction Unit and Response Contract, a portion of its <u>Maximum Unit Product Capacity</u> , being an amount not less than X percent of the <u>Offered Capacity</u> , where X is: (a) in the case of <u>Dynamic Containment</u> , ten (10) percent; (b) in the case of <u>Dynamic Moderation</u> , twenty (20) percent; and (c) in the case of <u>Dynamic Regulation</u> , forty (40) percent;
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Defined Term moved from the Service Terms to the Procurement Rules:

<u>“Stacking” or “Stacked”</u>	with respect to any <u>Response Unit</u> and <u>Response Window</u> , that more than one <u>Balancing Service</u> is or will be provided simultaneously (for the avoidance of doubt in the case of <u>Response Services</u> , each under a separate <u>Response Contract</u>);
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Questions

- Do you agree with the proposed percentages of capacity that we require providers to reserve when submitting sell orders? If not, please provide values that you would deem more appropriate with evidence as to why.

5. Requiring operational metering and operational baselines at all times

We propose requiring providers to submit operational metering and operational baselines at all times. This change has a particular impact on Non-BMUs as BMUs already must submit this data in accordance with the Grid Code.

What is the proposed change?

We propose that providers are to submit, at all times, data which the Service Terms currently require to be submitted only during contracted service periods. Specifically, we propose requiring at all times;

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- Operational Data, as defined in the Service Terms and,
- Operational Baselines, as defined in the Service Terms.

For the purpose of our proposal, the acceptable submission rate is submission 80% of the time, measured on a rolling 28-day assessment period, and calculated daily. If a provider has not submitted data in relation to a Response Unit for at least 80% of the time across 28 days prior to a particular service day, then sell orders submitted for that Response Unit on that service day shall not be valid.

We will calculate the submission rate for each set of data separately. That is, the provider must submit both operational metering and operational baselines for the Response Unit at least 80% of the time; for example, a submission of less than 80% for operational metering cannot be offset by a higher than 80% submission of operational baselines.

For a newly created Response Unit (i.e., with the allocation of one or more eligible assets), the assessment will be done on a cumulative daily basis for 28 days. At which point, the calculation will revert to a rolling 28-day assessment. Therefore, a newly set up Response Unit can participate in auctions before 28 days.

This requirement is applicable to both BM and non-BM participating units. In practice, BM units are already required to submit this data per requirements in the Grid Code, and we will consider submission of Physical Notifications and Operational Metering per the Grid Code as conforming with this proposal.

We do not intend that this requirement would be effective until a date specified by the ESO. In the Procurement Rules, we set out that **the ESO would first publish a document setting out in more detail how and when we will carry out and communicate the calculation of the submission rate for the assessment period.** We will engage with all participants and via relevant newsletters, when we publish this letter and provide appropriate lead-in time before the effective date. Nonetheless, we welcome providers submitting the relevant data sooner than the effective date as we can use this data to improve our system operability capability.

For the avoidance of doubt, this proposal does not change the rules and penalties associated with non-submission during contracted service periods. That is, during contracted service periods, we will deem participants unavailable for the settlement periods in which they do not submit operational data or operational baselines.

Why are we proposing this change?

The challenges of limited visibility of Distributed Energy Resources (DER) are well-established. In 2022, the ESO identified consumer benefits of £150m per annum from greater operational visibility of DER, including £10-60m from improved forecasting, driven by operational metering data.

Through our DER Visibility programme, we are developing a roadmap for fuller DER visibility. However, there is an urgent case for enhanced visibility in the near term.

Requiring Dynamic Response service providers to submit metering and baseline data 24/7, represents a practical and targeted way to accelerate the benefits of DER visibility. Specifically, we anticipate near term benefits in forecasting and situational awareness, which can drive more efficient balancing decisions. Response Units already have technical and communication capability to submit the data, and our systems are set up to receive and process the data for these use cases. Meanwhile, by virtue of being price sensitive flexible assets, Response Units are disproportionately, compared to other DER, likely to drive forecasting errors and situational awareness challenges.

Last year we circulated a survey via the Future of Balancing newsletter in which we asked providers about the capability and costs of providing this data 24/7. We followed up with several providers. Feedback indicated capability and minimal cost for providing the data at all times. Some providers were concerned that penalties for not conforming with baselines submitted outside contracted service would disincentivise NIV chasing which could lead to higher prices or market exit. This proposal does not include provisions for penalties due to non-conformity with operational baselines submitted outside contracted service periods.

Revised Procurement Rules Text

We intend to introduce these changes by inserting 6.8, 6A and 8.10 into the Procurement Rules.

6.8 It is a further requirement that, for a Sell Order to be valid in an Auction, the relevant Auction Unit (whether or not BM Participating) must be compliant at the relevant time with the Background Submission Data Rules.

6A Background Submission Data

- 6A.1 This paragraph 6A shall come into effect on the date specified by **NGESO** by not less than seven (7) **Days** prior notice in writing to **Registered Auction Participants** (“the **Background Submission Data Commencement Notice**”), and such notice shall specify the duration and expiry of the **Assessment Period** for the purposes of paragraph 6A.2.1.
- 6A.2 For the purposes of this paragraph 6A:-
- 6A.2.1 “**Assessment Period**” means, in relation to any **Service Day**, such prior period specified by **NGESO** in its **Background Submission Data Commencement Notice** or such shorter period in the circumstances described in paragraph 6A.6;
- 6A.2.2 “**Background Submission Data**” means **Operational Data** and **Operational Baseline** each as defined in the **Response Service Terms**;
- 6A.2.3 “**First Assessment Period**” means, for the purposes of paragraph 6A.4, the **Assessment Period** notified in the **Background Submission Data Commencement Notice** commencing upon the coming into effect of this paragraph 6A and
- 6A.2.4 “**Required Threshold**” has the meaning given in paragraph 6A.5.
- 6A.3 For the avoidance of doubt:-
- 6A.3.1 for an **Auction Unit** that is **BM Participating**, an **Operational Baseline** shall be treated as submitted for the purposes of this paragraph 6A when confirmed by submission of **Physical Notifications** (and associated **Dynamic Parameters**); and
- 6A.3.2 for an **Auction Unit** that is not **BM Participating**, an **Operational Baseline** shall be treated as submitted for the purposes of this paragraph 6A when confirmed by submission of **Non-BM Data Submissions** meeting the requirements of the **ADSP Documentation** (each as defined in the **Response Service Terms**),
in each case as more particularly described in the **Response Service Terms**.
- 6A.4 With effect from expiry of the **First Assessment Period**, the validity of each **Sell Order** submitted by a **Registered Auction Participant** in an **Auction** shall be subject to submission by that **Registered Auction Participant** of **Background Submission Data** for the relevant **Auction Unit** which meets the **Required Threshold** over the relevant **Assessment Period**.
- 6A.5 For the purposes of paragraph 6A.4, the **Required Threshold** shall mean valid and complete **Background Submission Data** submitted:-
- 6A.5.1 for each **Settlement Period** across the entire **Assessment Period** for both **Operational Data** and **Operational Baseline** (subject to the tolerance below);
- 6A.5.2 **Operational Data** or **Operational Baseline** shall be deemed to have met the requirements of paragraph 6A.5.1 if complete and valid submissions are made in respect of eighty percent (80%) or more of:
- in the case of **Operational Data**, the total number of seconds comprising the relevant **Assessment Period**; and
 - in the case of **Operational Baseline**, the total number of minutes comprising the relevant **Assessment Period**,
- (or such other percentage as **NGESO** may from time to time notify in writing to **Registered Auction Participants**).
- 6A.6 With respect to any **Service Day**, an **Assessment Period** shall be shorter than the period referred to in paragraph 6A.2.1 in the following circumstances:
- 6A.6.1 where an **Auction Unit** is first created with the allocation to it of one or more **Eligible Assets**, its first **Assessment Period** shall be the next following twenty-four (24) hour period commencing at the time of commencement of the period referred to in paragraph 6A.2.1 and shall then increase incrementally with each consecutive twenty-four (24) hour period for which it has **Eligible Asset(s)** allocated to it, until reaching the duration of the period referred to in paragraph 6A.2.1 whereupon this paragraph 6A.6.1 shall no longer apply; and
- 6A.6.2 an **Assessment Period** shall be reduced by any period during which a **Registered Auction Participant** has been unable to make submit all or any **Background Operational Data** due to any act or default of **NGESO**.
- 6A.7 For the purposes of operation of this paragraph 6A, where an **Eligible Asset** is allocated to an **Auction Unit**, the **Background Submission Data** for that **Auction Unit** shall include the **Operational Data** and **Operational Baseline** for that **Eligible Asset** only from the date that such **Eligible Asset** becomes allocated to that **Auction Unit**, and historic **Background Submission Data** associated with the **Response Unit** to which that **Eligible Asset** has been allocated for earlier periods shall be ignored.

