

Dynamic Response Consultation Drop- in Sessions

Agenda

1. Continuous Transition Periods
2. Tiered Performance Regime
3. Q&A

Public

Continuous Transition Periods

Why?

We are seeing increased levels of volatility at the settlement period boundaries.

- Most of the volatility occurs at the very start of a SP
- Dynamic Response is one of the key tools for managing the volatility

Continuous Transitions periods will allow us to **better control the response over the boundaries reducing system risk**

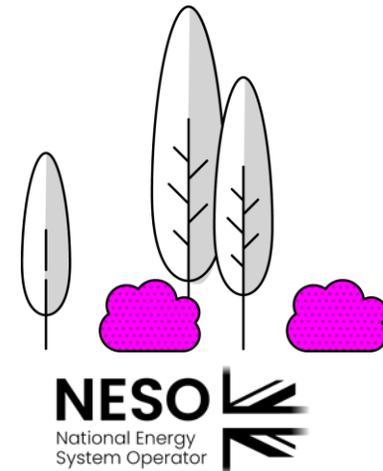
- NESO will have greater confidence in the power capacity of response available and being provided at the start of a SP on a second-by-second basis
- The total amount of response provided will remain stable over boundaries, including the start of SPs when we see the most volatility

CTP also provides a consistent approach and duration for slow and fast services unlike Grace Periods, and would be essential if we were to procure DX in Settlement Period



Performance Monitoring

- **Which Settlement Period's K factor is affected?**
 - For the start of a contracted period, the K factor of CTP is included in SP1 of that EFA block
 - For cases of a transition between two contracts or the end of a contracted period, the K Factor is included in SP8 of that EFA block.
- **Why are you requesting an additional hour of data for 10s of CTP?**
 - The request for additional data for a full hour before the start of a contracted period (rather than a minute) is because of system restrictions.
 - The first 59 minutes of can be dummy data and will not be monitored by NESO
 - The last minute needs to be accurate and will be used for performance monitoring



Performance Monitoring

- **What happens when the performance bounds are narrow due to small contracted volumes (e.g. moving from or to uncontracted periods)?**
 - The denominator in the scaled error calculation will correspond to the greater of the raw contracted volumes between which the unit is transitioning.
 - This should provide enough tolerance to maintain the ability to achieve a K-factor of 1.

