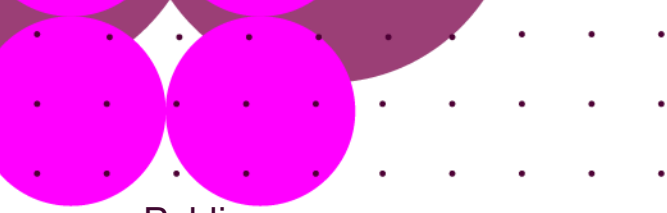


Dynamic Response Submission Document

Proposed changes to the Dynamic
Response Services Terms and
Conditions

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

Jonathan Wisdom
jon.wisdom@nationalenergyso.com
www.neso.energy

1 May 2026

Dynamic Response Terms and Conditions Submission

Dear Industry and Colleagues,

In accordance with Commission Regulation (EU) 2017/2195 of 23 November 2017 as converted into retained EU law (EBR), we are proposing to update our terms and conditions relating to balancing with respect to our Dynamic Response products (DM, DR and DC).

NESO is committed to driving changes to its balancing services markets that ensure system security, drive effective competition and realise consumer value. Our Dynamic Response markets have matured since their introduction through the RII0-2 period and as such these changes build on their success. Changes proposed in this consultation will improve the operational effectiveness of the service and the approach to performance monitoring and penalisation, enhancing security, competition and value for money, delivering value for consumers.

The proposed updates have been applied to the Response Service Terms and Procurement Rules.

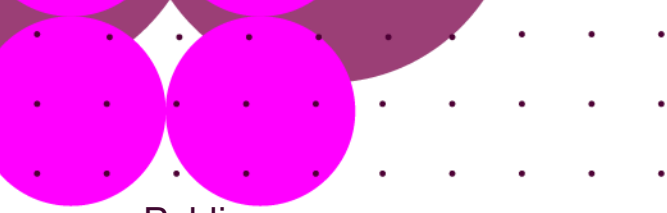
In accordance with EBR, we have now concluded consulting on these updates to those terms and conditions. This submission document includes all of the relevant information and details of this consultation.

Annexed to this document is a table showing how we believe the updated 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.

If you have any queries regarding this proposal, please contact box.futureofbalancingservices@neso.energy in the first instance.

Yours sincerely

Jonathan Wisdom



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Head of Market Change Delivery



Introduction

The Response Service Terms and Response Procurement rules make up the terms and conditions for our Dynamic Response Services.¹

Over the past year we engaged extensively with current and prospective service providers on these terms and conditions, including through multiple service design webinars, Markets Forum events, as well as 1-1 meetings and a pre-consultation webinar. On 20 November 2025, we published a consultation setting out a range of proposed changes reflecting this engagement alongside our internal priorities.²

We received 21 responses to this consultation. 5 of those responses flagged some level of confidentiality, where commercially sensitive information has been highlighted, specific details have not been included in this document but were considered in the final proposals. As all responses are summarised and cannot be directly attributed to specific respondents all other details have been included. The feedback included has helped shape the final submissions included in this document. On several topics we have engaged further with providers to understand their feedback and explore possible revisions.

This document is structured as follows:

- In the introduction, we set out our approach to the consultation and submission document
- In the ‘Summary of changes and implementation’ section, we set out at a high level the proposed changes, when we intend for them to come into effect, as well as monitoring and enforcement considerations
- In the Submissions part of the document, we provide detail on each of the terms and conditions changes we are proposing to make as part of this consultation process. We summarise the feedback we received, set out how we have considered it including where it has led to changes in our proposed terms and conditions since the consultation, and sign-post the relevant parts of the Service Terms and Procurement Rules.

Overview of consultation feedback, and our response

In the Submissions part of the document, we provide a single overview of all the responses we received for each submission. In this overview, we highlight core themes while ensuring we represent all points and questions raised in responses. Where appropriate we have included and asked more quantitative questions which has provided an overall view of general support or opposition for specific changes. We then provide a response in the ‘Outcome following feedback’ section, in which we address all points.

