Public

Mid-Term (Y-1) Stability Market Round 3

Expression of Interest Webinar
Technical & Commercial

NESO
National Energy System Operator

House Keeping

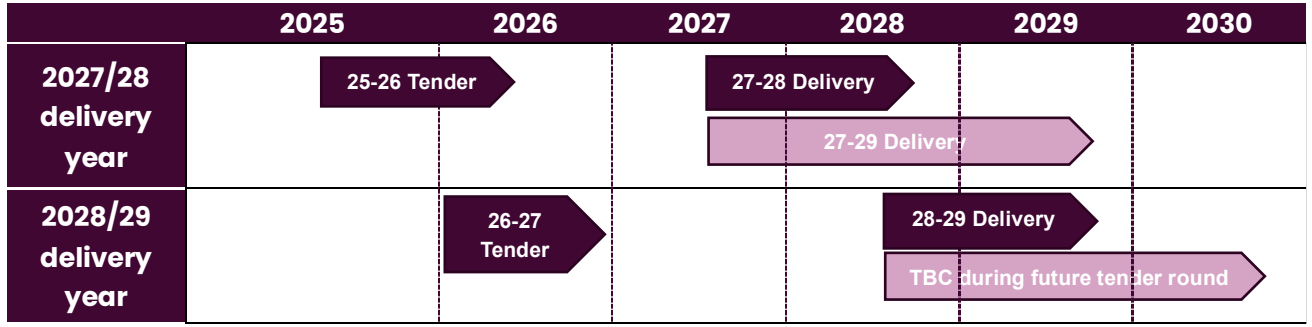
- This webinar has been pre-recorded, a copy of the slides is available on the NESO website
- If you have a query, please email it directly to the Stability Market team: box.stability@neso.energy

Agenda

- Introduction & Mid-term (Y-1) Market Overview
- Technical Overview
- Summary of Form of Contract
- Key Contract Terms
- Summary of Assessment Methodology
- Consultation Timeline & Next Steps

Mid-Term (Y-1) Stability Market Overview

- NESO has recently concluded Round 2 of the Mid-Term (Y-1) Stability Market, with results expected to be published in the near future
- Amendments to the process for Mid-Term 27/28:
  - Inclusion of 2-year pricing option, must be provided in conjunction with a 1-year price
- Consultation is open until **6 February 2026** to give feedback – please ensure this is submitted to box.stability@neso.energy
- EOI proforma submission deadline is **13 February 2026** – please ensure this is submitted to box.stability@neso.energy



Technical Overview

Fabricio Velez

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Agenda

1. Technical Specification and Technical Requirements
   - Inertia requirements
   - Grid Forming Definitions
   - Availability and Utilisation
   - Inertia and Reactive Power Capability
   - Additional Technical Requirements
   - Model Provision
   - Compliance Requirements
2. Eligibility Criteria

Inertia Requirements

- The third round of the Mid-Term (Y-1) Stability Market (Mid-Term 27/28) aims to procure 15 GVA.s of inertia nationally.

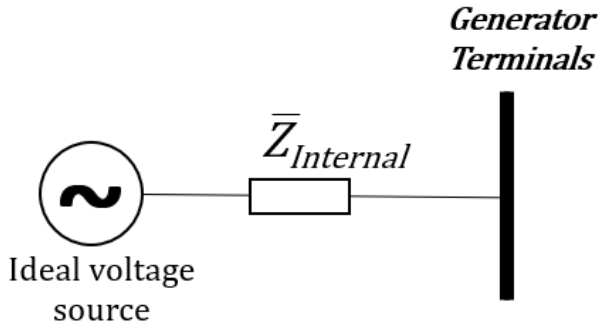
- This is a technology agnostic tender. However, all solutions must be Grid-Forming and meet the GB Grid Code definition of GBGF-I or GBGF-S

- There is no locational requirement for this inertia. However, we have a requirement that no more than 12 GVA.s of inertia can be lost for a credible fault

Grid Forming Definitions

GBGF-I

- GB Grid Forming - Inverter or GBGF-I is any Power Park Module, HVDC System, DC Converter, OTSDUW Plant and Apparatus, Non-Synchronous Electricity Storage Module, Dynamic Reactive Compensation Equipment or any Plant and Apparatus (including a smart load) which is connected or partly connected to the Total System via an Electronic Power Converter which has a Grid Forming Capability (GBGF-I). More Detail in: ECC.6.3.19
- Any converter fitted with Grid Forming Equipment, such that the plant can be **represented by an internal voltage source behind an impedance**.