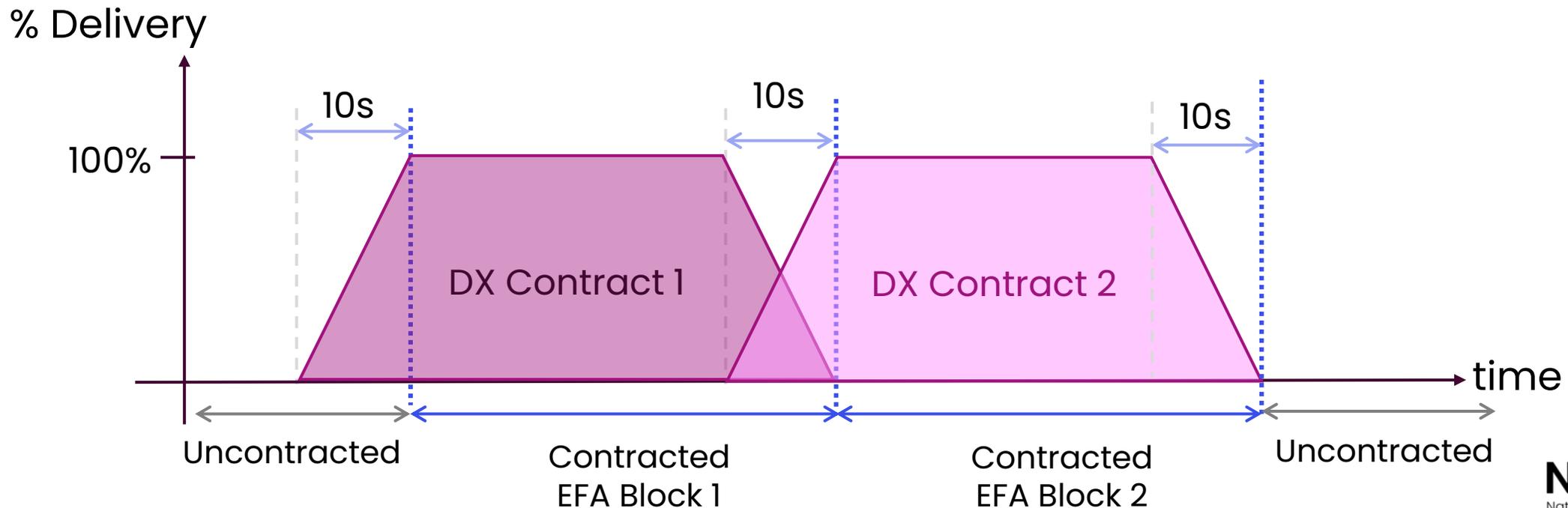
$$eS_{m_LF} = \frac{e_{m_LF}}{TV_L}$$

$$eS_{m_HF} = \frac{e_{m_HF}}{TV_H}$$

- This change has been made following feedback on initial drafting. The Service Terms will be amended before submission

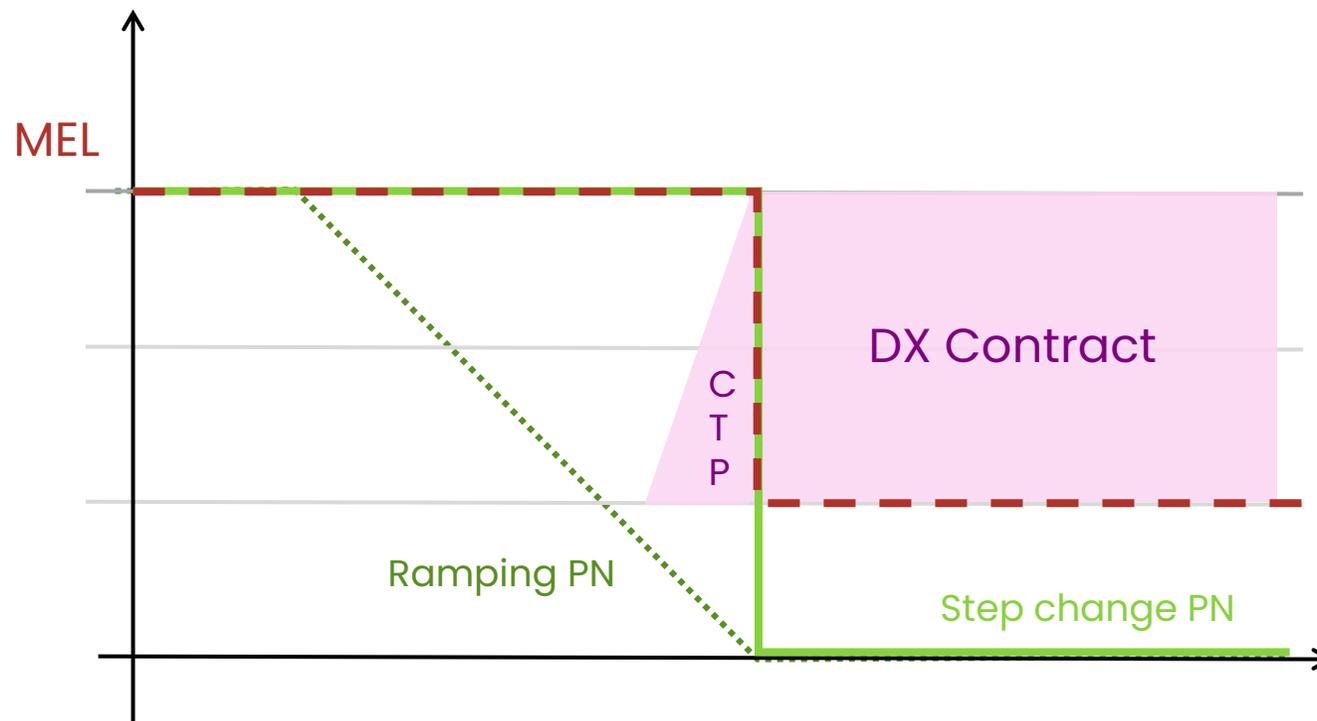
Other common questions

- **How is CTP applied at the end of a contracted period?**
 - The intention is for units to ramp down in the last 10 seconds of their contract, even if they have no contract in the next period.
 - The Service Terms will be amended to reflect this before submission to OFGEM