¹ Available at: <https://www.nationalgrideso.com/industry-information/balancing-services/frequency-response-services/new-dynamic-services-dcdmdr#document-library>

² Available at: <https://www.nationalgrideso.com/industry-information/balancing-services/frequency-response-services/new-dynamic-services-dcdmdr#ebr-article-18-consultation-documents>

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Submissions

We intend that each of the proposed changes may be considered by Ofgem as separate ‘submissions’ such that they can be reviewed and hence approved by Ofgem in isolation. While in practice we expect all submissions to be approved at the same time, this ensures any delays or concerns by Ofgem around an individual change does not result in an undue delay to other changes independent of that individual change.

We recognise that there are some interdependencies with some of the changes that we have proposed, namely change 8. Unit Suspension and change 2. Requiring Operational Baselines and Operational Data for the Assessment Period. Change 2 cannot be approved without also approving change 8 to ensure the applicable penalty can be applied. It is important to note that change 8 could be approved without the approval of change 2.

Static Firm Frequency Response (SFFR) Consultation

We have also submitted to Ofgem the proposed changes to the Static FFR service. All feedback received relating to those changes and our final proposals to the Static FFR service has been included in that [submission](#).

Summary of changes and implementation

1. Continuous Transition Period
2. Requiring Operational Baselines and Operational Data for the Assessment Period
3. BMU FPN flags set to false will result in deemed unavailability
4. New penalty to be introduced for incorrect use of disarming flag in performance monitoring data
5. Provision of additional Performance Data for the two settlement periods before a contracted service period
6. Tiered Performance Regime
7. Ability to publish provider penalty data
8. Unit Suspension
9. Pre-approved baseline methodology required for stacking with other NESO services
10. Amendments to schedule 3

We provide more details in the following sections.

Implementation

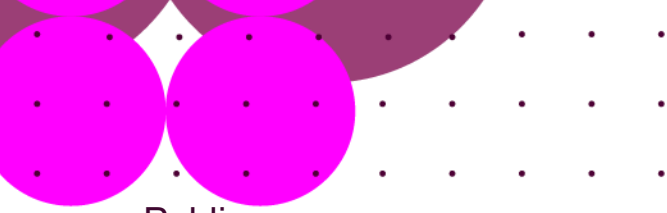
We understand that there are a lot of changes in this consultation, many of which will require implementation from both NESO and providers, as such we propose to stagger the go live of these changes to minimise go live impacts. The following table lays out when each of the changes will go live.

Table 1: Implementation Dates

Continuous Transition Period	Withdrawn from this consultation, will be reconsulted on at a later date, see below for more details.
Requiring Operational Baselines and Operational Data for the Assessment Period	28-day data collection period to begin January 2027.
BMU FPN flags set to false will result in deemed unavailability	Go live in July following Ofgem decision..
New penalty to be introduced for incorrect use of disarming flag in performance monitoring data	This check will go live in January 2027.
Provision of additional Performance Data for the two settlement periods before a contracted service period	As this change was required to facilitate Continuous Transition Periods, that has been withdrawn from this consultation, NESO have also withdrawn this change. NESO will be reconsult at a later date see below for more details.
Tiered Performance Regime	The data collection period will begin in January 2027 with the first month where the Tiers can be applied being July 2027.
Clause added to ensure NESO have the right to publish provider penalty data	From January 2027 NESO will reserve the right to publish provider penalty data.
Unit Suspension	Go live in July following Ofgem decision.
Pre-approved baseline methodology required for stacking with other NESO services	Go live in July following Ofgem decision.
Amendments to schedule 3	Go live in July following Ofgem decision.

