

# Mid-term Reactive Power Market:

## Pre-Market Consultation

### Instructions

#### Version control

Version	Date	Comment
V1	9 January 2026	Initial publication of 2026 pre-market consultation instructions about the Mid-term Reactive Power Market.

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#### Background Context

In 2021 National Energy System Operator (NESO) (National Grid Electricity System Operator (ESO) at the time) launched the Future of Reactive Power Market Design innovation project to explore the design for the enduring reactive power market with a focus on value for consumers and to help address the challenges in controlling system voltage. In the April 2023 Markets Roadmap we explained that the result of this innovation project was a proposal that NESO should procure reactive power services across several timescales:

- Long-term Y-4
- Mid-term Y-1
- Short-term D-1

The next steps were for NESO to take this proposal, and based on the applicable business-case, identify when and how this reactive power market should be implemented.

In April 2024 we advised industry of the following update with regards to the Mid-term Reactive Power Market: *That NESO were continuing to assess the benefit that a mid-term reactive power market would provide, with some outstanding design questions that were being analysed.*

Later that year, between November and December 2024, NESO carried out a Market Engagement exercise seeking voluntary views on NESO's emergent thinking about the Mid-term Reactive Power market. Throughout 2025, NESO has continued to develop the design of the Mid-term Reactive Power market, considering the feedback and the findings from this exercise.

Prior to the launch of the Mid-term Reactive Power market, NESO are facilitating **a further Pre-Market Consultation exercise, seeking industry feedback** on the details presented later in this document and the other draft documents published as part of this Pre-Market Consultation exercise. **This document formally invites market participants to provide consultation feedback and provides instructions on how to do so.**

Any feedback returned to NESO will help NESO finalise the design of the Mid-term Reactive Power Market and decide how to progress with its implementation. NESO are particularly interested to hear from parties that can provide reactive power services and are interested in participating in a Mid-term Reactive Power Market.

Please respond to this Pre-Market Consultation via email by **4pm Wednesday 4 February 2026.**

## Purpose of Pre-Market Consultation

This is a pre-market consultation exercise only and does not part of a formal tender process. NESO will use any information received in response to this exercise to:

- Finalise the design of the mid-term reactive power market
- Refine NESO's understanding of the available supply market for reactive power services
- Decide how to progress with the implementation of the mid-term reactive power market

All information provided in this document is indicative and subject to change prior to the launch of any mid-term market, or any formal tender process. No guarantee is made that the information set out here will be applied in any subsequent market, tender process or contractual agreement.

A contract will **not** be awarded as a result of a response to this pre-market consultation exercise. However, parties are strongly encouraged to respond to this exercise if they are interested in taking part in a future mid-term reactive power market.

## Mid-term Reactive Power Market: System Requirements

- NESO are developing this market on the basis it will procure reactive power services.
- Our requirements within this market could be for either static or dynamic reactive power depending on system studies.
- Our requirements could also be for either absorption or injection requirements, or both, depending on system studies.
- NESO do not intend to procure to cover for any N-1 largest loss scenarios specifically<sup>1</sup> however NESO will reserve the right to procure above or below any requirement volumes published when procuring through this market.
- As part of this pre-market consultation exercise, NESO have published a **DRAFT** version of the overarching Technical Specification for this Mid-term Reactive Power Market.
  - When NESO run mini-tender processes through this market, NESO reserve the right to provide more information on specific volume requirements, location of requirements, or any further technical specification requirements that would apply to the mini-tender. This also applies should NESO elect to award a contract under the Mid-term Reactive Power Market through a non-competitive process.
- At this time, we do not have a pipeline of requirements to share for what could be procured through the mid-term market.

Topic	Reactive Power Mid-term Market
<b>Participation by providers with existing connections?</b>	<p>Yes, providers with existing connections can participate.</p> <p>Any reactive capability offered must be in excess of any minimum Grid Code obligations.</p> <p>Where providers are not obligated to provide any minimum reactive capability under the Grid Code, then the above does not apply and full capability can be offered.</p> <p>Any solution that is bid into the market must satisfy the market qualification criteria.</p>
<b>Can TOs participate?</b>	Participation by TOs is not expected due to the TO regulatory regime.
<b>Can DNOs participate?</b>	Participation by DNOs is not expected due to the DNO regulatory regime.
<b>Can OFTOs participate?</b>	Participation by OFTOs is not expected due to the OFTO regulatory regime.
<b>Can interconnector organisations participate?</b>	Yes, interconnectors can participate and become a qualified market provider if they meet the qualification criteria.

