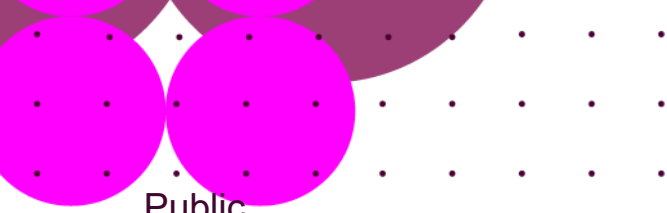


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C9 Report to Authority

A report in accordance with
standard condition C9 for 2025–
2026.



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Executive Summary

In accordance with the requirements of Condition C9 of the NESO Electricity System Operator Licence, NESO has conducted an annual review of the C9 statements. This report details NESO engagement with industry throughout this review and the proposed changes to the 2025-2026 C9 Statements.

There are five statements that form condition C9, all of which were open for review and change during this consultation process.

- 1) The Procurement Guidelines Statement (PGS)
- 2) Applicable Balancing Services Volume Data Methodology Statement (ABSVD)
- 3) Balancing Principles Statement (BPS)
- 4) Balancing Services Adjustment Data Methodology Statement (BSAD)
- 5) System Management Action Flagging Methodology Statement (SMAF)

NESO's proposed key focus areas for review of the five statements this year are:

- Housekeeping updates: this includes formatting, link reviews and version control.
- References to "ESO", "NGESO" "National Grid" deleted and replaced with "NESO" where applicable.
- References to C16 updated to C9 as relevant.
- References to other conditions under the transmission licence updated to reflect new condition references under the Electricity System Operator Licence.
- Additional Obligations under NESO Electricity System Operator Licence
- Updates to services including Balancing Reserve, Quick Reserve, Dynamic Moderation, Dynamic Regulation, Dynamic Containment, DFFR, DFS and MW Dispatch to reflect procurement plans for those services.
- General updates to formatting, spelling, grammar and link updates as normal.

Further details of these proposed changes can be found in the individual statement section within this document and the statements themselves. The changes to the C9 statements are detailed in the "Review of Suggested Changes" section of this report and will be effective as of 01 April 2025, unless the Authority issues a direction for statement changes to become effective earlier or to be vetoed.

NESO would like to invite the Authority to review this report and track changed statements and provide direction on or before 28 March 2025.

If you have any questions about this document, please contact

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Alice Beddow
Markets
National Energy System Operator
Email: balancingservices@nationalenergyso.com

Please note that consequential changes resulting from Modifications to GB industry codes, stakeholder suggestions and upcoming regulatory changes that are not captured here, will be actioned either in future annual reviews, or individual statement reviews, as appropriate.

Penny Garner
Market Frameworks Senior Manager

Introduction and Process Overview

The Review

In accordance with Standard Condition C9 of the NESO Electricity System Operator Licence, NESO has concluded its annual review of all licence statements. The purpose of the annual review and Consultation is to ensure that each of the applicable documents remains current, by seeking industry views on any proposed changes.

NESO invite the Authority to review proposed changes. If the Authority chooses to exercise their powers of veto for these proposed changes to the C9 statements, the existing versions will remain in place. Alternatively, the proposed changes become effective by 1st April 2025, unless issued a direction by the Authority for statement changes to become effective earlier or vetoed.

Consultation

The initial step in the review process is to publish consultation documents on the NESO website outlining the changes proposed and providing updated tracked change versions of the statements as part of the C9 Licence Condition.

This Consultation provides industry with the opportunity to review recommended text changes in the statements. This annual consultation ran for 28 days, closing on 21st February 2025.

Report to Authority

The next step in the review process is for NESO to document, in the form of a report, NESO's final position on the changes proposed during the Consultation.

This is supplied to the Authority alongside tracked change versions of the statements and includes, in a clear and transparent way, all industry responses and NESO's view for each of these.

The report must be issues to the Authority within 7 days (5 working) from the close of the official Consultation.

Authority Decision and Statement Go Live

The following step in the review process is for the Authority to review all the documents submitted to them in the preceding step.

As part of the Licence Condition, Ofgem have 28 days to offer a direction or challenge the submission. If Ofgem do not veto the changes, then the statements will be live on the NESO website on 1st April 2025. If Ofgem do veto, then there are two different directions for the statements to go live, Ofgem can either direct NESO to make a specific change or that can request NESO run a further consultation on the specific issues they have identified which may push back the live date of the statement.

Review of Suggested changes.

For context, we have provided some information relating to the services that are being updated as part of this annual review.

As a result of the transition from National Grid ESO to the National Energy System Operator (NESO) our Transmission Licence has now taken effect as the Electricity System Operator Licence.

We have considered relevant changes to the licence conditions and there are several changes that need to be made to the statements under Condition C9 of the Electricity System Operator Licence.

These broadly consist of:

- References to “ESO”, “NGESO” “National Grid” deleted and replaced with “NESO” where applicable.
- References to C16 updated to C9 as relevant.
- References to other conditions under the Transmission Licence updated to reflect new conditions under the Electricity System Operator Licence.
- Additional obligations under NESO ESO Licence
- Updates to Balancing Services to reflect changes to the services for the procurement year 2025-2026.
- General updates to formatting, spelling, grammar and link updates as normal.
-

To improve clarity within the tracked change statements, general updates to formatting will be tracked in blue. Substantive updates to new services and wording updates because of licence changes arising from the transition to NESO will be red line tracked as per usual procedure.

Additional Licence Obligations under C9.8 NESO Licence.

Under C9.8 of the National Energy System Operators licence to operate the electricity system, NESO are obliged to update the statement to include how NESO considers the principles and criteria identified in the Balancing Principles Statement are consistent with its duties under S163¹ and S164² of the Energy Act 2023. As a result of this, NESO has reviewed

¹ [Energy Act 2023](#)

² [Energy Act 2023](#)



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the Balancing Principles and associated statement and proposed revisions to parts of the statement text to include our consideration of these duties.

Proposals for Procurement Guidelines Statement Review 2025–2026

The Procurement Guidelines³ set out the kinds of Balancing Services which we may be interested in purchasing, together with the mechanisms by which we envisage purchasing such Balancing Services. It acts as a generic statement of the procurement principles we expect to follow.

We have proposed updated to the Procurement Guidelines to seek to give effect to changes, the amendments proposed are:

- References to “ESO”, “NGESO” “National Grid” deleted and replaced with “NESO” where applicable,
- References to C16 updated to C9 as relevant.
- References to other conditions under the transmission licence updated to reflect new condition references under the Electricity System Operator Licence.
- General updates to formatting, spelling, grammar and link updates as normal.
- Updates to the text relating to Balancing Reserve to reflect the launch of the service since the last revision of the statements.
- Updates to the text relating to Quick Reserve to reflect the launch of the service since the last revision of the statements.
- Updates to Dynamic Moderation, Dynamic Containment and Dynamic Regulation, the service has been deleted from the “Future Requirements” section and details provided within the Response section as these are now established services.
- Updates to the text on Firm Frequency response to reflect current procurement through daily auctions.
- Updates to the text on the Demand Flexibility Service to reflect procurement plans for the service.
- Addition of text detailing “Response Avoidance” a service NESO utilises in exceptional events e.g. the Kings Coronation. The omission of this service has been highlighted during the C9 audit process. As there is always the potential for an exceptional event, NESO has proposed adding the service to the list of “services we expect to procure” in the Procurement Guidelines Statement

Industry Responses

³ <https://www.neso.energy/document/352156/download>

NESO received favourable responses to the changes proposed to the Procurement Guidelines as part of this annual review. Two respondents provided feedback relevant to the service design rather than the content of proposed changes.