GBGF-S

- GB Grid Forming – Synchronous or GBGF-S Is a Synchronous Power Generating Module, Synchronous Electricity Storage Module or Synchronous Generating Unit with a Grid Forming Capability
- More Detail in: ECC.6.3.19

Grid Forming Capability

- … supplied **Active Power** is directly proportional to the difference between the magnitude and phase of its **Internal Voltage Source** and the magnitude and phase of the voltage at the **Grid Entry Point** or **User System Entry Point** and the sine of the **Load Angle.**
- Full definitions can be found in Grid Code - GLOSSARY & DEFINITIONS (GD) section
- https://www.neso.energy/document/376861/download

Availability and Utilisation

- 90% Availability Requirement
  - Detailed in the Instructions to Tenders document

- **For GBGF-I**
  - One-part payment,
  - Based solely upon the **availability** on a Settlement Period basis

- **For GBGF-S**
  - Two-part payment
  - First part of the payment will be based upon **availability** by SP
  - The second part will be based upon **utilisation** paid hourly

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Inertia Capability

Inertia Response Requirement

- Solution must provide inertial response as defined in the equation
- Symmetrical response required for frequency changes above and below 50Hz

Provider stacking with an existing Stability Contract:

The inertia **must be additional** to the inertia already accounted for under another stability contract.

For **GBGF-I Plants,** any response must be provided without triggering current limiting functions for a RoCoF of up to 1Hz/s.

$$\text{Inertia} = \frac{\Delta P \, f_0}{2 \times RoCoF}$$

- **ΔP**: Active Inertia Power for a frequency event of 1Hz/s (MW)
- **RoCoF**: Rate of Change of Frequency (Hz/s)
- **f_0**: Pre-fault System Frequency (Hz)

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Reactive Power Capability

For GBGF-S

Reactive power provided within range of Figure 1.

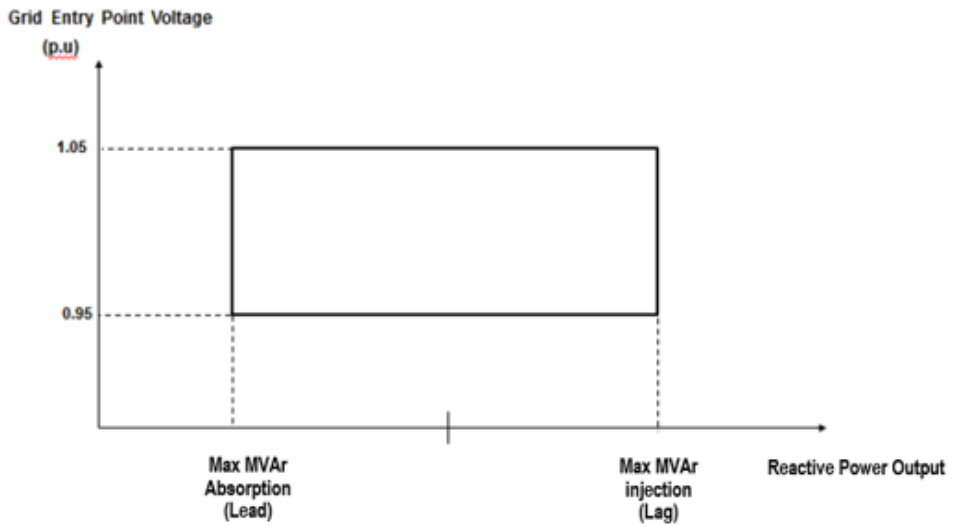

Figure 1: Reactive Capability requirement for GBGF-S Plants not specified in the Grid Code

For GBGF-I

Reactive power capability maintain as Grid Code requirements were applicable, or Figure 2.