Table 2: Implementation timeline

June	July	Aug	Sep	Oct	Nov	Dec	Jan
Ofgem Decision	FPN flag false = unavailable, Unit Suspension, Stacking Reference, Schedule 3 updates, House Keeping changes						Data Collection period starts for Tiered Performance Regime & 24/7 data, New penalty for faulty use of disarming flag goes live



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Submissions

1. Continuous Transition Periods (CTP)

Consultation responses to the Continuous Transition Period proposal were very mixed, with the majority of providers highlighting that this change would be significant for them to implement.

One respondent provided an alternative proposal where a low pass filter was applied rather than using a linear ramp and the time of the ramp was moved from the 10 seconds before the period begins to the first 10 seconds. Appendix 1 contains graphs that illustrate the difference between the proposals.

We conducted additional 121s with all the respondents that provided a response on the CTP proposal to understand if the new proposal was easier to implement for all of industry or just one provider. Almost all respondents were in favour of moving the ramp times but not in changing the shape of the ramp from a linear to a low pass filter ramp.

NESO require additional time to understand the relationship with other NESO services if the timing of the ramp is to be moved before we submit this change to Ofgem for a decision. As such, at this time this change has been withdrawn from the consultation submission. We will re-consult on this change at the next available opportunity (likely summer 2026) once we have full confidence that this proposal will not have any unwanted consequences on any other services.

2. Requiring Operational Baselines and Operational Data for the Assessment Period

NESO are proposing to require Operational Baselines and Operational Metering at all times.

Responses Overview

Responses Overview	Outcome following feedback
Overview	
17 respondents answered this question, 8 agreed with this proposal, 3 disagreed and 6 did not specify whether they agreed or disagreed. Those who agreed with the proposal cited benefits such as improved market visibility and better alignment with the BM requirements.	We appreciate the feedback provided through the consultation to this change. NESO are proposing to introduce the requirement of Operational Baselines and Operational Data outside of contracted service periods.
Penalty for non-compliance	
Several providers requested additional information on how the penalisation of this	If a provider has a planned outage that will result in failing to achieve 80% submission for

<p>change would work in practice. With 3 respondents asking how planned outages will be accounted for if they are unable to submit data.</p>	<p>the assessment period, they should let their Account Manager know as early as possible. Account Managers will have the ability to apply an ignore function over the planned outage period to ensure it does not impact the submission score.</p>
<p>A few respondents asked for additional information on how the 80% is defined. Two respondents highlighted the 80% could be too low, with one adding it gives providers room to purposefully not submit during system stress.</p> <p>One respondent asked if it would be possible to receive a warning when they are getting close to the 80%.</p>	<p>Providers will be required to submit 80% of Operational Baselines and 80% of Operational Metering in order to meet the requirements. Should the unit fall below this level of submission they will no longer be able to participate in the Dynamic Response market until both of the requirements are back above 80%.</p> <p>The 80% value was determined to still allow for periods of unplanned outages. We determined this value would allow for a fault to arise during a bank holiday weekend where it could go unnoticed and the unit would not be overly penalised in this scenario. NESO will review any patterns of non-submission, if gaming is detected we will discuss with the relevant provider and have recourse to the appropriate penalties.</p> <p>NESO are building dashboards that will be accessible to the providers, these will include information on both the Tiered Performance Regime as well as updates on Submission of Operational Baselines and Operational Metering. The Submission of Data will be updated daily and will show the unit's current submission percentage. This will allow providers to be kept up to date on how they are performing and address any issues promptly.</p>
<p>One respondent asked if non-submission of Operational Baselines and Operational</p>	<p>The submission of Operational Baselines and Operational Metering outside of contracted periods will not count towards the Tiered Performance Regime.</p>

