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Re: New Slow Reserve Terms and Conditions, including additional Quick Reserve data publication proposal.

Dear Industry and Colleagues,

In accordance with Commission Regulation (EU) 2017/2195 of 23 November 2017 as converted into assimilated EU law and amended (EBR), NESO is proposing to update its terms and conditions relating to Balancing.

New Balancing Service of Slow Reserve (and co-optimisation)

The principal changes are concerned with introducing the new Balancing Service of Slow Reserve (SR). These proposed new terms and conditions comprise SR Service Terms and SR Procurement Rules, and if approved by Ofgem will be effective from a designated SR Go-Live Date.

As part of these proposed new SR terms and conditions, NESO is proposing to extend product co-optimisation across the current day ahead auction platform so as to include SR alongside Quick Reserve (QR), Dynamic Response (DR), and Balancing Reserve (BR), resulting in a single, simultaneous, co-optimised auction.

These principal changes related to SR are distinct from a separate consultation which is also being published today, proposing to make additional changes to the terms and conditions relating to BR, part of which seeks to enable the necessary changes to include BR in the proposed forementioned co-optimised auction alongside SR, QR, and DR.

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Co-optimisation across these products requires a uniform definition of market welfare in each of the different product Procurement Rules. NESO is therefore proposing a consequential change to the Procurement Rules for each of QR, DR and BR, to sit alongside the equivalent definition included in the proposed SR Procurement Rules. However, the change to the BR Procurement Rules is dependent upon that service first being co-optimised with QR and DR, which as mentioned above is being proposed as a part of the suite of changes which are the subject of the separate BR consultation.

The proposed new SR Service Terms and SR Procurement Rules accompany this letter. Additionally, details of the consequential changes proposed to be made to the QR, DR and BR Procurement Rules are set out in Annex 1 to this letter.

Additional Quick Reserve Data Publication

Alongside the principal changes related to SR referred to above, we are also proposing to make a change to the current QR Service Terms in order to provide additional close to real-time availability and dispatch data transparency, where this data is not already published through the Balancing and Settlements Code (BSC). This change will align the QR Service Terms in this respect with the new SR Service Terms, if approved by Ofgem, and follows recent feedback received from industry.

The proposal requires a change to the prevailing paragraph 20.12 in the QR Service Terms as is set out in detail in Annex 2 to this letter.

Since this change only impacts on assets which are not BM Participating, this proposal is dependent on the current 'in flight' [EBR Article 18 consultation](#) updates to the QR Service Terms and Procurement Rules currently being considered by Ofgem (as those changes are principally concerned with extending the current QR service to non-BM Participants).

Finally, contained at Annex 3 to this letter is a table showing how we believe the proposed SR 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 us using the above email address.

Yours sincerely,

Jon Wisdom
Head of Market Change Delivery

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Annex 1 – Consequential changes for Quick Reserve, Dynamic Response and Balancing Reserve

Co-optimisation across auction products requires a uniform definition of market welfare in each of the different procurement rules for each product, and so as part of this latest update to the terms and conditions related to Balancing, to sit alongside the proposed new SR Procurement Rules, NESO is proposing a consequential change to the Market Welfare definition in the procurement rules for each of Quick Reserve (QR), Dynamic Response (DR) and Balancing Reserve (BR).

This change to the BR Procurement Rules is dependent upon BR first being co-optimised with QR and DR (those two services are already co-optimised), and this is being proposed as a part of the suite of changes which are the subject of a separate consultation process. Subject to those changes being approved by Ofgem, full co-optimisation across all four products will then be effective from the SR Go-Live Date.

However, if BR has not been co-optimised with QR and DR in this way before the designated SR Go-Live Date, then SR will be co-optimised with QR and DR only, and full co-optimisation across all four products will only take place if and when that separate BR consultation concludes, and the changes are approved by Ofgem.