6A.8 NGESO will use reasonable endeavours to make available to each Registered Auction Participant on a daily basis the percentage calculation associated with each of its Auction Units for the purpose of the threshold in paragraph 6A.5.2.

8.10 With respect to each Auction and Service Day, Background Submission Data for each Auction Unit shall be assessed by NGESO prior to the Auction Closing Time for compliance with the Background Submission Data Rules and where for that Service Day the Auction Unit is not so compliant then all Sell Orders associated with that Auction Unit for the relevant Service Day will be treated as null and void.

The following new terms have been added to Schedule 1 – Defined Terms:

<u>“Assessment Period”</u>	<u>the meaning given to that term in paragraph 6A.2.1;</u>
<u>“Background Submission Data”</u>	<u>the meaning given to that term in paragraph 6A.2.2;</u>
<u>“Background Submission Data Commencement Notice”</u>	<u>the meaning given to that term in paragraph 6A.1;</u>
<u>“Background Submission Data Rules”</u>	<u>the requirements applicable to Auction Units set out in paragraph 6A;</u>
<u>“First Assessment Period”</u>	<u>the meaning given to that term in paragraph 6A.2.3;</u>
<u>“Required Threshold”</u>	<u>the meaning given to that term in paragraph 6A.2.4</u>

Questions

- Do you agree with this proposal to require operational metering and operational baselines outside contracted service periods? If not, please explain your rationale.
- Are there any implementation challenges we should be aware of, eg, in cost or time to build capability? If so, please explain and provide evidence.
- Do you have any other comments or questions on the proposal and proposed wording?

6. Penalty Reform and Unit Suspension

Operating a fair and transparent market is a core objective for the ESO. In support of this we propose the introduction of a regime of Tiered Penalties which will address instances of non-compliance through a progressive series of actions and provides an opportunity for rectification.

The penalty regime will utilise the new tools and processes we have implemented for monitoring and reporting against compliance with market rules and requirements.

What is the proposed change?

1. Requirements within the scope of the penalty regime:

These refer to the specific requirements and obligations outlined in the ESO Service Terms that service providers must adhere to. These checks are designed to ensure that providers are meeting their contractual obligations and contributing to the stability and reliability of the system.

- **Non-submission of data:** The checks will monitor submission of data in line with the Service Terms requirements. The regime will target specific checks including Operational Baseline Non-Submission, Operational Data Non-Submission and Performance Data Non-Submission. Automatic penalties will be generated for data non-submission breaches.
- **Behavioural checks:** These checks will monitor provider behaviour including compliance with Service Terms designed to support effective energy management and secure service delivery. They will also identify potential behaviours intended to distort effective performance management. Behavioural

checks will include checks for State of Energy management Non-compliance, Disarm/Re-arm instruction Non-Compliance, and a Gaming Check which includes Alignment of Real-time and Post event data, and misuse of Unavailability flags to cover poor performance.

Failure to comply with the Service Terms resulting in poor performance in non-compliance checks will generate penalties as outlined below.

2. Tiered Penalty Levels:

The penalties are triggered as follows;

- **First Tier (SP)**

Deemed Unavailability: Non-compliance or failure to meet the required threshold will result in the service provider being deemed unavailable for the Settlement Period (SP) during which the breach occurred. This initial penalty serves as a warning and an immediate consequence of failing to comply with the specified regulations.

- **Second Tier (EFA)**

Extended Unavailability: If the service provider accumulates 11 breaches, they will be deemed unavailable for the entire EFA block. This level of penalty reflects a more serious breach and indicates a pattern of non-compliance that requires stronger deterrence.

- **Third Tier (Suspension)**

Temporary Suspension: Continued non-compliance, evidenced by accumulating 21 breaches, will lead to a temporary suspension from the market for a duration of 28 days. This penalty aims to provide a significant consequence that encourages corrective action and compliance with the service terms.

- **Fourth Tier (De-registration)**

De-registration: Persistent non-compliance or failure to perform corrective actions, evidenced by accumulating 22 breaches, could result in de-registration from the market.

This final penalty is imposed at the discretion of the ESO using these principles:

- **Seriousness of the Default:** Impact on System Security, Impact on Competition, Impact on Functioning of the Auctions and the ESO's ability to operate them.
- **Degree of Culpability of the Service Provider:** Determining if the act or omission causing the default was intentional or due to negligence and reviewing the compliance record of the Service Provider, including previous occurrences of the same or similar defaults.

Why are we proposing this change?

We have identified cases of providers' repeated non-compliance with requirements of the Service Terms. In addition, we are concerned about the risk of providers deliberately submitting false data to influence the performance management process. These behaviours risk distorting the market. Establishing robust mechanisms for deterring such behaviours is a high priority for the ESO. This has also been highlighted as a priority by a number of providers who have expressed very strong support for the introduction of the new penalty regime.

We are implementing new automated and systematic tools, and processes for monitoring and reporting of service provider behaviour and implementing penalties where necessary. This new regime is part of our work to ensure that we are operating fair and transparent markets.

We are proposing a tiered penalty system to promote system security by ensuring consistent and reliable delivery of auction products. It encourages compliance through timely and accurate data submissions and adherence to State of Energy rules. Additionally, it provides proportionate disincentives by implementing penalties that more accurately reflect the severity and frequency of non-compliance. This revised penalty regime will better align penalties with the actual impact of non-compliance, creating stronger incentives for service providers to adhere to contractual obligations and enhancing the reliability and responsiveness of our services within the auction system.

Revised Service Terms Text

We are proposing changes to paragraphs 15.3, 15.11 to 15A.11 of the Service Terms to bring these changes into effect.

15.3 In addition, and without limiting paragraph 15.1, to enable **NGESO** to monitor the delivery of **Response** pursuant to a **Response Contract** and to facilitate calculation of **Availability Payments** in accordance with paragraph 7 and Schedule 3 and to operate the **Performance Regime**, the **Service Provider** shall procure and retain (for a period of not less than three (3) months) the data specified or referred to in paragraph 15.4 ("**Performance Data**") and shall submit the **Performance Data** to **NGESO** by electronic transfer on an hourly basis using a **Data Concentrator** throughout the **Contracted Service Period**.

Deregistration and Suspension

15.11 Without prejudice to any relevant provision of the **Response Procurement Rules**, where the **Service Provider** persistently or materially fails to meet any of its obligations set out in this paragraph 15 (in whole or in part) then **NGESO** reserves the right (acting reasonably) to de-register to:-

- i. **Deregister** the **Service Provider** as a **Registered Service Provider** and/or a **Registered Response Participant** and/or disqualify any relevant **Eligible Assets** and/or **Response Units** from participating in **Auctions**; and/or
- ii. **Suspend** for twenty-eight (28) **Days** any relevant **Response Units** with respect to the relevant **Auction Product**; and/or
- iii. **Deregister** any relevant **Eligible Asset** with respect to the relevant **Auction Product**,
provided always that, with effect from the coming into effect of the **Performance Regime**, failure to provide relevant **Operational Data** and/or **Performance Data** shall only impact on payment of the **Availability Payment** in the circumstances set out in paragraph 15A.

