

Quick Reserve (QR) Procurement Rules (Phase 1)

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Contents

| | | |
|----|------------------------------------------------------------------|-----------|
| 1 | Introduction | 3 |
| 2 | Changes to these QR Procurement Rules | 3 |
| 3 | Defined Terms and Interpretation | 3 |
| 4 | Registration of Registered Auction Participants | 3 |
| 5 | Pre-qualification of Auction Units | 4 |
| 6 | Linking | 5 |
| 7 | Buy Orders | 5 |
| 8 | Sell Orders | 6 |
| 9 | Market Clearing Rules | 8 |
| 10 | Warranties and Undertakings | 10 |
| 11 | Daily Auction Reports | 10 |
| 12 | Formation of QR Contracts | 11 |
| 13 | Confidentiality | 11 |
| 14 | Exceptional Circumstances | 12 |
| 15 | Use of Designated Auction Platform | 12 |
| 16 | Accuracy of Information | 12 |
| 17 | Intellectual Property | 12 |
| 18 | Viruses | 13 |
| 19 | Costs | 13 |
| 20 | Site Export and Import Limits | 13 |
| 21 | Notices | 14 |
| 22 | Dispute Resolution | 14 |
| 23 | Governing Law and Jurisdiction | 14 |
| | SCHEDULE 1 – DEFINED TERMS | 15 |
| | SCHEDULE 2 – REGISTRATION AND PRE-QUALIFICATION PROCEDURE | 23 |

1 Introduction

- 1.1 These **QR Procurement Rules** describe the eligibility rules and processes by which **NESO** will procure **Auction Products** on a daily basis from prospective **Service Providers**.
- 1.2 Subject always to paragraph 1.3, only with respect to **QR Contracts** formed pursuant to these **QR Procurement Rules** will the **QR Service Terms** apply to the provision of, and payment for, **Auction Products** from **Auction Units**.
- 1.3 These **QR Procurement Rules** supplement, and should be read alongside, the following documents, which together constitute the “**QR Procurement Documentation**”:-
 - 1.3.1 the **QR Service Terms**;
 - 1.3.2 the **Balancing Services Glossary of General Terms and Rules of Interpretation**;
 - 1.3.3 the **Flexibility Services Standard Agreement** to the extent that any of its provisions are incorporated by any of the other **QR Procurement Documentation** into such document(s); and
 - 1.3.4 such other document(s) as **NESO** may designate from time to time as comprising a part of the **QR Procurement Documentation**.
- 1.4 These **QR Procurement Rules** shall be effective from the date shown on the front cover of this document or from any later date which may be published by **NESO** prior to that date (“**Effective Date**”), from which **Orders** may be submitted under these **QR Procurement Rules** for **QR Windows** falling in **Service Days** from and including the **QR Go-Live Date**.

2 Changes to these QR Procurement Rules

- 2.1 Subject always to paragraph 2.2, **NESO** may update these **QR Procurement Rules** from time to time by publication of an updated version on its website, and each such updated version shall be effective from the date shown on its front cover.
- 2.2 To the extent required by the **Electricity Balancing Regulation** (and by reference to those provisions of the **QR Procurement Documentation** constituting terms and conditions approved by the Authority as the terms and conditions related to balancing pursuant to Article 18 of the **Electricity Balancing Regulation**), any variation to these **QR Procurement Rules** will be proposed and implemented in accordance with the applicable requirements in the **Electricity Balancing Regulation**.

3 Defined Terms and Interpretation

- 3.1 Unless the context otherwise requires, any capitalised term used in these **QR Procurement Rules** shall have the meaning given to it (if any) in either Schedule 1 or the prevailing **Balancing Services Glossary of General Terms and Rules of Interpretation** (as the case may be).
- 3.2 The rules of interpretation set out in the **Balancing Services Glossary of General Terms and Rules of Interpretation** shall also apply to these **QR Procurement Rules**.
- 3.3 For the purposes of paragraph 3.1, with respect to any **Sell Order**, “prevailing” shall mean the latest version of the applicable document which is in effect at the time of submission of that **Sell Order**.

4 Registration of Registered Auction Participants

- 4.1 Subject always to paragraph 4.3, no entity may participate in an **Auction** unless and until **NESO** has confirmed that it is a **Registered Auction Participant** in accordance with the **Registration and Pre-Qualification Procedure**.

- 4.2 Where **NESO** determines 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 **NESO** may (but shall not be obliged to) **Deregister** the relevant entity as a **Registered Auction Participant** and/or **Registered Service Provider**. Such **Deregistration** shall be notified by **NESO** 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 **QR Procurement Rules** and the **Registration and Pre-Qualification Procedure**.
- 4.3 An entity may also be **Deregistered** as a **Registered Auction Participant** and/or **Registered Service Provider** in the circumstances specified in the **QR Service Terms**.
- 4.4 An entity which has been confirmed as a **Registered Auction Participant** may only submit a **Sell Order** for an **Auction Product** and **Auction Unit** in respect of **Plant** and **Apparatus** where such **Plant** and **Apparatus** has been pre-qualified by **NESO** to that **Auction Product** as an **Auction Unit** subject to and in accordance with paragraph 5.
- 5 Pre-qualification of Auction Units
- 5.1 To be eligible for pre-qualification as an **Auction Unit**, **Plant** and **Apparatus** must at all relevant times:-
- 5.1.1 be registered as a **Primary BM Unit** or **Secondary BM Unit** under the **BSC** for which the **Registered Auction Participant** is the **Lead Party** (which, for the avoidance of doubt, in relation to any **Registered Auction Participant** which is a **Supplier** shall include any of its **Additional BM Units** but shall exclude its **Base BM Units**);
- 5.1.2 be capable of despatch via **Control Telephony** and/or **System Telephony**; and
- 5.1.3 be capable of operating in accordance with the **QR Service Terms** (including the relevant **Service Parameters**).
- 5.2 **Plant** and **Apparatus** meeting the eligibility criteria in paragraph 5.1 may be submitted by **Registered Auction Participants** to **NESO** for pre-qualification as an **Auction Unit** in accordance with the process described in the **Registration and Pre-Qualification Procedure**.
- 5.3 The eligibility of an **Auction Unit** to participate in the **Auctions** with respect to an **Auction Product** shall be determined by reference to its **Maximum Registered Product Capacity** and **Maximum Registered Product Direction Capacity** as follows:-
- 5.3.1 the pre-qualification of **Plant** and **Apparatus** as an **Auction Unit** shall relate to a specific **Auction Product** and in respect of that **Auction Product** for a specific **Maximum Registered Product Capacity**;
- 5.3.2 **Plant** and **Apparatus** may be pre-qualified as an **Auction Unit** in relation to more than one **Auction Product** and accordingly at any time, and based upon the **Auction Products** in a particular **Product Direction** for which an **Auction Unit** is pre-qualified, an **Auction Unit** shall have a **Maximum Registered Product Direction Capacity**, defined as the highest **Maximum Registered Product Capacity** of all such **Auction Products**.
- 5.4 **NESO** may determine that an **Auction Unit** shall be **Deregistered**:-
- 5.4.1 where, and having regard to declarations of unavailability notified by the **Registered Auction Participant** pursuant to the **QR Service Terms** or otherwise, it determines that the **Auction Unit** is no longer capable of providing its **Maximum Registered Product Capacity** with respect to any relevant **Auction Product**; or

- 5.4.2 where, at its sole discretion, it determines that the location of that **Auction Unit** would mean delivery of the applicable **Auction Product** would compromise operational security; or
- 5.4.3 if that **Auction Unit** is **Embedded** and participating in an **Active Network Management Scheme** as more particularly described in Schedule 2; or
- 5.4.4 in any other circumstances which may be specified in the **QR Service Terms**,

whereupon **NESO** shall so notify the **Registered Auction Participant** and the **Auction Unit** shall then no longer be pre-qualified to the relevant **Auction Product(s)**.