The definition in the proposed new SR Procurement Rules is shown below:

the aggregate of:-

- (1) the sum of the **Order Surpluses** with respect to all **Buy Orders** and **Sell Orders** in a **Service Day**, and
- (2) the 'Market Welfare' for that **Service Day** as defined in the **Response Procurement Rules** but with respect only to limb (1) and the **Response Auction Products** and
- (3) the 'Market Welfare' for that **Service Day** as defined in the **QR Procurement Rules** but with respect only to limb (1) and the **QR Auction Products**, and
- (4) only if the **Authority** shall have approved prior to the **Effective Date** a change to the **BR Procurement Rules** so as to co-optimize with the **Response Auction Products** and **Quick Reserve Auction Products**, the 'Market Welfare' as defined in the **BR Procurement Rules** but with respect only to limb (1) and the **BR Auction Products**;

The following table outlines how the existing Procurement Rules for each of the below balancing services will be amended, as to allow co-optimisation across all products:

Service	Current definition "Market Welfare"	Proposed amendment	When effective
Quick Reserve	the aggregate of (1) the sum of the Order Surpluses with respect to all	The insertion after the end of the definition in the prevailing	"SR Go-Live Date"

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Service	Current definition “Market Welfare”	Proposed amendment	When effective
	Buy Orders and Sell Orders in a Service Day , and (2) the ‘Market Welfare’ for that Service Day as defined in the Response Procurement Rules but with respect only to limb (1) and the Response Auction Products ;	version of the Procurement Rules of: and <u>(3)[or (4)]¹ the ‘Market Welfare’ for that Service Day as defined in the SR Procurement Rules but with respect only to limb (1) and the Slow Reserve Auction Products;</u>	
Dynamic Response (DM/DR/DC)	the aggregate of (1) the sum of the Order Surpluses with respect to all Buy Orders and Sell Orders in a Service Day , and (2) the ‘Market Welfare’ for that Service Day as defined in the QR Procurement Rules but with respect only to limb (1) and the Quick Reserve Auction Products ;	The insertion after the end of the definition in the prevailing version of the Procurement Rules of: and <u>(3)[or (4)]¹ the ‘Market Welfare’ for that Service Day as defined in the SR Procurement Rules but with respect only to limb (1) and the Slow Reserve Auction Products;</u>	“SR Go-Live Date”
Balancing Reserve (only if already updated to co-optimize with Dynamic Response and Quick Reserve)	Note – the below assumes the changes the subject of the separate BR consultation have been approved by Ofgem (introducing the new limbs (2) and (3)): the aggregate of:- (1) the sum of the Order Surpluses with respect to all Buy Orders and Sell Orders in a Service Day ; and	The insertion after the end of the definition in the prevailing version of the Procurement Rules of: and <u>(4) the ‘Market Welfare’ for that Service Day as defined in the SR Procurement Rules but with respect only to limb (1) and the Slow Reserve Auction Products;</u>	“SR Go-Live Date”

¹ Note – either BR will have already have been added before SR Go-Live Date (as a new (3)) as part of the BR consultation, in which case these current changes insert a new (4) for SR, or the BR consultation has not been approved by SR Go-Live Date in which case the current changes insert a new (3) for SR and BR isn’t co-optimised

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Service	Current definition “Market Welfare”	Proposed amendment	When effective
	<p>(2) the ‘Market Welfare’ for that Service Day as defined in the Response Procurement Rules but with respect only to limb (1) and the Response Auction Products and</p> <p>(3) the ‘Market Welfare’ for that Service Day as defined in the QR Procurement Rules but with respect only to limb (1) and the QR Auction Products.</p>		

In addition, in each of the procurement rules for the above products, three new definitions (as used in the above proposed amendments) are added in schedule 1 in alphabetical order:

Defined Term	Definition
“ SR Procurement Rules ”	the prevailing document titled ‘Slow Reserve (SR) Procurement Rules’ published by or on behalf of NESO from time to time governing the procurement of Slow Reserve ;
“ Slow Reserve ”	as defined in the SR Procurement Rules ;
“ Slow Reserve Auction Products ”	the ‘Slow Reserve Products’ as that term is defined in the SR Procurement Rules ;

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Annex 2 – Data Transparency for Quick Reserve

The current QR Service Terms, being phase 1, only apply to BM Participants, but phase 2 will see the service extended to non-BM Participants. The proposed changes to implement phase 2 were consulted on with industry on 12th February 2025 and are now with Ofgem for consideration. These changes include the following proposed new paragraph 20.12 to provide more availability and dispatch data transparency of non-BM Participants:

QR phase 2 proposed paragraph 20.12:

Publication of data

20.12 For the purposes of paragraph 26 (Confidentiality) the **Service Provider** consents to **NESO** publishing all **Operational Baselines, Operational Metering Data** and **Performance Metering Data** on its website in a non-anonymised format.