15A Performance Regime

15A.1 This paragraph 15A shall take effect on the date specified by **NGESO** by not less than thirty (30) **Days** prior notice in writing to **Registered Auction Participants**.

15A.2 In this paragraph 15A:-

- i. "**Active Default**" means a **Default** which is not a **Lapsed Default**;
- ii. "**Default**" means any of the failures described in paragraph 15A.3;
- iii. "**Default Tier**" means each of the levels described as such in paragraph 15A.5;
- iv. "**Lapsed Default**" in relation to any **Day** means a **Default** which occurred more than three hundred and sixty-five (365) **Days** prior to that **Day**; and
- v. "**Relevant Settlement Period**" means a **Settlement Period** falling in a **Contracted Service Period**.

15A.3 With respect to any **Auction Unit**, each of the following shall constitute a **Default** for the purposes of this paragraph 15A (in case with respect to the **Relevant Settlement Period** in which it occurs or relates to):-

- i. failure by the **Service Provider** to submit an **Operational Baseline** with respect to any minute in accordance with paragraph 6.2;
- ii. failure by the **Service Provider** to submit **Operational Data** with respect to any second in accordance with paragraph 15.1;
- iii. failure by the **Service Provider** to submit **Performance Data** with respect to any measurement per second in accordance with paragraph 15.4;
- iv. where **Energy Limited**, non-compliance with the **State of Energy Management Rules**; and
- v. failure to comply with a **Disarming Instruction** or **Re-Arming Instruction** in accordance with paragraph 6.16 or 6.17 respectively.

15A.4 NGESO shall monitor the delivery of each of the **Response Services** with the objective of identifying on a monthly basis (1) all **Defaults** occurring in relation to each **Auction Unit** participating in the **Auctions** and (2) with respect to each **Day**, all **Active Defaults**.

15A.5 In respect of each **Auction Unit** and **Auction Product**, **Defaults** will be assessed cumulatively and may from time to time move an **Auction Unit** in or out of a **Default Tier** as follows (but subject always to paragraph 15A.7):

- i. "**Default Tier 1**" shall be triggered on the occurrence of each single **Default** ;
- ii. "**Default Tier 2**" shall be triggered on the occurrence of the eleventh (11th) successive **Default** (of any type) but excluding all **Lapsed Defaults**;
- iii. "**Default Tier 3**" shall be triggered on the occurrence of the twenty-first (21st) **Default** (of any type and in respect of any or all of the **Auction Products**) but excluding all **Lapsed Defaults**; and
- iv. "**Default Tier 4**" shall be triggered on the occurrence of the twenty-second (22nd) **Default** (of any type and in respect of any or all of the **Auction Products**) but excluding all **Lapsed Defaults**.

15A.6 Subject always to paragraph 15A.7, where:-

- i. **Default Tier 1** is triggered, the relevant **Auction Unit** shall be deemed to be unavailable to provide the relevant **Auction Product** for the entirety of the affected **Settlement Period** for the purposes of paragraph 7 (*Availability Payments*);
- ii. **Default Tier 2** is triggered, the relevant **Auction Unit** shall be deemed to be unavailable to provide the relevant **Auction Product** for the entirety of the affected **Contracted Service Period** for the purposes of paragraph 7 (*Availability Payments*);
- iii. **Default Tier 3** is triggered, the relevant **Auction Unit** shall be **Suspended** for twenty-eight (28) **Days** in relation to the **Auction Product** in question commencing on the date of notification of such **Suspension** to the **Service Provider**; and
- iv. **Default Tier 4** is triggered, the **Eligible Assets** comprised within the **Auction Unit** in question shall be **Deregistered** for all **Auction Products** with effect from notification of such **Deregistration** to the **Service Provider**, and the **Auction Unit** itself shall cease to exist on the **Single Market Platform** for all of the **Auction Products**.

15A.7 NGESO may at its sole discretion disapply any **Default** or **Default Level** where the **Default** in question was beyond the reasonable control of the **Service Provider**.

15A.8 Notwithstanding that a **Default Tier** shall not have been triggered, **NGESO** may by notice in writing to the **Registered Auction Participant** declare any of the **Default Tiers** to be triggered at its sole discretion where it identifies:-

- i. a discrepancy in **Active Power Output** or **Demand** (as the case may be) as shown by **Metered Data** as between (1) submitted **Operational Data** and (2) submitted **Performance Data**; and/or
- ii. a discrepancy between availability of the relevant **Response Unit** as shown by (1) submitted **Operational Data** and (2) submitted **Performance Data**; and/or
- iii. any other inaccuracy or discrepancy related to submissions of data or other information associated with availability or delivery of the **Response Services** or any of them.

15A.9 For the avoidance of doubt, **Suspension** in relation to an **Auction Unit** shall not affect the **Service Provider's** obligations in the **Response Procurement Rules** with respect to the submission of **Background Submission Data**.

15A.10 NGESO shall use reasonable endeavours to notify each **Service Provider** at least on a monthly basis, when a **Default Tier** is triggered in relation to any of its **Auction Units**.

15A.11 In exercising its discretion under this paragraph 15A, **NGESO** shall have regard to:-

- i. the seriousness of the **Default** (or other circumstances under consideration), which shall include consideration of whether such **Default** (or other circumstances) caused or is causing, or is likely to cause, harm to system security or the proper functioning of the **Auctions**; and

- ii. the degree of culpability of the **Service Provider** specifically whether the relevant act or omission causing the **Default** (or other circumstances) was intentional or due to negligence, and the compliance record of the **Service Provider** (and that of its associated companies) in relation to previous occurrences of the same or similar **Default** (or other circumstances).

Changes have also been made to Clause 6, Service Delivery, to ensure consistency with the introduction of the tiered penalty regime.

Revised Procurement Rules Text

In order to enact these changes, we propose the following changes to the Procurement Rules:

Procurement Rules clause 4:

4.2 Where **NGESO** determines ~~(acting reasonably)~~ that any details provided, including confirmations and declarations given by, a **Registered Auction Participant** pursuant to the **Registration and Pre-Qualification Procedure** are no longer true and/or accurate, then **NGESO** may (but shall not be obliged to) ~~de-register~~ **Deregister** the relevant entity as a **Registered Auction Participant** and/or **Registered Service Provider** (as the case may be). Such ~~de-registration~~ **Deregistration** shall be notified by **NGESO** to the **Registered Auction Participant** by email, whereupon it may no longer participate in the **Auctions** with respect to any **Auction Unit** unless and until it is re-registered in accordance with these **Response Procurement Rules** and the **Registration and Pre-Qualification Procedure**.

4.24.3 An entity may also be **Deregistered** as a **Registered Auction Participant** in the circumstances specified in the **Response Service Terms**.

Procurement Rules clause 5:

5.3 ~~Where **NGESO** determines (acting reasonably), may either:-~~

5.3.1 having regard to declarations of unavailability notified by the **Registered Auction Participant** pursuant to the **Response Service Terms** (or otherwise,) that any **Eligible Asset** is no longer capable of providing its **Maximum Registered Product Capacity** with respect to any relevant **Auction Product**, ~~then; or~~

5.3.2 in any other circumstances which may be specified in the **Response Service Terms**.

determine that an **Eligible Asset** shall be **Deregistered**, whereupon **NGESO** shall so notify the **Registered Auction Participant** ~~whereupon~~ and the **Eligible Asset** shall then no longer be pre-qualified to the relevant **Auction Product(s)**, and in respect thereof any allocation of that **Eligible Asset** to an **Auction Unit** pursuant to paragraph 5 shall immediately cease but in relation to that **Auction Product** only.