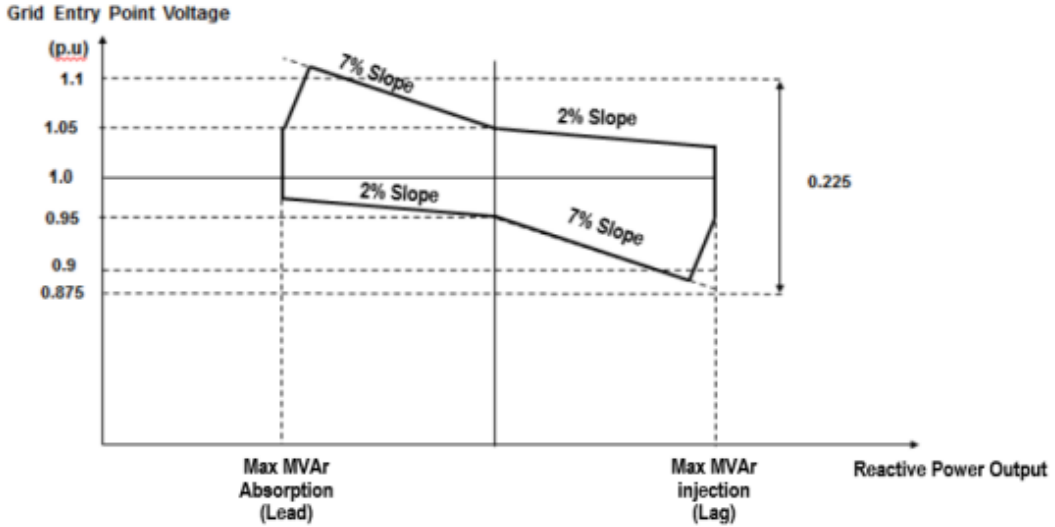

Figure 2: Reactive Capability requirement for GBGF-I Plants not specified in the Grid Code

Other Technical Requirements

- The entire list of additional technical requirements is in the section 2.6 of the technical specification, some of these requirements include :

  - Inertia value capability must be maintained during different operating modes
  - Ability to supply active inertia power under **successive** frequency events of **+-1Hz/s**
  - Ensure continuous and controllable operation at all **system voltages and frequencies** as specified in the relevant Grid Code section.
  - Meet **Grid Forming capability requirements ECC.6.3.19**
  - Specific requirements for GBGF-I and GBGF-S for **damping requirements**
  - Solutions based on GBGF-I technology, must **remain** in Grid Forming mode for the duration of the delivery year.
  - **GBGF-I** must **fix its inertia contribution** and remain in **Grid Forming mode** for the contract duration

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Control and Indication Facilities

The entire list of control and indication facilities is in the section 2.7 of the technical specification, some of these requirements include:

- Adjust of specific quantities for voltage/reactive power control:
  - In line with Grid Code requirements
- Solution must be equipped with a **dynamic monitoring facility** ECC.6.6.1.2 or an alternative
- For GBGF-I for the purpose of **performance monitoring**, additional monitoring equipment must be installed in addition to DSM
- Resolution of the signals provided to The Company for Physical Testing :
  - **1 kHz** for Grid Forming Plant signals including fast fault current measurements.
  - **1 kHz** for the other Grid Forming Plant tests.

Compliance Requirements

Model Provision

Submission of **Dynamic RMS** and **EMT** Models:

- Model must be accepted by the Company
- EMT model submitted 3 months before Scheduled Commercial Operations date
- Models should comply with PC.A.9.4, PC.A.9.6, and PC.A.9.9
- Submit **Performance Chart** in accordance with Grid Code OC2.4.2.1
- For more information around Model Provision please see Guidance Notes for Electro-Magnetic Transient (EMT) Models

Compliance Requirements

- The **Company** shall provide a full set of test requirements.
- To **become operational**, Operational Notification Process contained in ECP.5 to ECP.7 shall apply
- For **GBGF-I Solutions**:
  - All tests covered in ECP.A.9 to be completed through physical testing agreed with The Company
- A change for this year, is the "Non-Contractual Testing" option in the proving tests. Whereby the proving tests may be completed by a provider that does not currently hold a contract.

Extracted from Appendix 1 - Performance chart examples - Grid Code OC2.4.2.1

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Eligibility Criteria

For **GBGF-I and GBGF-S** must:

- Meet relevant **Grid Forming Requirements** (ECC.6.3.19)
- Be **connected to Transmission** system **or** have a User Entry Point of **132kV**
- Minimum 90% availability
- Existing connection agreement
- No **RoCoF** protection relaysNo Active Network Management scheme
- Providers with existing Stability Pathfinder Contracts must ensure these contracts are not impacted when stacking with this contract.

Additionally:

For **GBGF-S** must:

- Provide inertia at 0 MW

For **GBGF-I** must:

- **Fixed H constant**
- Inertia irrespective of MW or Mvar output

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Contract Overview

Gerard Masterson

Contract Overview

- Full contractual documentation suite will be issued at ITT Stage
- A summary of key changes for Mid-Term 27/28:

Topic	Amendment
12- or 24-months contract option	Have included a mandatory 2-year pricing option after provider feedback. The contract duration could be potentially to September 2029.

