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National Energy System Operator
Faraday House
Gallows Hill
Warwick
CV34 6DA

Jon.wisdom@nationalenergyso.com
07929 375010
www.neso.energy

12 February 2025

Re: Quick Reserve (Phase 2) 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 and amended (EBR), NESO is proposing to update its terms and conditions relating to Balancing with respect to its Quick Reserve (QR) product.

We are proposing updates to the QR Service Terms and QR Procurement Rules to incorporate phase 2 Quick Reserve which is aimed primarily at opening the market to participants that are not in the Balancing Mechanism (BM). A summary of the changes proposed to each document is included in Annex 1 to this letter.

In accordance with EBR, NESO is now consulting on the updates to these terms and conditions. The consultation will be undertaken from 12th February 2025 until 14 March 2025.

Annex 2 to this letter is a table showing how we believe the terms and conditions (and corresponding parts of the GB codes) as proposed to be amended map across to the terms and conditions related to Balancing described by Article 18 of EBR.

Please respond by using the pro forma available on our website and submitting answers via the following MS Forms [link](#). Should you have any issue with the proposed submission process, please contact box.futureofbalancingservices@nationalenergyso.com to make alternative arrangements.

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If you have any queries regarding this proposal, please contact us:
box.futureofbalancingservices@nationalenergysso.com

Yours sincerely,

Jon Wisdom
Head of Market Change Delivery

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Annex 1 – summary of proposed changes

NESO are proposing changes to the Service Terms and Procurement Rules for Quick Reserve primarily to incorporate market participants that are not in the Balancing Mechanism (BM). In order to keep these updates as easy to follow as possible we have drafted a number of specific service requirements into separate clauses for ‘BM Participating’ and ‘Non-BM Participating’ within the Service Terms and Procurement Rules.

The following table sets out all the proposed changes to the existing ‘Phase 1’ Quick Reserve Service Terms and Procurement Rules (ignoring cross referencing updates and typographical or formatting changes).

Contract Section	Proposed Changes
Service Terms Clause 1.2	New sub-clause inserted to cover the inclusion of Optional Quick Reserve for non-BM QR Units.
Service Terms Clause 1.5.2	Clarification added for non-contracted BM participants.
Service Terms Clause 5	Service Availability has been split into separate BM and non-BM clauses, with clause 5 specific to clarification on the BM Unit requirements. Some minor housekeeping additional clarification added and reference to Crossovers.
Service Terms Clause 5.10	Clarification added to timing of any applicable unavailability notifications, and removal of unnecessary text regarding intermittent generation.
Service Terms Clause 5.14	Clarification on circumstances where availability payments may be withheld.
Service Terms Clause 6	New clause inserted for non-BM participants to cover the Service Availability requirements on a Contracted Non-BM QR Unit ahead of and during a Contracted Service Period.
Service Terms Clause 7	New clause inserted to cover the requirements on a non-BM QR Unit when providing the Optional Quick Reserve Service.
Service Terms Clause 7A	New clause inserted relating to non-collusion regarding utilisation pricing applicable to all participants.
Service Terms Clause 8	Clause restructured to separate the requirements for BM and Non-BM participants with clarifications relating to Crossovers.
Service Terms Clause 9	Service delivery requirements have been split into separate BM and non-BM clauses, with clause 9 specific to