5.35.4 For the avoidance of doubt, where an **Eligible Asset** ~~is no longer pre-qualified in the circumstances described in paragraph 5.3~~ **has been Deregistered**, its constituent **Plant** and **Apparatus** may subsequently be notified by the **Registered Auction Participant** for pre-qualification once more in accordance with this paragraph 5.

Procurement Rules clause 6:

6.8 An **Eligible Asset** may not be unallocated from an **Auction Unit** (including by way of re-allocation to another **Auction Unit**) for so long as that **Auction Unit** is **Suspended**.

6.9 An **Auction Unit** shall cease to exist for the **Auction Products** on the **Single Market Platform** in the circumstances set out in the **Response Service Terms**.

Schedule 1 – Defined Terms

<p><u>“Deregistered”</u></p>	<p>in relation to (1) any Auction Product, means the cessation of an Eligible Asset’s pre-qualification to that Auction Product, and (2) any Registered Auction Participant, means the cessation of that Registered Auction Participant’s eligibility to participate in the Auctions, and (3) any Registered Service Provider, means the cessation of that Registered Service Provider’s eligibility to provide Balancing Services to NGESO via the Single Market Platform;</p>
<p><u>“Suspension”</u></p>	<p>in relation to any Auction Unit and Auction Product, means that such Auction Unit may no longer participate in an Auction for that Auction Product for the duration of any period of Suspension which may be prescribed in the Response Service Terms, in accordance with the process described in the Registration and Pre-Qualification Procedure, and “Suspended” shall be construed accordingly;</p>

Schedule 2 – Registration and Pre-qualification procedure

Registration as Registered Service Provider

Once registered, a participant may be **Deregistered** by **NGESO** as a **Registered Service Provider** in the circumstances described in these **Response Procurement Rules**, whereupon it may no longer provide **Balancing Services to NGESO** [via the **Single Market Platform**] (notwithstanding its accession to the **Response Procurement Documentation** or any other similar documentation for other **Balancing Services**). A participant once **Deregistered** may subsequently apply to **NGESO** for its registration as **Registered Service Provider** to be restored which **NGESO** may agree at its sole discretion.

Registration as Registered Auction Participant

Once registered, a participant may be **Deregistered** by **NGESO** as a **Registered Auction Participant** in the circumstances described in these **Response Procurement Rules**, whereupon it may no longer participant in any **Auctions** (notwithstanding its accession to the **Response Procurement Documentation**). A participant once **Deregistered** may subsequently apply to **NGESO** for its registration as **Registered Auction Participant** to be restored which **NGESO** may agree at its sole discretion.

Pre-qualification of Eligible Assets

Once an asset has been pre-qualified and registered to an **Auction Product** as an **Eligible Asset**, it may be **Deregistered** by **NGESO** as an **Eligible Asset** in the circumstances described in the **Response Auction Rules**, whereupon it shall no longer be pre-qualified to that **Auction Product**. The **Registered Auction Participant** may subsequently resubmit the relevant asset(s) for pre-qualification to that **Auction Product**. **Deregistration** in respect of an **Auction Product** shall not affect the pre-qualification of the relevant asset(s) as an **Eligible Asset** with respect to other **Auction Products**.

Allocation to Auction Units

An **Eligible Asset** may be unallocated from an **Auction Unit** including by reallocation to another **Auction Unit**, but an **Eligible Asset** may not be so unallocated from an **Auction Unit** whilst that **Auction Unit** is **Suspended**.

ESO

Suspension of Auction Units

In the circumstances set out in the Response Service Terms, NGENSO may notify a Registered Auction Participant that, for a particular Auction Product(s), an Auction Unit is Suspended, whereupon for the period specified in the Response Service Terms that Auction Unit may not participate in the Auctions for that Auction Product, and all Eligible Assets allocated to that Auction Unit at the commencement of the Suspension shall remain allocated for the duration of the period of Suspension.

Questions

- Do you agree with the proposal to introduce a tiered penalty regime? If not, please explain your rationale.
- Do you have any other comments or questions on the proposal and proposed wording?

7. Disarming and re-arming instructions outside contracted service periods

We propose to be able to send instructions to service providers to disarm or re-arm outside of contracted service periods such that the instruction is effective from the start of the next contracted service period.

What is the proposed change?

We propose the ESO be able to issue arming and disarming instructions outside of contracted service periods. This represents a change from the current service terms, wherein the ESO may issue these instructions during contracted service periods only.

With this proposal, the service provider is required to acknowledge the instruction within two minutes of receipt (reflecting the current requirement in 6.15 of the Service Terms), including when this is outside of contracted service periods. Where the service provider has received the instruction outside of (prior to) the contracted service period, it must start its next contracted service period disarmed or armed reflecting that instruction. The exception is if the ESO sends the instruction less than two minutes before the start of the contracted service period or during the contracted service period, in which case, the service provider must bring the instruction into effect within two minutes of its receipt.

Why are we proposing this change?

Disarming and re-arming refer to ceasing provision and resuming provision, respectively, of the response service. We would send such signals where there is an operational need to do so, for example, where service provision could drive oscillations or exacerbate a constraint.

Currently, the Service Terms (6.14-6.19) only provide for the ESO to issue an instruction during a contracted service period. Service Providers must bring the instruction into effect within two minutes of its receipt. This could mean the ESO is aware in advance of an operational need to have units disarmed (or re-armed) from the start of a contracted service period but does not have the ability to require disarming (or re-arming) until 2 minutes after the start of the contracted service period. The proposed change allows the ESO to protect against the risk of 2 minutes of service delivery where it is contrary to the system needs.

Revised Service Terms Text

We are proposing changes to paragraphs 6.14 to 6.17 of the Service Terms to bring this change into effect.

- 6.14 At any time ~~during~~ ~~with respect to any~~ **Contracted Service Period**, NGENSO may issue an instruction to the **Service Provider** to cease provision of ~~any one or more of the applicable Auction Product~~ **Products** ("**Disarming Instruction**"), and such **Disarming Instruction** shall remain ~~in place for the remainder of that Contracted Service Period and all and any subsequent Contracted~~

- ~~Service Periods~~ effective until such time as **NGESO** instructs the **Service Provider** that provision of that **Auction Product(s)** can resume from that **Response Unit** (“**Re-Arming Instruction**”).
- 6.15 All **Disarming Instructions** and **Re-Arming Instructions** shall be given by **NGESO** by electronic means, which shall be acknowledged by the **Service Provider** also by electronic means within two (2) minutes of receipt, in each case in accordance with the requirements of the **ASDP Documentation**, and for such purpose ‘disarming codes’ and ‘re-arming codes’ shall be published by **NGESO** from time to time.
- 6.16 No later than two (2) minutes following receipt of a **Disarming Instruction**, ~~(or, where the Disarming Instruction is issued outside of a Contracted Service Period, by the start of the next following Contracted Service Period if later),~~ the **Service Provider** shall use all reasonable endeavours to disarm the relevant **Response Unit** (and its constituent **Eligible Asset(s)**) such that no **Response** is provided and the **Response Unit** ~~resumes operation~~ operates in accordance with its then prevailing **Operational Baseline**.
- 6.17 No later than two (2) minutes following receipt of a **Re-Arming Instruction** ~~(if given during a Contracted Service Period),~~ the **Service Provider** shall use all reasonable endeavours to re-arm the relevant **Response Unit** (and its constituent **Eligible Asset(s)**) such that provision of the applicable **Auction Product** is ~~resumed~~ either (if the Re-Arming Instruction is issued during a Contracted Service Period) resumed or (if the Re-Arming Instruction is issued outside of a Contracted Service Period) begun from the start of that Contracted Service Period (or from expiry of such two (2) minute period if later), in each case in accordance with this paragraph 6.

