

Dynamic Response A18 Submission Document

Proposed changes to the Dynamic
Response Terms and Conditions to
facilitate applying ABSVD to Non-
Balancing Mechanism Units

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25 April 2025

Dynamic Response Terms and Conditions Submission

Dear Industry,

In accordance with Commission Regulation (EU) 2017/2195 of 23 November 2017 as converted into retained EU law (EBR), we are proposing to update our terms and conditions relating to balancing with respect to our Dynamic Response products (DM, DR and DC). This consultation was conducted as a joint consultation on both the C9 and Article 18 (A18) documents to ensure alignment and coordination of the decision from Ofgem and the go live of these changes.

The proposed change is to facilitate the application of ABSVD to non-Balancing Mechanism Units (NBMUs) in the Dynamic Response Services. A summary of the change as well as more details on the implementation timelines can be found in the 'Summary of changes and implementation' section of this document.

In accordance with EBR, we have now concluded consulting on these updates to those terms and conditions. This submission document includes all of the relevant information and details on the A18 section of this consultation, all relevant information on the C9 documents will be included in that submission.

Annexed to this document is a table showing how we believe the updated 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. If you have any queries regarding this proposal, please contact balancingservices@nationalenergyso.com in the first instance.

Yours sincerely

Jonathan Wisdom

Head of Market Change Delivery

Introduction

The Response Service Terms and Response Procurement Rules make up the terms and conditions for our Dynamic Response Services.

On 07 March 2025, we published a joint C9 and Article 18 (A18) Consultation, which introduced C9 changes for Quick Reserve Phase 2 launch, as well as C9 changes for ABSVD for Response, and an A18 Consultation to facilitate the application of ABSVD to Non-Balancing Mechanism Units (NBMUs) in the Dynamic Response Market. Industry had the opportunity to respond to changes both to the Standard Condition C9 suite of documents and the Dynamic Response Terms and Conditions.

We received 8 responses to this consultation. The feedback received has helped shape the final submission included in this document. This document is structured as follows:

- In the introduction, we set out our approach to the consultation and submission document
- We include some additional information on the other relevant consultations including the timelines on submission of the C9 elements of this consultation and details on the Quick Reserve Phase 2 Consultation which will be submitted in parallel to this consultation.
- In the 'Summary of change and implementation' section, we set out at a high level the proposed changes, and when we intend for them to come into effect.
- In the Submission part of the document, we provide details on the terms and conditions change we are proposing to make as part of this consultation. We summarise the feedback we received, set out how we have considered it including where it has led to changes in our proposed terms and conditions since the consultation, and signpost the relevant parts of the Service Terms.
- Appendices that include a table showing how we believe the updated 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 and a table listing the full responses received for the relevant A18 questions in this consultation.

Consultation approach

Joint C9 & A18 consultation

Both the C9 and A18 Consultation portion of this consultation were consulted on as one joint consultation due to the interdependency of the ABSVD change for Dynamic Response. Respondents were only required to submit one response to the joint C9 & A18 Consultations with each of the questions clearly labelled which documents they related to, as such this document will only address the feedback received relating to the Dynamic Response Service Terms, all other feedback related to the C9 documents will be covered in the C9 submission.

Overview of consultation feedback, and our response

For the A18 submission included in this document (ie, proposed change), we provide a single overview of all the responses we received. In this overview, we highlight core themes while ensuring we represent all points and questions raised in responses. We then provide a single response in the 'Outcome following feedback' sub section, in which we address all points and additional amendments made to the Service Terms following the feedback received.

Other relevant consultations

C9

The C9 portion of this Consultation has been produced under Condition C9 of the Electricity System Operator Licence to undertake an additional review of the National Energy System Operators (NESO) C9 Statements to propose the changes necessary to implement the planned updates to Dynamic Response and new Reserve products. All feedback received in this consultation relating to the C9 suite of documents will be addressed in that submission.

In line with the direction provided by Ofgem the C9 report will be submitted to them to review on 28 May 2025. This will ensure a decision on all interdependent topics is made on the same day.

Quick Reserve Phase 2

The Quick Reserve Phase 2 consultation closed on 17 March 2025, all feedback received relating to the A18 Quick Reserve Consultation has been addressed within that submission. In line with the direction provided by Ofgem to further align the decision of interdependent topics covered in this consultation and the C9 ad hoc consultation, the QR Phase 2 consultation will be submitted to Ofgem for decision on the same date as this Dynamic Response Consultation.