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<p>Metering outside of contracted periods would count toward the Tiered Performance Regime.</p> <p>Some respondents raised concerns with the application of penalties, with one stressing the penalties could be excessive especially with the introduction of the Tiered Performance Regime.</p> <p>One highlighted that penalties while uncontracted is not fair.</p>	<p>We appreciate the feedback that the performance checks proposed in this consultation could be excessive. We have made amendments to the Tiered Performance Regime, by removing the mechanistic application of Tiers 2 and 3 that should mitigate this risk.</p> <p>The submission of data outside contracted periods is a requirement that enables participation in the service, similar to pre-qualification.</p>
<p>Obligation to follow Baseline</p>	
<p>Some respondents asked for additional information on how baselines are defined for BM and Non-BM, with three asking if there is an obligation to follow the submitted baselines.</p>	<p>Baselines are defined the same for both BM and NBM. Baselines for NBMUs should include the same information as FPNs for BMUs. Although we expect the Operational Baseline to be the best estimate, we appreciate this can be challenging for NBMUs to project. Currently there will be no check to assess if the baseline submitted for this purpose is followed.</p>
<p>Requirement for Dynamic Response</p>	
<p>A number of respondents asked for additional information on the benefits of this change and why it is needed to facilitate the Dynamic Response market.</p>	<p>First, the lack of operational metering data makes forecasting more challenging and can exacerbate forecasting errors. Demand forecasting reflects historic Balancing Mechanism output. Non-BMU output therefore represents suppressed demand but does not behave like demand. In addition, each 1MW generation increase is represented as a 1MW demand decrease, giving a 2MW error in our calculation of demand. This undermines forecasting accuracy. Because non-BMU metering data from Dynamic Response participants is noncontinuous – only received during contracted periods – we cannot currently use it in our forecast models effectively. This issue is particularly relevant for Dynamic Response units, as they are price sensitive and flexible, they are disproportionately likely to drive forecasting errors and situational awareness challenges</p>

	<p>compared to other distributed energy resources (DER). Access to the operational metering data at all times can improve our demand forecasting tools which the control room use to balance supply and demand.</p> <p>Second, receiving baselines only during contracted service means visualisations of step changes as units come in and out of service, undermine its usefulness as a tool to indicate system position. For example, this visibility of scheduled non BMU output could reduce the incidence of balancing engineers preparing for an anticipated demand change that ultimately does not materialise because it is met by non-BM generation. Access to additional non-BMU baselines can help mitigate this risk in some cases, reducing costs of balancing actions.</p> <p>Third, this data enables control room engineers to see where units with future response contracts are currently and expect to be positioned leading up to a response contract and removes step changes in visualisations of Dynamic Response units enhancing situational awareness and confidence in the delivery of the service ahead of time.</p> <p>We consider this requirement for Dynamic Services providers represents a proportionate, targeted step along a journey towards wider visibility of distributed energy resources, allowing us to bring forward benefits to consumers. Participants already have the capability to record and submit the data, by virtue of them doing so during contracted service. NESO has the capability to receive, process, and use the data to improve forecasting and situational awareness</p>
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<p>2 respondents felt that this change only targets batteries as they are the only assets in the Dynamic Response services and to see the benefits NESO would need data from a wider pool of asset types.</p>	<p>NESO is progressing additional projects to access this data from all NBM assets, however the processes and tools required to implement this may mean the data will not be available for some time. NESO believes there is value in this information enhancing NESO processes, and delivering consumer value, in the short term whilst longer term solutions are developed.</p>
<p>Balancing Mechanism</p>	
<p>One respondent felt that this change was trying to force a certain asset type into the BM. Whereas three other respondents highlighted that lowering the BM mandatory threshold would be a better way to resolve this issue, although not all were in favour of reducing the threshold.</p>	<p>We do not intend for nor expect this measure to represent a barrier to participation for non-BM participating units. Some providers were specifically concerned about the requirement to submit baselines prohibiting units from making scheduling changes after gate closure, removing revenue opportunities (such as NIV chasing associated with scheduling closer to real-time). While we expect baselines to be submitted in accordance with good industry practice, ie representing a provider's best estimate of its units' output at the time, the proposed service terms do not include provision to enforce compliance with the baseline and thus we will not penalise units for scheduling decisions made after gate closure. The requirement and enforcement is around the submission of the data. We recognise that some providers may make scheduling changes after gate closure which reduces our ability to rely on the validity of baselines hour ahead. Nonetheless, we consider that some visibility is an improvement and a material step towards improved DER visibility that will be progressed further over time by other programmes of work.</p> <p>The question of BM mandatory thresholds is being considered by the Reformed National Pricing Programme.</p>
<p>Additional Clarifications</p>	