Questions

- Do you agree with this proposal to send disarming and re-arming signals outside contracted service periods? If not, please explain your rationale.
- Are there any implementation challenges we should be aware of, e.g., in cost or time to build capability to receive signals outside contracted service? If so, please explain and provide evidence.

8. Maximum sell size

We propose to increase the Maximum Sell Size to 100MW for each of the dynamic response products.

What is the proposed change?

Currently the maximum sell size that can be submitted for DR and DM is 50MW and for DC is 100MW. We are proposing to increase the maximum sell size for DR and DM to 100MW in line with DC.

Why are we proposing this change?

We understand that the maximum sell size that can be submitted can be a barrier to optimisation for larger assets. By aligning the maximum sell size across all of the dynamic services it will allow providers to move smoothly between different market opportunities and reduce complexity.

The enforcement of this rule will be through the prequalification process such that no provider will be allowed to pre-qualify more volume on a unit than the maximum bid size.

Revised Procurement Rules Text

We have proposed changes to paragraph 8.3.3 and have added a new definition to the Procurement Rules.

8.3.3 for each of such **Auction Products** comprising the **Sell Order**, an **Offered Quantity** (in MW), which ~~shall be an integer not less than one (1) MW.:-~~

8.3.3.1 shall be an integer not less than one (1) MW and not greater than the Maximum Sell Size; and
 8.3.3.2 where the Auction Unit is Energy Limited, preserves its Reserved Capacity (such that the Offered Quantity does not utilise any part of that Reserved Capacity), and furthermore where a Service Provider has Stacked one or more Auction Products, the sum of (1) the Offered Quantity of each Auction Product in the same Product Direction, when aggregated with the Reserved Capacity for each, and (2) such aggregate amount for the Auction Products in the other Product Direction, shall not exceed the Maximum Unit Registered Capacity.

<p><u>“Maximum Sell Size”</u></p>	<p><u>in relation to each Response Product, such volume (MW) as may be notified in writing by NGESO to Registered Auction Participants from time to time, being the maximum permitted Offered Quantity, and which for the avoidance of doubt shall be one hundred (100) MW for each Response Product unless otherwise notified;</u></p>
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Questions

- Do you agree with the proposal to increase the maximum sell size to 100MW across all of the dynamic services? If not, please explain your rationale.
- Do you have any other comments or questions on the proposal and proposed wording?

9. Deadband for non-energy limited assets

For Response Units which are not energy limited, providers may choose to nominate a zero deadband.

What is the proposed change?

We propose that, upon creating a Response Unit, which is not energy limited, providers may nominate a ‘zero deadband’ i.e., the deadband is 50Hz + or - 0Hz for all Dynamic Services. In effect this would mean there is no deadband for these Response Units.

The current Service Terms provide for a deadband of 50Hz +/-0.015Hz, i.e., 49.985Hz to 50.015Hz, in which a Response Unit does not deliver response energy. There is an exception for non-energy limited units, for which the Service Terms state that delivery in the deadband is allowable so far as the Unit is providing equivalent Mode A Frequency Response up to the Contracted Quantity. We propose removing this reference to Mode A Frequency Response, in effect substituting it with our new proposal by which providers can nominate a zero deadband.

We do not intend to implement this change before March 2025. We will publish a document to set out when this is to come into effect.

Why are we proposing this change?

Reflecting provider feedback on our current terms, we consider the change will better and more clearly deliver our objective of enabling access to our Dynamic Services from a wide range of technology types. We recognise synchronous, non-energy limited units do not have the technical capability to adhere to the deadband provision. Our current Service Terms, which provide for adherence to Mode A Frequency delivery instead of no response energy delivery, are designed to allow for this wider access. Taking into account stakeholder engagement, we understand that our proposed approach of providing a clearly defined alternative delivery profile, without a deadband, will more clearly reflect the technical capability of non-energy limited assets.

Revised Procurement Rules Text

In order to enact these changes, we propose the following changes in the Procurement Rules:

Procurement Rules Clause 6:

6.5 In addition, for each Auction Unit which is not Energy Limited, and from a date to be specified by NGESO by notice in writing to Registered Auction Participants for such purpose, the Registered Auction Participant may as part of the Registration and Pre-Qualification Procedure designate that Auction Unit with a Zero Deadband (and for the avoidance of doubt, an Auction Unit may be designated with a Zero Deadband for all (and not some only) of the Auction Products).

Schedule 1 – Defined Terms

<p><u>“Zero Deadband”</u></p>	<p>a designation given to an Auction Unit which is not Energy Limited as part of the Registration and Pre-qualification Procedure, which means that, for all Auction Products, the Deadband is replaced by a deadband defined by Frequency deviations between but not including +0.0Hz and -0.0Hz +fD and -fD in each case from the Target Frequency.</p>
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Schedule 2 – Registration and Pre-qualification procedure

When creating an **Auction Unit** which is not **Energy Limited**, and from a date to be specified by **NGESO** by notice in writing to **Registered Auction Participants** for such purpose, a **Registered Auction Participant** may designate that **Auction Unit** with a **Zero Deadband** (which for the avoidance of doubt may not subsequently be changed). For **Auctions Units** already created on such date and which are not **Energy Limited**, the relevant **Registered Auction Participant** may subsequently designate a **Zero Deadband** (which for the avoidance of doubt may not subsequently be changed).

Revised Service Terms Text

Minor changes to Service Terms text

Clause 6.7 iv

- iv. **Response** must not be delivered within the **Deadband** ~~except to the extent that a **Response Unit** which is not **Energy Limited** and which is contracted for **Dynamic Regulation** only is providing equivalent **Mode A Frequency Response** up to the **Contracted Quantity** (or, where applicable, the **Zero Deadband**).~~

Clause 6.11 vi

- vi. a **Response Unit** shall not deviate from its **Operational Baseline** (whether in order to manage **State of Energy** or otherwise) whilst **System Frequency** is within the **Deadband** ~~except as provided in paragraph 6.7iv (but for the avoidance of doubt a **Response Unit** providing **Dynamic Regulation** which is not **Energy Limited** may deviate from its **Operational Baseline** whilst **System Frequency** is within the **Deadband** to the extent it is providing equivalent **Mode A Frequency Response** up to the **Contracted Quantity** (or, where applicable, the **Zero Deadband**).~~

Changes to Schedule 2 – capability and data tables are also proposed to enact these changes.

Questions

- Do you agree with this proposal to provide a zero deadband for non-energy limited assets? If not, please explain your rationale.
- Do you agree it delivers the policy intent to enable non-energy limited assets to participate in our services?
- Do you have any other comments or questions on the proposal and proposed wording?

10. Transfer: pay secondary provider

Where there is a transfer of response contract, ESO transfers the availability payments to the secondary provider.

What is the proposed change?

Paragraph 21 of the Service Terms allows for transfer of obligations around the delivery of response. This means that a provider who has a Response Contract may transfer it to another provider, known as the Secondary Service Provider, who is then required to discharge obligations in relation to the delivery of response.

Paragraph 7.4 of the current Service Terms states that availability payments, during a transfer period, are payable to the primary service provider (i.e., the party who has nominated the Secondary Service Provider to discharge the response delivery obligations).

This proposed change will result in availability payments being payable to the secondary provider.

Why are we proposing this change?

This would ensure aligned transfer provisions across our Dynamic Response and Reserve services. We consider transferring both the obligations and the rights – i.e., availability payments in this case, is simpler for providers.

Revised Service Terms Text

21. Transfer of Response Contracts

21.1 At any time during the subsistence of a **Response Contract**, a **Service Provider** (the “**Primary Service Provider**”) may ~~n nominate~~assign to another **Registered Response Participant** (the “**Secondary Service Provider**”) ~~to discharge all of its rights and obligations to NGENSO with respect to the delivery of Response in the applicable Contracted Service Period pursuant to that~~under a Response Contract.