As shown in Table 1, both the A18 for Dynamic Response and Quick Reserve Phase 2 will be submitted to Ofgem for decision on 25 April 2025, with a decision expected no later than 25 June 2025.

Summary of change and implementation

Summary of change proposed

1. We propose to apply ABSVD to non-Balancing Mechanism Units (NBMUs). This change will create a more level playing field across the different market participants in the Dynamic Response Services.

Implementation

Subject to Ofgem decision, the go live of each of the changes that are proposed within both this A18 submission and the C9 submission will be implemented with the go live of Quick Reserve Phase 2 in July 2025.

Table 1: Implementation Timeline

Date	Action
7 March 2025	Consultation for amendments to Dynamic Response Services T&C and C9 Statement launched.
7 April 2025	Consultation for amendments to Dynamic Response Services T&C and C9 Statements closed.
25 April 2025	NESO Submit Dynamic Response Services T&C and Quick Reserve service T&C for Ofgem Review.
28 May 2025	NESO Submit report to Ofgem on proposed changes to C9 Statements.
No later than 25 June 2025	Ofgem publish position on proposed amendments to the Dynamic Response Services T&C, Quick Reserve T&C and C9 Statements.
July 2025	All changes live.

Submission

1. Application of ABSVD to NBMUs

We propose to apply ABSVD to NBMUs. This change will create a more level playing field across the different market participants in the Dynamic Response Services.

Response Overview

4 out of 8 respondents agreed with the proposal to apply ABSVD to NBMUs, highlighting that they felt this change would create a more level playing field amongst the BM and Non-BM providers within the Dynamic Response Services. 1 out of 8 respondents disagreed with the proposal, 2 out of 8 did not specify whether they agreed or disagreed, and 1 respondent did not provide a response to this question.

Different distortions

Two providers raised concerns that although this change would reduce distortions across the BM and non-BM markets it would create a different distortion within those services, as NBM participants who access the market through a non-Supplier Provider, most likely an aggregator, will trigger ABSVD payment provisions to or from their Supplier, even when the Supplier is not the Balancing Services Provider.

Virtual Lead Parties

One provider raised concerns on how this change would work for Virtual Lead Parties (VLP).

Proposed wording

One respondent raised a concern on the proposed wording stating that it only describes imbalance positions being adjusted by reference to MSID Pairs. They stated this is correct for non-BM providers but does not apply to Primary BM Units. Furthermore, they added the distinction between the approaches for BM Participant and non-BM Providers should be included for clarity.

Outcome following feedback

We thank industry for their feedback on this proposed change, our responses to the concerns raised are as follows.

Different distortions

Currently BMUs get their market position corrected by ABSVD protecting them from imbalance. In the case of battery providers this means that when they import when providing Dynamic Response the energy has zero cost. However, they, as is the case for all provider types, do not get paid for energy they export in the low services. Therefore, the high services are more commercially attractive to BMUs compared to the low services.

NBMUs on the other hand, currently do not get their market position corrected by ABSVD and hence are not protected from imbalance. As a result, the low services are commercially more attractive to NBMUs as they are paid both their availability fee and for any energy exported.

This creates a distortion where there are 2 pricing strategies in each market, and a distortion where non-BM prefers low services and BM prefers high services. This is a distortion that impacts the whole Dynamic Response market.

Our proposal is to apply ABSVD equally to all Dynamic Response providers to remove this market wide distortion.

We understand that this change will create a different distortion within Dynamic Response. Dynamic Response participants who access the market through a non-Supplier Provider, most likely an aggregator, will trigger ABSVD payment provisions to or from their Supplier, even when the Supplier is not the Balancing Services Provider.

This is not a Dynamic Response specific issue and is being addressed through BSC Issue Group 114. We expect the outcomes of the Issue Group will apply equally across all balancing services.

We believe the change proposed in this consultation reduces the scope of market distortion from a whole Dynamic Response market distortion to a sub-set of commercial arrangements in the NBM sector of the market. Therefore, there is value in implementing this change now in advance of the outcomes of BSC Issue Group 114.