<sup>1</sup> This is where any volume procured through a tender would mitigate the risk of losing the largest solution that contributes to the region's requirements by procuring contingency such that the reactive power requirement could still be met in a region through remaining solutions in the event of the largest loss

	<p>Any reactive capability offered must be in excess of any minimum Grid Code obligations.</p> <p>Where providers are not obligated to provide any minimum reactive capability under the Grid Code, then the above does not apply and full capability can be offered.</p> <p>Any solution that is bid into the market must satisfy the market qualification criteria.</p>
<p><b>Can reactors with a transmission licence (referred to as TO Lite) participate?</b></p>	<p>Yes, this market will allow submissions from participants that have (or will have) a TO Lite licence with the view they will be contracted through the commercial contract.</p> <p>This is in line with Ofgem's decision about Mersey Reactive Power Limited.</p> <p>Any reactive capability offered must be in excess of any Grid Code obligations.</p> <p>Where providers are not obligated to provide any minimum reactive capability under the Grid Code, then the above does not apply and full capability can be offered.</p> <p>Any solution that is bid into the market must satisfy the market qualification criteria.</p>

## Mid-term Reactive Power Market: Process Overview

The Mid-term Reactive Power Market will operate based on a qualification process where bidders can apply to qualify for the market to become a qualified market provider. This allows NESO to establish a pool of qualified market providers.

Achieving qualified provider status then allows the provider to take part in subsequent mini-tender processes under the mid-term reactive power market. Market participants will not be permitted to take part in these mini-tender processes without being a qualified market provider. The same also applies should NESO elect to follow a non-competitive process.

The intention is that bidders will only need to pre-qualify once. After which time the qualified provider will be able to participate in subsequent mini-tender process, or from time-to-time be considered for a non-competitive award.

Subsequent mini-tender processes will be based on either:

- a 'year-ahead' mini-tender, where call-off contracts will typically be awarded a year-ahead of the service requirement in question; or

- a 'within-year' mini-tender process, where call-off contracts will typically be awarded within 12 months of the service requirement in question

Each mini-tender process will be focused on a specific requirement over a specific period of time. To be contracted for a specific requirement, bidders would need to take part in the relevant mini-tender process for that requirement and meet any assessment criteria that are set for that mini-tender. For each mini-tender process, NESO will confirm the exact volume requirement and location of need, providing a set of mini-tender documents to facilitate the mini-tender process.

It should be noted that success in one mini-tender process would not guarantee success in a subsequent mini-tender process.

In addition to these mini-tender processes, NESO reserve the right to award a contract otherwise than through a competitive process.

Figure 1 below provides an indicative and hypothetical visual of what these processes may look like. For more details on mini-tender and non-competeted processes please see the sections below.

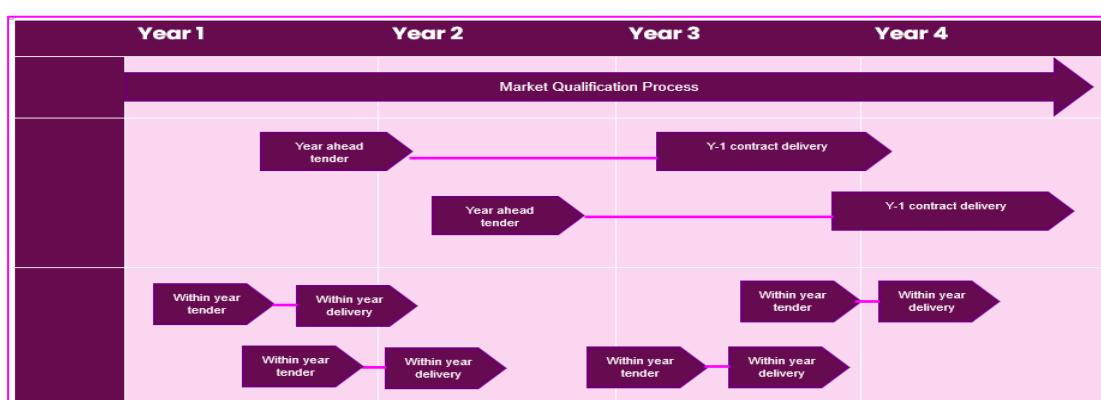


Figure 1

There is no set quantum per year for a mini-tender process or otherwise at this time. These processes would be run subject to there being a relevant requirement and this being the most appropriate route to market, a decision which will be based on NESO's discretion.

