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**Re: Quick Reserve (Phase 2) Terms and Conditions**

Dear James,

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.

On 12 February 2025 we commenced a consultation with industry on proposed updates to the QR Service Terms and QR Procurement Rules to incorporate phase 2 Quick Reserve aimed primarily at opening the market to participants that are not in the Balancing Mechanism (BM).

In accordance with EBR, NESO has now concluded its consultation on these documents (which are a proposal for new terms and conditions related to Balancing), and its proposal for amended terms and conditions are now submitted to the Authority for approval.

A summary of the changes we proposed to each document was published as part of the consultation documentation and is repeated in Annex 1 to this letter. However, this is now updated with some additional minor changes which we propose are made following comments from stakeholders during the consultation period, and these additional changes are highlighted yellow. All of these proposed changes are shown on the redlined version of the QR contract documentation which accompanies this letter ("the Consolidation Changes").

During the industry consultation, we have discussed with you an aspect of these proposed changes, being the optional service for non-BM providers. To allow the Authority flexibility to approve the changes either with or without the optional service, there also accompanies this letter

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a version of the QR contract documentation with the proposed optional service text shown in blue (“the Optional Service Changes”). This text has been drafted so that, should the Authority wish to approve the changes without the optional service, it can do so by approving the Consolidated Changes but on the basis that the Optional Service Changes are removed (and, where applicable, replaced by the words “Not Used”).

Finally, Annex 2 to this letter is a table showing how we believe the proposed terms and conditions (and corresponding parts of the GB codes) map across to the terms and conditions related to Balancing described by Article 18 of EBR. We have shown in blue text where those terms and conditions relate exclusively to the optional service and hence can be ignored should the Authority decide to reject the Optional Service Changes.

If you have any queries regarding this proposal, please contact us using the above email address.

Yours sincerely,

Jon Wisdom  
 Head of Market Change Delivery

## 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). To keep these updates as easy to follow as possible we have drafted a number of specific service requirements into separate paragraphs 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. In addition we have made a small number of additional changes (highlighted in yellow) arising from the EBR Article 18 industry consultation.

Contract Section	Proposed Changes
Service Terms Paragraph 1.2	New sub-paragraph inserted to cover the inclusion of Optional Quick Reserve for non-BM QR Units.
Service Terms Paragraph 1.5.2	Clarification added for non-contracted BM participants.

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Contract Section	Proposed Changes
Service Terms Paragraph 5	Service Availability has been split into separate BM and non-BM sections, with paragraph 5 specific to clarification on the BM Unit requirements. Some minor housekeeping additional clarification added and reference to Crossovers.
Service Terms paragraph 5.5	Correction to make "Potential" lower case as not part of defined term
Service Terms Paragraph 5.10	Clarification added to timing of any applicable unavailability notifications.
Service Terms Paragraph 5.14	Clarification on circumstances where availability payments may be withheld.
Service Terms Paragraph 6	New paragraph 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 Paragraph 6.3(c)(i)	Consequential change – see change to paragraph 10.9 below
Service Terms Paragraph 7	New paragraph inserted to cover the requirements on a non-BM QR Unit when providing the Optional Quick Reserve Service.
Service Terms Paragraph 7A	New paragraph inserted relating to non-collusion applicable to all participants.
Service Terms Paragraph 8	Paragraph restructured to separate the requirements for BM and non-BM participants with clarifications relating to Crossovers.
Service Terms Paragraph 8.8 (and cross reference in Paragraph 10.4)	Following feedback from industry we have added wording to clarify that a cease instruction is not optional (i.e. "may" is replaced by "shall"), and clarificatory wording added that whilst cease instructions will respect minimum activation periods there may be safety reasons why a unit may be instructed to cease sooner.
Service Terms Paragraph 9	Service delivery requirements have been split into separate BM and non-BM paragraphs, with paragraph 9 specific to clarification on the BM Unit requirements.
Service Terms Paragraph 10	New paragraph inserted for non-BM participants to cover service delivery requirements – including requirements for Crossovers.
Service Terms Paragraph 10.5	Consequential change – see change to paragraph 10.9 below

