

Public

National Energy System Operator
Faraday House
Gallows Hill
Warwick
CV34 6DA

Jon.wisdom@nationalenergyso.com
07929 375010
www.neso.energy

1 August 2025

New Slow Reserve Terms and Conditions

Dear James,

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 by the introduction of terms and conditions for the new Balancing Service of Slow Reserve (SR).

On 16 May 2025 we commenced a consultation with industry on these new terms and conditions, specifically new SR Service Terms and SR Procurement Rules. In accordance with the EBR, NESO has now concluded its consultation on these documents, and its proposal for amended terms and conditions are now submitted to the Authority for approval.

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.

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 is being proposed as a part of the suite of changes which are being submitted separately to Ofgem today and which

Public

were the subject of the separate BR consultation also commenced on 16 May 2025 and now concluded.

The proposed new SR Service Terms and SR Procurement Rules accompany this letter. This documentation incorporates some additional minor housekeeping changes identified during the consultation, and also an update to facilitate notification of the auction opening time as described above which are set out in Annex 1 to this letter.

If approved by Ofgem, the new SR Procurement Rules will be designated by NESO with an Effective Date from which time providers will be able to enter assets for prequalification, but the SR auctions will not commence until a later date (SR Go-Live Date). The SR Go-Live Date will be established once NESO has notified industry of the auction opening time for the first fully co-optimised auction.

Also set out in this letter, at Annex 2 (and in the form circulated as part of the consultation documentation), are the consequential changes to the Procurement Rules for each of QR, DR and BR¹, to sit alongside the equivalent definition included in the proposed SR Procurement Rules, and which will be designated with an Effective Date which matches the SR Go-Live Date.

Finally, contained at Annex 3 to this letter (in the form circulated as part of the consultation documentation) 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.

In accordance with the EBR, we now invite Ofgem to approve these new SR Service Terms and SR Procurement Rules, as well as the consequential changes to the Procurement Rules for each of QR, DR and BR.

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

¹ Note the consequential changes to the BR Procurement Rules shown in Annex 2 will only be needed should Ofgem approve the separately consulted upon BR changes, and those changes become effective, prior to approval of the SR documentation (so that BR, QR and DR become co-optimised ahead of SR).

Public

Annex 1 –Housekeeping corrections to documentation submitted to industry on 16 May

The following housekeeping corrections have been made to documentation submitted to industry for consultation on 16 May 2025:

Service Terms	Text
Paragraph 7.3 (c)	Corrected a typographical error to correctly refer to Paragraph 6
Paragraph 14.1	Removal of stray bracket
Inserted definition of Contracted Service Period	This definition had been omitted in the consultation document
Re-ordered definitions to alphabetical order	"Recovery Period" and "Response Time"

Procurement Rules	Text
Paragraph 1.4	Corrected reference "NGESO" to "NESO" "from" changes to "after" to allow operation of updated defined term "SR Go-Live Date"
Paragraph 9.4.5	Removed a typographical error where a reference to paragraph 9.7 was repeated
Sch 1 Defined term "SR Go-Live Date"	Updated so as to allow auctions to go-live by reference to an auction opening time notified by NESO rather than by reference to the Effective Date

Public

Annex 2 – 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 approved by Ofgem and designated an Effective Date for co-optimisation 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 were the subject of a separate consultation process. Subject to those changes being approved by Ofgem and given effect, full co-optimisation across all four products will then be effective from the SR Go-Live Date.

However, if BR has not been approved and effective for co-optimisation with QR and DR before the new SR documentation becomes effective and designated with an 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 that separate co-optimisation approval for the BR consultation is forthcoming.

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:

Public

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 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 ;	The insertion after the end of the definition in the prevailing version of the Procurement Rules of: <u>and</u> <u>(3)[or (4)]² 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”
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: <u>and</u> <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	The insertion after the end of the definition in the prevailing version of the Procurement Rules of: <u>and</u> <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”

² Note – either BR will have already have been added before the 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 before the SR Go-Live Date in which case the current changes insert a new (3) for SR and BR isn’t co-optimised

Public

Service	Current definition “Market Welfare”	Proposed amendment	When effective
	<p>Buy Orders and Sell Orders in a Service Day; and</p> <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 ;

Public

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:	–	–

Public

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

Public

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

Public

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

Public

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

Public

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

Public

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 Service Terms	SR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Prequalification of Eligible Assets Schedule 2 – Registration and Pre-Qualification Procedure SR Service Terms 5 – Service Availability – BM Participating 6 – Service Availability – Non-BM Participating 9 – Service Delivery – BM Participating

Public

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,

Public

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

Public

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).

Public

	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.