Public

State of Energy (SOE) Management Rules FAQs

Question	Answer
Type of Penalties	
Is it correct to understand that the impact of not conforming to the SOE management rules is being declared unavailable for the affected settlement period?	Yes, that is correct, once penalties are applied, a penalty of deemed unavailability will be applied for the relevant Settlement Period (SP) for not conforming to these rules.
Will the penalty be the loss of payment, or will there still be more severe penalties such as suspension of Enduring Auction Capability (EAC) tendering? (or will this not be possible until Ofgem accept point 6 of the response reform)	When penalties are introduced, the penalty for failure to abide by the SOE Management Rules will be deemed unavailability and therefore loss of payment for the relevant service period. We will be sharing more details on the introduction of the Tiered Penalties Regime later in the year. Under this regime repeated penalisation will result in more severe penalties which could result in suspension, or deregistration from the market.
In line with the comms from NESO I note that enforcement is due to kick off from 1 Apr 2025. Can you confirm this is the first delivery day that will be	Yes, that is correct, April 1 2025 is the first delivery date that will be automatically penalised.

automatically penalised and that this does not refer to April's invoicing for delivery days in March?	
Will SOE penalty's override any other potential penalty's in an SP/EFA?	An SOE penalty sets the availability to 0 for that SP. If the k-factor of that SP is the lowest of the EFA then it will be applied to the rest of the SPs in the EFA. The k-factor of that SP is not negated due to the penalty.
Data Used	
Can you please clarify how the Expected and Actual SOE have been calculated. There is an SOE Import and SOE Export on the performance files submitted each hour, but there must be other information being used. Have I missed the definition documentation for that?	Actual SOE is taken from the performance files, Expected SOE is calculated by the performance bounds and charging behaviour, more information can be found in the SOE guidance: https://www.neso.energy/document/347241/download
Could you please confirm the data source for SOE monitoring; are NESO using the fields: soe_import_mwh & soe_export_mwh from the Dynamic Response Services metrics submitted by providers or is another source used?	Yes, these are the values that we are using to monitor SOE. We have published some detailed guidance which will provide some more details: https://www.neso.energy/document/347241/download
When exactly is the point at which you are assessing the Response Energy Volume (REV) to see	Please note that we do not evaluate a provider's adherence to SOE rules based on baseline behaviour. Instead, we

whether an action needs to be taken in future SPs? Using the example again - will you look at the singular 20hz reading at 00:30:00.000? And what happens if that reading is missing?	assess SOE based on the results of the actions taken to manage SOE. Readings to assess SOE are taken at the start of the SP. Under current requirements of data submission, there cannot be single missing values within a settlement period. However, in the case where there is unavailability for a period of time, the first available period after unavailability is utilised. The SOE of the asset is then compared to the calculated minimum SOE requirement values at the start of each settlement period. We have published some detailed guidance which will provide some more details: https://www.neso.energy/document/347241/download
Are the SOE export and SOE import values submitted through 20 Hz performance monitoring data cross checked with the SOE values submitted through operational metering?	This is a capability that is currently being developed. Providers should assume that the data is cross-checked. We will not be communicating when this capability is operational. As reminder any indication of intentional gaming will be investigated and additional consequences may result in circumstances where such behaviour has been established.
How often should providers provide NESO with an update on asset duration which will impact monitoring of adherence to the SOE rules?	This should ideally be provided as it has its yearly inspections.
Would NESO be open to publishing their forecast of balancing costs if	It is important that the response energy volume that NESO has paid to be

providers are assumed to use MIL and MEL to protect the energy requirements of the services vs if the control room is able to take the decision to utilise that energy in real time?	available is there when required. Providers should factor this into their bidding and state of energy management strategies. Having dynamic response available when contracted is an operational imperative as opposed to a financial trade off with energy balancing actions in the Balancing Mechanism.
Delivering over consecutive EFA Blocks	
It seems like the main cause is the new guidance on consecutive contract periods which makes it basically impossible to stay in a perfect SOE position when moving from an EFA block of e.g DRH into another contracted period. I think this falls under the interpretation of 6.11 (ii). Have other providers seen similar levels of issues at the start of EFA blocks? From our high-level assessment most of the registered times are in the beginning of an EFA block. It seems that "Expected SOE MWh" resets in the beginning of each EFA block whereby it does not account for high utilisation in the end of the preceding EFA block – is that correctly understood?	Ability to deliver the contracts should be considered at the bidding stage, if delivering contracts back to back is too difficult then considerations should be made to avoid this to ensure providers are not over committing volumes. We understand that there are some extreme situations that are outside of the control of the providers, which has been accounted for in the Service terms.

Hitting the correct state of charge at the start of an EFA block has been challenging, as we do not know how much energy will be put in or out of the asset in the previous hour of service.	
The contracted REV in the next EFA block can be radically different the current EFA block, e.g. when a unit moves from DC to DR. If we discover an REV breach in an EFA block with DC but the next available period to change the baseline is in the next EFA block where we are doing DR and have different REV requirements, presumably you would not want us to take an action that targets recovering 20% of a REV that does not relate to the contract you are currently delivering? So, what do we do in this scenario? If we cannot amend the baseline until the next EFA, should we just instead prioritise getting the right REV for the next EFA?	Yes, we would ask that in this occasion you would prioritise reaching the REV requirement for the next EFA. We do ask that you consider this with your bidding strategy, and you should ensure that you do not bid into 2 consecutive EFA block with radically different contracts if this results in not being able to achieve the REV by the start of the EFA block.
It seems this EFA block boundary issue would be solved by having the minimum recovery energy cross the EFA boundaries.	Because the minimum SOE requirement falls with maximum theoretical energy delivery, and the energy recovery is only 20% of CREV, letting the minimum SOE requirement cross EFA could result in the requirement falling to 0 after multiple