As part of the proposed new SR Service Terms, which would apply to both BM and non-BM Participants, a wider paragraph 20.12 has been included to provide more availability and dispatch data transparency of non-BM Participants. There is logic in this provision matching in both sets of Service Terms (QR and SR), and so we are proposing that the proposed QR Service Terms be amended by replacing the paragraph 20.12 set out in the recent consultation documentation with the paragraph below (which aligns with the wording in the proposed new SR Service Terms):

Proposed new paragraph 20.12 for QR Service Terms:

Publication of data

20.12 For the purposes of paragraph 26 (Confidentiality) the **Service Provider** consents to **NESO** publishing on its website in a non-anonymised format any or all of:-

20.12.1 **Operational Baselines, Operational Metering Data** and **Performance Metering Data**;

20.12.2 indications of **QR Unit** availability for **Quick Reserve** (comprising **Contracted Quantity** or **Optional MW**);

20.12.3 submitted **QR Utilisation Prices**; and

20.12.4 details of Instructions issued,

in each case insofar as not already published pursuant to the **BSC**.

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We are requesting that Ofgem consider this proposal separately to the SR / co-optimisation proposal, and if approved we would propose to implement the change as soon as possible, which may be before the SR Go-Live Date (should the SR / co-optimisation proposal be approved).

If Ofgem is minded to approve this change, we would also invite consideration as to whether this change can be approved as part of Ofgem's approval of the phase 2 QR changes submitted on 25 April 2025.

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Annex 3 – EBR Article 18 mapping for the Slow Reserve 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 converted into assimilated EU law, and as amended by the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019/532) and subsequent legislation (“**EBR Article 18**”) against the corresponding parts of the GB codes and relevant contractual provisions, with particular reference to the new Slow Reserve 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 Slow Reserve 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:	–	–

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Article	Text	Code or Document	Section
18.4.a	Define reasonable and justified requirements for the provisions of balancing services;	SR Procurement Rules	SR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 13 – Formation of SR Contracts SR Service Terms 5 – Service Availability – BM Participating 6 – Service Availability – Non-BM Participating 7 – Optional Availability (Non-BM Participating) 8 – Service Instruction 17 – Provision of Other Services Schedule 2 – SR Service Parameters
		BSC	A, H3, H4.2, H4.7, H4.8, H5.5, H6, H10, J3.3, J3.6, J3.7 and J3.8
		CUSC	4.1.3
		Grid Code	BC1, BC2, BC3 & BC4
18.4.b	allow the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to offer balancing services subject to conditions referred to in paragraph 5 (c);	BSC	K3.3, K8, S6.2, S6.3 and S11, S12, S13 and S14
		Grid Code	DRSC 4.2, BC1.4
		SR Procurement Rules	SR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 6 – Allocation of Eligible Assets to Auction Units

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

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Article	Text	Code or Document	Section
		BSC	J3.3, J3.6, J3.7, J3.8, K3.2, K3.3 and K8
18.5.b	the rules, requirements and timescales for the procurement and transfer of balancing capacity pursuant to Articles 32 and 34;	SR Procurement Rules SR Service Terms	SR Procurement Rules 8 – Buy Orders 9 – Sell Orders 10 – Market Clearing Rules 13 – Formation of SR Contracts SR Service Terms 8 – Service Instruction 25 – Transfer of SR 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;	SR Procurement Rules	SR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 6 – Allocation of Eligible Assets to Auction Units Schedule 2 – Registration and Pre-Qualification Procedure
		BSC	K3.3 and K8
		Grid Code	BC1.4 and BC1.A.10
18.5.d	the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO during the prequalification process and operation of the balancing market;	SR Procurement Rules SR Service Terms	SR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 9 – Sell Orders 14 – Confidentiality Schedule 2 – Registration and pre-qualification Procedure SR Service Terms 5 – Service Availability – BM Participating

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Article	Text	Code or Document	Section
			6 – Service Availability – Non-BM Participating 7 – Optional Availability – Non-BM Participating 8 – Service Instruction 9 – Service Delivery – BM Participating 10 – Service Delivery – Non-BM Participating 20 – Monitoring and Metering 23 – Records and Audits
		BSC	O
		Grid Code	DRC, BC5 BC1.4
		CUSC	4.1.3.14 and 4.1.3.19
18.5.e	the rules and conditions for the assignment of each balancing energy bid from a balancing service provider to one or more balance responsible parties pursuant to paragraph 4 (d);	BSC	T4
		SR Procurement Rules	SR Procurement Rules 13 – Formation of SR Contracts
		SR Service Terms	SR Service Terms 24 – Assignment 25 – Transfer of SR Contracts
18.5. f	the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO to evaluate the provisions of balancing services pursuant to Article 154(1), Article 154(8), Article 158(1)(e), Article 158(4)(b), Article 161(1)(f) and Article 161(4)(b) of Regulation (EU) 2017/1485;	SR Service Terms	SR Service Terms 5 – Service Availability – BM Participating 6 – Service Availability – Non-BM Participating 7 – Optional Availability (Non-BM Participating) 9 – Service Delivery – BM Participating 10 – Service Delivery – Non-BM Participating 20 – Monitoring and Metering