Other common questions

- **What Happens if the DX contract follows a period of the PN being at MEL/MIL and so the unit cannot deliver during the CTP?**
 - We recommend units to submit a ramping PN for the last minute of the SP preceding the contract in this scenario to allow delivery of CTP



Other common questions

- **What is the granularity of the ramp for the delivery curve and volumes?**
 - The granularity of the ramp is 20 Hz
 - The performance bounds will be calculated using volume values calculated via the linear interpolation between the raw contracted volumes.
- **What happens if a GPI occurs during a CTP? How will the bounds then be calculated?**
 - Grace Period 1 (to be renamed to Grace Period) will occur in cases of missing or unavailable data
 - This will take precedence over CTP

Public

Tiered Performance Regime

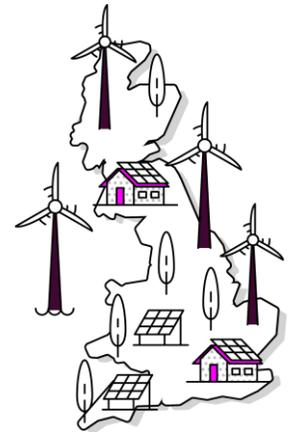
Why?

The Tiered Performance Regime is proposed to help ensure system security by encouraging providers to comply with Dynamic Response Service Terms and promote a fair and transparent market.

- We have identified incidents, where providers were repeatedly non-compliant with Dynamic Response Service Terms.
- We are concerned that some of these incidents where erroneous or false data submitted may be deliberate and with intention to influence the performance monitoring process.

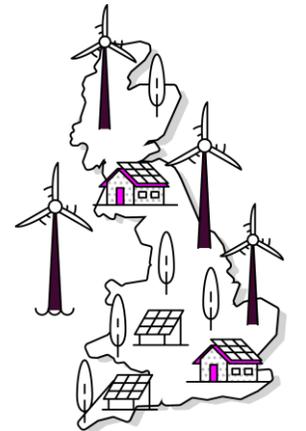
These behaviours risk system security and distort the market. **Tiered Performance Regime is intended to deter such behaviour and to encourage providers to comply with rules and submit accurate data in a timely manner.**

- We believe the Tiered Performance Regime provides proportionate disincentives by implementing sanctions that more accurately reflect the severity and frequency of non-compliance.
- It also creates a level playing-field by incentivising all providers to adhere to the Dynamic Response Service Terms.



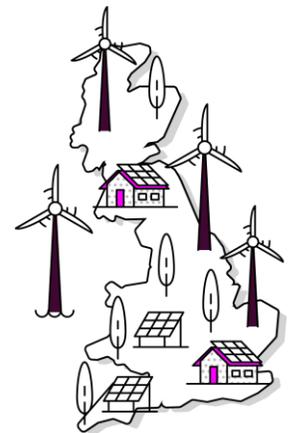
Tiered Performance Regime

- **How often will Tiered Performance data be updated?**
 - Tiered performance data for each unit will be updated and shared with providers on a weekly basis to ensure any issues with the asset can be resolved before Tiers are determined.
- **How were Tier Threshold values determined? And what are the intentions for each Tier?**
 - Tier thresholds were determined with system security being the priority while balancing current market performance.
 - A historical market performance analysis of proposed Tier thresholds revealed over 90% of provider and 95% of response by volume is in Tier 0 or 1.
 - A few units that were in higher tiers had technical issues and since been resolved.
 - We do not expect units to be falling into Tiers 2 & 3 and are mainly a deterrent.
 - The higher tiers (2 & 3) will not be automated and will require Account manager approval.



Tiered Performance Regime

- **Is k-factor part of Tiered Performance regime?**
 - **K-factor** is primarily concerned with settlement and as per the current proposal k-factor is **not** part of Tiered Performance regime.
- **Scope of Tiered Performance** as per the obligations outlined in the Service Terms listed below:
 - Submission of Operational Baseline
 - Submission of Operational Data
 - Submission of Performance Data
 - Compliance with State of Energy (SOE) management Rules
 - Compliance with Disarming/Re-Arming instructions
 - Fraudulent use of Disarming Flag
- **Gaming Checks** are also considered for performance tiers and could trigger any relevant tier depending on the severity. The following Gaming Checks are within performance tier scopes.
 - Misalignment of real-time and post event data
 - Misuse of unavailability flag to cover poor performance
 - Other inaccuracies or discrepancies that prove to intentionally misrepresent performance in delivery of the service.