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Contract Section	Proposed Changes
	clarification on the BM Unit requirements including to better align with NESO monitoring for settlement purposes.
Service Terms Clause 10	New clause inserted for non-BM participants to cover service delivery requirements – including requirements for Crossovers.
Service Terms Clause 11	Additional wording added to reflect Crossover provisions
Service Terms Clause 12	Clause restructured to separate the requirements for BM and non-BM participants.
Service Terms Clause 13	Additional wording added to reflect non-BM utilisation payments
Service Terms Clause 17	Additional wording added at various sub-clauses to incorporate the Optional Service.
Service Terms Clause 18	Minor housekeeping changes to reference the Open Balancing Platform (OBP).
Service Terms Clause 20	New clause inserted to cover the operational data and publication requirements for non-BM participants, and to cover the performance metering, connection indicator requirements and potential de-registration rules applicable to both BM and Non-BM participants.
Service Terms Clause 23	Additional clarification added regarding NESO audit rights.
Service Terms Schedule 1	Various changes to defined terms for better clarity and the introduction of new defined terms for non-BM participants.
Service Terms Schedule 2	Housekeeping amendments to better clarify existing requirements and the introduction of non-BM design elements.
Service Terms Schedule 4	New schedule added to cover the calculation of utilisation payments for non-BM participants.
Service Terms Schedule 5	Reference to ABSVD added to payment provisions for non-BM participants.
Procurement Rules Clause 1.4	Housekeeping – removal of reference to Effective date as now historical.
Procurement Rules Clause 5	Changes required to cover introduction of non-BM and pre-qualification at an eligible asset level.
Procurement Rules Clause 6	New clause inserted to add clarification on the allocation of BM/non-BM eligible assets to Auction Units
Procurement Rules Clause 9.1	Changes required to cover introduction of allocation rules for eligible assets

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Contract Section	Proposed Changes
Procurement Rules Clause 9.4.5	Housekeeping – Further clarification on sell order baskets/child orders to future proof more flexibility to increase number of orders.
Procurement Rules Clause 9.6 and 9.7	Housekeeping – Further clarity on linking of baskets
Procurement Rules Clause 10.2.12	Housekeeping – New sub clause to provide further clarification on Child Order Acceptance Ratio rules
Procurement Rules Clause 13.1	Housekeeping – to clarify timing of publishing auction outcomes.
Procurement Rules Clause 13.5	Reference to paragraph 20 of the Flexibility Services Standard Agreement removed as covered in Service Terms.
Procurement Rules Schedule 1	Housekeeping – Various updates to defined terms to incorporate non-BM participants and general clarifications.
Procurement Rules Schedule 2	Changes to registration and pre-qualification introduced to cover non-BM assets, allocation of assets, ABSVD requirements and minor housekeeping.

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Annex 2 – EBR Article 18 mapping for the Quick Reserve (Phase 2) Terms and Conditions

Please note: The table below 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 Quick Reserve (phase 2) service. This cross referencing includes the terms and conditions for balancing service providers and the terms and conditions for balance responsible parties.

Nothing in this table shall prejudice or otherwise affect the operation of the GB codes and relevant contractual provisions, and furthermore 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 Quick Reserve (phase 2) terms and conditions.

Article	Text	Code or Document	Section
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

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Article	Text	Code or Document	Section
18.4	The terms and conditions for balancing service providers shall:	-	-
18.4.a	Define reasonable and justified requirements for the provisions of balancing services;	QR Procurement Rules	QR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 13 – Formation of QR Contracts
		QR Service Terms	QR Service Terms 5 – Service Availability – BM Participating 6 – Service Availability – Non-BM Participating 7 – Optional Availability – Non-BM Participating 8 – Service Instruction 17 – Provision of Other Services Schedule 2 – QR Service Parameters
		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
		Grid Code	BC1, BC2, BC3 & BC4
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);	BSC	K3.3, K8, S6.2, S6.3 and S11, S12, S13 and S14
		Grid Code	DRSC 4.2, BC1.4
		QR Procurement Rules	QR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets

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Article	Text	Code or Document	Section
			6 – Allocation of Eligible Assets to Auction Units Schedule 2 – Registration and Pre-qualification Procedure
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;	BSC	K3.2, K3.3, K8
		QR Procurement Rules	QR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 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;	QR Procurement Rules	QR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets Schedule 2 – Registration and Pre-qualification Procedure
		Grid Code	BC5, BC4.4.2