- 5.5 For the avoidance of doubt, where an **Auction Unit** has been **Deregistered** in the circumstances described in paragraph 5.4, it may subsequently be notified by the **Registered Auction Participant** for pre-qualification once more in accordance with this paragraph 5.

6 Linking

- 6.1 Whenever, with respect to any **Auction Product**, **NESO** has a reasonable expectation of a requirement to **Link** two or more **QR Windows**, it shall give reasonable prior notice of that requirement to **Registered Auction Participants** by way of notification on the **Designated Auction Platform** and/or the **Industry Information Website** (“**Linking Notice**”).

- 6.2 For the avoidance of doubt:-

- 6.2.1 a **QR Window** may be **Linked** with respect to one **Auction Product** only; and

- 6.2.2 a series of **QR Windows** which are **Linked** with respect to an **Auction Product** may overlap with a series of **QR Windows** which are **Linked** with respect to one or more other **Auction Products**.

7 Buy Orders

- 7.1 **Buy Orders** for any **Auction Product** and **QR Window**, may be submitted (and updated) by **NESO** on the **Designated Auction Platform** at any time prior to the **Auction Closing Time** (or later as provided in paragraph 7.5).

- 7.2 Each **Buy Order** must include (in the correct format as specified from time to time by the **Auction Administrator**):-

- 7.2.1 a unique “order ID” allocated to the **Buy Order** by the **Auction Administrator**;

- 7.2.2 the applicable **Auction Product**;

- 7.2.3 the applicable **QR Window** over which it is defined;

- 7.2.4 a **Bid Quantity** (in MW) for the **Auction Product**, representing all or part of **NESO’s** requirement for the **Auction Product** in the applicable **QR Window** (which must be an integer and, for the avoidance of doubt, may be zero (0) MW)), and which must be the same for all **QR Windows** which are **Linked**;

- 7.2.5 a single **Bid Price** (where the applicable pound and pence figures shall each be an integer, and which is not less than the **Minimum Market Price** and not greater than the **Maximum Market Price**), representing **NESO’s** price limit for the applicable **Auction Product** and **QR Window**; and

- 7.2.6 a **Paradoxical Acceptance Indicator**, which is either “True” or “False”, indicating if the **Market Clearing Price** for the applicable **Auction Product** and **QR Window** may exceed the **Bid Price** of the **Buy Order**.
- 7.3 **Buy Orders** may indicate a **Buy Order Substitutable Family**, which associates the **Buy Order** with one or more other **Buy Orders** defined on **Concomitant QR Windows** and different **Auction Products**, and may also indicate a **Joined Family**, which associates the **Buy Order** with one or more other non-**Concomitant Buy Orders** defined over the same **Auction Product**.
- 7.4 **Buy Orders** shall not be visible to **Registered Auction Participants** on the **Designated Auction Platform** until publication in the **Daily Auction Report** pursuant to paragraph 11.
- 7.5 A **Buy Order** shall not be capable of being changed by **NESO** after the **Auction Closing Time**, save in exceptional circumstances where, in **NESO’s** reasonable opinion and having regard to market activity, there is a need to protect the integrity of the **Auctions**.
- 7.6 If, in the sole judgment of **NESO** or (where not **NESO**) the **Auction Administrator**, **NESO** has failed to submit a correct and valid **Buy Order** in accordance with this paragraph 7, **NESO** or the **Auction Administrator** reserve the right to:-
- 7.6.1 deem that **Buy Order** to be valid and correct; or
- 7.6.2 cancel a **Buy Order**; and/or
- 7.6.3 take any other action as it deems appropriate in the circumstances.
- 8 **Sell Orders**
- 8.1 Where a **Registered Auction Participant** shall have pre-qualified one or more **Auction Units** to an **Auction Product** pursuant to paragraph 5, it may submit **Sell Orders** with respect to each such **Auction Unit**, each for one or more **Auction Products** and a single **QR Window** in a **Service Day** in accordance with the following provisions of this paragraph 8.
- 8.2 Each **Sell Order** must include (in the correct format as specified from time to time by the **Auction Administrator**):-
- 8.2.1 the name of the **Registered Auction Participant**;
- 8.2.2 a unique “order ID” allocated to the **Sell Order** by the **Auction Administrator**;
- 8.2.3 the Basket ID of the **Basket** to which it belongs as described further in paragraph 8.4;
- 8.2.4 the identity of the **Auction Unit**;
- 8.2.5 the applicable **QR Window** over which it is defined;
- 8.2.6 for the purpose of operation of the **Market Clearing Rules**, an indication of its **Sell Order Type** (being **Parent Order**, **Child Order**, or **Substitutable Child Order**); and
- 8.2.7 a single **Offer Price** (where the applicable pound and pence figures shall each be an integer), and which is not less than the **Minimum Market Price** and not greater than the **Maximum Market Price**.
- 8.3 Additionally, but subject always to paragraph 8.6, each **Sell Order** which is a **Parent Order** may include, and each **Sell Order** which is a **Child Order** or **Substitutable Child Order** must include:-