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<p>One respondent asked if the STAR API already captures this information for Non-BM Dynamic Response Units.</p>	<p>The STAR API captures Performance Monitoring Data for the Reserve Services and does not capture the necessary information for this change, as the information required in this submission is Operational Metering and Baselines. The Operational Data and Operational Baselines will be used to enhance Control Room situational awareness rather than the Performance monitoring and Settlements processes managed through STAR.</p>
<p>Two parties asked that baselines should be published in real time or made available through an API dashboard.</p>	<p>We will continue to review this proposal as part of our ongoing work on transparency.</p>
<p>Will it also be shared with the DSOs and TSO?</p>	<p>There are currently no plans to share this data with other parties.</p>
<p>How is the "c.£3 billion over 10 years" figure arrived at? Is there a publicly available explanation?</p>	<p>Further details and explanations to the benefits discussed in the Consultation Document can be found here: DER & CER visibility benefits</p>
<p>If this data reporting has such great value could it be argued that NESO is extracting value for free? Should there be a market based provision of such information?</p>	<p>The value referred to is realised as reduction in the cost of balancing the electricity system and as such this value is passed on to energy consumers in the form of lower bills. Market participants are already compensated for provision of the service, of which the provision of the relevant data is a pre-requisite.</p>
<p>Should there be a provision for independent third-party monitoring, due to the potential of market manipulation?</p>	<p>NESO's Market Monitoring Team investigate any suspicious behaviour and report cases directly to Ofgem as required.</p>
<p>One respondent suggested it be wise to anticipate technology advances in power grid digitalisation by requiring the use of the best means and methods commercially available.?</p>	<p>The implementation of this change relies only on existing tools and processes that are currently used in contracted periods. This means we can implement this change quickly without additional costs to consumers. Strategic programmes investigating enduring solutions for wider DER visibility will consider best practice means and methods to meet future requirements.</p>

Revised Procurement Rules

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We propose the following changes to bring this change into effect:

Procurement Rules

- Addition of paragraph 6.8
- Addition of section 6A Background Submission Data
- Addition of clause 8.11
- Addition of defined terms:
 - Assessment Period
 - Background Submission Data
 - Background Data Submission Rules
 - Non-BM Data Submission
 - Required Threshold

3. BMU FPN flags set to false will result in deemed unavailability

NESO propose to deem a BMU as unavailable when it sets its FPN flag to FALSE.

Responses Overview	Outcome following feedback
Overview	
<p>16 answered this question, 13 agreed with this proposal, 1 disagreed and 2 did not specify whether they agreed or disagreed. Those who agreed highlighted benefits such as creating a fairer market, alignment of Dynamic Response with the BM process, and 2 were supportive of the clearer process around the registration and de-registration process. The respondent who disagreed suggested the status of the flag is irrelevant provided NESO receives the data.</p>	<p>We welcome the feedback on this change. NESO are proposing to deem units as unavailable if they set their FPN flag to FALSE as consulted on.</p> <p>The challenge raised is addressed below.</p>
Registration & de-registration process	
<p>Although the additional clarity was welcomed, 3 respondents highlighted concerns around the current registration and de-registration process highlighting delays caused by the current process and requesting improvements on this process.</p>	<p>NESO appreciate the feedback received on concerns around the registration and de-registration process, we will consider if there are any changes and improvements that can be made. We continue to welcome feedback on this process.</p>
Edge Case Scenario	

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One respondent highlighted that this change appears to address an edge case and not industry practice.	This change addresses behaviour that NESO have observed in the Dynamic Response market that we do not wish to be repeated. This change ensures that NESO have the necessary tools to address this behaviour.
Data submission	
The respondent that disagreed with the proposal stated that if the BMU is submitting the relevant data then the FPN flag is irrelevant to the availability of the unit.	If the unit has an FPN flag set to FALSE then it will not be submitting the correct data as NESO will not be receiving a PN from the unit. As such we will deem the unit as unavailable for failure to submit the relevant information.
Publication of Data	
One respondent requested that this data be published alongside the publication of the tiered performance regime data.	We will explore the value in publishing this data alongside the Tiered Performance Regime Data.