This market and its associated mini-tender process would not be regulated by the Procurement Act 2023.

Please note this document and the other documents published as part of this pre-market consultation exercise are primarily about the overarching market qualification process. Some indicative information is provided about what the details of subsequent tender process may look like, but details of future mini-tender processes are subject to confirmation when carrying out any mini-tender process accounting for the requirements identified. The same also applies for any non-competitive award process.

## Market Qualification Process

- Immediately after the launch of the Mid-Term Reactive Power Market, the qualification window would be open continuously (24/7) for market participants to submit their qualification submissions.
  - This qualification window will remain open on this continuous basis up until the launch of the first mini-tender process under the Mid-Term Reactive Power Market.
  - This means that, during this time, market participants can apply to qualify for the market at any time up until the launch of the first mini-tender process.
  - This continuously open qualification window will revert to an application window-based qualification process on the day that the first mini-tender process is launched (see more information on this below).
- After receipt of a qualification submission in this time frame, NESO would assess the participant's submission against a set of qualification criteria.
  - Please refer to the **DRAFT** Market Qualification Criteria document that has been published for more details.
- If the qualification submission is successful, the market participant is deemed to be a qualified provider.
  - If the qualification submission is not successful, the market participant will be provided feedback as to why. Such participants will not be prohibited from attempting to qualify for the market again because they were initially unsuccessful.
- After the launch of the first mini-tender process, the market qualification process will revert to an application window-based process.
- This means that market participants can only apply to qualify for the market during the defined application windows.
- Please see Figure 2 for a hypothetical and indicative visual of what this process may look like.
- NESO would then assess all received applications during the designated assessment windows against the set qualification criteria
  - Please refer to the **DRAFT** Market Qualification Criteria document that has been published for more details.

## Application Window Process (indicative)

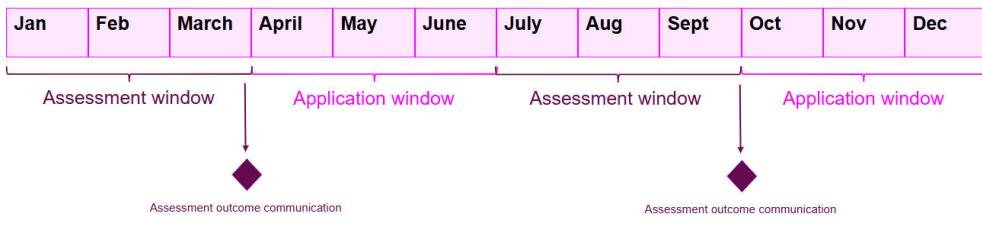


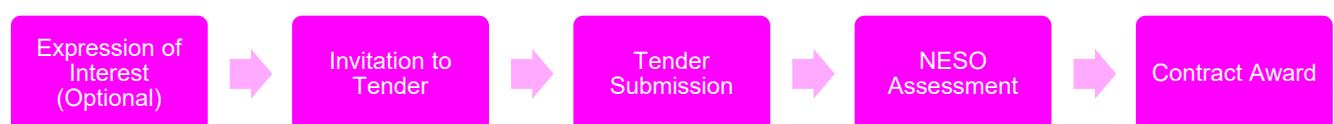
Figure 2

- If a qualification submission is successful, the market participant is deemed to be a qualified provider.
  - If the qualification submission is not successful, the market participant will be provided feedback as to why. Such participants will not be prohibited from attempting to qualify for the market again because they were initially unsuccessful. Participants who wish to attempt to qualify again would have to wait for the next available window before submitting again.
- Achieving qualified provider status allows the market participant to then take part in and be considered for subsequent mini-tender tender processes under the mid-term reactive power market. The same applies to any non-competitive award.

Please refer to the contract format section below for more information on the contracting format for this market.

### Subsequent Mini-Tender Processes

Subsequent mini tenders will likely follow the process set out below. Though NESO note the exact processes that will be followed will be communicated and confirmed on a case-by-case basis.