Summary of Form of Contract

Contract Structure

- The contract terms for Stability Mid-Term Market have been split out into three parts:
  - **Framework Agreement (FA)** – sets out the requirements in order to bid in the market and providers will only need to sign it once when entering the Stability Mid Term Market. It will bind providers into the other two contract documents.
  - **Standard Contract Terms (SCTs)** – sets out the service specific information, terms and conditions that will apply to all providers.
  - **Tender Acceptance Letter (TAL)** – sets out the prices, unit and provider specific information and will be completed following the individual tender rounds.

Key Contract Terms

Commencement & Term

Contract Duration	**October 2027 – September 2028 (potentially September 2029)**
Contract Term	**12 or 24 months with an extension option**

- **Extension provision:** Option to extend the Stability Contract for the next Stability Year following the date of expiry of the Stability Contract on the basis that the same terms and conditions will otherwise apply.

Key Contract Terms

Security Provisions

- Requires provision of a Security to cover payment of Liquidated Damages (LDs) Cap set out within the contract to be posted **within thirty days of the Tender Acceptance Letter**

- An acceptable security could be a **performance bond**, **parent company guarantee**, or **cash deposit**.

Key Contract Terms

Availability

- Through the eligibility criteria there is a minimum availability of **90%**
- Although availability greater than 90%, i.e. availability to provide the service **24/7** is encouraged
- Provide inertia in line with the full declared inertia capability (else they will be considered unavailable during that SP)
- Respond to an instruction to provide either SCL or Inertia capability (depending on what is procured in a delivery year), switch modes, change the Set Point or to stop providing the service
- Make a declaration of availability and any subsequent unavailability in accordance with the GTCs

Key Contract Terms

Permitted Services

- Providers can stack the following "**Permitted Services**" set out within the GTCs providing that it doesn't impact the ability to provide the Stability Service
    - **Balancing Mechanism, Response, Reserve, Enhanced Reactive, wholesale electricity market, Capacity Market and Restoration**
    - **Further details can be found in section 9 of the Instructions to Tenderers EOI Document.**

Key Contract Terms

Liquidated Damages (LDs)

- If there is a delay in the Scheduled Start date, the provider will become liable for LDs at the LAD rate
- For the period between the Scheduled Start date and the date on which the proving test is actually passed, the Provider will owe any accrued amount of LDs based on the LAD rate
- If the LDs reach the LAD Cap (90 days of LDs accrued at the LAD rate) then NESO have the option to terminate the contract
- Please see the Consultation Proforma for a worked example of LD's and/or to provide feedback on the calculation

Commercial Overview

Assessment Methodology

Stage No.	Assessment Criteria	Assessment Method	Shortlisting Strategy
0	Initial compliance check	N/A	Non-compliant submissions may be rejected at this stage.
1	Mandatory due diligence criteria	Pass/fail – bidders must pass all pass/fail questions.	Submissions that do not meet any minimum pass/fail requirements will be rejected.
2	Technical criteria, inclusive of the feasibility simulations	Pass/fail – bidders must pass all pass/fail questions.	Submissions that do not meet any minimum pass/fail requirements will be rejected.
3	Delivery criteria	Pass/fail – bidders must pass all pass/fail questions.	Submissions that do not meet any minimum pass/fail requirements will be rejected.
4	Eligibility criteria	Pass/fail – bidders must pass all pass/fail questions.	Submissions that do not meet any minimum pass/fail requirements will be rejected.
5	Financial health criteria (securities)	Pass/fail – must pass by satisfying requirements	Submissions that do not satisfy financial health requirements will be rejected.
6	Economic optimisation	Must be identified as within economic portfolio of solutions to receive a 2026/2027 delivery year call-off contract.	This stage will be used to identify the most economically efficient portfolio of solutions for the 2026/2027 delivery year.

Solutions that pass stages 0 – 3 will be entitled to receive an overarching framework agreement. These solutions will progress to be considered in stages 4 through 6.

Only those that are successful in stages 4 through 6 will receive a call-off contract for the delivery year.

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Stage 6 – Economic Optimisation

Inertia

The Economic Assessment will be used to identify overall optimal combination of solutions, to ensure inertia requirements are met at the lowest overall costs to consumers on a £/Settlement Period (SP). This will be subject to being technically feasible and the costs of which are lower than our counterfactual option.