Although NESO recognises that C9 is not the appropriate route for feedback on service design, we welcome ongoing feedback from industry. This has been passed to the relevant service teams and responses prepared.

The layout to these changes is summarised in Table 1.

Please see updated tracked change document "Procurement Guidelines Statement v27" draft for detail of the changes below:

<https://www.neso.energy/document/352156/download>

Table 1

ID	Section	Page Number(s)	Overview of proposed change
1.01	Version Control	1-2	Updated version in the version text box
1.02	Housekeeping	1-52	Dates amended, web links checked and updated, references to NGESO updated to NESO to reflect licence changes.
1.03	Procurement Principles	10	Updates to reflect Net Zero obligations under NESO Licence.
1.04	Dynamic Services	16	Updates to the Dynamic Services section to locate the service details in the Response section of the Guidelines
1.05	Description of Commercial Ancillary Services	19	Removal of reference to "Fast Reserve"
1.06	Balancing Reserve	20-21	Updates to Balancing Reserve to reflect current service status.
1.07	Quick Reserve	20-21	Updates to Quick Reserve to reflect current service status
1.08	Response	23	Updates to Response to relocate DC/DM/DR to this section

1.09	Response Avoidance	24	Addition of Response Avoidance as a service following feedback from the Balancing Spend Report.
1.10	MW Dispatch	27	Updates to MW Dispatch to reflect current service status
1.11	Demand Flexibility Service	30	Updates to DFS to reflect current service status.
1.12	Response	32	Updates to DFFR to reflect current service status
1.13	Reactive Power	39	Updates to Reactive to add clarity
1.14	Ancillary Services Table	40	Updates to table to reflect current service status.
1.15	Information Provision	45	Updates to clarify timing of services

1.02 Housekeeping Updates

Procurement Guidelines Statement v26

PART A: INTRODUCTION

1. Purpose of Document

This document sets out the Procurement Guidelines ("the Guidelines") which National Grid Electricity System Operator Limited (NGESO) is required to establish in accordance with Standard Condition C16 of NGESO's Transmission Licence. The purpose of these Guidelines is to set out the kinds of Balancing Services which we may be interested in purchasing, together with the mechanisms by which we envisage purchasing such Balancing Services within the next financial year.

Procurement Guidelines Statement v27

PART A: INTRODUCTION

1. Purpose of Document

This document sets out the Procurement Guidelines ("the Guidelines") which National ~~Grid~~~~Electricity~~~~Energy~~ System Operator Limited (~~NGESON~~~~ES~~~~O~~) is required to establish in accordance with Standard Condition ~~C9~~~~16~~ of ~~NGESO~~~~'s~~ ~~NESO~~~~'s~~ ~~Transmission~~~~Electricity~~ System Operator Licence. The purpose of these Guidelines is to set out the kinds of Balancing Services which we may be interested in purchasing, together with the mechanisms by which we envisage purchasing such Balancing Services within the next financial year.

The Guidelines have been developed in consultation with the Authority and Industry Participants. The Guidelines may only be modified in accordance with the processes set out in Standard Condition ~~C9~~~~16~~ of ~~NGESO~~~~'s~~ ~~NESO~~~~'s~~ ~~Transmission~~~~Electricity~~ System Operator Licence. We will continuously monitor the validity of the Guidelines and intend, in discussion with the Authority, to periodically review the form of the Guidelines and, where appropriate, make such revisions as are necessary.

1.03 Updates to Procurement Principles

Procurement Guidelines Statement v26	Procurement Guidelines Statement v27
<p>2. Procurement Principles</p> <p>The ESO is incentivised by new licence conditions to establish a Forward Plan and to report on progress throughout the year. Full details of our incentives including monthly performance reporting is available on the ESO website.</p> <p>In line with our incentives, when procuring Balancing Services, we will apply the following principles.</p> <ul style="list-style-type: none"> Without prejudice to the factors below and after having taken relevant price and technical differences into account, we shall contract for Balancing Services in a non-discriminatory manner. In contracting for the provision of Balancing Services we will purchase from the most economical sources available to us having 	<p>2. Procurement Principles</p> <p>The NESO ESO is incentivised by new licence conditions to establish a Forward Plan and to report on progress throughout the year. Full details of our incentives including monthly performance reporting is available on the NESO ESO website.</p> <p>In line with our incentives, when procuring Balancing Services, we will apply the following principles.</p> <ul style="list-style-type: none"> Without prejudice to the factors below and after having taken relevant price and technical differences into account, we shall contract for Balancing Services in a non-discriminatory manner, <u>including promoting net-zero solutions.</u>

1.04 Updates to Dynamic Services

Procurement Guidelines Statement v26	Procurement Guidelines Statement v27
<p>Dynamic Services</p> <p>Dynamic Containment (DC), Dynamic Moderation (DM) and Dynamic Regulation (DR) make up our new suite of Dynamic Response Services. These new response services are designed to support our operations as the electricity system is decarbonised.</p> <p>DM, designed to rapidly deliver between +/-0.1 and +/-0.2 frequency deviation, provides fast acting pre-fault delivery for particularly volatile periods. DR is our staple slower pre-fault service which is designed to slowly correct and deliver between +/- 0.015 and +/-0.2 frequency deviation. DC is our post-fault service which was released in October 2020.</p> <p>DC, DM and DR are currently procured at day-ahead by EFA blocks on the EAC auction platform. After Enduring Auction Capability (EAC) launches, the procurement of these new Dynamic Response Services will be co-optimised in a single, simultaneous, day ahead, pay-as-clear auction. The auction clearing algorithm will select between alternative</p>	<p>Dynamic Services</p> <p>Dynamic Containment (DC), Dynamic Moderation (DM) and Dynamic Regulation (DR) make up our <u>new</u> suite of Dynamic Response Services. These <u>new</u> response services are designed to support our operations as the electricity system is decarbonised.</p>
<p>Procurement Guidelines 16</p>	<p>Procurement Guidelines 16</p>
<p>provider offers and alternative ESO requirements to maximise the overall market welfare across all services.</p>	<p>DM, designed to rapidly deliver between +/-0.1 and +/-0.2 frequency deviation, provides fast acting pre-fault delivery for particularly volatile periods. DR is our staple slower pre-fault service which is designed to slowly correct and deliver between +/- 0.015 and +/-0.2 frequency deviation. DC is our post-fault service which was released in October 2020.</p> <p>DC, DM and DR are currently procured at day-ahead by EFA blocks on the EAC auction platform.</p>

1.05 Description of Commercial Ancillary Services:

Procurement Guidelines Statement v26

2. Description of Commercial Ancillary Services

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In line with the Monthly Balancing Service Statement (MBSS), the descriptions of Ancillary Services below divide the services into "mandatory", "commercial", and "tendered" service types. Tendered services are attributed to our tendered services frameworks, for example Firm Frequency Response, Fast Reserve and STOR. Mandatory services are Part 1 System Ancillary Services required under the Grid Code for Ancillary Services or as part of their connection agreement, for example reactive power, and some types of generator intertrip. Commercial services cover Ancillary Service contracts that are not part of our tendered services frameworks, for example Maximum Generation or BM Start-Up.

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2. Description of Commercial Ancillary Services

In line with the Monthly Balancing Service Statement (MBSS), the descriptions of Ancillary Services below divide the services into "mandatory", "commercial", and "tendered" service types. Tendered services are attributed to our tendered services frameworks, for example Firm Frequency Response, ~~Fast-Reserve~~ and STOR. Mandatory services are Part 1 System Ancillary Services required under the Grid Code for Ancillary Services or as part of their connection agreement, for example reactive power, and some types of generator intertrip. Commercial services cover Ancillary Service contracts that are not part of our tendered services frameworks, for example Maximum Generation or BM Start-Up.