The Expression of Interest (EOI) stage has been marked as optional. This is because on a case-by-case basis NESO may simply invite all qualified providers to an invitation to tender stage.

Please refer to the **DRAFT** Market Qualification Criteria document that has been published for more details on indicative assessment criteria for subsequent mini-tender processes.

Any contract(s) awarded would be a 'call-off' from the overall Agreement for this market. Please refer to the contract format section below for more information on the contracting format for this market.

### Non-competed award

Any non-competitive awards will likely follow the process set out below.



Please refer to the **DRAFT** Market Qualification Criteria document that has been published for more details on indicative scenarios where this process may be applied and associated indicative assessment criteria.

Any contract awarded would be a 'call-off' contract from the overall Agreement for this market. Please refer to the contract format section below for more information on the contracting format for this market.

## Mid-term Reactive Power Market: Eligibility Criteria

Alongside this document NESO has published the **DRAFT** Eligibility Criteria requirements for the Mid-term Reactive Power Market. Please refer to this document for details. Market participants would need to meet these eligibility criteria to qualify for the market, and become a qualified provider.

Please note, the eligibility criteria are only a sub-set of the market qualification criteria that market participants would have to meet to become a qualified provider. Please refer to the **DRAFT** Market Qualification Criteria document for more information.

## Mid-term Reactive Power Market: Revenue Stacking Rules

Please see the table below for the **DRAFT** and indicative revenue stacking rules for the Reactive Power Mid-term Market.

Service	Is revenue stacking permitted?
<b>Commercial Frequency Response (FR)</b>	<p>Yes, revenue stacking is permitted: Providing the bidder has sufficient capability to deliver the contracted voltage service in parallel with the contracted Frequency Response service.</p> <p>This would be permitted on the basis of <b>splitting</b>.</p> <p>As part of the market qualification process, market participants are required to explain how they will stack this service without impacting the solution's ability to also provide the reactive power voltage service.</p> <p>NESO also reserve the right to request for this stacking to be demonstrated by providers for review and acceptance by NESO before these services can be stacked. This may occur after market qualification but prior to any service provision.</p> <p>Whether this will be required and the process for this will be discussed and confirmed in line with the terms and conditions.</p>
<b>Reserve</b>	<p>Yes, revenue stacking is permitted: Providing the bidder has sufficient capability to deliver the contracted voltage service in parallel with the contracted Reserve service.</p> <p>This would be permitted on the basis of <b>splitting</b>.</p> <p>As part of the market qualification process, market participants are required to explain how they will stack this service without impacting the solution's ability to also provide the reactive power voltage service.</p> <p>NESO also reserve the right to request for this stacking to be demonstrated by providers for review and acceptance by NESO before these services can be stacked. This may occur after market qualification but prior to any service provision.</p> <p>Whether this will be required and the process for this will be discussed and confirmed in line with the terms and conditions.</p>
<b>Long-term Stability Market</b>	<p>The mid-term reactive power market is seeking reactive power capability through assets where this capability is in excess of Grid Code obligations.</p> <p>Providers with existing Stability Long-term contracts can stack these services such that:</p> <ol style="list-style-type: none"> <li>1. The capability offered into reactive power mid-term market is in excess of Grid Code,</li> <li>2. Any ORPS payments for reactive power capability in the long-term stability market is forgone and only compensated through the mid-term reactive power market, where the same MVar volume is bid into the mid-term reactive power market that is already associated with any long-term stability market contract.</li> </ol>