21.2 The effect of any such ~~nomination~~assignment once validated by **NGESO** pursuant to this paragraph 21 is ~~to treat delivery that all rights and obligations of Response from one or more the Primary Service Provider under the Response Service Terms with respect to the relevant Response Units registered~~Contract shall be transferred to the Secondary Service Provider as if delivered by the Primary Service Provider from its Response Unit, for the purposes~~avoidance of these Response~~doubt for the entirety of the Contracted Service Terms~~Period in question.~~

21.3 No ~~nomination~~assignment shall be valid unless:-

- i. both entities are **Registered Response Participants**;
- ii. the **Secondary Service Provider** has **Eligible Assets** which are **Registered** to it and allocated to one or more **Response Units** pursuant to the Response Procurement Rules with sufficient aggregate **Registered Quantity** and proven capability to deliver the applicable **Auction Product** to enable the **Response Contract** to be discharged during the applicable **Contracted Service Period**; and
 - i. ~~the specified Transfer Period during which the nomination is to be effective is a period which comprises the entire Contracted Service Period created by a subsisting Response Contract to which the Primary Service Provider is a party; and~~
 - iii. ~~the nomination~~the assignment is validly notified to **NGESO** pursuant to paragraphs 21.4, 21.5 and 21.6 and the **Transfer Notice** validated by **NGESO**.

Transfer Notices

21.4 Each ~~nomination~~assignment shall be notified to **NGESO** by the **Primary Service Provider** by no later than ~~one (1) hour~~sixty (60) minutes prior to commencement of the applicable **Contracted Service Period** and in the format designated by NGENSO for such purpose and published on the

Industry Information Website, and each such ~~nomination assignment~~ is referred to in these **Response Service Terms** as a “**Transfer Notice**”.

21.5 Unless otherwise specified in writing by **NGESO** from time, each **Transfer Notice** shall comprise the entirety of a **Contracted Service Period**, and shall specify:-

- i. the identity of the **Primary Service Provider** and **Response Unit**; and
- ii. the identity of the **Secondary Service Provider** and its **Response Unit(s)** and **Eligible Assets**.

21.6 Each ~~nomination assignment~~ shall comprise the entire **Contracted Quantity** associated with the **Response Contract** ~~during the relevant Transfer Period~~, and for the avoidance of doubt the **Contracted Quantity** shall not be capable of being split amongst two or more **Secondary Service Providers** or two or more Response Units.

21.7 ~~In giving a~~Each **Transfer Notice**, must be signed by or on behalf of both the **Primary Service Provider** ~~warrants that~~and the **Secondary Service Provider** ~~accepts the nomination~~.

~~21.8~~ **NGESO** shall notify the **Primary Service Provider** as soon as reasonably practicable following receipt of the **Transfer Notice** whether or not the **Transfer Notice** has been validated. In the absence of any notification by **NGESO** of validation of the **Transfer Notice** by commencement of the relevant **Contracted Service Period** the **Transfer Notice** shall be deemed not to have been validated.

21.8 Unless deemed withdrawn in accordance with paragraphs 21.9 and 21.10, all **Transfer Notices** properly submitted in accordance with this paragraph 21 shall be automatically accepted by **NGESO**.

21.9 Where in **NGESO**'s reasonable opinion the delivery of **Response** pursuant to the **Response Contract** ~~during the Transfer Period~~ by the **Secondary Service Provider**'s designated **Response Unit(s)** would or might endanger operational security within the meaning of the **Electricity Transmission System Operation Regulation**, then **NGESO** shall so notify both **Registered Response Participants** whereupon the **Transfer Notice** shall be deemed withdrawn.

21.10 A **Transfer Notice** shall be invalid if the **Secondary Service Provider**'s designated **Response Unit** or any **Eligible Asset** allocated to it is the subject of a **Response Contract** for the same **Contracted Service Period**, in which case **NGESO** shall so notify both whereupon the **Transfer Notice** shall be deemed withdrawn.

Cancellation Notice

~~21.11~~ A **Transfer Notice** may be cancelled by the **Primary Service Provider** (but not under any circumstances by the **Secondary Service Provider**) by notification to **NGESO** in writing (“**Cancellation Notice**”) specifying the date and time from which the cancellation is to be effective.

Effect of Transfer Notice

~~21.12~~ For the duration of each **Transfer Period** (or any earlier period where the **Transfer Period** comes to an end pursuant to the foregoing provisions), **NGESO** consents to the **Primary Service Provider**'s obligation to deliver **Response** pursuant to the relevant **Response Contract** being discharged on its behalf by the **Secondary Service Provider** from its **Response Unit(s)**.

Form of notifications

~~21.13~~ All **Transfer Notices** and **Cancellation Notices** and other notifications related thereto between the **Parties** referred to in this paragraph 21 shall be made using the method of communication specified from time to time by **NGESO**.

21.11 For the avoidance of doubt, where a **Service Provider** wishes to discharge its obligations to **NGESO** with respect to the delivery of the relevant **Response Service** pursuant to a **Response Contract** using an alternative **Response Unit** which it has registered with **NGESO** under the **Response Procurement Rules**, it may serve a **Transfer Notice** pursuant to this paragraph 21. With respect to each such **Transfer Notice** validated by **NGESO**, **NGESO** will monitor availability and submitted parameters, and treat delivery of that **Response Service** from that alternative **Response Unit**, as if made and delivered by the **Service Provider** from its original **Response Unit**, and all references in this paragraph 21 to **Secondary Service Provider** shall be construed as meaning the **Service Provider** where the context admits.

Associated references in Service Terms clauses 5.1, 5.9, 6.1, 11.1, 11.2, 12.1, 12.2, 12.7 have also been updated accordingly.

Questions

- Do you agree with this proposal to transfer availability payments to secondary service providers in the instance of a transfer? If not, please explain your rationale.

11. Updates to Schedule 3

We have made some updates to Schedule 3 of the Service terms:

Change 1:

What is the proposed change?

There are updates to the settlement formula to accurately reflect the penalties for negatively priced bids.

Why are we proposing this change?

This change reflects the correct settlements formula, which accurately reflects the penalties for negatively priced bids.

We are aware that some providers have been incorrectly penalised using this updated formula prior to the update being made in the Service Terms. We are currently reviewing impacts so that the correct steps can be made for reimbursement.

Revised Formula in Schedule 3 of the Service Terms

$$S_{aij} = \text{Round} \left(\left(\left(P_{aj} - \left((1 - K_{aij} \times F_{aij}) \times PF_{aj} \right) \right) \times V_{aij} \times 0.5 \times F_{atj} \right), 2 \right)$$

Questions

- Do you agree with the proposed changes to the settlements formula? If not, please explain your rationale.

Change 2:

What is the proposed change?

Clarifications are added to the formulas with regard to Metered Response (MR) to add separated MR for bundled services.

Why are we proposing this change?

This change is intended to separate the performance calculation when delivering high or low frequency services in bi-directional contracts, such that a provider is only penalised on the relevant side for poor performance.

Revised Text and Formulas in Schedule 3 of the Service Terms

The LF error $e_{m_{LF}}$ for one time measurement and metered response MR :

$$e_{m_{LF}} = \begin{cases} LB_{LF} - MR & MR < LB_{LF} \\ 0 & LB_{LF} \leq MR \leq UB_{LF} \\ MR - UB_{LF} & MR > UB_{LF} \end{cases}$$

...

The HF error $e_{m_{HF}}$ for one time measurement and metered response MR :

ESO

$$e_{m_{HF}} = \begin{cases} LB_{HF} - MR & MR < LB_{HF} \\ 0 & LB_{HF} \leq MR \leq UB_{HF} \\ MR - UB_{HF} & MR > UB_{HF} \end{cases}$$

...