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Article	Text	Code or Document	Section
			23 – Records and Audits Schedule 2A – Cross Over Checks Data Submission Requirement
		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;	SR Service Terms	SR Service Terms 5 – Service Availability – BM Participating 6 – Service Availability – Non-BM Participating 7 – Optional Availability (Non-BM Participating) 9 – Service Delivery – BM Participating 10 – Service Delivery – Non-BM Participating 11 – SR Availability Payments 12 – Energy Utilisation Payments 13 – Payment Procedure Schedule 3 – SR Availability Payments Schedule 4 – SR Utilisation Payments Schedule 5 – Payment Provisions

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Article	Text	Code or Document	Section
		BSC	T1.14, T3 and U
		CUSC	4.1.3.9 and 4.1.3.9A
18.5. j	a maximum period for the finalisation of the settlement of balancing energy with a balancing service provider in accordance with Article 45, for any given imbalance settlement period;	SR Service Terms	SR Service Terms 11 – SR Availability Payments 12 – Energy Utilisation Payments 13 – Payment Procedure Schedule 3 – SR Availability Payments Schedule 4 – SR Utilisation Payments Schedule 5 – Payment Provisions
		BSC	U2.2
		CUSC	4.3.2.6
18.5. k	the consequences in case of non-compliance with the terms and conditions applicable to balancing service providers.	SR Procurement Rules	SR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Prequalification of Eligible Assets Schedule 2 – Registration and Pre-Qualification Procedure
		SR Service Terms	SR Service Terms 5 – Service Availability – BM Participating 6 – Service Availability – Non-BM Participating 9 – Service Delivery – BM Participating

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Article	Text	Code or Document	Section
			10 – Service Delivery – Non-BM Participating 17 – Provision of Other Services 19 – Termination of SR Contracts 20 – Monitoring and Metering
		BSC	H3, Z7 and A5.2
		CUSC	4.1.3.9, 4.1.3.9A and 4.1.3.14
18.6	The terms and conditions for balance responsible parties shall contain:	–	–
18.6. a	the definition of balance responsibility for each connection in a way that avoids any gaps or overlaps in the balance responsibility of different market participants providing services to that connection;	BSC	K1.2, P3 and T4.5
18.6. b	the requirements for becoming a balance responsible party;	BSC	A, H3, H4.2, H4.7, H4.8, H5.5, H6, H10, J3.3, J3.6, J3.7, J3.8, K2, K3.3 and K8
18.6.c	the requirement that all balance responsible parties shall be financially responsible for their imbalances, and that the imbalances shall be settled with the connecting TSO;	BSC	N2, N6, N8, N12, and T4,
18.6. d	the requirements on data and information to be delivered to the connecting TSO to calculate the imbalances;	BSC	O, Q3, Q5.3, Q5.6, Q6.2, Q6.3, Q6.4
		Grid Code	BC1.4.2,3,4, BC1 Appendix 1 BC2.5.1,
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,

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Article	Text	Code or Document	Section
18.6.f	the rules for the settlement of balance responsible parties defined pursuant to Chapter 4 of Title V;	BSC	T4, U2
18.6.g	the delineation of an imbalance area pursuant to Article 54(2) and an imbalance price area;	-	<i>GB constitutes one imbalance area and imbalance price area and they are equal to the synchronous area</i>
18.6.h	a maximum period for the finalisation of the settlement of imbalances with balance responsible parties for any given imbalance settlement period pursuant to Article 54;	BSC	U2.2
18.6.i	the consequences in case of non-compliance with the terms and conditions applicable to balance responsible parties;	BSC	H3,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

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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	NESO does not expect to require this exemption. Such data is published on Insights Real-Time Information Service (IRIS).

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	balancing capacity bids due to market abuse concerns pursuant to Article 12(4)	
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 containing the information set out in Article 52(2)(d)(i) and (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.