1.06 Balancing Reserve:

Procurement Guidelines Statement v26

Balancing Reserve

We are intending to bring in Balancing Reserve, as a new Balancing Service, in early 2024, alongside the current live Reserve services. Balancing Reserve aims to ensure that the risk of a loss of load event is minimised and equal across all settlement periods. The introduction of Balancing Reserve will allow the ESO to procure Regulating Reserve, on a firm basis, at Day-Ahead, rather than in real time through BM bids and offers. This will allow capacity to be secured ahead of time, and ensure sufficient Reserve volume.

Balancing Reserve will be instructed in line with the current method for Regulating Reserve, with the capacity secured at Day-Ahead being instructed through the BM.

You can find more detail about Balancing and Regulating Reserve on our website at www.nationalgrideso.com. Look under Balancing services, and then [Reserve services](#).

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Balancing Reserve

~~We are intending to bring in~~ Balancing Reserve, ~~as a new Balancing Service was launched~~, in early 2024, alongside the current live Reserve services. Balancing Reserve aims to ensure that the risk of a loss of load event is minimised and equal across all settlement periods. The introduction of Balancing Reserve will allow the ESO to procure Regulating Reserve, on a firm basis, at Day-Ahead, rather than in real time through BM bids and offers. This will allow capacity to be secured ahead of time, and ensure sufficient Reserve volume.

Balancing Reserve will be instructed in line with the current method for Regulating Reserve, with the capacity secured at Day-Ahead being instructed through the BM.

You can find more detail about Balancing and Regulating Reserve on our website at ~~www.nationalgrideso.com~~ <https://www.neso.energy/>. Look under Balancing services, and then

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<https://www.neso.energy/industry-information/balancing-services/reserve-services>

1.07 Quick Reserve:

Procurement Guidelines Statement v26

Quick Reserve

Reserve is needed for frequency management when there is an imbalance between supply of energy and demand for energy. We are developing a suite of new positive and negative reserve services to replace the existing suite of reserve services. System conditions are changing, and faster-acting reserve is required to support the new frequency response services: Dynamic Containment, Dynamic Regulation, and Dynamic Moderation.

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Initially we plan to commence the procurement of Positive and Negative Quick Reserve in the second half of 2024 with a phased approach based on the capabilities of our new and legacy IT systems, with the service available initially to Balancing Mechanism Units only.

We intend to introduce Positive and Negative Quick Reserve as a Firm service (contracting firm capacity at 'day-ahead' via a daily auction) with Utilisation in line with normal Balancing Mechanism operation by way of a Bid-Offer Acceptances (BOAs) via Electronic Dispatch Logging (EDL)/Electronic Data Transfer (EDT).

We will continue to develop the remaining new reserve services in parallel with the continued roll out of new IT capability as they replace our legacy systems and expect to complete the phased procurement of Quick Reserve and that of Slow Reserve during 2025.

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Quick Reserve

Reserve is needed for frequency management when there is an imbalance between supply of energy and demand for energy. We are developing a suite of new positive and negative reserve services to replace the existing suite of reserve services. System conditions are changing, and faster-acting reserve is required to support the new frequency response services: Dynamic Containment, Dynamic Regulation, and Dynamic Moderation.

~~Initially we plan to commence the procurement of~~ We have successfully implemented Positive and Negative Quick Reserve ~~from in December the second half of 2024, initially~~ initially to Balancing Mechanism units only, based with a phased approach based on the capabilities of our new and legacy IT systems, ~~with the service available initially to Balancing Mechanism Units only.~~

~~We intend to introduce~~ Positive and Negative Quick Reserve is a Firm service (contracting firm capacity at 'day-ahead' via a daily auction) with Utilisation in line with normal Balancing Mechanism operation by way of a Bid-Offer Acceptances (BOAs) via Electronic Dispatch Logging (EDL)/Electronic Data Transfer (EDT).

We plan to introduce Quick Reserve for Non BM participants summer 2025

We will continue to develop the remaining new reserve services in parallel with the continued roll out of new IT capability as they replace our legacy systems and expect to complete the phased procurement of Quick Reserve and that of Slow Reserve during 2025.

1.08 Response:

Procurement Guidelines Statement v26

Response

Firm Frequency Response – tendered

We procure Firm Frequency Response (FFR) as and when required. We will procure Dynamic FFR (DFFR) through monthly tenders and Static FFR (SFFR) through daily auctions. Additional response is also procured through the Mandatory Frequency Response Market in the Balancing Mechanism. More information about frequency response and the services we procure can be found on our website. Look under Balancing Services, then [Frequency Response Services](#).

Alongside the introduction of the new frequency products, Dynamic Containment (DC), Dynamic Moderation (DM) and Dynamic Regulation (DR) we will begin the phase out of some of our existing frequency services notably Dynamic FFR and Enhanced Frequency Response (EFR). More information can be found in the Monthly Information Reports on the data portal, and in the overarching C16 consultation document.

Dynamic Containment (DC)

Dynamic Containment is designed to operate post-fault, i.e. for deployment after a significant frequency deviation in order to meet our most immediate need for faster-acting frequency response. Dynamic Containment is procured at day-ahead on a pay as clear auction platform, as referenced above for DM and DR.

For further information on how to get involved please visit:
<https://www.nationalgrideso.com/industry-information/balancing-services/frequency-response-services>

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provider offers and alternative ESO requirements to maximise the overall market welfare across all services.

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Response

Firm Frequency Response – tendered

We procure Firm Frequency Response services, DC, DM, DR and Static FFR (SFFR) (DFFR) as and when required. ~~We will procure Dynamic FFR (DFFR) through monthly tenders and Static FFR (SFFR) through daily auctions.~~ Additional response is also procured through the Mandatory Frequency Response Market in the Balancing Mechanism. More information about frequency response and the services we procure can be found on our website. Look under Balancing Services, then [Frequency Response Services](#).

~~Alongside the introduction of the new frequency products, Dynamic Containment (DC), Dynamic Moderation (DM) and Dynamic Regulation (DR) we will begin the phase out of some of our existing frequency~~

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~~services notably Dynamic FFR and Enhanced Frequency Response (EFR). More information can be found in the Monthly Information Reports on the data portal, and in the overarching C16 consultation document.~~

Procurement Guidelines Statement v26

Dynamic Services

Dynamic Containment (DC), Dynamic Moderation (DM) and Dynamic Regulation (DR) make up our new suite of Dynamic Response Services. These new response services are designed to support our operations as the electricity system is decarbonised.

DM, designed to rapidly deliver between +/-0.1 and +/-0.2 frequency deviation, provides fast acting pre-fault delivery for particularly volatile periods. DR is our staple slower pre-fault service which is designed to slowly correct and deliver between +/- 0.015 and +/-0.2 frequency deviation. DC is our post-fault service which was released in October 2020.

DC, DM and DR are currently procured at day-ahead by EFA blocks on the EAC auction platform. After Enduring Auction Capability (EAC) launches, the procurement of these new Dynamic Response Services will be co-optimised in a single, simultaneous, day ahead, pay-as-clear auction. The auction clearing algorithm will select between alternative

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provider offers and alternative ESO requirements to maximise the overall market welfare across all services.

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Dynamic Containment (DC)

Dynamic Containment DC is designed to rapidly deliver between +/-0.2 and +/-0.5 frequency deviation, provides fast acting POST-fault delivery is designed to operate post-fault, i.e. for deployment after a significant frequency deviation in order to meet our most immediate need for faster-acting frequency response. Dynamic Containment is procured at day-ahead on a pay as clear auction platform.