- 8.3.1 one or more **Auction Product(s)** to each of which the **Auction Unit** must be pre-qualified;
- 8.3.2 for each of such **Auction Products** comprising the **Sell Order**, a unique "Product ID" allocated to the **Auction Product** by the **Auction Administrator**; and
- 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 and not greater than the **Maximum Sell Size**.
- 8.4 By the use of **Baskets**, **Registered Auction Participants** may submit **Sell Orders** for any single **Auction Unit** which are mutually exclusive over **Concomitant QR Windows**, in accordance with the following provisions:-
- 8.4.1 each **Basket** shall have a unique "Basket ID" allocated to the **Basket** by the **Auction Administrator**;
- 8.4.2 each **Basket** shall be defined over a single **Auction Unit** and **QR Window**;
- 8.4.3 each such **Sell Order** must belong to one (1) **Basket**;
- 8.4.4 each such **Sell Order** must be defined over the same **Auction Unit** and **QR Window** as the **Basket** to which it belongs; and
- 8.4.5 a **Basket** shall contain one **Parent Order** and subject always to paragraph 8.6 may additionally contain one (1) or more **Child Order(s)** and/or one (1) or more **Substitutable Child Order(s)**, provided always that a **Basket** shall be limited to a maximum of ten (10) **Child Orders** and ten (10) **Substitutable Child Orders**.
- 8.5 A **Basket** may be **Looped** to any one or more other **Baskets** defined over the same **Auction Unit** and over other **QR Windows** in the same **Service Day** which are not **Concomitant**, so as to form a **Looped Family**.
- 8.6 Unless otherwise indicated by **NESO** in its **Linking Notice**, where, for any **Auction Product**, a **QR Window** is **Linked** with one or more other **QR Windows**, then a **Sell Order** with respect to any of those **QR Windows** shall only be valid if, for that **Auction Unit**, there is for each of those other **QR Windows** an identical **Basket**, containing identical **Parent Orders** and (if any) **Child Order(s)** and/or **Substitutable Child Order(s)** (including as to **Offered Quantity**) save that **Sell Orders** may specify different **Offer Prices**. For the avoidance of doubt, this shall mean that those **Baskets** may be **Looped** but only if they are all members of the same **Looped Family**.
- 8.7 The aggregate **Offered Quantity** for all valid **Sell Orders** shall be calculated:
- 8.7.1 for each **Basket** and **Auction Product**; and
- 8.7.2 for each **Basket** and **Product Direction**,
- but in each case, where a **Basket** includes **Substitutable Child Orders** then the **Offered Quantity** from only one such **Substitutable Child Order** shall be included in such aggregation being (where applicable) the **Substitutable Child Order** which results in the highest sum pursuant to paragraph 8.7.1 or 8.7.2 (as the case may be), and furthermore for that **Basket** to be valid:
- 8.7.3 for each individual **Auction Product**, the sum calculated pursuant to paragraph 8.7.1 shall not exceed the **Auction Unit's Maximum Registered Product Capacity**; and
- 8.7.4 for each **Product Direction**, the sum calculated pursuant to paragraph 8.7.2 shall not exceed the **Auction Unit's Maximum Registered Product Direction Capacity**.

- 8.8 **Sell Orders** may be submitted by **Registered Auction Participants** on the **Designated Auction Platform** at any time after the **Auction Opening Time** and before the **Auction Closing Time**. **Sell Orders** must be fully completed and correct as at the relevant **Auction Closing Time**. **Sell Orders** received after the **Auction Closing Time** shall be considered null and void regardless of cause unless otherwise decided by **NESO** at its sole discretion.
- 8.9 Validation of **Sell Orders** will be undertaken automatically at the time of submission (before operation of the **Auction** algorithm), and without prejudice to paragraph 8.14 all submitted **Sell Orders** so validated remain valid unless and until:-
- 8.9.1 the **Sell Order** is cancelled by the **Registered Auction Participant** that submitted it on (and in accordance with) the **Designated Auction Platform**;
- 8.9.2 the **Registered Auction Participant** modifies it on (and in accordance with) the **Designated Auction Platform**; or
- 8.9.3 the **Sell Order** is either **Accepted** (including **Partially Accepted**) or **Rejected** in accordance with the **Market Clearing Rules** (whereupon it expires).
- 8.10 Each **Registered Auction Participant** is responsible for ensuring that the **Sell Orders** it submits are correct and valid, and also that the relevant **Auction Unit** is able to discharge any **QR Contract(s)** which may subsequently be formed by operation of the **Market Clearing Rules** as more particularly referred to in paragraph 9.5.
- 8.11 Subject always to paragraph 8.12, upon becoming aware of any error in a **Sell Order**, the **Registered Auction Participant** shall modify the **Sell Order** where possible otherwise shall notify **NESO** immediately, provided that in such event there shall be no obligation on **NESO** to take any steps to avoid or mitigate any potential losses to the **Registered Auction Participant**.
- 8.12 After the **Auction Closing Time**, **Sell Orders** may not be modified or cancelled by the **Registered Auction Participant** and are binding and irrevocable subject always to paragraphs 8.9 and 8.14.
- 8.13 **Sell Orders** submitted by **Registered Auction Participants** for each **QR Window** and **Auction Product** shall not be visible to other **Registered Auction Participants** on the **Designated Auction Platform** until publication in the **Daily Auction Report** in the manner described in paragraph 11.
- 8.14 If, in the sole judgment of **NESO** or (where not **NESO**) the **Auction Administrator**, a **Registered Auction Participant** has failed to submit a correct and valid **Sell Order** in accordance with this paragraph 8, **NESO** or the **Auction Administrator** reserve the right to:-
- 8.14.1 deem that **Sell Order** to be valid and correct; or
- 8.14.2 cancel that **Sell Order**; and/or
- 8.14.3 take any other action as it deems appropriate in the circumstances including requesting the **Registered Auction Participant** to resubmit and/or amend the **Sell Order** so that it is correct and valid.
- 8.15 The decision of **NESO** or the **Auction Administrator** as to whether or not a **Sell Order** is correct and valid shall be final, and the **Registered Auction Participant** may be notified of such decision without prior consultation or explanation.

9 Market Clearing Rules

- 9.1 After the **Auction Closing Time**, and in accordance with and subject to the provisions of this paragraph 9, the **Auction** algorithm will match valid **Buy Orders** and **Sell Orders** in order to determine:-

- 9.1.1 the **Acceptance Ratio** of all **Sell Orders** and **Buy Orders** with the objective of maximising **Market Welfare**;
 - 9.1.2 the **Contracted Quantity** of each **Auction Product** with respect to any **Accepted Sell Order**; and
 - 9.1.3 the unique **Market Clearing Price** for each **QR Window** and **Auction Product**.
- 9.2 The **Auction** algorithm will determine the **Acceptance Ratio** of **Buy Orders** and of **Sell Orders** in accordance with the following rules:-
- 9.2.1 the **Acceptance Ratio** of a **Parent Order** is either one (1) or zero (0);
 - 9.2.2 the **Acceptance Ratio** of a **Child Order** is between zero (0) and one (1) inclusive;
 - 9.2.3 with respect to each **Basket** for **QR Windows** which are **Linked**, the **Parent Orders** will also have identical **Acceptance Ratios**, and the **Child Orders** and **Substitutable Child Orders** (if any) will also have identical **Acceptance Ratios**;
 - 9.2.4 the sum of the **Acceptance Ratios** of all **Substitutable Child Orders** in a **Basket** is between zero (0) and one (1) inclusive;
 - 9.2.5 the **Acceptance Ratio** of a **Buy Order** is between zero (0) and one (1) inclusive;
 - 9.2.6 the sum of the **Acceptance Ratios** of all **Buy Orders** that are members of the same **Buy Order Substitutable Family** is between zero (0) and one (1) inclusive;
 - 9.2.7 the **Acceptance Ratios** of the **Buy Orders** in a **Joined Family** are equal;
 - 9.2.8 the **Acceptance Ratio** of a **Child Order** or **Substitutable Child Order** is less than or equal to the **Acceptance Ratio** of the **Parent Order** in its **Basket**;
 - 9.2.9 the **Acceptance Ratios** of the **Parent Orders** in each **Basket** of a **Looped Family** are equal;
 - 9.2.10 the sum of the **Acceptance Ratios** of the **Parent Orders** in any two **Baskets** which are **Concomitant** is less than or equal to one (1);
 - 9.2.11 the **Acceptance Ratio** of a **Child Order** or **Substitutable Child Order** is greater than zero (0) only if its **Order Surplus** is greater than or equal to zero (0);
 - 9.2.12 the **Acceptance Ratio** of a **Parent Order** in a **Basket** that is not a member of a **Looped Family** is equal to one (1) only if the sum of the **Order Surplus** of all **Sell Orders** in the **Basket** is greater than or equal to zero (0);
 - 9.2.13 the **Acceptance Ratio** of a **Parent Order** in a **Basket** that is a member of a **Looped Family** is equal to one (1) only if the sum of the **Order Surplus** of all **Sell Orders** in all the **Baskets** that comprise the **Looped Family** is greater than or equal to zero (0);
 - 9.2.14 the **Acceptance Ratio** of a **Buy Order** that has a **Paradoxical Acceptance Indicator** equal to "False" may be greater than zero (0) only if its **Order Surplus** is greater than zero (0);
 - 9.2.15 for any **Auction Product** and **QR Window**, the sum across all **Sell Orders** of the **Matched Quantity** is equal to the sum across all **Buy Orders** of the **Matched Quantity**; and
 - 9.2.16 for the avoidance of doubt, a **Sell Order** or a **Buy Order** with an **Order Surplus** greater than zero (0) may have an **Acceptance Ratio** less than one (1), and a **Buy Order** with an