Whilst LCM is referenced in the feedback, this is a demand turn up only service, whereas Dynamic Response has positive and negative elements to it, with providers able to link these elements together. When considering the impact across a positive and negative service, the net dispatch volume over time can be reduced, mitigating this issue until the Issue Group forms enduring changes. Ofgem also made it clear in their decision last year on our C16 (now C9) submission that this solution was to apply to a relatively low volume and time-limited service. We expect Dynamic Response services to adopt the outcomes of BSC Issue Group 114 in due course if appropriate.

We are unfortunately unable to comment further on the delivery timelines of BSC Issues Group 114. The uncertainty of these delivery timescales highlights further value in implementing these changes in advance of the outcomes of BSC Issues Group 114.

Virtual Lead Parties

The NESO ABSVD process has been consistent over time, determining and submitting to Elexon ABSVD volumes for both Primary and Secondary BM units for the Applicable Balancing Services mentioned in ABSVD Methodology Statement (including Frequency Response Services).

In accordance with *C9 Annual Review* document located here: [download](#), “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 “Inconsistency in whether to adjust Suppliers’ positions for BM Unit ABSVD submitted against Secondary BM Units”, further details can be found in the following location; [BSCP40: Change Management](#)”

NESO would encourage providers to participate in BSC Issue Group 114 to ensure the inconsistencies identified are addressed.

Until the inconsistencies identified as part of BSC Issue Group 114 are amended within the BSC, and, if appropriate, a different approach identified NESO will continue to submit to Elexon ABSVD volumes for Primary and Secondary BM Units for BM ABSVD applied services.

Proposed wording

We appreciate the concerns raised around the proposed wording, stating that the draft text only describes the balancing positions being adjusted for NBMUs. We have corrected this drafting to accurately reflect the balancing positions being adjusted for both NBMUs and BMUs.

Appendix 1: Mapping Table

EBR Article 18 mapping for the Dynamic Response Term and Conditions

Please note: This table 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 Response service. This cross referencing includes the terms and conditions for balancing service providers and the terms and conditions for balance responsible parties.

References in this table to the 'Response Service Terms' means version 5 of the document titled 'Response Services Service Terms'. References to the 'Response Procurement Rules' means the document titled 'Response Procurement Rules'.

Nothing in this table shall prejudice or otherwise affect the operation of the GB codes and relevant contractual provisions, and 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 Response 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
18.4	The terms and conditions for balancing service providers shall:	-	-

Article	Text	Code or Document	Section
18.4.a	Define reasonable and justified requirements for the provisions of balancing services;	Response Procurement Rules	Response Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 6 – Allocation of Eligible Assets to Auction Units 12 – Formation of Response Contracts
		Response Service Terms	Response Service Terms 5 – Service Availability
		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
18.4.b	allow the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to offer balancing services subject to conditions referred to in paragraph 5 (c);	Grid Code	BC1, BC2, BC3 & BC4
		BSC	K3.3, K8, S6.2, S6.3 and S11, S12, S13 and S14
		Grid Code	DRSC 4.2, BC1.4
18.4.c	allow demand facility owners, third parties and owners of power generating facilities from conventional and renewable	Response Procurement Rules	Response Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets Schedule 2 – Registration and Pre-Qualification Procedure
		BSC	K3.2, K3.3, K8
18.4.c	allow demand facility owners, third parties and owners of power generating facilities from conventional and renewable	Response Procurement Rules	Response Procurement Rules

Article	Text	Code or Document	Section
	energy sources as well as owners of energy storage units to become balancing service providers;		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
18.4.d	require that each balancing energy bid from a balancing service provider is assigned to one or more balance responsible parties to enable the calculation of an imbalance adjustment pursuant to Article 49.	BSC	T4, Q7.2, Q6.4
18.5	The terms and conditions for balancing service providers shall contain:	-	-
18.5.a	the rules for the qualification process to become a balancing service provider pursuant to Article 16;	Response Procurement Rules	Response Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 6 – Allocation of Eligible Assets to Auction Units Schedule 2 – Registration and Pre-Qualification Procedure
		Grid Code	BC5, BC4.4.2
		CUSC	4.1
		BSC	J3.3, J3.6, J3.7, J3.8, K3.2, K3.3 and K8