Dynamic Moderation

DM, designed to rapidly deliver between +/-0.1 and +/-0.2 frequency deviation, provides fast acting pre-fault delivery for particularly volatile periods. Dynamic Moderation is procured at day-ahead on a pay as clear auction platform.

Dynamic Regulation

DR is our staple slower pre-fault service which is designed to slowly correct and deliver between +/- 0.015 and +/-0.2 frequency deviation. Dynamic Regulation is procured at day-ahead on a pay as clear auction platform, as referenced above for DM and DR.

Static FFR

SFFR is designed to deliver a slow low frequency post fault service which is triggered once frequency goes below 49.7. The service is then delivered for 30mins after triggering. SFFR Regulation is procured at day-ahead on a pay as clear auction platform.

1.09 Response Avoidance

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Response Avoidance

These are Forward Trades made to reduce the volume of Response required by the system and enable the Response costs which would be

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incurred via MFR to be avoided. NESO utilise Response Avoidance during exceptional events e.g Kings Coronation.

1.10 MW Dispatch

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MW Dispatch

Is a transmission constraint management service and the first service to be developed through our joint Regional Development Programmes with DNOs. This service expected to go live in 2023 is initially only open to Distributed Energy Resource (DER) connected to specific Grid Supply Points in National Grid Electricity Distribution (Southwest) and UK Power Networks (South East Coast region) DNO areas. This enables those DER with specific connection terms and conditions to fulfil these obligations and the ESO expects to open this service up to more parties and geographies in the coming months.

The service, regardless of technology, requires providers to reduce real power output to zero ('turn to zero') when instructed by NGENSO under certain network conditions and when it is economic to do so. If instructed, and providing they comply with the instruction, MW Dispatch Service Providers will be paid for the volume of energy they have curtailed.

Procurement Guidelines Statement v27

MW Dispatch

Is a transmission constraint management service and the first service to be developed through our joint Regional Development Programmes with DNOs. This service ~~expected to go live in 2023~~ is initially only open to Distributed Energy Resource (DER) connected to specific Grid Supply Points in National Grid Electricity Distribution (Southwest) and UK Power Networks (South East Coast region) DNO areas. This enables those DER with specific connection terms and conditions to fulfil these obligations and the NESO expects to open this service up to more parties and geographies in the coming months.

The service, regardless of technology, requires providers to reduce real power output to zero ('turn to zero') when instructed by NGENSO under certain network conditions and when it is economic to do so. If instructed, and providing they comply with the instruction, MW Dispatch Service Providers will be paid for the volume of energy they have curtailed.

1.11 Demand Flexibility Service

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Demand Flexibility Service (DFS)

The Demand Flexibility Service (DFS) was introduced during the winter of 22/23 as part of our winter contingency toolkit. Its purpose was to act as an enhanced action, in addition to the normal electricity market, to be used to access additional megawatts (MW) during times of high national

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demand, particularly on peak winter days when the system could have been placed under stress.

In September 2023, our Winter Outlook Report highlighted slightly higher base case margins for the upcoming winter, but also identified risks and uncertainties in the global energy markets. As a prudent system operator, we prepared for various scenarios to ensure the safe operation of the system and minimise the impact on electricity customers in Great Britain. To provide additional tools to maintain system margin during peak demand, we announced the continuation of the Demand Flexibility Service (DFS) as an enhanced action.

We believe that DFS can continue to play a crucial role in supporting system operations and providing additional margin during periods of high demand. We remain committed to improving and expanding the service to meet the growing needs of the energy market and ensure a reliable and secure electricity supply for Great Britain. Therefore, we will be evolving the DFS to a commercial merit-based margin tool to provide a route to market for flexibility until Market-wide Half Hourly Settlement (MHHS) is established as an effective enduring route.

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Demand Flexibility Service (DFS)

The Demand Flexibility Service (DFS) was introduced during the winter of 22/23 as part of our winter contingency toolkit. Its purpose was to act as an enhanced action, in addition to the normal electricity market, to be used to access additional megawatts (MW) during times of high

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national demand, particularly ~~on~~ peak ~~periods on~~ winter days when the system could have been placed under stress.

In September 2023, our ~~winter outlook indicated system margins were adequate and within the Reliability Standard.~~

~~This report there was not the same operational need for DFS as in previous years. We saw a case to continue to harness the value of demand flexibility. We transitioned DFS from an enhanced action to an in-merit margin tool. This is to ensure that a route to market exists for the volume participating in DFS, especially manual flexibility and it is a transitional product for manual flexibility until Market-wide Half-Hourly Settlement.~~

~~Procurement is now within-day only and DFS volume is contracted alongside BM actions and interconnector flow trades to meet the demand margin requirement issued by ENNC. Winter Outlook Report highlighted slightly higher base case margins for the upcoming winter, but also identified risks and uncertainties in the global energy markets. As a prudent system operator, we prepared for various scenarios to ensure the safe operation of the system and minimise the impact on electricity customers in Great Britain. To provide additional tools to maintain system margin during peak demand, we announced the continuation of the Demand Flexibility Service (DFS) as an enhanced action.~~

~~We believe that DFS can continue to play a crucial role in supporting system operations and providing additional margin during periods of high demand. We remain committed to improving and expanding the service to meet the growing needs of the energy market and ensure a reliable and secure electricity supply for Great Britain. Therefore, we will be evolving the DFS to a commercial merit based margin tool that will continue to provide a route to market for flexibility.~~

1.12 Response

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Response

Other Response – commercial moving to tendered

We intend to remove the following frequency response services from active procurement and meet the requirement in a more transparent and competitive way. We are working with all affected parties to transition them to new routes to market.

- Enhanced Frequency Response – ceases summer 2022
- Non-tendered Fast Reserve with low frequency trigger

For further information NGESO about our plans for future response services please see the [response section](#) of our website, and the Future of balancing services [product roadmaps](#).

Procurement Guidelines Statement v27

Response

Other Response – commercial moving to tendered

We intend to remove the following frequency response services from active procurement and meet the requirement in a more transparent and competitive way. We are working with all affected parties to transition them to new routes to market.

- ~~Enhanced Frequency Response – ceases summer 2022~~ [Dynamic Frequency response \(DFFR\) monthly tenders ceased 2nd half of 2023](#)
- Non-tendered Fast Reserve with low frequency trigger

For further information ~~NGESO~~ [from NESO](#) about our plans for future response services please see the [response section](#) of our website, and the Future of balancing services [product roadmaps](#).

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1.13 Reactive Power

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Reactive Power

Enhanced Reactive Power Service (ERPS)– removing

We have signalled our preference to remove Enhanced Reactive Power Service, which is run every six months in line with the CUSC, from our suite of services in lieu of locational tenders and other projects in the voltage space, i.e. Power Potential and NOA Pathfinders. This matter is currently being considered within a modification working group, the outcome of the modification process will determine whether it should be removed or updated. For the avoidance of doubt bi-annual (six months) tenders will run until any decision to remove the service is made.

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Reactive Power

Enhanced Reactive Power Service (ERPS)– removing

We have signalled our preference to remove Enhanced Reactive Power Service, which is run every six months in line with the CUSC, from our suite of services in lieu of locational tenders and other projects in the voltage space, i.e. [Network Services Procurement, Voltage RFI and a Reactive Market Power Potential and NOA Pathfinders](#). This matter is currently being considered within a modification working group, the outcome of the modification process will determine whether it should be removed or updated. For the avoidance of doubt bi-annual (six months) tenders will run until any decision to remove the service is made.