Order Surplus less than zero (0) that has a **Paradoxical Acceptance Indicator** equal to "True" may have an **Acceptance Ratio** greater than zero (0).

- 9.3 The **Auction** algorithm will determine the **Contracted Quantity** of each **Auction Product** with respect to **Sell Orders** which are **Accepted** in accordance with the following rules:-
- 9.3.1 for a **Parent Order**, the **Contracted Quantity** of each **Auction Product** is the **Matched Quantity** of that **Auction Product**;
 - 9.3.2 for a **Child Order**, the **Contracted Quantity** of each **Auction Product** is the **Matched Quantity** of that **Auction Product**, rounded up or down to the nearest integer (subject always to paragraph 9.3.3); and
 - 9.3.3 for a **Substitutable Child Order**, the **Contracted Quantity** of each **Auction Product** is the **Matched Quantity** of that **Auction Product**, rounded down to the next smallest integer.
- 9.4 The **Auction** algorithm will determine the **Market Clearing Price** for each **Auction Product** and each **QR Window**, with the objective that the **Total Auction Procurement Cost** is minimised, but subject always to the provisions of paragraphs 9.2.9, 9.2.10 and 9.2.11.
- 9.5 Each **Sell Order** that is **Accepted** in accordance with the **Market Clearing Rules** shall form a **QR Contract** for that **Auction Unit** and the relevant **QR Window** for each of the **Auction Products** over which it is defined, as more particularly provided in paragraph 12.

10 Warranties and Undertakings

- 10.1 Without prejudice to its other obligations under and/or pursuant to the **QR Procurement Documentation** and any **QR Contract** and subject to paragraphs 10.1 and 10.3 of the **Flexibility Services Standard Agreement** which shall apply as if set out in full herein:-
- 10.1.1 **NESO** and each **Registered Auction Participant** warrants and undertakes to the other in the manner set out in paragraph 5.1 of the **Flexibility Services Standard Agreement** as if set out in full herein; and
 - 10.1.2 on each occasion it submits a **Sell Order**, the **Registered Auction Participant** warrants and undertakes to **NESO** in the manner set out in paragraph 5.2 of the **Flexibility Services Standard Agreement** as if set out in full herein.
- 10.2 Without prejudice to any other right or remedy, **NESO** and the **Registered Auction Participant** shall each be entitled to claim damages from the other for any breach of the warranties and undertakings or any of them set out or referred to in this paragraph 10 subject to paragraphs 10.1 and 10.3 of the **Flexibility Services Standard Agreement** as if set out in full herein.
- 10.3 Each **Registered Auction Participant** indemnifies **NESO** from and against any losses, liabilities, claims, expenses and demands which **NESO** might suffer as a result of the **Registered Auction Participant** being in breach of the warranties and undertakings or any of them set out or referred to in paragraph 10.1.2.

11 Daily Auction Reports

- 11.1 By such time following the **Auction Results Time** as may be specified by **NESO** from time to time, **NESO** shall publish (and may subsequently revise) the **Daily Auction Report**.
- 11.2 Each **Daily Auction Report** shall include, for each **Service Day**:-
- 11.2.1 for each **Buy Order** (whether or not **Accepted**), the information described in paragraphs 7.2 and 7.3;

- 11.2.2 for each **Sell Order** (whether or not **Accepted**), the information described in paragraphs 8.2 to 8.5 inclusive;
- 11.2.3 for each **Sell Order** which is **Accepted**, the **Contracted Quantity(ies)**;
- 11.2.4 for each **Sell Order** which is not **Accepted**, a **Reason Code**;

and in relation to each **Auction Product** and **QR Window**:-

- 11.2.5 the **Market Clearing Price**; and
- 11.2.6 the **Auction Clearing Quantity**.

11.3 The **Daily Auction Report** may include such additional information as **NESO** may determine at its sole discretion.

12 Formation of QR Contracts

12.1 The **Auction Administrator** shall make available on the **Designated Auction Platform** the outcome of each **Auction** by no later than the **Auction Results Time** and the outcome shall also be published by **NESO** (whether or not it is also the **Auction Administrator**) at such time and in such format as it shall determine in its sole discretion. Insofar as **NESO's** publication confirms the **Acceptance** (including **Partial Acceptance** where applicable) of a **Sell Order**, one or more **QR Contract(s)** will be formed automatically and simultaneously with such publication at this time and for the purposes of paragraph 12.3 shall be treated as awarded to the relevant **Registered Auction Participant**.

12.2 There shall be one **QR Contract** formed for each **Auction Product** the subject of each **Accepted Sell Order**, and with respect thereto the **Market Clearing Price** for that **Auction Product** and **QR Window** shall apply, as more particularly provided in this paragraph 12.

12.3 Each **Registered Auction Participant** awarded a **QR Contract** pursuant to paragraph 12.1 shall provide the relevant **Auction Product** from the applicable **QR Unit** during the applicable **QR Window** pursuant to and in accordance with the **QR Service Terms**.

12.4 For the avoidance of doubt, for any **Registered Auction Participant** with a **QR Contract** the subject of one or more **Accepted** (or part **Accepted**) **Sell Orders** in a **Service Day** (whether for the same or different **Auction Units**), there shall be a separate **QR Contract** formed in respect of each **Auction Unit** for each **QR Window** and **Auction Product**.

12.5 Each **QR Contract** shall be personal to **NESO** and the **Registered Auction Participant** and neither **Party** shall assign, transfer, mortgage, charge, contract or deal in any other manner with any or all of its rights and obligations under a **QR Contract** except as permitted by the **QR Service Terms** or in accordance with paragraph 20 of the **Flexibility Services Standard Agreement** as if such provision was set out in full herein.

13 Confidentiality

13.1 Subject always to paragraphs 13.2 and 13.3, the provisions of paragraph 12 of the **Flexibility Services Standard Agreement** shall apply to all and any information provided by **NESO** or any **Registered Auction Participant** to the other (whether orally or in writing) pursuant to or in connection with these **QR Procurement Rules** as if set out in full herein.