	EFAs. This clearly presents an unacceptable system risk.
Please can NESO give more clarity on the circumstances during which part 6.11 v. of the service terms will apply? Given the requirement for SoC to be at REV at the start of an EFA block, I think the market needs this information. Otherwise providers won't even be able to confidently deliver lower throughput services back to back.	Clause 6.11.v allows NESO to determine the provider is compliant in exceptional circumstances. We understand that there are concerns on unexpected frequency deviations at the end of the contracted EFA that could lead to insufficient energy recovery for a following contract. NESO will provide additional transparency on how Clause 6.11v will be applied **to provide confidence in the fair application of these rules to all parties equally. This information will be included in the SOE Guidance document.**
How/When to declare unavailable	
Should we be redeclaring unavailability due to SOE via ASDP/Nortech ?	That is correct that there is no need to change the redeclarations of unavailability for Dynamic Response Service delivery. This should still be based on power, as you should only declare unavailable when you no longer have the MW to deliver the service. Unavailability should be declared if you hit extreme SOE levels, although we consider this scenario unlikely.
Should we be setting the unavailable flag in Performance Reporting due to SOE?	You're understanding of deemed unavailability is also correct. This will be calculated by NESO after the fact. SOE

	levels or being below the expected SOE level is not reason to declare unavailable.
Overall, this new SOE change seems to be overly penalising to punish providers for having the wrong MWh levels in their asset, even though the service is procured, delivered and paid for at the MW level – even if they are otherwise delivering it as contracted.	It is incorrect to state that the service is "procured, delivered and paid for at the MW level". The services are procured in such a way that the combination of MWs and service delivery duration (as specified in the Service Terms) ensure the security of supply. If either of these elements (MW or service duration) is not as expected, then there is risk that the security of supply is not ensured when frequency events occur. The service is paid for to deliver the contracted MWs for the service duration of the given service.
Stacking with the BM	
And can I also ask if these SOE/baseline calculations account for BM activity between gate close and the SP referenced for delivery? As well as BM activity during the period	The calculation of the minimum SOE does not take BOAs into consideration, if you accept a BOA that causes your SOE to drop below the minimum SOE, a penalty will be applied. BOAs can be used in providers strategies to recover SOE, to move it away from the minimum SOE, if your SOE is in a position where you can accept a BOA and it will not cause you to fall below the minimum SOE, then this is also permitted and no penalty will be applied. Further guidance on stacking DC/DM/DR with BOAs in this document: https://www.neso.energy/document/300231/download

Once we instruct a baseline at the required 20% of REV, should we also price out of BM? Or are BOA volumes adjusted out of the calculation, and we would not be penalised if we had a BOA that affected this 20% of REV rate?	You will be penalised if you drop below the minimum SOE requirement, even if a BOA is what causes you to do so. This should be considered when pricing for BOAs. Further guidance on stacking DC/DM/DR with BOAs in this document: https://www.neso.energy/document/300231/download
We have been advised that MIL/MEL should be used to protect the energy requirements of the ancillary service contracts. There seems to be documentation missing for this, as the current guidance only suggests using it to protect the contracted power. When will this particular guidance be published?	Information on using MEL/MIL to protect the energy requirements of ancillary services is not included in the MIL/MEL document since that document focuses on the way in which MEL/MIL signals are to be sent to the ENCC to maximise visibility and dispatch, and not the commercial strategy of BM units that are providing Dynamic Response. We will include an update in the SOE guidance to include more information on this topic.
Requiring assets to reduce MIL/MEL for protection of energy, as well as power will reduce the control rooms visibility over true availability of assets. Does the grid code not require MIL/MEL to represent true availability of the asset – if so, is a grid code change required for this change to be implemented?	The response energy volume is not "available" for other uses and therefore is consistent with GC requirements.
Strategy to manage SOE	
If a frequency event happens in SP2 that caused our REV to temporarily	You are expected to assess your SOE at the beginning of each SP and if that is

go below the contracted level but by the end of SP2/start of SP3 it returned to a sufficient level - either through frequency deviations or a pre-booked baseline - do we still need to take action?	below the CREV you should instruct a baseline to recover. If frequency deviations, or a pre-booked baseline causes you to recover to a sufficient level, you're not required to continue to take action, although you may wish to create a bigger buffer between the assets SOE and the minimum SOE requirement to allow for greater flexibility. It is not NESOs place to comment on the strategies used by operators on how they manage the SOE/energy recovery.
Would it not be possible to NESO to consider PN's and BM activity, alongside operational baselines in order to determine that the provider was making a best effort to manage the SOE effectively, but also enable the provision of optionality to the control room?	As part of the consultation NESO explored various approaches for SOE monitoring including some similar to the one described in this question. These kind of "action based" approaches open the door to subjectivity – defining what counts as "making a best effort" is very difficult. For example, this could result in similar situations being assessed differently leading to unequal treatment of providers. The chosen approach is an outcome-based approach that ensures there is as little subjectivity as possible in the assessment. It allows providers the greatest flexibility in terms of choosing how they manage their SOE, as the type of action that is performed is unimportant. Only the results of their

	actions are assessed. It ensures equal treatment for all providers.