Article	Text	Code or Document	Section
18.5.b	the rules, requirements and timescales for the procurement and transfer of balancing capacity pursuant to Articles 32 and 34;	Response Procurement Rules Response Service Terms	Response Procurement Rules 7 – Buy Orders 8 – Sell Orders 9 – Market Clearing Rules 12 – Formation of Response Contracts Response Service Terms 21 – Transfer of Response Contracts
18.5.c	the rules and conditions for the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to become a balancing service provider;	Response Procurement Rules	Response Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets Schedule 2 – Registration and Pre-Qualification Procedure
		BSC	K3.3 and K8
		Grid Code	BC1.4 and BC1A.10

Article	Text	Code or Document	Section
18.5.d	the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO during the prequalification process and operation of the balancing market;	Response Procurement Rules	Response Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 8 – Sell Orders Schedule 2 – Registration and pre-qualification Procedure
		Response Service Terms	Response Service Terms 6 – Service Delivery 15 – Monitoring and Metering Data
		BSC	O
		Grid Code	DRC, BC5 BC1.4,
		CUSC	4.1.3.14 and 4.1.3.19
18.5.e	the rules and conditions for the assignment of each balancing energy bid from a balancing service provider to one or more balance responsible parties pursuant to paragraph 4 (d);	BSC	T4
		Response Procurement Rules Response Service Terms	Response Procurement Rules 12 – Formation of Response Contracts Response Service Terms 20 – Assignment 21 – Transfer of Response Contracts
18.5.f	the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO to evaluate the	Response Service Terms	Response Service Terms 5 – Service Availability 6 – Service Delivery

Article	Text	Code or Document	Section
	provisions of balancing services pursuant to Article 154(1), Article 154(8), Article 158(1)(e), Article 158(4)(b), Article 161(1)(f) and Article 161(4)(b) of Regulation (EU) 2017/1485;		15 – Monitoring and Metering Data
		Grid Code	BC1.4, BC1.A.10,
		CUSC	4.1.3.19
18.5. g	the definition of a location for each balancing product taking into account paragraph 5 (c);	Grid Code	BC1.4
18.5. h	the rules for the determination of the volume of balancing energy to be settled with the balancing service provider pursuant to Article 45;	BSC	T3
18.5. i	the rules for the settlement of balancing service providers defined pursuant to Chapters 2 and 5 of Title V;	Response Service Terms	Response Service Terms 7 – Availability Payments 8 – Payment Procedure Schedule 3 – Availability Payments Schedule 4 – Payment Provisions
		BSC	T1.14, T3 and U
		CUSC	4.1.3.9 and 4.1.3.9A
18.5. j	a maximum period for the finalisation of the settlement of balancing energy with a balancing service provider in accordance with Article 45, for	Response Service Terms	Response Service Terms 7 – Availability Payments 8 – Payment Procedure Schedule 3 – Availability Payments

Article	Text	Code or Document	Section
	any given imbalance settlement period;		Schedule 4 – Payment Provisions
		BSC	U2.2
		CUSC	4.3.2.6
18.5. k	the consequences in case of non-compliance with the terms and conditions applicable to balancing service providers.	Response Procurement Rules	Response Procurement Rules 4 – Registration of Registered Auction Participants 5 – Prequalification of Eligible Assets Schedule 2 – Registration and Pre-Qualification Procedure
		Response Service Terms	Response Service Terms 5 – Service Availability 6 – Service Delivery 14 – Termination of Response Contracts 15 – Monitoring and Metering Data
		BSC	H3, Z7 and A5.2
		CUSC	4.1.3.9, 4.1.3.9A and 4.1.3.14
18.6	The terms and conditions for balance responsible parties shall contain:	-	-
18.6. a	the definition of balance responsibility for each connection in a way that avoids any gaps or overlaps in the balance responsibility of different market	BSC	K1.2, P3 and T4.5

Article	Text	Code or Document	Section
	participants providing services to that connection;		
18.6. b	the requirements for becoming a balance responsible party;	BSC	A, H3, H4.2, H4.7, H4.8, H5.5, H6, H10, J3.3, J3.6, J3.7, J3.8,, K2, K3.3 and K8
18.6.c	the requirement that all balance responsible parties shall be financially responsible for their imbalances, and that the imbalances shall be settled with the connecting TSO;	BSC	N2, N6, N8, N12, and T4,
18.6. d	the requirements on data and information to be delivered to the connecting TSO to calculate the imbalances;	BSC	O, Q3, Q5.3, Q5.6, Q6.2, Q6.3, Q6.4
		Grid Code	BC1.4.2,3,4, BC1 Appendix 1 BC2.5.1,
18.6. e	the rules for balance responsible parties to change their schedules prior to and after the intraday energy gate closure time pursuant to paragraph 4 of Article 17;	BSC	P2
		Grid Code	BC1.4.3,4,
18.6.f	the rules for the settlement of balance responsible parties defined pursuant to Chapter 4 of Title V;	BSC	T4, U2
18.6.g	the delineation of an imbalance area pursuant to Article 54(2) and an imbalance price area;	-	<i>GB constitutes one imbalance area and imbalance price area and they are equal to the synchronous area</i>
18.6.h	a maximum period for the finalisation of the settlement of imbalances with balance responsible parties for any given	BSC	U2.2