13.2 Each **Registered Auction Participant** agrees to the publication by **NESO** of the information contained in the **Daily Auction Reports**, including in a non-anonymised form, insofar as relating directly or indirectly to the **Registered Auction Participant** and the relevant **Auction Unit**.

13.3 Without limiting paragraph 13.2, each **Registered Auction Participant** also agrees to the disclosure by **NESO** to the relevant **Public Distribution System Operator** of information related to any **Sell**

Order (whether or not accepted) insofar as relevant to the management and operation of its **Distribution System**, including without limitation location of the relevant **Auction Unit** and its MPAN and technology type, **Auction Product** and the **Contracted Quantity**.

14 Exceptional Circumstances

14.1 If an exceptional situation arises, in particular if a system or the information needed to operate an **Auction** is unavailable or if an incident prevents an **Auction** from being held in normal circumstances, then **NESO** may take any or all of the following measures (at its sole discretion):

14.1.1 modify any or all of the **Auction Opening Time**, **Auction Closing Time** or **Auction Results Time**;

14.1.2 authorise **Registered Auction Participants** to submit new **Sell Orders** or modify existing **Sell Orders**;

14.1.3 authorise **Registered Auction Participants** to submit **Sell Orders** otherwise than in accordance with paragraph 8;

14.1.4 cancel the **Auction** for any one or more **Service Days**; and/or

14.1.5 take such other action or steps as it reasonably considers to be necessary.

15 Use of Designated Auction Platform

15.1 Insofar as made available as part of the **Auctions**, each **Registered Auction Participant** agrees to use the **Designated Auction Platform** (including all and any associated hardware and software IT and telecommunications equipment and transmission media):-

15.1.1 in compliance with all applicable **Law**;

15.1.2 in compliance with all and any technical specifications provided from time to time by or on behalf of **NESO** or (if not **NESO**) the **Auction Administrator**; and

15.1.3 solely for the purpose of formation of **QR Contracts** (and any other contracts for **Balancing Services** from time to time procured by **NESO** on the **Designated Auction Platform**),

and any other use is strictly prohibited.

16 Accuracy of Information

16.1 All and any information provided by **NESO** to **Registered Auction Participants** for the purposes of these **QR Procurement Rules** including in each **Daily Auction Report** is provided in good faith, but no representation or warranty is given by **NESO** (or any of its employees, officers agents or advisers) as to the accuracy or completeness of such information.

17 Intellectual Property

17.1 **NESO** and each **Registered Auction Participant** retain ownership of the documents, data and information of any kind (including all intellectual property rights in them) that are provided to the other pursuant to these **QR Procurement Rules**.

17.2 Each **Registered Auction Participant** undertakes to **NESO** that it will at all times when participating in an **Auction**, hold all and any authorisations and/or property rights and/or licences for all of the configurations, interfaces, firmware and software needed by it for it to participate in the applicable auction process through the **Designated Auction Platform**.

- 17.3 Each **Registered Auction Participant** shall comply (and use reasonable endeavours to ensure that its staff and other representatives comply) with all applicable user licences and terms of use of which the **Registered Auction Participant** is aware governing use by the **Registered Auction Participant** of the systems or software applications comprised in the **Designated Auction Platform**.
- 17.4 **Registered Auction Participant** indemnifies and keeps indemnified **NESO** from and against any claims from a third party relating to an infringement of that third party's intellectual property rights or other property rights arising out of use by the **Registered Auction Participant** of the **Designated Auction Platform** in breach of any user licence or terms of use referred to in paragraph 17.3 of which it is aware.
- 17.5 **NESO** shall procure such third party intellectual property authorisations as may be necessary to enable the **Registered Auction Participant** to use the **Designated Auction Platform** for the purposes of the **Auctions**.
- 17.6 **NESO** shall indemnify and keep indemnified the **Registered Auction Participant** from and against any claims from a third party if and to the extent that the use of the **Designated Auction Platform** by such **Registered Auction Participant** for the purposes of a **Sell Order** infringes a third party's intellectual property rights or other property rights.
- 17.7 In respect of the indemnities given in paragraphs 17.4 and 17.6 the indemnified party shall:
- 17.7.1 notify the indemnifying party as soon as possible of any claim the subject of the indemnity (in this paragraph 17, "**IPR Claim**");
 - 17.7.2 give the indemnifying party control of the **IPR Claim**;
 - 17.7.3 make no admissions in respect of an **IPR Claim** without prior written consent of the indemnifying party; and
 - 17.7.4 provide such support in respect of the **IPR Claim** as the indemnifying party may reasonably require at the cost of the indemnifying party.

18 Viruses

- 18.1 Each **Registered Auction Participant** shall, prior to uploading any information to the **Designated Auction Platform** or otherwise interfacing with it, use up to date versions of anti-virus software available from an industry accepted anti-virus software vendor to check for and delete from its systems viruses, trojan horses, worms, time-bombs, keystroke loggers, spyware, adware or any other harmful programmes or similar computer code designed adversely to affect the operation of any computer software or hardware (in this paragraph 18, "**Malicious Software**").
- 18.2 If, notwithstanding the provisions of paragraph 18.1, **Malicious Software** is found on the **Designated Auction Platform**, the **Registered Auction Participant** shall co-operate with **NESO** to reduce the effect of the **Malicious Software** and, particularly if **Malicious Software** causes loss of operational efficiency to the **Designated Auction Platform**, assist **NESO** to mitigate any losses and restore the **Designated Auction Platform** to its original operating efficiency.

19 Costs

- 19.1 For the avoidance of doubt, each **Registered Auction Participant** shall remain responsible for all costs and expenses incurred by it in connection with these **QR Procurement Rules** including all costs of preparing and submitting **Sell Orders**.

20 Site Export and Import Limits

- 20.1 Each **Registered Auction Participant** shall, prior to submitting a **Sell Order**, ensure sufficient export and/or import capacity at the premises at which each relevant **Auction Unit** is situated (including where applicable **Transmission Entry Capacity** (and, if relevant, the **STTEC**)) so as to enable it to

provide the relevant **Auction Product** during each and every applicable **QR Window** in accordance with its obligations under the **QR Contract** which may be formed in relation thereto and in conformance with its obligations owed to the owner of the relevant part of the **National Electricity Transmission System** or the relevant **Distribution System** or such other network (as applicable).

21 Notices

- 21.1 Save to the extent the manner of communication between the **Parties** is stipulated in the **Registration and Pre-Qualification Procedure**, paragraph 16 of the **Flexibility Services Standard Agreement** shall apply as if set out in full herein to any notice required to be submitted under these **QR Procurement Rules** by either **NESO** or the **Registered Auction Participant** to the other.
- 21.2 For the purposes of paragraph 21.1, the relevant contact details and addresses of each **Registered Auction Participant** shall be those notified from time to time by that **Registered Auction Participant** to the other pursuant to the **Registration and Pre-Qualification Procedure**.