1.14 Ancillary Services

Procurement Guidelines Statement v26		Procurement Guidelines Statement v27	
ANCILLARY SERVICES	MEANS OF PROCUREMENT	ANCILLARY SERVICES	MEANS OF PROCUREMENT
Reserve		Reserve	
• Fast Reserve	Contracted on the day via the Optional Service.	• Fast Reserve	Contracted on the day via the Optional Service.
• STOR	Contracted via day-ahead market procurement and on the day via the Optional Service.	• STOR	Contracted via day-ahead market procurement and on the day via the Optional Service. <i>(Non-BM only)</i>
• Balancing Reserve	Contracted via day-ahead market procurement	• Balancing Reserve	Contracted via day-ahead market procurement
•		•	
•	Contracted via day-ahead market procurement	•	
•		•	
• Quick Reserve		• Quick Reserve	Contracted via day-ahead market procurement
Frequency Response		Frequency Response	
• Dynamic Firm Frequency Response (DFFR)	Contracts derived from monthly market tenders or auction	• Dynamic Firm Frequency Response (DFFR)	Contracts derived from monthly market tenders or auction
• Static Firm Frequency Response (SFFR)	Contracts derived from day-ahead market tenders or auction	• Static Firm Frequency Response (SFFR)	Contracts derived from day-ahead market tenders or auction
• Dynamic Containment (DC)	Contracts derived from market tenders or auction	• Dynamic Containment (DC)	Contracts derived from market tenders or auction
• Dynamic Moderation (DM)	Contracts derived from market tenders or auction	• Dynamic Moderation (DM)	Contracts derived from market tenders or auction
• Dynamic Regulation (DR)		• Dynamic Moderation (DM)	Contracts derived from market tenders or auction

1.15 Information Provision

Procurement Guidelines Statement v26		Procurement Guidelines Statement v27	
2. <u>Information Provision Detail</u>		2. <u>Information Provision Detail</u>	
In the circumstances where tenders are held we publish information on the outcome of these processes via market reports, which are available on our web-site. This is currently the case for Reactive Power (every six months), STOR (as required), Fast Reserve (monthly), and Firm Frequency Response (monthly). In addition, information will also be published for Maximum Generation Service on a disaggregated basis.		In the circumstances where tenders are held we publish information on the outcome of these processes via market reports, which are available on our web-site. This is currently the case for Reactive Power (every six months), STOR (as required), Fast Reserve (monthly), and Firm Frequency Response (monthly <i>SFFR, DC,DM and DR daily</i>). In addition, information will also be published for Maximum Generation Service on a disaggregated basis.	

Proposals for the ABSVD Methodology Statement Review 2025–2026

The Applicable Balancing Services Volume Data Methodology⁴ sets out the information on Applicable Balancing Services that will be taken into account for the purpose of determining imbalance volumes. The amendments proposed are:

- References to “ESO”, “NGESO” “National Grid” deleted and replaced with “NESO” where applicable.
- References to C16 updated to C9 as relevant.
- References to other conditions under the transmission licence updated to reflect new condition references under the Electricity System Operator Licence.
- General updates to formatting, spelling, grammar and link updates as normal.
- Updates to the BM ABSVD Applied Table to remove the “Unit Type” column. Following further clarification arising from the outputs of BSC Issue Group 114 “Issues relating to Settlement of ABSVD for ancillary services delivered through independent aggregators,” it has been indicated that there is currently an inconsistency in approach in adjusting Suppliers’ for BM Unit ABSVD submitted against Secondary BM Units within the Elexon Imbalance process. This change aligns with the wording within the BSC. ABSVD data is submitted for BMU’s by NESO, however Providers should be aware of the following inconsistency in adjustment of Suppliers’ positions for BM Units within the Elexon process as outlined in Issue 2, further details can be found in the following location: **BSCP40: Change Management**⁵
- Updates to the text relating to LCM. LCM ABSVD Opt Out solution are presently live and included as part of the settlement processes as it is stated in LCM Service Terms version 2.0, effective from 04/10/2024, published on 25/11/2024.

Please see tracked change document “ABSV Methodology Statement v19” draft for detail of the changes.

<https://www.neso.energy/document/352141/download>

Industry Responses

NESO received valuable responses to the changes proposed to the ABSVD Methodology Statement as part of this annual review. Responses to the individual concerns raised are detailed in **Annex A, Responses Annual C9 2025–2026**.

⁴ <https://www.neso.energy/document/352141/download>

⁵ [BSCP40: Change Management](#)

The layout of the proposed changes being made to ABSVD are detailed in Table 2 below:

Table 2

ID	Section	Page Number(s)	Overview of proposed changes
2.01	Version Control	1-2	Updated version in the version text box
2.02	Housekeeping	1-34	Dates amended, web links checked and updated, references to NGENSO updated to NESO to reflect licence changes.
2.03	BM ABSVD Applied	10	Updates to table
2.04	LCM Note	11	Updates to note to reflect current service status

2.03 BM ABSVD Applied

ABSVD Statement v18			ABSVD Statement v19		
BM ABSVD Applied			BM ABSVD Applied		
Unit Type	Balancing Service	Data Volume Source	Unit Type	Balancing Service	Data Volume Source
Primary Unit only	Frequency Response Service	Response Energy Volumes computed in accordance with clause 4.1.3.9A of the CUSC	Primary Unit only	Frequency Response Service	Response Energy Volumes computed in accordance with clause 4.1.3.9A of the CUSC
Primary Unit only	Commercial Intertrips	Volume Computed in accordance with the Commercial Services Agreement	Primary Unit only	Commercial Intertrips	Volume Computed in accordance with the Commercial Services Agreement
Primary Unit only	System to Generator Operational Intertripping	Export Restricted Volume computed to from the time of the trip to end of the Balancing Mechanism Window	Primary Unit only	System to Generator Operational Intertripping	Export Restricted Volume computed to from the time of the trip to end of the
Primary Unit only	Maximum Generation Service	Service Volume computed as $\text{Min}(Q_{\text{max}ij}, X * \text{CEC}/2)$ in accordance with clause 4.2.5 of the CUSC.	Primary Unit only	Maximum Generation Service	Service Volume computed as $\text{Min}(Q_{\text{max}ij}, X * \text{CEC}/2)$ in accordance with clause 4.2.5 of the CUSC.

For the avoidance of doubt, the following services are automatically included

Unit Type	Balancing Service	Data Volume Source
Primary Unit only	Maximum Generation Service	Balancing Mechanism Window Service Volume computed as $\text{Min}(Q_{\text{max}ij}, X * \text{CEC}/2)$ in accordance with clause 4.2.5 of the CUSC.

2.04 LCM Notes

ABSVD Statement v18	ABSVD Statement v19
<p>*LCM - NGENSO plan to submit applicable Balancing Services Volume Data to Elexon with respects to eligible non-BM providers delivered HH-settled volumes, where it is feasible to do so.</p> <p>Utilisation volumes will be determined in the accordance with the characteristics of the service over the duration of the LCM Product. With the optionality to opt out of ABSVD for eligible non-BM providers and calculation in accordance with the relevant Commercial Services Agreement.</p> <p>ABSVD will not be calculated for Frequency Response services with Non-BM Providers under this methodology, save for the services listed above.</p>	<p>*LCM - NGENSO plan to submit applicable Balancing Services Volume Data to Elexon with respects to eligible non-BM providers delivered HH-settled volumes, where it is feasible to do so.</p> <p>Utilisation volumes will be determined in the accordance with the characteristics of the service over the duration of the trial. With the optionality to opt out of ABSVD for eligible non-BM providers and calculation in accordance with the relevant Commercial Services Agreement.</p> <p>ABSVD will not be calculated for Frequency Response services with Non-BM Providers under this methodology, save for the services listed above.</p>

Proposals for the Balancing Principles Statement Review 2025–2026

The Balancing Principles Statement⁶ defined the broad principles and criteria (“The Balancing Principles”) used by NESO that will determine, at different times and in different circumstances, which Balancing Services it will use to assist in the operation of the Transmission System. Further, they also define when NESO would resort to measures not involving the use of Balancing Services. The amendments proposed are:

- References to “ESO”, “NGESO” “National Grid” deleted and replaced with “NESO” where applicable.
- References to C16 updated to C9 as relevant.
- References to other conditions under the transmission licence updated to reflect new condition references under the Electricity System Operator Licence.
- Updates to the text relating to Quick Reserve to reflect the launch of the service since the last revision of the statements.
- General updates to formatting, spelling, grammar and link updates as normal.
- Updates to reflect NESO’s new obligations under C9.8.