Information that will be assessed

An availability price in £ per settlement period (£/SP)

A utilisation price in £ per Hour (£/h) for GBGF-S technologies only

Both availability price and utilisation price should be the most competitive price that can be offered.

Service start date

Inertia contribution in MVA.s, as stated in the technical specification.

Any mutually exclusive of or independent constraints will be factored at this point

Priced period – 12 and 24 months

Counterfactual

To ensure consumer value the options submitted to NESO will be compared to counterfactual options.

Balancing mechanism (BM) units can be used to meet inertia requirements using both energy and non-energy type of actions. To value BM costs NESO need to match the inertia requirement in each settlement period with available generation, which is a function of our simulated forecast generation background and availability to start up.

NESO's economic optimisation will be utilised to find the lowest cost solution for each hour, while meeting inertia shortfalls within the forecast year.

The BM costs are determined by the cost of accepting offers on the available generation up to their stable export limit (SEL).

NESO need to maintain the balance of generation and demand, so the cost of bidding off an equal amount of generation elsewhere is also included.

Additionally, non-energy actions from BM units may be used in counterfactual to support finding the optimal solution.

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Assessment Fast-Tracking

Stage No	What stages of the assessment still apply to a bidder with an existing framework agreement?
0	A compliance check will still be conducted to ensure all submissions have been received in full.
1	Where bidders declare there has been no change compared to the initial response to these questions, the bidder will be fast tracked past this stage. Where there has been any change, the bidder will be required to re-complete this criterion and be re-assessed.
2	Where bidders declare there has been no change compared to the initial response to these questions, the bidder will be fast tracked past this stage. Where there has been any change, the bidder will be required to re-complete this criterion and be re-assessed.
3	Where bidders declare there has been no change compared to the initial response to these questions, the bidder will be fast tracked past this stage. Where there has been any change, the bidder will be required to re-complete this criterion and be re-assessed.
4	This will need to be re-assessed during each tender round for each call-off contract.
5	This will need to be re-assessed during each tender round for each call-off contract.
6	This will need to be re-assessed during each tender round for each call-off contract.

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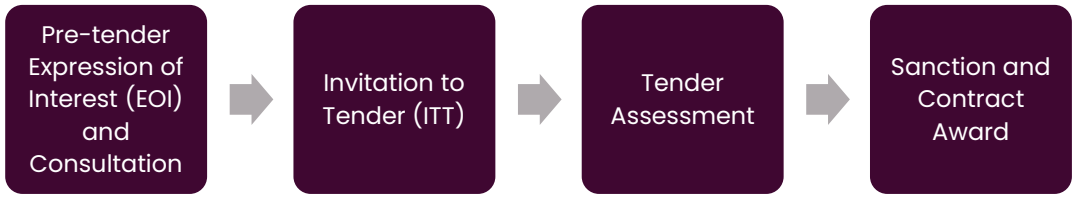
Timeline

The Mid-Term 2027/2028 tender will follow the process outlined below, which consists of an Expression of Interest (EOI) followed by a combined commercial and technical Invitation to Tender (ITT).



Indicative Timelines (subject to change)	
Task	**Date**
EOI Launch	16 January 2026
Consultation Deadline	6 February 2026
EOI Deadline	13 February 2026
ITT Launch	25 February 2026
ITT Window	February 2026 – May 2026
ITT Deadline	May 2026
NESO Internal Tender Assessments	June 2026 – August 2026
NESO Internal Sanction Process	September 2026
Contract Award	October 2026

Next Steps

Consultation Deadline
As part of the EOI the market is invited to provide feedback on the documents that we have been publishing using the consultation feedback proforma.

Any market participant can respond to the consultation regardless of whether they are expressing an interest. Those who express an interest are encouraged to provide consultation feedback.

If a participant wishes to provide feedback it should be done using the Consultation Proforma and returned to box.stability@neso.energy

Providing feedback on the documents shared in this EOI is optional. Providing feedback does not result in an obligation to express an interest or to propose a tender submission.

The deadline to return any consultation feedback to NESO is **5pm 6 February 2026**

EOI Deadline
To participate in the Mid-Term 27/28 tender process and be invited to the ITT, participants must express an interest by submitting the EOI Proforma to: box.stability@neso.energy

Expressions of interested must be received by **13 February 2026**

Expressing an interest does not result in an obligation to submit a full tender submission.

Q&A

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