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Article	Text	Code or Document	Section
		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;	QR Procurement Rules QR Service Terms	
18.5.c	the rules and conditions for the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to become a balancing service provider;	QR Procurement Rules	QR 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
		BSC	K3.3 and K8
		Grid Code	BC1.4 and BC1.A.10
18.5.d	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;	QR Procurement Rules QR Service Terms	QR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 9 – Sell Orders 14 – Confidentiality Schedule 2 – Registration and Pre-qualification Procedure QR Service Terms 5 – Service Availability – BM Participating 6 – Service Availability – Non-BM Participating

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Article	Text	Code or Document	Section
			7 – Optional Availability – Non-BM Participating 8 – Service Instruction 9 – Service Delivery – BM Participating 10 – Service Delivery – Non-BM Participating 20 – Monitoring and Metering 23 – Records and Audits
		BSC	O
		Grid Code	DRC, BC5 BC1.4
		CUSC	4.1.3.14 and 4.1.3.19
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);	BSC	T4
		QR Procurement Rules QR Service Terms	QR Procurement Rules 13 – Formation of QR Contracts QR Service Terms 24 – Assignment 25 – Transfer of QR 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), Article 154(8), Article 158(1)(e), Article 158(4)(b), Article 161(1)(f)	QR Service Terms	QR Service Terms 5 – Service Availability – BM Participating 6 – Service Availability – Non-BM Participating 7 – Optional Availability – Non-BM Participating 9 – Service Delivery – BM Participating

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Article	Text	Code or Document	Section
	and Article 161(4)(b) of Regulation (EU) 2017/1485;		10 – Service Delivery – Non-BM Participating 20 – Monitoring and Metering 23 – Records and Audits Schedule 2 – QR Service Parameters
		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;	QR Service Terms	QR Service Terms 5 – Service Availability – BM Participating 6 – Service Availability – Non-BM Participating 7 – Optional Availability – Non-BM Participating 9 – Service Delivery – BM Participating 10 – Service Delivery – Non-BM Participating 11 – QR Availability Payments 12 – Energy Utilisation Payments 13 – Payment Procedure Schedule 3 – QR Availability Payments Schedule 4 – QR Utilisation Payments

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Article	Text	Code or Document	Section
			Schedule 5 – 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;	QR Service Terms	QR Service Terms 11 – QR Availability Payments 12 – Energy Utilisation Payments 13 – Payment Procedure Schedule 3 – QR Availability Payments Schedule 4 – QR Utilisation Payments Schedule 5 – 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.	QR Procurement Rules QR Service Terms	QR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Prequalification of Eligible Assets Schedule 2 – Registration and Pre-qualification Procedure QR Service Terms 5 – Service Availability – BM Participating

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Article	Text	Code or Document	Section
			6 – Service Availability – Non-BM Participating 9 – Service Delivery – BM Participating 10 – Service Delivery – Non-BM Participating 17 – Provision of Other Services 19 – Termination of QR Contracts 20 – Monitoring and Metering
		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,

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Article	Text	Code or Document	Section
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,
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	H3,27 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 deviation is a continental European concept and is not a	N/A

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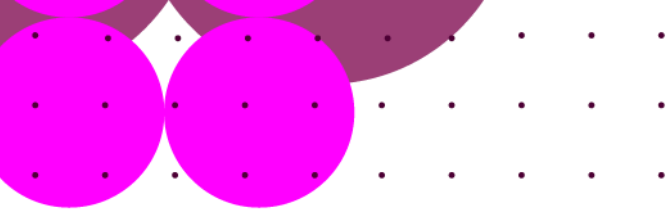
Article	Text	Code or Document	Section
	deterministic frequency deviations pursuant to Article 137(4) of Regulation (EU) 2017/1485.	characteristic of the GB system. Therefore, this requirement does not apply to GB.	

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;	NESO 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.
18.7.c	-	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	NESO does not expect to require this from Balancing Service Providers. No BSC party is

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	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;	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)	NESO does not expect to require this exemption. Such data is published on Insights Real-Time Information Service (IRIS).
18.7. f	an exemption to predetermine the price of the balancing energy bids from a balancing capacity contract pursuant to Article 16(6)	-
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).	NESO 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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