Article	Text	Code or Document	Section
	imbalance settlement period pursuant to Article 54;		
18.6.i	the consequences in case of non-compliance with the terms and conditions applicable to balance responsible parties;	BSC	H3,Z7 and A5.2
18.6.j	an obligation for balance responsible parties to submit to the connecting TSO any modifications of the position;	BSC	P2
18.6.k	the settlement rules pursuant to Articles 52, 53, 54 and 55;	BSC	T4, U2
18.6.l	where existing, the provisions for the exclusion of imbalances from the imbalance settlement when they are associated with the introduction of ramping restrictions for the alleviation of deterministic frequency deviations pursuant to Article 137(4) of Regulation (EU) 2017/1485.	Deterministic frequency deviation is a continental European concept and is not a characteristic of the GB system. Therefore, this requirement does not apply to GB.	N/A

Table 2 – Non- Mandatory elements

Article	Text	Comment
18.7. a	-	Sub-paragraph 18.7.a was repealed pursuant to paragraph 18(6)(a) of Schedule 2 of the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019/532.

18.7. b	where justified, a requirement for balancing service providers to offer the unused generation capacity or other balancing resources through balancing energy bids in the balancing markets after day ahead market gate closure time, without prejudice to the possibility of balancing service providers to change their balancing energy bids prior to the balancing energy gate closure time due to trading within intraday market;	NESO does not expect to require this from Balancing Service Providers, except where balancing capacity or energy has been contracted. Although in the BM defaulting rules apply if data is not updated, there is no legal requirement for parties to offer unused generation capacity or any other balancing resource.
	-	Sub-paragraph 18.7.c was repealed pursuant to paragraph 18(6)(c) of Schedule 2 of the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019/532.
18.7. d	specific requirements with regard to the position of balance responsible parties submitted after the day-ahead market timeframe to ensure that the sum of their internal and external commercial trade schedules equals the sum of the physical generation and consumption schedules, taking into account electrical losses compensation, where relevant;	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).
18.7. e	an exemption to publish information on offered prices of balancing energy or balancing capacity bids due to market abuse concerns pursuant to Article 12(4)	NESO does not expect to require this exemption. Such data is published on Insights Real-Time Information Service (IRIS).
18.7. f	an exemption to predetermine the price of the balancing energy bids from a balancing capacity contract pursuant to Article 16(6)	-

18.7. g	An application for the use of dual pricing for all imbalances based on the conditions established pursuant to Article 52(2)(d)(i) and the methodology for applying dual pricing pursuant to Article 52(2)(d)(ii).	NESO does not expect to apply for the use of dual pricing for all imbalances. A single imbalance price was adopted by the GB market in November 2015.
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Appendix 2: Responses

Flexitricity

Do you agree with the proposed change to apply ABSVD to Non-BMUs? Please explain your rationale.

While the intention of the application ABSVD to non-BMUs across balancing services is to create a level playing field in those services, we note that in doing so NESO will create a different distortion within those services, as non-BM participants who access the market through a non-Supplier Provider, most likely an aggregator, will trigger ABSVD payment provisions to or from their Supplier, even when the Supplier is not the Balancing Services Provider. In this situation, similarly identified in the first iteration of the Local Constraints Market settlement process, P412 (Ensuring non-BM Balancing Services providers pay for non-delivery imbalances at a price that reflects the real-time value of energy), and Issue Group 114 (Settlement of ABSVD for ancillary services delivered through independent aggregators), the ABSVD will be received by a Supplier who may not be able or willing to allocate those volumes (or the monetary value of them) to the individual non-BM participant.

Through ongoing discussions with NESO across the forums listed above, we appreciate that you are aware of this. We would suggest that the proposed wording, which refers to the ABSVD Methodology Statement, should acknowledge the distortion created by the potential non-re-allocation of the volumes by a Supplier to the relevant individual non-BM participant.