Please see tracked change document “Balancing Principles Statement v25” draft for detail of changes:

<https://www.neso.energy/document/352146/download>

Industry Responses

NESO received favourable responses to the changes proposed to the Balancing Principles Statement as part of this annual review. One respondent provided feedback relevant to the service design rather than the content of proposed changes. Although NESO recognised that C9 is not the appropriate route for feedback on service design, we welcome ongoing feedback from industry.

This has been passed to the relevant service teams and responses prepared.

Detailed responses to the submissions made can be found in supporting annex: **Annex A Responses Annual C9 2025–2026**

⁶ <https://www.neso.energy/document/352146/download>

The layout proposed changes being made to Balancing Principles are detailed in Table 3 below:

Table 3

ID	Section	Page Number(s)	Overview of proposed changes
3.01	Version Control	1-2	Updated version in the version text box
3.02	Housekeeping	1-43	Dates amended, web links checked and updated, references to NGE SO updated to NESO to reflect licence changes.
3.03	Licence Duties	9-12	Updates to reflect additional obligations under C9.8 Licence Condition
3.04	Quick Reserve	33	Updates to reflect current service status

3.03 Licence Duties

Balancing Principles Statement v24

1 Licence Duties

This Balancing Principles Statement is written to be consistent with and to satisfy our licence obligation to “operate the Licensee’s Transmission System in an efficient, economic and co-ordinated manner” and our duty under the Electricity Transmission Licence not to discriminate in our procurement or use of Balancing Services.

NGESO will normally operate in accordance with the Balancing Principles Statement and compliance will be measured by two processes:

- (i) Providing an annual report to the Authority on the manner in which and the extent to which we have complied with the Balancing Principles Statement and whether any modifications should be made to the Balancing Principles Statement to reflect more closely our practice.
- (ii) We will be subject to an external audit to determine the extent to which we have, in using Balancing Services, complied with the Balancing Principles Statement. The audit statement will be made available to the Authority in accordance with the Electricity Transmission Licence.

Additionally, we shall, if directed by the Authority, and in any event at least once a year, review the Balancing Principles Statement in consultation with BSC Parties and other interested parties likely to be affected by the Balancing Principles Statement.

Balancing Principles Statement v25 p9

PART B: GENERAL PRINCIPLES

1 Licence Duties

This is the first version of the Balancing Principles Statement since our transition from the Electricity System Operator to the National Energy System Operator (taking on the role of independent system operator and planner under the Energy Act 2023) in October 2024.

NESO's primary duty (under section 163 of the 2023 Act) is to promote three objectives: enabling the government to deliver net zero, promoting efficient, coordinated and economical systems for electricity and gas and the economy and efficiency of energy businesses and ensuring security of supply for current and future consumers. NESO also has a statutory duty (under section 164 of the 2023 Act) to have regard to facilitating competition, consumer and whole-system impacts and the desirability of facilitating innovation. These objectives and considerations may at times conflict and NESO will balance appropriate trade-offs between them, taking into account relevant considerations.

In line with paragraph C9.8 of our NESO licence, we have considered how the principles are consistent with these duties and we are of the view that they are consistent (noting that this will continue to be kept under review). It is our view that the current Balancing Principles Statement remains a robust framework for directing NESO's system balancing activities and provides the best assessment of how NESO determines which balancing services to use in directing the flow of electricity onto and over the National Energy Transmission System.

The principles ensure that decisions are context-sensitive, balancing the immediate and long-term needs of the system.

Balancing Principles Statement v25 p10

We set out furthermore detailed consideration of our statutory objectives below.

- Net zero - NESO remains committed to promoting the integration of renewable energy sources and reducing carbon emissions as part of its system balancing approach¹. We have a target to operate the system carbon free by 2030. Our zero-carbon ambition in 2025 is to be able to operate the transmission system for short periods when the market delivers a zero-carbon generation mix. We aim to build the capability to operate the system in a zero-carbon way and continue developing this capability as periods of zero-carbon generation become more frequent and sustained over time. We consider that the current principles allow zero carbon technologies to fully participate in our balancing activities, providing competitive services which meet system need. At the current time, we do not see that it would be the best approach to change the principles to prioritise zero carbon generation over other technologies in any particular way.
- Security of supply - The principles continue to prioritise system security, ensuring that NESO maintains grid stability by utilising appropriate balancing services, including during situations that demand the issuance of emergency instructions.
- Efficiency and economy - The principles were developed to prioritise the efficient and economic operation of the electricity system, ensuring balancing services are sourced and deployed in a manner that minimises unnecessary system costs. We do not at this time have specific changes to propose.

We have also considered the principles against the above statutory considerations that we must have regard to.

Balancing Principles Statement v25 p11

- The need to facilitate competition - We continue to ensure that Balancing Services are procured through transparent, fair and competitive processes. New Balancing Services are identified in the Annual Markets Roadmap and are developed in collaboration with industry through a series of public consultations relating to service terms and conditions. These consultations ensure that we develop services in an equitable and collaborative manner, making appropriate use of competition. In particular, our Network Services Procurement enables competition, allowing industry parties to offer solutions, including net-zero solutions to help us meet system needs identified through our network studies².
- Consumer impact - By prioritising balancing measures based on cost-effectiveness, we take into account the impact of our actions on consumers. As well as this, the balancing principles do allow the participation of balancing products which engage consumers, allowing consumer behaviour which assists balancing activities to develop further in the future.
- Whole system impact - Whole-system thinking ensures that we consider the impact of balancing service decisions across the entire electricity network. Co-ordination between different parts of the system ensures that local balancing needs are met, without adversely impacting the stability and efficiency of the broader network.
- The desirability of facilitating innovation - NESO is committed to fostering innovation by supporting the development and adoption of new technologies and practices that improve system balancing capabilities. NESO collaborates with stakeholders to test and refine innovative approaches to balancing services. The principles enable that involvement of innovative solutions.

Balancing Principles Statement v25 p12

Although we consider that the current Balancing Principles Statement remains a robust framework for directing NESO's system balancing activities we will continue to keep this under review, considering the objectives and considerations set out above.

This Balancing Principles Statement is written to be consistent with and to satisfy our licence obligation to "operate the Licensee's Transmission System in an efficient, economic and co-ordinated manner" and our duty under the Electricity Transmission Licence not to discriminate in our procurement or use of Balancing Services.

NESO will normally operate in accordance with the Balancing Principles Statement and compliance will be measured by two processes:

- (i) Providing an annual report to the Authority on the manner in which and the extent to which we have complied with the Balancing Principles Statement and whether any modifications should be made to the Balancing Principles Statement to reflect more closely our practice.
- (ii) We will be subject to an external audit to determine the extent to which we have, in using Balancing Services, complied with the Balancing Principles Statement. The audit statement will be made available to the Authority in accordance with the Electricity Transmission Licence.