	<p>This would be permitted on the basis of <b>splitting</b>.</p> <p>As part of the market qualification process, market participants are required to explain how they will stack this service without impacting the solution's ability to also provide the reactive power voltage service. NESO may also require this capability to be demonstrated and accepted by NESO before the services can be stacked.</p>
<b>Mid-term Stability Market</b>	<p>The mid-term reactive power market is seeking reactive power capability through assets where this capability is in excess of Grid Code obligations.</p> <p>Providers with existing Stability mid-term contracts can stack these services such that:</p> <ol style="list-style-type: none"> <li>1) The capability offered into reactive power mid-term market is in excess of Grid Code,</li> <li>2) Any ORPS payments for reactive power capability in the mid-term stability market is forgone and only compensated through the mid-term reactive power market, where the same MVar volume is bid into the mid-term reactive power market that is already associated with any mid-term stability market contract.</li> </ol> <p>This would be permitted on the basis of <b>splitting</b>.</p> <p>As part of the market qualification process, market participants are required to explain how they will stack this service without impacting the solution's ability to also provide the reactive power voltage service.</p> <p>NESO may also require this capability to be demonstrated and accepted by NESO before the services can be stacked.</p> <p>The above is also subject to the stacking rules set in the mid-term stability market. Providers should refer to the latest version of the stacking rules set out in the latest version of the tender rules for the relevant mid-term stability market delivery year for details.</p>
<b>Capacity Market (CM)</b>	<p>Yes this revenue stacking is permitted: The current NESO view is this stacking will not impact service delivery of reactive power services</p> <p>This would be permitted on the basis of <b>splitting</b>.</p> <p>At this time, NESO does not believe it is necessary to list the provision of reactive power through the Mid-term Reactive Power Market as a "Relevant Balancing Service" within the Capacity Market, because in the event where there is a Capacity Market Stress Event, from a whole system perspective it is unlikely that there will also be a need to instruct providers in the Mid-term Reactive Power Market. So, there is no need to prioritise the Mid-term Reactive Power Market through the Capacity Market's definition of Relevant Balancing Services.</p> <p>However, feedback on the definition of RBS can be provided through the usual consultation process for determination of what should be defined as a RBS. For more details, please contact <a href="mailto:emr@neso.energy">emr@neso.energy</a> who can support you further.</p>

<b>Constraint Management Intertrip Service (CMIS)</b>	<p>Permitted on the basis that the provider can demonstrate provision of service through quick de-load (or alternative activation of CMIS) with MVar left intact as part of tests.</p> <p>This would be permitted on the basis of <b>splitting</b>.</p> <p>As part of the market qualification process, market participants are required to explain how they will stack this service without impacting the solution's ability to also provide the reactive power voltage service.</p> <p>NESO also reserve the right to request for this stacking to be demonstrated by providers for review and acceptance by NESO before these services can be stacked. This may occur after market qualification but prior to any service provision.</p> <p>Whether this will be required and the process for this will be discussed and confirmed in line with the terms and conditions.</p> <p><i>Note: Providers cannot be connected behind another entity who holds a CMIS contract whereby their availability could be impacted if said CMIS contract was tripped.</i></p>
<b>Balancing Mechanism (BM)</b>	<p>Yes, this stacking is permitted.</p> <p>However, providers will forego ORPS when stacking where the provider would be eligible for ORPS for the MVar capability that is contracted through the Mid-term Reactive Power Market, such that it is only compensated for this MVar capability through this mid-term market.</p> <p>This would be permitted on the basis of <b>splitting</b>.</p>
<b>Wholesale Market (WM)</b>	<p>Yes, this stacking is permitted.</p> <p>However, providers will forego ORPS when stacking where the provider would be eligible for ORPS for the MVar capability that is contracted through the Mid-term Reactive Power Market, such that it is only compensated for this MVar capability through this mid-term market.</p> <p>This would be permitted on the basis of <b>splitting</b>.</p>

With regards to revenue stacking with existing Pathfinder contracts, please see the table below.

Service	Is revenue stacking permitted?
<b>Stability Phase 1</b>	<p>The mid-term reactive power market is seeking reactive power capability through assets where this capability is in excess of Grid Code obligations.</p> <p>Providers with existing Stability Phase 1 contracts can stack these services such that:</p> <ol style="list-style-type: none"> <li>1. The capability offered into reactive power mid-term market is in excess of Grid Code,</li> <li>2. Any ORPS payments for reactive power capability in the long-term stability market is forgone and only compensated through the mid-term reactive power market, where the same MVar volume is bid into the mid-term reactive power market that is already associated with any long-term stability market contract.</li> </ol> <p>This would be permitted on the basis of <b>splitting</b>.</p>