22 Dispute Resolution

- 22.1 The provisions of paragraph 17 of the **Flexibility Services Standard Agreement** shall apply in relation to any dispute or difference of whatever nature however arising under, out of, or in connection with these **QR Procurement Rules** as if set out in full herein, save that:-
- 22.1.1 no **Party** shall have any right to refer any dispute to an **Expert** for determination except where the dispute is stated in these **QR Procurement Rules** to be referable to an **Expert** for determination or otherwise agreed in writing by **NESO** and the **Registered Auction Participant** to be so referable; and
- 22.1.2 nothing in this paragraph 22 shall prevent the **Parties** from agreeing to resolve any dispute or difference through the courts in which case paragraph 23.1 shall apply; and
- 22.1.3 where any dispute is referred to arbitration, the rules of the **London International Court of Arbitration** shall apply unless otherwise agreed in writing by the **Parties** (and paragraph 17.6 of the **Flexibility Services Standard Agreement** shall be read and construed accordingly).

23 Governing Law and Jurisdiction

- 23.1 Any claim, dispute or matter (whether contractual or non-contractual) arising under or in connection with these **QR Procurement Rules** or their enforceability shall be governed by and construed in accordance with the laws of England and Wales.
- 23.2 **NESO** and each **Registered Auction Participant** submits to the exclusive jurisdiction of the courts of England and Wales over any claim, dispute or matter arising under or in connection with these **QR Procurement Rules** or their enforceability and waives any objection to proceedings being brought in such courts or on the grounds that proceedings have been brought in an inconvenient forum.

SCHEDULE 1 – DEFINED TERMS

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| “ Acceptance Ratio ” | for any Order , a number between zero (0) and one (1), indicating the proportion of an Offered Quantity or a Bid Quantity which has been matched by the Auction algorithm; |
| “ Accepted ” or “ Acceptance ” | in respect of any Order , where its Acceptance Ratio is greater than zero (0), and for the avoidance of doubt such Sell Order shall be Partially Accepted if its Acceptance Ratio is less than one (1); |
| “ Active Network Management Scheme ” | a scheme operated by a Public Distribution System Operator which is designed to continually monitor in real time constraints on an area of the network for the purpose of allocation of available capacity; |
| “ Agent ” | in respect of any Registered Auction Participant , its agent (if any) notified to NESO pursuant to the Registration and Pre-Qualification Procedure ; |
| “ Auction ” | in respect of all Auction Products and QR Windows in a Service Day , the operation of the algorithm pursuant to the Market Clearing Rules and the submission of Orders pursuant thereto; |
| “ Auction Administrator ” | the operator from time to time of the Designated Auction Platform (which may be NESO); |
| “ Auction Clearing Quantity ” | in respect of any Auction Product and for each QR Window falling in any Service Day , the sum of the Contracted Quantities ; |
| “ Auction Closing Time ” | in respect of the QR Windows falling in any Service Day , 14:00 hours on the Service Day which immediately precedes that Service Day ; |
| “ Auction Opening Time ” | in respect of the QR Windows falling in any Service Day , 08:00 hours on D-15 where D is the Service Day , and for the avoidance of doubt the first Auction Opening Time shall be such time on the Effective Date (for QR Windows falling in the QR Go-Live Date); |
| “ Auction Product ” | any Quick Reserve Product ; |
| “ Auction Results Time ” | in respect of the QR Windows falling in any Service Day , 16:00 hours on the Service Day which immediately precedes that Service Day ; |
| “ Auction Unit ” | Plant and Apparatus meeting the eligibility criteria described in these QR Procurement Rules and registered as such by a Registered Auction Participant at the relevant time in accordance with the Registration and Pre-Qualification Procedure ; |

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| “ Basket ” | in respect of any QR Window and Auction Unit , a collection of one or more Sell Orders which meet the requirements of paragraph 8; |
| “ Bid Price ” | the price (£/MW/h) associated with each Buy Order as more particularly described in paragraph 7.2.5; |
| “ Bid Quantity ” | in respect of any Buy Order , the volume of an Auction Product required by NESO in the QR Window defined by that Buy Order as more particularly described in paragraph 7.2.4; |
| “ BM Participating ” | in respect of a Contracted QR Unit , that for the duration of the relevant QR Contract , it is or will be registered as a BM Unit ; |
| “ Buy Order ” | an Order submitted by NESO in accordance with paragraph 7 comprising a Bid Quantity for an Auction Product and QR Window , and an associated Bid Price , validly registered as such on the Designated Auction Platform ; |
| “ Buy Order Substitutable Family ” | a group of two (2) or more Buy Orders defined over Concomitant QR Windows as more particularly described in paragraph 7.3 and whose Acceptance Ratios are constrained as described in paragraph 9.2.6; |
| “ Child Order ” | in respect of any Basket , a Sell Order whose Acceptance (1) is dependent on the Acceptance of another Sell Order in that Basket (being its Parent Order), and (2) independent of the Acceptance of any other Child Order(s) in that Basket , and having such other characteristics as are described in paragraphs 8 and 9; |
| “ Concomitant ” | in respect of any two or more Sell Orders or Baskets related to the same Auction Unit , that the respective QR Windows over which they are defined have at least one instant in time in common; |
| “ Contracted Quantity ” | for each Auction Product in an Accepted Sell Order , the Matched Quantity , rounded to an integer according to the rules appropriate to the Sell Order Type as more particularly described in paragraph 9.3; |
| “ Contracted QR Unit ” | an Auction Unit that is, for any QR Window , subject to a subsisting QR Contract formed upon Acceptance of a Sell Order ; |
| “ Control Telephony ” | as defined in the Grid Code ; |
| “ Daily Auction Report ” | the report (which may comprise more than one document, published separately) published by NESO pursuant to paragraph 11.1; |

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| <p>“Deregistered”</p> | <p>in relation to (1) any Auction Product, means the cessation of an Auction Unit’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 NESO via the Single Market Platform;</p> |
| <p>“Designated Auction Platform”</p> | <p>the auction platform(s) from time to time designated by NESO for use in connection with the Auctions;</p> |
| <p>“DRSC Liable User”</p> | <p>any Service Provider whose QR Contract renders it a Demand Response Provider by virtue of the relevant Auction Product comprising a source of controllable Demand;</p> |
| <p>“Effective Date”</p> | <p>the meaning given to that term in paragraph 1.4;</p> |
| <p>“Energy Limited”</p> | <p>a classification given in the Registration and Pre-Qualification Procedure to any Auction Unit:- (a) which creates its store of energy by using power ultimately drawn from the National Electricity Transmission System; and (b) whose State of Energy at the start of a relevant QR Window is insufficient to provide full delivery of the Contracted Quantity for the duration of that QR Window;</p> |
| <p>“Grid Supply Point”</p> | <p>the meaning given to that term in the BSC;</p> |
| <p>“GSP Group”</p> | <p>the meaning given to that term in the BSC;</p> |
| <p>“Industry Information Website”</p> | <p>the web page listed under the NESO website for the publication of information for the use by Registered Auction Participants and other interested parties;</p> |
| <p>“IPR Claim”</p> | <p>as defined in paragraph 17.7.1;</p> |
| <p>“Joined”</p> | <p>in respect of a Buy Order, that it is associated with one or more other Buy Orders over the same Auction Product and which are not Concomitant;</p> |
| <p>“Joined Family”</p> | <p>two (2) or more Buy Orders which are Joined as more particularly described in paragraph 7.3;</p> |
| <p>“Link”, Linking” or “Linked”</p> | <p>in respect of any two or more consecutive QR Windows and single Auction Product, that the submission and/or Acceptance of any Sell Order(s) in respect of that Auction Unit for any of such QR Windows is conditional upon the submission of and/or Acceptance of identical Sell Orders in respect of that Auction Unit for each of the other such QR Windows as more particularly described in paragraph 8.6;</p> |