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Contract Section	Proposed Changes
Service Terms Paragraph 10.8	Correction of cross references at (d) and (e)
Service Terms Paragraph 10.9	For additional clarification we have expanded the paragraph to also include (at (d)) a scenario where a unit continues to deliver QR into the next service window not because it needs to fulfil its minimum activation period but because it has not received a cease instruction. Similar rules apply to (a) – (c) scenarios, but (d) is not strictly a cross-over period (the definition is limited to scenarios where running is required for minimum activation period purposes) and so the heading has changed, plus it has been necessary to make consequential changes to the cross references to this paragraph (at 6.3(c)(i) and 10.5).
Service Terms Paragraph 10.9(a)	A correction to remove redundant text “subject to receipt of a Cease Instruction”
Service Terms Paragraph 11	Housekeeping additional clarifications added on unavailability.
Service Terms Paragraph 12	Paragraph restructured to separate the requirements for BM and non-BM participants.
Service Terms Paragraph 13	Housekeeping additional clarifications added.
Service Terms Paragraph 17	Additional wording added at various sub-paragraphs to incorporate the Optional Service. Also, minor housekeeping changes to reference the Open Balancing Platform (OBP).
Service Terms Paragraph 20	New paragraph 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 Paragraph 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 1	Change to definition of QR Utilisation Price so as to refer to Mandatory Availability Declarations and not just Optional Availability Declarations.
Service Terms Schedule 2	Housekeeping amendments to better clarify existing requirements and the introduction of non-BM design elements.

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Contract Section	Proposed Changes
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 Paragraph 1.4	Housekeeping – removal of reference to Effective Date.
Procurement Rules Paragraph 5	Changes required to cover introduction of non-BM and pre-qualification at an eligible asset level.
Procurement Rules Paragraph 6	New paragraph inserted to add clarification on the allocation of BM/non-BM eligible assets to Auction Units.
Procurement Rules Paragraph 7.2.2	Housekeeping – additional clarification for linking Quick Reserve Windows with other Auction Products.
Procurement Rules Paragraph 9.1	Changes required to cover introduction of eligible assets.
Procurement Rules Paragraph 9.4.5	Housekeeping – Further clarification on sell order baskets/child orders to future proof more flexibility to increase number of orders.
Procurement Rules Paragraph 9.6 and 9.7	Housekeeping – Further clarity on linking of baskets.
Procurement Rules Paragraph 10.2.12	Housekeeping – New sub paragraph to provide further clarification on Child Order Acceptance Ratio rules.
Procurement Rules Paragraph 13.1	Housekeeping – to clarify timing of publishing auction outcomes.
Procurement Rules Paragraph 13.5	Reference to paragraph 20 of the Flexibility Services Standard Agreement removed as not applicable.
Procurement Rules Schedule 1	Housekeeping – Various updates to defined terms to incorporate non-BM participants and general clarifications.
Procurement Rules Schedule 1	Change to definition of Service Provider to replace “Optional Reserve” (as not a defined term) with “Quick Reserve pursuant to an Optional Availability Declaration”
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
<b>18.4</b>	The terms and conditions for balancing service providers shall:	-	-
<b>18.4.a</b>	Define reasonable and justified requirements for the provisions of balancing services;	QR Procurement Rules	<b>QR Procurement Rules</b> 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 13 – Formation of QR Contracts
		QR Service Terms	<b>QR Service Terms</b> 5 – Service Availability – BM Participating 6 – Service Availability – Non-BM Participating 7 – <a href="#">Optional Availability (Non-BM Participating)</a> 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
<b>18.4.b</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	<b>QR Procurement Rules</b> 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
<b>18.4.c</b>	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	<b>QR Procurement Rules</b> 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets Schedule 2 – Registration and Pre-Qualification Procedure
<b>18.4.d</b>	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
<b>18.5</b>	The terms and conditions for balancing service providers shall contain:	-	-
<b>18.5.a</b>	the rules for the qualification process to become a balancing service provider pursuant to Article 16;	QR Procurement Rules	<b>QR Procurement Rules</b> 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
<b>18.5.b</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	
<b>18.5.c</b>	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	<b>QR Procurement Rules</b> 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
<b>18.5.d</b>	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	<b>QR Procurement Rules</b> 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 9 – Sell Orders 14 – Confidentiality Schedule 2 – Registration and pre-qualification Procedure  <b>QR Service Terms</b> 5 – Service Availability – BM Participating 6 – Service Availability – Non-BM Participating