	<p>As part of the market qualification process, market participants are required to explain how they will stack this service without impacting the solution's ability to also provide the reactive power voltage service. NESO may also require this capability to be demonstrated and accepted by NESO before the services can be stacked</p>
<b>Stability Phase 2</b>	<p>The mid-term reactive power market is seeking reactive power capability through assets where this capability is in excess of Grid Code obligations.</p> <p>Providers with existing Stability Phase 2 contracts can stack these services such that:</p> <ol style="list-style-type: none"> <li>1. The capability offered into reactive power mid-term market is in excess of Grid Code,</li> <li>2. Any ORPS payments for reactive power capability in the long-term stability market is forgone and only compensated through the mid-term reactive power market, where the same MVar volume is bid into the mid-term reactive power market that is already associated with any long-term stability market contract.</li> </ol> <p>This would be permitted on the basis of <b>splitting</b>.</p> <p>As part of the market qualification process, market participants are required to explain how they will stack this service without impacting the solution's ability to also provide the reactive power voltage service. NESO may also require this capability to be demonstrated and accepted by NESO before the services can be stacked</p>
<b>Stability Phase 3</b>	<p>The mid-term reactive power market is seeking reactive power capability through assets where this capability is in excess of Grid Code obligations.</p> <p>Providers with existing Stability Phase 3 contracts can stack these services such that:</p> <ol style="list-style-type: none"> <li>1. The capability offered into reactive power mid-term market is in excess of Grid Code,</li> <li>2. Any ORPS payments for reactive power capability in the long-term stability market is forgone and only compensated through the mid-term reactive power market, where the same MVar volume is bid into the mid-term reactive power market that is already associated with any long-term stability market contract.</li> </ol> <p>This would be permitted on the basis of <b>splitting</b>.</p> <p>As part of the market qualification process, market participants are required to explain how they will stack this service without impacting the solution's ability to also provide the reactive power voltage service.</p> <p>May NESO also require this capability to be demonstrated and accepted by NESO before the services can be stacked</p>
<b>Voltage Mersey</b>	<p>The mid-term reactive power market is seeking reactive power through existing reactive power capabilities in excess of Grid Code obligations.</p> <p>Providers with existing Voltage Mersey contracts can stack these services such that the capability being offered into the mid-term market is in excess of any capability already under contract in the Voltage Mersey contract.</p> <p>This would be permitted on the basis of <b>splitting</b>.</p>

	<p>Note: where stacking with the long-term reactive power market contract, please note that any utilisation payments the apply under the mid-term reactive power market would be paid in any settlement period where the solution gets instructed to provide a voltage service (and the solution subsequently does provide the service).</p>
<b>Voltage Pennines</b>	<p>The mid-term reactive power market is seeking reactive power through existing reactive power capabilities in excess of Grid Code obligations.</p> <p>Providers with existing Voltage Pennines contracts can stack these services such that the capability being offered into the mid-term market is in excess of any capability already under contract in the Voltage Pennines contract.</p> <p>This would be permitted on the basis of <b>splitting</b>.</p> <p>Note: where stacking with the long-term reactive power market contract, please note that any utilisation payments the apply under the mid-term reactive power market would be paid in any settlement period where the solution gets instructed to provide a voltage service (and the solution subsequently does provide the service).</p>
<b>Voltage 2026</b>	<p>The mid-term reactive power market is seeking reactive power through existing reactive power capabilities in excess of Grid Code obligations.</p> <p>Providers with existing Voltage 2026 contracts can stack these services such that the capability being offered into the mid-term market is in excess of any capability already under contract in the Voltage 2026 contract.</p> <p>This would be permitted on the basis of <b>splitting</b>.</p> <p>Note: where stacking with the long-term reactive power market contract, please note that any utilisation payments the apply under the mid-term reactive power market would be paid in any settlement period where the solution gets instructed to provide a voltage service (and the solution subsequently does provide the service).</p>

With regards to revenue stacking with other Reactive Power contracts, please see the table below.