We recognise that the ABSVD opt-out solution developed for the LCM is a specific solution to an analogous underlying distortion, though in the case of LCM the solution developed is for a time-limited product. For services which are expected to endure for many years, we advocate for a holistic, enduring approach which IG114 is tasked to develop.

As this is a live issue which stretches across multiple enduring NESO services and has an active solution development process underway in IG114, we think it is not the best use of NESO or industry resources to progress a temporary switch of distortions through the proposed ad-hoc C9 for the introduction of the application of ABSVD to non-BM participants in Slow Reserve, Quick Reserve and Dynamic Response services.

Do you have any additional comments or questions on the proposal or proposed wording?

As per our above answer, we would welcome clarification on the timeline proposed for the application of these changes accounting for the review of the existing distortion created by ABSVD by IG114. We appreciate this sits with Elexon as the proposer of IG114, but it is difficult to assess the likely longevity and therefore impact of NESO's C9 proposal for ABSVD without an understanding of the expected timeframe for correcting the new distortion through IG114.

Arenko

Do you agree with the proposed change to apply ABSVD to Non-BMUs? Please explain your rationale.

Overall we are in favour of levelling the playing field for competition across BMUs and non-BMUs. From a system perspective, it does not make sense to have significant volumes that do not provide PNs to the control room. Incentivising market participants to be BMUs will improve visibility for NESO.

The current mechanism effectively creates two markets within one service. I.e. only non-BMUs participate in DRL & BMUs in DRH due to ABSVD disparity. This pushes pricing up in both markets.

Additionally, the development of identical markets for BMUs and non-BMUs creates significant volumes of work for both NESO and market participants. Every time a new service is designed, NESO essentially have to design it twice, and market participants also have to implement the service twice.

There is also a lack of public data for non-BMUs, making it more difficult for the market to police these assets.

Do you have any additional comments or questions on the proposal or proposed wording?

N/A

Habitat

Do you agree with the proposed change to apply ABSVD to Non-BMUs? Please explain your rationale.

No. We support the Service Terms being updated to be consistent with the ABSVD Methodology Statement, but the proposed wording only describes imbalance positions being adjusted by reference to MSID Pairs. This is correct for non-BM providers but does not apply to Primary BM Units. The distinction between the approaches for BM Participant and non-BM Providers should be included for clarity.

Do you have any additional comments or

No

questions on the
proposal or proposed
wording?

Kraken

Do you agree with the proposed change to apply ABSVD to Non-BMUs? Please explain your rationale.

Yes. We agree with the proposed change, which we think will help provide a level playing field across technology types and business models.

Do you have any additional comments or questions on the proposal or proposed wording?

No

EDF Energy Customers Ltd

Do you agree with the proposed change to apply ABSVD to Non-BMUs? Please explain your rationale.

We believe it is a fair approach to align ABSVD methodology for both BMUs and Non-BMUs. Please clarify how Virtual BMUs (VBMUs) would be treated. How does it work for Virtual Lead Parties?

Do you have any additional comments or questions on the proposal or proposed wording?

Only the point about VBMUs and VLPs above.

ADE

Do you agree with the proposed change to apply ABSVD to Non-BMUs? Please explain your rationale.

As set out in the consultation, NESO is proposing to introduce ABSVD allocation to the Suppliers of non-BM participants, to solve the issue that currently exists for BM participants. However, we fail to see how this solves the issue that ABSVD will still be received by a Supplier who may not be able to allocate those volumes to the individual non-BM QR participant. This distortion is currently being addressed under Issue Group 114, so it is unclear why an Ad-hoc C9 is needed at this stage.

Do you have any additional comments or questions on the proposal or proposed wording?

No further comments

Sembcorp

Do you agree with the proposed change to apply ABSVD to Non-BMUs? Please explain your rationale.

Yes, we believe it is correct for BMUs and non-BMUs to be treated equivalently.

Do you have any additional comments or questions on the proposal or proposed wording?

We have not concerns or reservations about any of the drafting changes proposed to the various documents. They all seem logical for the purpose intended.

Eleclink

Do you agree with the proposed change to apply ABSVD to Non-BMUs? Please explain your rationale.

N/A

Do you have any additional comments or questions on the proposal or proposed wording?

N/A