For bundled services, the metered response MR for LF is calculated as:

$$MR_{LF} = \begin{cases} MR & MR > 0 \\ 0 & otherwise \end{cases}$$

The LF error $e_{m_{LF}}$ for one time measurement and metered response MR :

$$e_{m_{LF}} = \begin{cases} LB_{LF} - MR_{LF} & MR_{LF} < LB_{LF} \\ 0 & LB_{LF} \leq MR_{LF} \leq UB_{LF} \\ MR_{LF} - UB_{LF} & MR_{LF} > UB_{LF} \end{cases}$$

...

For bundled services, the metered response MR for HF is calculated as:

$$MR_{HF} = \begin{cases} MR & MR < 0 \\ 0 & otherwise \end{cases}$$

The HF error $e_{m_{HF}}$ for one time measurement and metered response MR :

$$e_{m_{HF}} = \begin{cases} LB_{HF} - MR_{HF} & MR_{HF} < LB_{HF} \\ 0 & LB_{HF} \leq MR_{HF} \leq UB_{HF} \\ MR_{HF} - UB_{HF} & MR_{HF} > UB_{HF} \end{cases}$$

Questions

- Do you agree with the proposed changes to the metered response formulas? If not, please explain your rationale.

Change 3

What is the proposed change?

Clarification has been added regarding switching from unavailable to available in bundled services and the grace period given to these, i.e. high flags switching will only give allowance to the high side.

Why are we proposing this change?

This change clarifies that when a provider switches from unavailable to available in a bundled service, that the grace period given is only for the relevant side, either high OR low.

Revised Text in Schedule 3 of the Service Terms

After a **Response Unit** begins delivery, or after a period of missing data, ~~or the upper and lower performance bounds will be set to P and -Q respectively for the duration of **Grace period 1** of the corresponding contracted service.~~ Furthermore, after switching from unavailable to available the upper and lower performance bounds will be set to P and ~~-Q for low frequency services, and to 0 and -Q for high frequency services,~~ respectively for the duration of **Grace period 1** of the corresponding contracted service.

Questions

- Do you agree with the proposed changes to the grace periods when switching from unavailable to available in bundled services? If not, please explain your rationale.

12. Other housekeeping changes

In addition to the above proposals, we are making some housekeeping changes. These changes do not fundamentally change the terms and conditions of the service. These are:

- Combining Tables of Definitions into one table (the separate tables were required for launch of EAC but are no longer required).
- References to Flexibility Services Standard Agreement.

We do not consider these changes in scope of EBGL Article 18, but nonetheless welcome stakeholder comment.

Questions

- Do you have any comments or questions on any of the housekeeping changes?

13. Changes for QR Procurement rules

As set out in the introduction, the ESO is in parallel to this consultation, launching a consultation on Quick Reserve. As part of that consultation, we are seeking feedback in relation to a change to the Response Procurement Rules that facilitates co-optimised procurement of the Response and Reserve services.

Specifically, the proposed changes are:

- An update to the definition of 'Market Welfare' which includes a reference to both response products and Quick Reserve.
- The addition of 'Quick Reserve' in the table of definitions.
- The addition of 'Quick Reserve Auction Products' to the table of definitions.
- The addition of 'Quick Reserve Procurement Rules' to the table of definitions.

For the avoidance of doubt, any feedback on Quick Reserve related elements of the Response Services Procurement Rules should be submitted to that consultation which is available [here](#).

Appendix 1: Mapping Table

EBR Article 18 mapping for the Response Terms and Conditions

Please note: This table cross references the terms and conditions related to balancing described in article 18 of Commission Regulation (EU) 2017/2195 of 23 November 2017 (as incorporated into EU retained law, and as amended by the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019/532) (“**EBR Article 18**”) against the corresponding parts of the GB codes and relevant contractual provisions, with particular reference to the Response service. This cross referencing includes the terms and conditions for balancing service providers and the terms and conditions for balance responsible parties.

References in this table to the 'Response Service Terms' means the document titled 'Response Services Service Terms'. References to the 'Response Procurement Rules' means the document titled 'Response Procurement Rules' and identified as being part of 'Release 3' (to distinguish it from the document which shows the updates made to those procurement rules as part of the separate package of proposed changes to the balancing terms and conditions to introduce Quick Reserve which are solely designed to allow optimisation across both services).

Nothing in this table shall prejudice or otherwise affect the operation of the GB codes and relevant contractual provisions, and in the event of any conflict or inconsistency between this table and EBR Article 18 the latter shall prevail.

Table 1 – Mandatory Elements

Below is the mapping of EBR Article 18 with references to the relevant Response terms and conditions.

<i>Article</i>	<i>Text</i>	<i>Code or Document</i>	<i>Section</i>
18.2	The terms and conditions pursuant to paragraph 1 shall also include the rules for suspension and restoration of market activities pursuant to Article 36 of Regulation (EU) 2017/2196 and rules for settlement in case of market suspension pursuant to Article 39 of Regulation (EU) 2017/2196 once approved in accordance with Article 4 of Regulation (EU) 2017/2196.	Grid Code	OC9.4
		BSC	G3, P1.6, P5, Q4.3.4, Q5.4, Q5A and T1.7
18.4	The terms and conditions for balancing service providers shall:	-	-

Article	Text	Code or Document	Section
18.4.a	Define reasonable and justified requirements for the provisions of balancing services;	Response Procurement Rules	Response Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 6 – Allocation of Eligible Assets to Auction Units 12 – Formation of Response Contracts
		Response Service Terms	Response Service Terms 5 – Service Availability 15A – Performance Regime
		BSC	A, H3, H4.2, H4.7, H4.8, H5.5, H6, H10, J3.3, J3.6, J3.7 and J3.8
		CUSC	4.1.3
18.4.b	allow the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to offer balancing services subject to conditions referred to in paragraph 5 (c);	Grid Code	BC1, BC2, BC3 & BC4
		BSC	K3.3, K8, S6.2, S6.3 and S11, S12, S13 and S14
		Grid Code	DRSC 4.2, BC1.4
18.4.c	allow demand facility owners, third parties and owners of power generating facilities from conventional and renewable energy sources as well as owners of energy storage units to become balancing service providers;	Response Procurement Rules	Response Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets Schedule 2 – Registration and Pre-Qualification Procedure
		BSC	K3.2, K3.3, K8
18.4.c	allow demand facility owners, third parties and owners of power generating facilities from conventional and renewable energy sources as well as owners of energy storage units to become balancing service providers;	Response Procurement Rules	Response Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 6 – Allocation of Eligible Assets to Auction Units

Article	Text	Code or Document	Section
			Schedule 2 – Registration and Pre-Qualification Procedure
18.4.d	require that each balancing energy bid from a balancing service provider is assigned to one or more balance responsible parties to enable the calculation of an imbalance adjustment pursuant to Article 49.	BSC	T4, Q7.2, Q6.4
18.5	The terms and conditions for balancing service providers shall contain:	-	-
18.5.a	the rules for the qualification process to become a balancing service provider pursuant to Article 16;	Response Procurement Rules	Response Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 6 – Allocation of Eligible Assets to Auction Units Schedule 2 – Registration and Pre-Qualification Procedure
		Grid Code	BC5, BC4.4.2
		CUSC	4.1
		BSC	J3.3, J3.6, J3.7, J3.8, K3.2, K3.3 and K8
18.5.b	the rules, requirements and timescales for the procurement and transfer of balancing capacity pursuant to Articles 32 and 34;	Response Procurement Rules	Response Procurement Rules 6A – Background Submission Data 7 – Buy Orders 8 – Sell Orders 9 – Market Clearing Rules 12 – Formation of Response Contracts
		Response Service Terms	Response Service Terms 21 – Transfer of Response Contracts
18.5.c	the rules and conditions for the aggregation of demand facilities, energy storage facilities and power generating facilities in a	Response Procurement Rules	Response Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets