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| “Linking Notice” | the meaning given to that term in paragraph 6.1; |
| “Looping” or “Looped” | in respect of a Basket , that Acceptance of its Sell Order(s) is a pre-condition to Acceptance of Sell Order(s) comprising one or more other Basket(s) to which it is Looped as more particularly described in paragraph 9.2.9; |
| “Looped Family” | two (2) or more Baskets which are Looped as more particularly described in paragraph 8.5; |
| “Malicious Software” | as defined in paragraph 18.1; |
| “Market Clearing Price” | the price (£/MW/h) derived for an Auction Product and QR Window by operation of the Market Clearing Rules as more particularly described in paragraph 9.4; |
| “Market Clearing Rules” | the rules set out in paragraph 9 for creation of QR Contracts and establishment of Market Clearing Prices ; |
| “Market Welfare” | the aggregate of (1) the sum of the Order Surpluses with respect to all Buy Orders and Sell Orders in a Service Day , and (2) the ‘Market Welfare’ for that Service Day as defined in the Response Procurement Rules but with respect only to limb (1) and the Response Auction Products ; |
| “Matched Quantity” | in respect of any Order and Auction Product , either the Acceptance Ratio multiplied by the Offered Quantity in the case of a Sell Order , or the Acceptance Ratio multiplied by the Bid Quantity in the case of a Buy Order , and in either case where the Matched Quantity need not be an integer; |
| “Maximum Market Price” | such price (£/MW/h) as may be notified in writing by NESO to Registered Auction Participants from time to time, being the maximum permitted Bid Price and Sell Price associated with (respectively) a Buy Order and Sell Order , and which for the avoidance of doubt may be positive or negative or zero; |
| “Maximum Registered Capacity” | in respect of any Auction Unit , the maximum capacity (in MW) described as such and notified to NESO by the Registered Auction Participant pursuant to the Registration and Pre-Qualification Procedure ; |
| “Maximum Registered Product Capacity” | in respect of any Auction Unit and Auction Product , the maximum capability for which its component Plant and Apparatus are pre-qualified in accordance with the Registration and Pre-Qualification Procedure ; |
| “Maximum Registered Product Direction Capacity” | in respect of any Auction Unit and all Auctions Products in a particular Product Direction , the highest Maximum Registered Product Capacity of such |

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| | Auction Products , as more particularly described in paragraph 5.3; |
| “ Maximum Sell Size ” | such volume (MW) as may be notified in writing by NESO to Registered Auction Participants from time to time, being the maximum permitted Offered Quantity , and which for the avoidance of doubt shall be three hundred (300) MW unless otherwise notified in writing by NESO ; |
| “ Minimum Market Price ” | such price (£/MW/h) as may be notified in writing by NESO to Registered Auction Participants from time to time, being the minimum permitted Bid Price and Sell Price associated with (respectively) a Buy Order and Sell Order , and which for the avoidance of doubt may be positive or negative or zero; |
| “ Negative Quick Reserve ” or “ NQR ” | Quick Reserve delivered by way of Demand Turn Up or Output Curtailment ; |
| “ Offer Price ” | the price (£/MW/h) associated with each Sell Order as more particularly described in paragraph 8.2.7; |
| “ Offered Quantity ” | in respect of any Sell Order , the volume of an Auction Product offered by a Registered Auction Participant in its Sell Order as more particularly described in paragraph 8.3.3; |
| “ Order ” | a Sell Order or a Buy Order (as the context admits); |
| “ Order Surplus ” | in respect of a Sell Order , the sum of the Product Surpluses of all Auction Products over which it is defined, and with respect to a Buy Order , the Matched Quantity multiplied by the difference between (1) the Bid Price of that Buy Order and (2) the Market Clearing Price for the Auction Product and QR Window over which it is defined; |
| “ Paradoxical Acceptance Indicator ” | an indicator selected by NESO for each Buy Order , as more particularly described in paragraph 7.2.6; |
| “ Parent Order ” | in respect of any Basket , a Sell Order whose Acceptance is a pre-condition to Acceptance of one or more other Sell Orders in that Basket (each being its Child Orders); |
| “ Partially Accepted ” | in respect of any Accepted Sell Order , where its Acceptance Ratio is less than one (1); |
| “ Product Direction ” | either (1) Output Increase or Demand Turn-Down so as to contribute towards the management of downward Frequency Deviations or (2) Output Curtailment or Demand Turn-Up so as to contribute towards the management of upward Frequency Deviations ; |

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| “ Product Surplus ” | in respect of a Sell Order and Auction Product , the Matched Quantity multiplied by the difference between (1) the Market Clearing Price for the Auction Product and QR Window over which it is defined, and (2) the Offer Price of that Sell Order ; |
| “ Positive Quick Reserve ” or “ PQR ” | Quick Reserve delivered by way of Demand Turn Down or Output Increase ; |
| “ QR Contract ” | a Balancing Services Contract for the delivery of Quick Reserve from an Auction Unit formed pursuant to paragraph 12 and more particularly described in the QR Service Terms ; |
| “ QR Go-Live Date ” | the first Service Day in respect of which the Market Clearing Rules will operate in relation to Quick Reserve Products for the determination of Market Clearing Prices and formation of QR Contracts , being the Service Day whose Auction Opening Time falls in the Effective Date ; |
| “ QR Procurement Documentation ” | as described in paragraph 1.3; |
| “ QR Procurement Rules ” | this document as published by NESO from time to time; |
| “ QR Service Terms ” | the prevailing document titled ‘Quick Reserve (QR) Service Terms (Phase 1)’ published by or on behalf of NESO from time to time containing the terms and conditions governing QR Contracts ; |
| “ QR Window ” | each consecutive thirty (30) minute period commencing at 23.00 hours; |
| “ Quick Reserve ” or “ QR ” | when used in the QR Procurement Documentation , any or all of the Quick Reserve Products as the context admits; |
| “ Quick Reserve Products ” | Positive Quick Reserve and Negative Quick Reserve ; |
| “ Reason Code ” | a code designated by NESO from time to time to a reason why an Order is not Accepted ; |
| “ Registered Auction Participant ” | a Registered Service Provider who is subsequently registered with NESO as eligible to participate in the Auctions ; |
| “ Registered Service Provider ” | a person registered from time to time pursuant to the Registration and Pre-Qualification Procedure as eligible to provide any one or more Balancing Services to NESO including any successor(s) in title to, or permitted assign(s) of, such person; |
| “ Registration and Pre-Qualification Procedure ” | the procedure and processes described in Schedule 2; |

