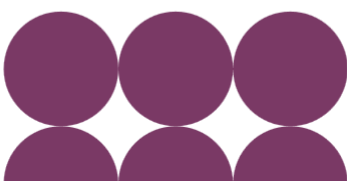


April Webinar Q&A Document

NESO presented options for managing SOE if Dynamic Response procurement moves to 30 minute blocks rather than EFA blocks. A consultation update was also shared.

Question	Answer
SOE Options Assessment	
Option 2: Could you explain how this will work when products / volumes change across SPs?	The recovery will be based on the REV in the delivery period – please see the pre-read document for the full formula.
Option 2: How will k-factor breaches be treated in terms of penalties? Currently a k-factor breach in one SP creates penalty for the whole EFA.	This is yet to be determined, but we believe the current k-factor penalties are a good fit/set at an appropriate level, so while the structure will have to change the overall impact of a failure will hopefully stay similar. We are currently at an early stage of the design and would welcome feedback and recommendations on this topic.
is there a real benefit of moving to smaller procurement windows for NESO / What's estimated savings to consumer from 30min procurement?	We believe that the increased liquidity in the market and the reduced barriers to entry will reduce costs for consumers. It would also allow NESO to specify more granular response volume requirements, which may lead to further cost-saving. We have been working with external consultants and there are indications that there are substantial positive impacts to consumers, from the increased liquidity and the more granular procurement of DC. We will be publishing information on this in the near future.
Option 1 - this seems the simplest to implement/ adhere to from both NESO & a	NESO believes it may be onerous for providers to meet this requirement as it is hard to



<p>provider's point of view, I would be keen to understand the disadvantages of this compared with the others that people have raised as concerns. Better to avoid complexity where possible.</p>	<p>predict the delivery in any given settlement period in advance, especially given that the auction is held at Day Ahead.</p> <p>We are currently at an early stage of the design and would welcome feedback and recommendations on this topic.</p>
<p>Radical... but why not just allow people to deliver, and if fail, not get paid... And if occurrence meet a certain number then they are prohibited?</p>	<p>If everyone fails to deliver when a large loss occurs then there are very serious consequences for the GB electricity system as a whole. NESO has an obligation to ensure system security, and thus needs to have confidence that the procured services will be delivered when needed. Such a radical approach does not provide such confidence and thus does not help NESO satisfy its obligations.</p>
<p>Does NESO see this potentially also impacting auction times?</p>	<p>We have no current plans to change auction times. We've done a deep dive into this recently and market analysis shows that the current timing of a single DA auction, with the additional of the Realtime Dynamic Response market (2027) is a good fit for this suite of services.</p>
<p>Would the 30-minute delivery blocks mean moving to one performance metering file per settlement period, sticking with one per hour, or moving to one per day like Quick Reserve?</p>	<p>Our initial preference is one file per settlement period but this has not been examined in detail.</p> <p>We are currently at an early stage of the design and would welcome feedback and recommendations on this topic.</p>
<p>Can we consult directly on the formula for REV within option 2 should this be the favoured option?</p>	<p>Feedback on all points is welcome.</p>
<p>What about after GC0166 when FSOE is available to NESO? Could this allow services to be simplified again?</p>	<p>We would hope so, although it will not happen immediately; the first few months post GC0166 go-live will be used to validate the intended</p>





	use of the new parameters through operational experience.
Consultation Updates	
With the removal of Tiers 2 & 3 to the penalty regime - are NESO revisiting rules of suspension and reregistration? It would be good to talk when (on top of these other deliverables 😊)	We don't have any plans to remove suspension and deregistration/reregistration from the services altogether. While we hope they never become relevant, they are a necessary final recourse.
What are the timescales currently envisaged for moving to 30-minute procurement? How do they align with proposed locational procurement?	Locational procurement is well progressed in terms of service design and plan to consult in first half of 2027. As you can see the case for 30 mins procurement is yet to be fully established and the service design is in very early stages. 30 min procurement is therefore likely to be delivered after Locational Procurement.
Which is prioritised first on the roadmap: Real-time Dynamic Response or 30-minute delivery windows for Dynamic Response?	Realtime Dynamic Response is the current highest priority for response reform due to the operational and cost benefits in delivers. We are aiming to introduce Realtime Dynamic Response in early 2027 but, as above, there is currently no firm plan for 30 mins procurement as it is still under assessment.
General	
have you sent around the slides?	A pre-read was circulated on Monday to those who had signed up before then it is published on the website and is available here . This slides and recording will be published following the webinar.