Revised Service Terms & Procurement Rules

We propose the following changes to bring this change into effect:

Service Terms

- Addition of paragraph 5.10

Procurement Rules

- Addition of defined term “Final Physical Notification’ or ‘FPN”
- Updates to Schedule 2

4. New penalty to be introduced for incorrect use of disarming flag in performance monitoring data

NESO propose to introduce an additional penalty that will be applied for incorrect use of the disarming flag in Performance Monitoring Data.

Responses Overview	Outcome following feedback
Overview	
Of the 16 who answered this question, all agreed with the proposal. Benefits highlighted included being essential to uphold fair competition, ensuring accurate performance	We welcome the positive feedback received for this change. As such we are proposing to introduce this additional penalty for incorrect use of disarming flag in the performance monitoring data.

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monitoring and minimising gaming risks, ultimately driving down costs to consumers.	
Gaming Check	
One provider stressed that as this check can be classed as a gaming risk the penalty should be applied at EFA block rather than just at SP level.	This is something that NESO will keep under review. If there are continual breaches and manipulation of data this will trigger a conversation with the Account Manager that could lead to more severe penalties.
Publication of data	
One asked that we consider including this check in the publication of Tiered Performance Regime data. One respondent highlighted that arming and disarming instructions should be published in real time as they can change the frequency and balancing characteristics of the system.	NESO can confirm that the data from this additional check will be included in the publication of the Tiered Performance Regime Data. NESO will explore the possibility of publishing arming and disarming instructions closer to real-time.
Performance Monitoring	
Another respondent asked how this will be monitored.	The declarations in the Performance Monitoring data will be compared against instructed flags, and a penalty will be applied where a disarming flag is used in the Performance Monitoring file and no disarming instruction has been issued.

Revised Service Terms

We propose the following changes to bring this change into effect:

Service Terms

- Addition of paragraph 6.20
- Addition of 15A.1 vi

5. Provision of additional Performance Data for the two settlement periods before a contracted service period

Through the consultation we received mixed feedback on this change, many respondents had no issue with providing additional data whereas others flagged concerns with implementing this change. Many of those who disagreed did so because they did not agree with the Continuous Transition Period proposal.

As the Continuous Transition Period proposal has been removed from this consultation for further review, this change will be re-consulted on alongside that proposal at a later date.

6. Tiered Performance Regime

NESO propose to introduce a Tiered Performance Regime where continued breaches in the Dynamic Response Services will result in more severe penalties.

Responses Overview	Outcome following feedback
Overview	
<p>Out of the 19 respondents, 4 respondents outrightly agreed with the changes, 11 agreed with the decision in principle but requested additional information and, 3 disagreed. One respondent did not state whether they agreed or disagreed with the proposed change.</p> <p>Those who agreed with the proposal cited clear benefits of preserving a level playing field, increased market transparency and better market behaviours and outcomes.</p>	<p>NESO propose to introduce a Tiered Performance Regime to continue to incentivise good behaviour across the market. Some changes have been made to the original proposal following feedback to the consultation.</p> <p>Following review of the feedback received during the consultation and follow up 121 calls we have decided to remove the mechanistic application of Tiers 2 and 3 as part of the Tiered Performance Regime. Account Managers will continue to be advised when a unit moves into those tiers which will trigger a conversation with the relevant provider. Where applicable further action may be taken based on a criterion for suspension and de-registration that NESO will publish. We hope this will minimise some of the concerns raised by respondents while also continuing to incentivise good behaviour across the Dynamic Response market.</p>
Exclusion of SoE Management	
<p>Multiple respondents cited the need to remove SoE management failures as they are strict, lack technology neutrality and current fundamental limitations in existing SOE methodology. One provider suggested widening the current thresholds and another suggested minor SoE breaches shouldn't be penalised the same as serious ones.</p>	<p>NESO considers SoE management rules to be fundamental to Dynamic Response. It ensures energy-limited assets can deliver full contracted response (as defined in Response Service terms Schedule 2). If a provider falls below its SoE obligation during delivery, it undermines the confidence in the service, reducing system security.</p> <p>Removing SoE breaches from the Tiered Performance Regime would strip away a key</p>