Service	Is revenue stacking permitted?
<b>Reactive Power Long-term Market</b>	<p>The mid-term reactive power market is seeking reactive power through existing reactive power capabilities in excess of Grid Code obligations.</p> <p>Providers with an existing long-term reactive power market contract may revenue stack with the mid-term reactive power market such that:</p> <ul style="list-style-type: none"> <li>• The capability being offered into the mid-term market is in excess of any capability already under contract in the associated long-term reactive power contract.</li> </ul> <p>This would be permitted on the basis of <b>splitting</b>.</p> <p>Note: where stacking with the long-term reactive power market contract, please note that any utilisation payments the apply under the mid-term reactive power market would be paid in any settlement period where the solution gets instructed to provide a voltage service (and the solution subsequently does provide the service).</p>
<b>Reactive Power Short-term Market</b>	<p>The short-term (day-ahead) market for reactive power is still under consideration.</p> <p>If NESO progress with this market, then a revenue stacking rule will be determined.</p>
<b>MSAs</b>	<p>Providers must continue to meet any minimum MSA Grid Code obligations, and will continue to be compensated for this minimum obligation via the MSA contract.</p> <p>However, revenue stacking with MSAs is not permitted for reactive power MVar capability in excess of these minimum Grid Code obligations which is bid into the Reactive Power Mid-term Market.</p> <p>This means providers will forgo any ORPS payments for the MVar capability for the solution (or relevant asset/BMU) that is being bid in to the Reactive Power Mid-term Market such that providers are only paid for their capability under the mid-term reactive power contract.</p>
<b>CSAs</b>	<p>Revenue stacking with CSAs is not permitted for reactive power MVar capability in excess of any minimum MSA Grid Code obligations which is bid into the Reactive Power Mid-term Market.</p> <p>Providers must not revenue stack the same capability with CSAs, and providers will forgo any CSA payments such that they are only paid for their capability under the Reactive Power Mid-term Market contract.</p>

## Contract Format

- Qualified providers would enter an overarching Mid-term Reactive Power Market Agreement (“Agreement”) with NESO. This would be in the style of a Framework Agreement.
- This means that:
  - Upon successful qualification, the qualified provider would enter the overarching Agreement with NESO, which would agree General Terms and Conditions. All providers who qualify would agree to the same standard terms and conditions.
  - If a provider is successful in a subsequent mini-tender process (or non-competed process) NESO would “call-off”<sup>2</sup> the overarching Agreement and document any specific contractual details for the delivery year in a “call-off” style Tender Acceptance Form.
  - A “call off” style contract would be formed through the Tender Acceptance Form each time a provider is selected for a delivery contract.
  - This approach provides process efficiency benefits, as the overarching terms and conditions would only need to be agreed once.
- The overarching Agreement will be timebound with a maximum duration of six (6) years from the launch of the Reactive Power Mid-term Market.
  - For example, if the market were to launch in January 2026, and a provider qualified in March 2026, their Agreement would be timebound until January 2032.
- The contract terms do include extension options.
- The overarching Agreement would be entered into on a per-solution basis rather than a per-company basis.

## Payment Mechanism

- NESO will follow a pay-as-bid approach.
- Through mini-tender processes (or non-competed processes), qualified providers will be requested to submit their price(s).
- On a case-by-case basis, NESO reserve the right to request prices and facilitate payment based on any of the following payment structures:
  - An availability fee only structure, e.g., £/Settlement Period (£/Settlement Period/MVar)
  - An availability fee and utilisation fee structure e.g., £/Settlement Period (£/Settlement Period/MVar)
  - A utilisation fee only structure e.g., £/Settlement Period (£/Settlement Period/MVar)
- NESO would confirm through the mini-tender processes (or non-competed process) which of the above structures is applicable for said process, considering the requirements being procured in said process.
  - The decision as to which structure applies will be solely at NESO’s discretion.

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<sup>2</sup> A call-off is another way of referring to a contract between a buyer and a qualified framework supplier that has been placed through a framework or similar contracting arrangement. You may also hear the phrase ‘call-off contract’, which means the same thing. It is normal to see multiple call-off contracts under one framework.

- Successful bidders will receive their availability fee and/or their utilisation fee for each settlement period in which they are available and deliver the service as per the standard contract terms.
- Payment will be prorated based on available MVar capability compared to the contracted MVar capability.

Please refer to the DRAFT Reactive Power Mid-term Market Agreement Contract Documents that have been published for more details on the **DRAFT** terms and conditions.

#### *Indexation*

- The indexation mechanism that will be used for this Mid-term Reactive Power Market is CPI.
- Due to the possibility of varying durations of requirements in the Reactive Power Mid-term Market, NESO will determine if indexation is applicable for each “call-off” on a case-by-case basis depending on NESO’s requirements and the duration of the requirement,
- NESO will confirm on a case-by-case basis whether CPI is applicable or not so that this is transparently communicated to bidders each time.
- The decision as to whether CPI applies to each “call-off” will be solely at NESO’s discretion

Please refer to the DRAFT Reactive Power Mid-term Market Agreement Contract Documents that have been published for more details on the **DRAFT** terms and conditions.