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Article	Text	Code or Document	Section
			<p>7 – Optional Availability – Non-BM Participating</p> <p>8 – Service Instruction</p> <p>9 – Service Delivery – BM Participating</p> <p>10 – Service Delivery – Non-BM Participating</p> <p>20 – Monitoring and Metering</p> <p>23 – Records and Audits</p>
		BSC	O
		Grid Code	DRC, BC5 BC1.4
		CUSC	4.1.3.14 and 4.1.3.19
<b>18.5.e</b>	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	<p><b>QR Procurement Rules</b></p> <p>13 – Formation of QR Contracts</p>
		QR Service Terms	<p><b>QR Service Terms</b></p> <p>24 – Assignment</p> <p>25 – Transfer of QR Contracts</p>
<b>18.5.f</b>	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	<p><b>QR Service Terms</b></p> <p>5 – Service Availability – BM Participating</p> <p>6 – Service Availability – Non-BM Participating</p> <p>7 – Optional Availability (Non-BM Participating)</p> <p>9 – Service Delivery – BM Participating</p>

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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 2A – Cross Over Checks Data Submission Requirement
		Grid Code	BC1.4, BC1.A.10,
		CUSC	4.1.3.19
<b>18.5.g</b>	the definition of a location for each balancing product taking into account paragraph 5 (c);	Grid Code	BC1.4
<b>18.5.h</b>	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
<b>18.5.i</b>	the rules for the settlement of balancing service providers defined pursuant to Chapters 2 and 5 of Title V;	QR Service Terms	<b>QR Service Terms</b> 5 – Service Availability – BM Participating 6 – Service Availability – Non-BM Participating <a href="#">7 – Optional Availability (Non-BM Participating)</a> 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

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Article	Text	Code or Document	Section
			Schedule 4 – QR Utilisation Payments Schedule 5 – Payment Provisions
		BSC	T1.14, T3 and U
		CUSC	4.1.3.9 and 4.1.3.9A
<b>18.5. j</b>	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	<b>QR Service Terms</b> 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
<b>18.5. k</b>	the consequences in case of non-compliance with the terms and conditions applicable to balancing service providers.	QR Procurement Rules QR Service Terms	<b>QR Procurement Rules</b> 4 – Registration of Registered Auction Participants 5 – Prequalification of Eligible Assets Schedule 2 – Registration and Pre-Qualification Procedure  <b>QR Service Terms</b> 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
<b>18.6</b>	The terms and conditions for balance responsible parties shall contain:	-	-
<b>18.6. a</b>	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
<b>18.6. b</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
<b>18.6. c</b>	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,
<b>18.6. d</b>	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
<b>18.6.e</b>	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,
<b>18.6.f</b>	the rules for the settlement of balance responsible parties defined pursuant to Chapter 4 of Title V;	BSC	T4, U2
<b>18.6.g</b>	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>
<b>18.6.h</b>	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
<b>18.6.i</b>	the consequences in case of non-compliance with the terms and conditions applicable to balance responsible parties;	BSC	H3,27 and A5.2
<b>18.6.j</b>	an obligation for balance responsible parties to submit to the connecting TSO any modifications of the position;	BSC	P2
<b>18.6.k</b>	the settlement rules pursuant to Articles 52, 53, 54 and 55;	BSC	T4, U2
<b>18.6.l</b>	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
<b>18.7. a</b>	-	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.
<b>18.7. b</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.
	-	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.
<b>18.7. d</b>	specific requirements with regard to the position of balance responsible parties submitted after the day-ahead market timeframe to ensure that the sum of their internal and external commercial trade	NESO does not expect to require this from Balancing Service Providers. No BSC party is required to contract to match its Final Physical Notifications (FPNs).

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	schedules equals the sum of the physical generation and consumption schedules, taking into account electrical losses compensation, where relevant;	
<b>18.7. e</b>	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).
<b>18.7. f</b>	an exemption to predetermine the price of the balancing energy bids from a balancing capacity contract pursuant to Article 16(6)	-
<b>18.7. g</b>	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.