Additionally, we shall, if directed by the Authority, and in any event at least once a year, review the Balancing Principles Statement in consultation with BSC Parties and other interested parties likely to be affected by the Balancing Principles Statement

3.04 Quick Reserve

BPS Statement v24

- (f) Quick Reserve
- We are introducing a suite of new products to replace the existing reserve services, the first of which will be Quick Reserve. We plan to commence procurement of this service in the second half of 2024 with a phased approach based on the capabilities of our new and legacy IT systems, with the service available initially to Balancing Mechanism Units only.
- Quick Reserve requires full delivery of contracted volumes (upward or downward) within 1 minute of instruction. It is designed to react to pre-fault disturbances to restore the energy imbalance quickly and support the new frequency response services, Dynamic Containment, Dynamic Regulation, and Dynamic Moderation. We will be procuring both positive and negative Quick Reserve, which will begin to replace the Fast Reserve service as it is phased out in 2025.
- The volume of Quick Reserve procured will be linked to rapid frequency deviations on the system (size and duration) to ensure that ESO can securely bring frequency back to 50Hz.

BPS Statement v25

- (f) Quick Reserve
- We are introducing a suite of new products to replace the existing reserve services, the first of which will be Quick Reserve. We [have successfully implemented Positive and Negative Quick Reserve from December 2024 initially to Balancing Mechanism Units only, plan to commence procurement of this service in the second half of 2024 with a phased approach](#) based on the capabilities of our new and legacy IT systems, ~~with the service available initially to Balancing Mechanism Units only.~~
- Quick Reserve requires full delivery of contracted volumes (upward or downward) within 1 minute of instruction. It is designed to react to pre-fault disturbances to restore the energy imbalance quickly and support the new frequency response services, Dynamic Containment, Dynamic Regulation, and Dynamic Moderation. We will be procuring both positive and negative Quick Reserve, which will begin to replace the Fast Reserve service as it is phased out in 2025.
- The volume of Quick Reserve procured will be linked to rapid frequency deviations on the system (size and duration) to ensure that ESO can securely bring frequency back to 50Hz.

Proposals for the System Management Action Flagging Methodology (SMAF) Statement 2025–2026

The System Management Action Flagging Methodology Statement⁷ (SMAF) sets out the means which the Licensee will use to identify (using reasonable endeavours) balancing services that are for system management reasons.

The amendments proposed are:

- References to “ESO”, “NGESO” “National Grid” deleted and replaced with “NESO” where applicable.
- References to C16 updated to C9 as relevant.
- Addition of text into Part B Flagging for system flagging test instructions.
- References to other conditions under the transmission licence updated to reflect new condition references under the Electricity System Operator Licence.
- General updates to formatting, spelling, grammar and link updates as normal

Please see the tracked change document for the System Management Action Flagging Methodology Statement (SMAF) for detail of the proposed changes.

<https://www.neso.energy/document/352161/download>

Industry Responses

NESO received favourable responses to the changes proposed to the SMAF Statement as part of this annual review.

Responses to the submissions made can be found in supporting annex: **Annex A Responses Annual C9 2025–2026**

⁷ <https://www.neso.energy/document/352161/download>

The proposed changes being made to SMAF are detailed in Table 4 below:

Table 4

ID	Section	Page Number(s)	Overview of proposed changes
4.01	Version Control	1-2	Updated version in the version text box
4.02	Housekeeping	1-18	Dates amended, web links checked and updated, references to NGENSO updated to NESO to reflect licence changes.
4.03	System Management	7	Updates to provide clarity on System Management definition
4.04	Electricity System Restoration	11	Updates to reflect changes from Black Start to ESR

4.03 System Management

SMAF Statement v17	SMAF Statement v18
<p><u>System Management</u></p> <p>System Management means:</p> <ol style="list-style-type: none"> 1. any balancing service used by NGESO that partially or wholly resolves a transmission constraint; 2. any system-to-system balancing service used by NGESO in respect of electricity flows over an interconnector, to avoid adverse effects arising on the National Electricity Transmission System from significant load profile changes; 3. any system-to-system balancing service used by a Transmission System Operator (TSO) other than NGESO, for the purposes of resolving a system operation issue in a connected transmission system; 4. any balancing action used by NGESO primarily to manage the Rate of Change of Frequency (RoCoF) or to manage Fault Levels; 5. any automatic Low Frequency Demand Disconnection relay demand control action. 	<p><u>System Management</u></p> <p>System Management means:</p> <ol style="list-style-type: none"> 1. any balancing service used by NGESO <u>NESO</u> that partially or wholly resolves a transmission constraint; 2. any system-to-system balancing service used by NGESO <u>NESO</u> in respect of electricity flows over an interconnector, to avoid adverse effects arising on the National Electricity Transmission System from significant load profile changes; 3. any system-to-system balancing service used by a Transmission System Operator (TSO) other than NGESO <u>NESO</u>, for the purposes of resolving a system operation issue in a connected transmission system; 4. any balancing action used by NGESO <u>NESO</u> primarily to manage the Rate of Change of Frequency (RoCoF) or to manage Fault Levels; 4.5. <u>any balancing action used to test a provider's ability to deliver a balancing service</u> 5.6. any automatic Low Frequency Demand Disconnection relay demand control action.

4.04 Electricity System Restoration

SMAF Statement v17	SMAF Statement v18
<p><u>Black Start Warming</u></p> <p>BOAs issued to BMUs that are warmed and run to maintain Black Start capability should be SO-Flagged. For the avoidance of doubt, all BM Start-Up instructions including, instructions associated with Black Start warming are accounted for within the Balancing Services Adjustment Data (BSAD) Methodology Statement.</p>	<p><u>Black Start Electricity System Restoration Warming</u></p> <p>BOAs issued to BMUs that are warmed and run to maintain <u>Black Start Electricity System Restoration</u> capability should be SO-Flagged. For the avoidance of doubt, all BM Start-Up instructions including, instructions associated with <u>Black Start Electricity System Restoration</u> warming are accounted for within the Balancing Services Adjustment Data (BSAD) Methodology Statement.</p>

Proposals for the Balancing Services Adjustment Data Methodology (BSAD) Statement 2025–2026

The Balancing Services Adjustment Data Methodology Statement⁸ (BSAD) sets out the information on relevant balancing services that will be taken into account under the Balancing and Settlement Code for the purposes of determining imbalance prices.

The amendments proposed to the BSAD Methodology Statement are:

- References to “ESO”, “NGESO” “National Grid” deleted and replaced with “NESO” where applicable.
- References to C16 updated to C9 as relevant.
- References to other conditions under the transmission licence updated to reflect new condition references under the Electricity System Operator Licence.
- General updates to formatting, spelling, grammar and link updates as normal.
- Updates to include text from sections of the Balancing and Settlement Code for clarity

Please see the tracked change document for BSAD:

<https://www.neso.energy/document/352151/download>

Industry Responses

NESO received favourable responses to the changes proposed to the BSAD Methodology as part of this annual review.