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| “Rejected” | in respect of any Order , where its Acceptance Ratio is zero (0); |
| “Relevant Metering” | the BSC accredited half hourly metering registered to each Auction Unit ; |
| “Response” | as defined in the Response Procurement Rules ; |
| “Response Auction Products” | the ‘Response Products’ as that term is defined in the Response Procurement Rules ; |
| “Response Procurement Rules” | the prevailing document titled ‘Response Services Procurement Rules’ published by or on behalf of NESO from time to time governing the procurement of Response ; |
| “Sell Order” | an Order submitted by a Registered Auction Participant in accordance with these QR Procurement Rules for the delivery upon and subject to the QR Service Terms of an Auction Product during a QR Window falling in a Service Day , validly registered as such on the Designated Auction Platform and being one of the Sell Order Types ; |
| “Sell Order Type” | Parent Order , Child Order and Substitutable Child Order ; |
| “Service Day” | each twenty-four (24) hour period commencing at 23.00 hours; |
| “Service Parameters” | such requirements and/or parameters for delivery of an Auction Product as may be specified in the QR Service Terms ; |
| “Service Provider” | in respect of any Contracted Unit , NESO ’s counterparty to a QR Contract ; |
| “Single Market Platform” | the online platform hosted by NESO comprising the Registration and Pre-Qualification Procedure ; |
| “State of Energy” | the prevailing state of charge of an asset (such as a battery) which is Energy Limited representing its available Active Power Output and Demand ; |
| “System Telephony” | as defined in the Grid Code ; |
| “Substitutable Child Order” | in respect of any Basket , a Sell Order whose acceptance is dependent on the acceptance of another Sell Order in that Basket (being its Parent Order), and whose Acceptance is constrained by the Acceptance of any other Substitutable Child Order(s) in that Basket ; and |

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| “Total Auction Procurement Cost” | for any Service Day , the sum, over all Auction Products and QR Windows , of the Auction Clearing Quantity multiplied by the Market Clearing Price . |
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SCHEDULE 2 – REGISTRATION AND PRE-QUALIFICATION PROCEDURE

Summary

For an entity to register as a **Registered Auction Participant**, it must first become a **Registered Service Provider** by submitting its corporate details onto **NESO** systems and (if accepted) receiving a user ID. To become a **Registered Auction Participant** it must then accede to the **QR Procurement Documentation**. Once registration is complete, a **Registered Auction Participant** may then submit assets under its operation or control for prequalification by **NESO** as **Auction Units**.

Prequalification as an **Auction Unit** will relate to a specific **Auction Product**. An asset may be pre-qualified as an **Auction Unit** to more than one **Auction Product**.

Once pre-qualified, an **Auction Unit** may participate in the daily auctions for the applicable **Auction Product**.

Process and Timings

Outlined below is the process and associated timings for registration and asset pre-qualification. Further detail will be provided from time to time by **NESO**.

- Step 1 – entity requests registration as a **Registered Service Provider** (and associated user IDs)
- Step 2 – **NESO** validates registration and issues user IDs (*entity is now a **Registered Service Provider***)
- Step 3 - entity submits one or more assets for pre-qualification as an **Auction Unit**, specifying the **Auction Product(s)** for which it seeks prequalification
- Step 4 - entity accedes to **QR Procurement Documentation** (*entity is now a **Registered Auction Participant***)
- Step 5 – **NESO** undertakes any necessary asset testing and validation
- Step 6 – **NESO** confirms completion of prequalification process (*asset is now an **Auction Unit**, and participant can now enter **Auction Units** into daily auctions for the applicable **Auction Product(s)***)

Except where the contingency procedure applies, all of the above steps (which are summarised below) are to be completed via the **Single Market Platform**, and the participant must ensure that all information submitted on the **Single Market Platform** is fully complete and correct.

In the event that the **Single Market Platform** is unable to be utilised to complete any or all of the above steps, **NESO** may (at its discretion) implement a contingency procedure and notify this to participants in writing providing as much advance notice as is reasonably practicable in the circumstances. The contingency procedure may include completion of Steps 1, 2 and 3 using Forms A, B and C, copies of which are available on the **Single Market Platform** or will otherwise be made available by **NESO**, and Steps 4, 5 and 6 by email submission of the 'Provider Data Template' available on request from **NESO**. The notification from **NESO** informing participants that the contingency procedure has been implemented shall confirm the manner and timescales in which such documentation is to be submitted to **NESO**.

References below to the **Single Market Platform** are to be construed as including the contingency procedure where applicable, unless the context otherwise requires.

Registration as Registered Service Provider

Each participant is required to submit its corporate details, together with details of any related entity on whose behalf it is acting as agent.

In addition, where it has not already done so, each participant must ensure that it has completed the necessary vendor setup forms that are outlined on **NESO's** Settlement web page to be set up as a vendor on **NESO's** systems. These should be submitted as soon as possible so that **NESO** can make payments in a timely manner in accordance with the **QR Service Terms**.

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

Registration as Registered Auction Participant

To be registered as a **Registered Auction Participant** with eligibility to pre-qualify and allocate **Units** for participation in the **Auctions**, a participant must accede to the **QR Procurement Documentation** via the **Single Market Platform**.

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

Pre-qualification of Auction Units

For asset pre-qualification, **NESO** will require submission via the **Single Market Platform** of all relevant technical details associated with the asset's capability and operating parameters to enable **NESO** to complete validation for the relevant **Auction Product**. Validation will include an assessment that the asset is registered as a **Primary BM Unit** or **Secondary BM Unit** under the **BSC** for which the **Registered Auction Participant** is the **Lead Party** and that it is capable of operating in accordance with the relevant **Service Parameters**, and where applicable will classify the asset as **Energy Limited**.

Each **Auction** registered to an **Auction Product** will be given a **Maximum Registered Product Capacity**, representing the maximum capacity of the relevant **Auction Product** which it is capable of delivering. Validation will be required before the **Maximum Registered Product Capacity** of an **Auction Unit** can be increased.

Each **Auction Unit** will also have, in relation to all **Auction Products** in a particular **Product Direction**, a **Maximum Registered Product Direction Capacity**.

Auction Units will not normally be pre-qualified to an **Auction Product** if they have a condition in their DNO connection agreement whereby they are signed up to an **Active Network Management Scheme** / Flexibility Connection. However, **NESO** will consider this on a case by case basis and may (at its sole discretion) enable such participation if there is reasonable evidence to demonstrate that the asset has very high forecasted availability (for example as shown by Curtailment Assessment Reports from DNOs). **NESO** shall continue to keep this under review and any changes to this position shall be consulted accordingly.

Once an asset has been pre-qualified and registered to an **Auction Product** as an **Auction Unit**, it may be **Deregistered** by **NESO** as an **Auction Unit** in the circumstances (if any) described in these **QR Procurement 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 **Auction Unit** with respect to other **Auction Products**.

Timescales

Initial registrations must be completed in line with the timings outlined below:

| Activity | Provider | NESO |
|-------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pre-qualification of Auction Units | Valid and complete data should be submitted 7 calendar days in advance. | <p>Auction participation can take place 7 calendar days after submission of validly completed data.</p> <p>NESO will notify the Registered Auction Participant if allocation activity can be accommodated sooner.</p> |

Changes to pre-qualification status or allocation

If **Registered Auction Participants** wish to change the pre-qualification status of **Auction Units**, including increasing its **Maximum Registered Product Capacity**, this must be done as described above (on the **Single Market Platform** or using any contingency arrangements where applicable).

All queries and communications shall be made via a **Registered Auction Participant's** account manager or commercial.operation@nationalgrideso.com.