Article	Text	Code or Document	Section	
18.5.d	scheduling area to become a balancing service provider;		Schedule 2 – Registration and Pre-Qualification Procedure	
		BSC	K3.3 and K8	
		Grid Code	BC1.4 and BC1A.10	
	the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO during the prequalification process and operation of the balancing market;	Response Procurement Rules	Response Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 6A – Background Submission Data 8 – Sell Orders Schedule 2 – Registration and pre-qualification Procedure Response Service Terms 6 – Service Delivery 15 – Monitoring and Metering Data 15A – Performance Regime	
		Response Service Terms		
		BSC		O
		Grid Code		DRC, BC5 BC1.4,
		CUSC		4.1.3.14 and 4.1.3.19
		BSC		T4
18.5.e	the rules and conditions for the assignment of each balancing energy bid from a balancing service provider to one or more balance responsible parties pursuant to paragraph 4 (d);	Response Procurement Rules	Response Procurement Rules 12 – Formation of Response Contracts	
		Response Service Terms	Response Service Terms 20 – Assignment 21 – Transfer of Response Contracts	
18.5.f	the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO to evaluate the provisions of balancing services pursuant to Article 154(1),	Response Procurement Rules Response Service Terms	Response Procurement Rules 6A – Background Submission Data Response Service Terms 5 – Service Availability 6 – Service Delivery	

Article	Text	Code or Document	Section
18.5. g	Article 154(8), Article 158(1)(e), Article 158(4)(b), Article 161(1)(f) and Article 161(4)(b) of Regulation (EU) 2017/1485;		15 – Monitoring and Metering Data 15A – Performance Regime
		Grid Code	BC1.4, BC1.A.10,
		CUSC	4.1.3.19
18.5. g	the definition of a location for each balancing product taking into account paragraph 5 (c);	Grid Code	BC1.4
18.5. h	the rules for the determination of the volume of balancing energy to be settled with the balancing service provider pursuant to Article 45;	BSC	T3
18.5. i	the rules for the settlement of balancing service providers defined pursuant to Chapters 2 and 5 of Title V;	Response Service Terms	Response Service Terms 7 – Availability Payments 8 – Payment Procedure 15A – Performance Regime Schedule 3 – Availability Payments Schedule 4 – Payment provisions
		BSC	T1.14, T3 and U
		CUSC	4.1.3.9 and 4.1.3.9A
18.5. j	a maximum period for the finalisation of the settlement of balancing energy with a balancing service provider in accordance with Article 45, for any given imbalance settlement period;	Response Service Terms	Response Service Terms 7 – Availability Payments 8 – Payment Procedure Schedule 3 – Availability Payments Schedule 4 – Payment Provisions
		BSC	U2.2
		CUSC	4.3.2.6
18.5. k	the consequences in case of non-compliance with the terms and conditions applicable to balancing service providers.	Response Procurement Rules	Response Procurement Rules 4 – Registration of Registered Auction Participants
		Response Service Terms	5 – Prequalification of Eligible Assets 6A – Background Submission Data

Article	Text	Code or Document	Section
			Schedule 2 – Registration and Pre-Qualification Procedure Response Service Terms 5 – Service Availability 6 – Service Delivery 14 – Termination of Response Contracts 15 – Monitoring and Metering Data 15A – Performance Regime
		BSC	H3, Z7 and A5.2
		CUSC	4.1.3.9, 4.1.3.9A and 4.1.3.14
18.6	The terms and conditions for balance responsible parties shall contain:	-	-
18.6. a	the definition of balance responsibility for each connection in a way that avoids any gaps or overlaps in the balance responsibility of different market participants providing services to that connection;	BSC	K1.2, P3 and T4.5
18.6. b	the requirements for becoming a balance responsible party;	BSC	A, H3, H4.2, H4.7, H4.8, H5.5, H6, H10, J3.3, J3.6, J3.7, J3.8., K2, K3.3 and K8
18.6.c	the requirement that all balance responsible parties shall be financially responsible for their imbalances, and that the imbalances shall be settled with the connecting TSO;	BSC	N2, N6, N8, N12, and T4,
18.6. d	the requirements on data and information to be delivered to the connecting TSO to calculate the imbalances;	BSC	O, Q3, Q5.3, Q5.6, Q6.2, Q6.3, Q6.4
		Grid Code	BC1.4.2,3,4, BC1 Appendix 1 BC2.5.1,
18.6. e	the rules for balance responsible parties to change their schedules prior to and after the intraday energy gate closure time pursuant to paragraph 4 of Article 17;	BSC	P2
		Grid Code	BC1.4.3,4,

Article	Text	Code or Document	Section
18.6.f	the rules for the settlement of balance responsible parties defined pursuant to Chapter 4 of Title V;	BSC	T4, U2
18.6.g	the delineation of an imbalance area pursuant to Article 54(2) and an imbalance price area;	-	<i>GB constitutes one imbalance area and imbalance price area and they are equal to the synchronous area</i>
18.6.h	a maximum period for the finalisation of the settlement of imbalances with balance responsible parties for any given imbalance settlement period pursuant to Article 54;	BSC	U2.2
18.6.i	the consequences in case of non-compliance with the terms and conditions applicable to balance responsible parties;	BSC	H3,Z7 and A5.2
18.6.j	an obligation for balance responsible parties to submit to the connecting TSO any modifications of the position;	BSC	P2
18.6.k	the settlement rules pursuant to Articles 52, 53, 54 and 55;	BSC	T4, U2
18.6.l	where existing, the provisions for the exclusion of imbalances from the imbalance settlement when they are associated with the introduction of ramping restrictions for the alleviation of deterministic frequency deviations pursuant to Article 137(4) of Regulation (EU) 2017/1485.	Deterministic frequency deviation is a continental European concept and is not a characteristic of the GB system. Therefore, this requirement does not apply to GB.	N/A

Table 2 - Non- Mandatory elements

Article	Text	Comment
18.7. a	-	Sub-paragraph 18.7.a was repealed pursuant to paragraph 18(6)(a) of Schedule 2 of the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019/532.
18.7. b	where justified, a requirement for balancing service providers to offer the unused generation capacity or other balancing resources through balancing energy bids in the balancing markets after day ahead market gate closure time, without prejudice to the possibility of balancing service providers to change their balancing energy bids prior to the balancing energy gate closure time due to trading within intraday market;	NG ESO does not expect to require this from Balancing Service Providers, except where balancing capacity or energy has been contracted. Although in the BM defaulting rules apply if data is not updated, there is no legal requirement for parties to offer unused generation capacity or any other balancing resource.
	-	Sub-paragraph 18.7.c was repealed pursuant to paragraph 18(6)(c) of Schedule 2 of the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019/532.
18.7. d	specific requirements with regard to the position of balance responsible parties submitted after the day-ahead market timeframe to ensure that the sum of their internal and external commercial trade schedules equals the sum of the physical generation and consumption schedules, taking into account electrical losses compensation, where relevant;	NG ESO does not expect to require this from Balancing Service Providers. No BSC party is required to contract to match its Final Physical Notifications (FPNs).
18.7. e	an exemption to publish information on offered prices of balancing energy or balancing capacity bids due to market abuse concerns pursuant to Article 12(4)	NG ESO does not expect to require this exemption. Such data is published on BMRS.
18.7. f	an exemption to predetermine the price of the balancing energy bids from a balancing capacity contract pursuant to Article 16(6)	-

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18.7. g	An application for the use of dual pricing for all imbalances based on the conditions established pursuant to Article 52(2)(d)(i) and the methodology for applying dual pricing pursuant to Article 52(2)(d)(ii).	NG ESO does not expect to apply for the use of dual pricing for all imbalances. A single imbalance price was adopted by the GB market in November 2015.
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