Responses to the submissions made can be found in supporting annex: **Annex A Responses Annual C9 2025–2026**

⁸ <https://www.neso.energy/document/352151/download>

The proposed changes being made to BSAD are detailed in Table 5 below:

Table 5

ID	Section	Page Number(s)	Overview of proposed changes
5.01	Version Control	1-2	Updated version in the version text box
5.02	Housekeeping	1-21	Dates amended, web links checked and updated, references to NGESO updated to NESO to reflect licence changes.
5.03	Part B Balancing Services Adjustment Data	11	Update to include the full text of BSC SQ Para 6.3.2

5.03 Part B Balancing Services Adjustment Data

BSAD Statement v24

PART B: BALANCING SERVICES ADJUSTMENT DATA ('BSAD')

1 The Balancing Service Adjustment Data ('BSAD') variables

The Balancing Service Adjustment Data ('BSAD') is used as part of the electricity imbalance price calculation specified in section T, paragraphs 4.4 of the Balancing and Settlement Code. Section Q Paragraph 6.3.2 of the Balancing and Settlement Code specifies the BSAD data for each settlement period as:

- (a) The unique sequential number for each Balancing Services Adjustment Actions;
- (b) for each such Balancing Services Adjustment Action;
 - i. the Balancing Services Adjustment Volume;
 - ii. the Balancing Service Adjustment Cost; and
 - iii. Whether the NETSO has classified such Balancing Services Adjustment Action as "SO Flagged"; and
 - iv. Whether the NETSO has classified such Balancing Services Adjustment Actions as "STOR Flagged";
- (c) Buy Price Price Adjustment; and
- (d) Sell Price Price Adjustment.

BSAD Statement v25

PART B: BALANCING SERVICES ADJUSTMENT DATA ('BSAD')

1 The Balancing Service Adjustment Data ('BSAD') variables

The Balancing Service Adjustment Data ('BSAD') is used as part of the electricity imbalance price calculation specified in section T, paragraphs 4.4 of the Balancing and Settlement Code. Section Q Paragraph 6.3.2 of the Balancing and Settlement Code specifies the BSAD data for each settlement period as:

- (a) The unique sequential number for each Balancing Services Adjustment Actions;
- (b) for each such Balancing Services Adjustment Action;
 - i. the Balancing Services Adjustment Volume;
 - ii. the Balancing Service Adjustment Cost; and
 - iii. Whether the NETSO has classified such Balancing Services Adjustment Action as "SO Flagged"; and
 - iv. Whether the NETSO has classified such Balancing Services Adjustment Actions as "STOR Flagged";
 - v. The BSAD Party ID of the person providing the procured Balancing Services Adjustment Action
 - vi. The BSAD Asset ID (if applicable)
 - vii. Whether the Balancing Service was procured by the NETSO through a tender and
 - iv-viii. The type of Balancing Service procured
- (c) Buy Price Price Adjustment; and
- (d) Sell Price Price Adjustment.

The Consultation Questions

. The Consultation questions are listed below:

Procurement Guidelines Statement

1. Do you agree with moving the detail on Dynamic Containment, Dynamic Moderation and Dynamic Regulation from Future Requirements on P16 to the Response section in Commercial Ancillary Services we expect to procure on P24?
2. Do you object to the removal of Fast Reserve from the list of tendered services in Description of Commercial Ancillary Services on P19?
3. Do you agree with the updates to the text on Balancing Reserve to reflect the service launch on P20?
4. Do you agree with the amendments to the text on Quick Reserve on P22 to reflect the service launch?
5. Do you agree with the addition of "Response Avoidance" following feedback during the C9 Audit process on P24?
6. Do you agree with the deletion of the removal of words relating to Monthly Tenders under Firm Frequency Response to reflect the procurement through daily auctions on p23?
7. Do you agree with the deletion of text on MW Dispatch to reflect service launch on P27?
8. Do you agree with the updates made to the text on Demand Flexibility Service in line with planned procurement on P30?
9. Do you agree with the update of the go live date on DFFR to align with procurement plans on P32?
10. Do you agree with the updates to the text made for alternative voltages projects under Reactive Power on P34?
11. Do you agree with the updates to Table 2 Active Commercial Ancillary Services table on P40?
12. Do you agree with the updates made to Part E Information Provision to reflect the correct years for the regulatory framework on P44?
13. . Do you agree with the addition of SFFR, DC, DM and DR into Information Provision Detail to reflect the publication of tender information on a monthly or daily basis service dependent on P45?
14. . Do you agree with the changes made i.e naming updates, license references, to reflect the updates to naming from the NGESO to NESO transition?
15. Do you agree with the housekeeping changes relating to updates to format, grammar and link updates?

16. Do you have any further comments or amendments you would like to see regarding the Procurement Guidelines?

ABSVD Methodology Statement

1. Do you agree with the updates to the table “BM ABSVD Applied” on P10?
2. Do you agree with the updates to the text relating to LCM on P14?
3. Do you agree with the changes made i.e naming updates, license references, to reflect the updates to naming form the NGENSO to NESO transition?
4. Do you agree with the housekeeping changes relating to updates to format, grammar and link updates?
5. Do you have any further comments or amendments you would like to see regarding the ABSVD Methodology?

Balancing Principles Statement

1. Do you agree with the updates made to Part B General Principles to reflect the additional obligations under C9.8 on P9?
2. Do you agree with the updates made to Quick Reserve to reflect the service launch on P33?
3. Do you agree with the changes made i.e. naming updates, license references, to reflect the updates to naming form the NGENSO to NESO transition?
4. Do you agree with the housekeeping changes relating to updates to format, grammar and link updates?
5. Do you have any further comments or amendments you would like to see regarding the Balancing Principles Statement?

System Management Action Flagging Methodology Statement

1. Do you agree with the addition of point 5, System Management in Part B Flagging on P7?
2. Do you agree with the updates to the text relating to Black Start to reflect the changes to Electricity System Restoration on P11?
3. Do you agree with the changes made i.e naming updates, license references, to reflect the updates to naming form the NGENSO to NESO transition?
4. Do you agree with the housekeeping changes relating to updates to format, grammar and link updates?
5. Do you have any further comments or amendments you would like to see regarding the SMAF Methodology?

Balancing Services Adjustment Data

1. Do you agree with the insertion of the full text of Section Q, Paragraph 6.3.2 of BSC to specify the BSAD data on P11?
2. Do you agree with the housekeeping changes made throughout the document i.e. naming updates, license references, to reflect the updates to naming form the NGENSO to NESO transition?

Public

3. Do you agree with the housekeeping changes relating to updates to format, grammar and link updates?
4. Do you have any further comments or amendments you would like to see regarding the BSAD Methodology?

Responses to the Consultation

We received three responses from industry stakeholders for the formal C9 consultation following industry engagement across various workstreams.

Although this engagement is lower than in previous years, NESO feels it is reflective of the scope and impact of the changes proposed and is indicative of the engagement that has been previously carried out to provide industry with detail on service launches and updates.

Stakeholder Engagement

We have engaged with industry via the NESO News, Elexon Newscast and Operational Transparency Forum (OTF) following the publication of the C9 consultations to provide additional information

- 12 December: Joint European Stakeholder Group Presentation detailing upcoming Consultation and highlighting changes to naming following the transition from ESO to NESO and raising industry awareness that condition C16 has been renumbered to C9.
- 24 January: NESO News mailing list, email confirming C9 is consultation is live and inviting industry to respond.
- 29 January - Operational Transparency Forum used to pinpoint the C16 Formal Consultation issued on 24 January and provide direction on how to respond
- 05, 12, 19 February - Operational Transparency Forum used to pinpoint that the C16 Formal Consultation was issued on 24 January and provided direction on how to respond
- 03 February: Elexon Newscast, email sent detailing opening of C9 consultation and providing details of how to respond.
- 14 February; NESO News mailing list reminding industry C9 consultation is live and confirming close date the following week.

Next Steps

Following the close of the industry Consultation, NESO presents to the Authority for consideration, revised versions of the C9 statements supporting the changes outlined in this report.

Public

The Authority is invited to review the proposed changes and offer any direction or feedback by 28th March 2025.

If the Authority does not approve these proposed changes to the C9 statements, the existing versions will remain in place.

Subject to Authority veto/direction, the proposed changes will become effective from 01 April 2025, unless directed earlier by the Authority.