## Pre-Market Consultation Questions

Please refer to the **ReactivePower Mid-Term 2026 Consultation Proforma** to view and respond to the questions NESO are asking through this pre-market consultation exercise.

## Pre-Market Consultation Submission Information

The submission deadline for responses to this exercise is **4pm Wednesday 4 February 2026**.

Submissions must be received by the submission deadline. Submissions should be sent to the following address: [box.voltage@neso.energy](mailto:box.voltage@neso.energy)

Please ensure your response, supporting documents and communications relating to this exercise are provided in English.

Please provide answers to all the questions using the **ReactivePower Mid-Term 2026 Consultation Proforma**. If additional space is required or you wish to provide further information in separate documents, please clearly communicate which document should be referred to in relation to each question. For example, state the question number in the file name of these additional documents, using the following naming convention: **Q(number)-(document name)-(company name)**.

All communications and queries arising from this pre-market consultation exercise should be conducted by email using the email address detailed above ([box.voltage@neso.energy](mailto:box.voltage@neso.energy)). Any queries **must** be submitted no later than five days prior to the submission deadline for this exercise (28 January 2026).

Please ensure all emails in relation to this pre-market consultation include the following in the subject box: **Mid-term Reactive Power 2026 Consultation**.

Following receipt of responses NESO may ask follow-up clarification questions to clarify our understanding, or if needed organise follow-up meetings with market participants to discuss the information received in more detail to clarify our understanding.

## Expenses

NESO shall not be responsible for or pay for any costs or expenses that may be incurred by the market participant in the preparation and submission of a response to this pre-market consultation.

## Conduction and Conflicts of Interest

For the duration of this Pre-Market Consultation and for the duration of any future Reactive Power Mid-term Market, any attempt by any market participant or their advisors to influence the

associated procurement and contract award processes in any way may result in the participant being disqualified.

Specifically, market participants shall not directly or indirectly, at any time:

- a. devise or amend the content of any Pre-Market Consultation, Market Qualification or Tender Submission in accordance with any agreement or arrangement with any other person, other than in good faith with a person who is a proposed subcontractor, funder, consultant or agent;
- b. enter into any agreement or arrangement with any other person as to the form or content of any other Pre-Market Consultation, Market Qualification or Tender Submission, or offer to pay any sum of money or valuable consideration to any person to effect changes to the form or content of any other Pre-Market Consultation, Market Qualification or Tender Submission;
- c. enter into any agreement or arrangement with any other person that has the effect of prohibiting or excluding that person from participating in this market or submitting a tender;
- d. canvass NESO or any employees or agents of NESO in relation to this market or subsequent procurement; or
- e. attempt to obtain information from any of the employees or agents of NESO or their advisers concerning another market participant or submission.
- f. Collude in any way;
- g. Fix or set the price for the services;
- h. Engage in bribery by you or your appointed advisers in relation to the market or any subsequent procurement; or
- i. Inappropriately influence this market or any subsequent procurement event in any other way

Market participants are responsible for ensuring that no conflicts of interest exist between the bidder and its advisers, and NESO and its advisers.

NESO reserves the right to disqualify from the market, any provider if they breach these rules.

## Confidentiality

All details of this pre-market consultation exercise and associated documents must be treated as private and confidential and shall not be disclosed to any other party, except where this is necessary for you to prepare and submit a response or where information is publicly available.

Market participants must ensure that they have an adequate confidentiality agreement in place with any subcontractors, consultants or agents before issuing them with any confidential information concerning the requirements of this exercise.

Details of your response to this pre-market consultation shall not be disclosed to any third party unless such disclosure is required by OFGEM, DESNZ, and/or law or court order.

NESO reserve the right (but will not be obligated) to publish an anonymised summary of responses to this pre-market consultation exercise.

## Appendix A

<b>Document Checklist for this Pre-Market Consultation</b>	
<b>Document</b>	<b>Action</b>
Pre-Market Consultation Instructions (this document)	For information
DRAFT Market Qualification Criteria	For information
DRAFT Eligibility Criteria	For information
DRAFT Technical Specification	For information
DRAFT Reactive Power Mid-term Market Agreement (Terms and conditions)	For information
ReactivePower Mid-term 2026 Consultation Proforma	For completion and return to NESO (optional for those who wish to return feedback)