Tiered Performance Regime

- **How will Tiered Performance work in practice?**

- Performance of unit will be calculated over 6 months rolling basis.

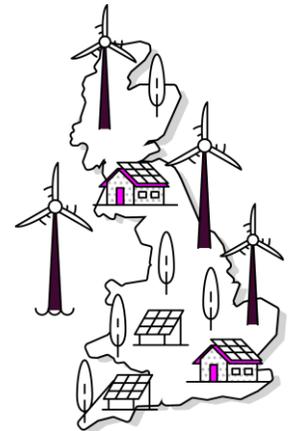
- $$PF_{unit} = \frac{Total\ SP_{breached}}{Total\ SP_{contracted}} * 100$$

- The 6 months assessment period consists of 5 calendar months historical performance window (PW) and performance of current settlement month (SM) and applied to settlement month.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PW	PW	PW	PW	PW	SM						
	PW	PW	PW	PW	PW	SM					
		PW	PW	PW	PW	PW	SM				
			PW	PW	PW	PW	PW	SM			
				PW	PW	PW	PW	PW	SM		
					PW	PW	PW	PW	PW	SM	

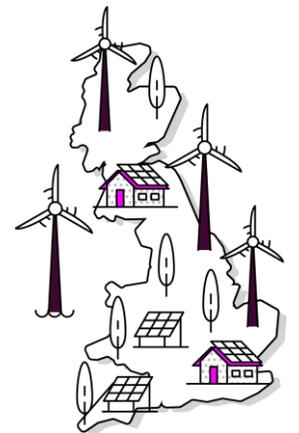
- We would like to emphasise that all Dynamic Response providers will be allowed 5 months data collection period after the Tiered Performance goes live.
- Providers will have visibility of performance throughout this data collection period

Please note the table is illustrative and does not indicate when this data collection period will begin



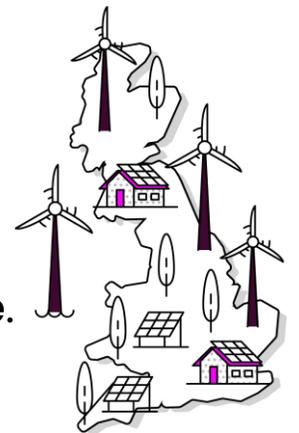
Tiered Performance Regime

- **Why do Tier thresholds apply from 6 contracted settlement periods, while an EFA is 8 settlement periods?**
 - Since EFA blocks are in local time, when the clocks change at the start of BST, there are 46 settlement periods and EFA1 has 6 settlement periods.
 - Sunday 29th March 2026 EFA1 will have 6 settlement periods as clock jumps to 01:00 to 02:00.
- **Why do Tier threshold values end at 8834 contracted SPs?**
 - 8834 is the highest number of contracted settlement period a Unit can have in 6 months. This considers for time zone changes, leap year.
- **Why the slope change at 2000 SPs? Why do requirements get tighter with greater contracted SPs?**
 - As we are dealing with fractions here, at lower contracted settlement periods number of penalties have higher impact. To mitigate that a knee-point at 2000 contracted settlement periods is proposed.
- **Will there be any further guidance published regarding Tiered Performance regime?**
 - A full guidance on with more details, calculations and examples will be published ahead of Tiered performance going live.
- **How will breaches in dispute be considered over the 6-month window?**
 - If a provider raises a dispute and are not resolved, this could push the unit into Tier-1



Summary

- The Tiered Performance Regime is required to ensure adequate penalty is applied to units that continually fail to meet the requirements in the Response Service Terms
- Tiers will be determined over 6 months of performance
- K-factor penalties are not in scope of the Tiered Performance Regime
- Providers will have improved visibility of assets performance to ensure issues can be resolved promptly
- Tiers 2 & 3 will not be triggered automatically, they will require account manager approval
- Although based on historical data we do not anticipate any units resulting in unit suspension or de-registration
- NESO will publish a more detailed guidance on tiered performance regime ahead of go live.



Q&A