<p>Another stated that they won't be able to stay within SOE limits so a breach would be inevitable.</p>	<p>mechanism to discourage practices that jeopardise delivery, exposing the system to unnecessary risk.</p> <p>We acknowledge respondents' feedback. While the principle of maintaining adequate SoE cannot be compromised, parallel workstreams in NESO (for example, as part of the assessment of moving from EFA block to 30mins procurement) are advancing to refine the SoE rules further to ensure it remains proportionate, transparent while addressing specific issues raised by providers. We encourage any party interested in discussing improvements to SoE management rules to reach out for further discussion.</p>
<p>Implementation of Processes</p>	
<p>One respondent cited concern over implementation, in that notifications of defaults may only be done a month after the event when settlement data is received, which could possibly trigger a default tier. They highlighted the importance of ensuring earlier notifications are implemented to negate this.</p>	<p>NESO are currently developing a dashboard that each provider will be able to access, this will provide and update on current performance related to the Tiered Performance Regime as well as submission of Operational Baselines and Operational Metering outside of contracted service periods. The Tiered Performance Regime information will be updated on a weekly basis to ensure that providers have more up to date information.</p> <p>We hope the removal of the mechanistic application of Tiers 2 and 3 will provide additional comfort to providers as we will avoid any irreversible consequences.</p>
<p>Further clarification was sought on the dispute process regarding having grounds to believe that the assessment is inaccurate.</p> <p>Other respondents requested further clarifications on how monitoring will be assessed across stacked services either in the same or opposite direction.</p>	<p>NESO will publish a Tiered Performance Regime Guidance Document that will include more information on the disputes process as well as how the penalties work in practice.</p> <p>Units can breach once per Settlement Period for each check whether they have stacked contracts or not. For example, if a unit has a stacked DC & DM contract and fails to submit Operational Metering for 1 SP while contracted, this will count as one breach not once for</p>

	each service. This is also the case if the stacked services are in different directions.
Issues and concerns surrounding tiered performance	
One respondent highlighted that the Operational Data (any missing second) and Operational Baseline (any missing minute) requirements are overly strict. They suggested a threshold to meet the requirement should be put in place.	NESO will use a threshold to determine compliance against submission of both Operational Data and Operational Baselines. This threshold will be used in internal calculations and will not be shared with industry, due to potential gaming risks. It is important to note that the Tiered Performance Regime only takes into consideration the submission of Operational Baselines and Operational Data during contracted periods. Any failure to submit these outside of contracted service periods would not impact the units Tier and will be managed separately to the Tiered Performance Regime.
One respondent is concerned about NESO's ability to accurately manage and settle penalties given existing settlement issues, and recommends faster, clearer feedback on breaches to reduce disputes.	NESO hope that the improved, more up to date reporting of Tiered Performance Regime performance through the provider dashboard and the removal of the mechanistic application of Tiers 2 and 3 will minimise these concerns.
One respondent stated the need for human discretion for Tier 3 outcomes. Another stated Tier 2 and Tier 3 actions should only occur after engagement, and clarity is needed on why suspended units must still submit data and how re-registration works after Tier 3.	NESO have removed the mechanistic application of both Tiers 2 and 3 from the Tiered Performance Regime. Suspended units must continue to submit data in order to bring their submission rate back up to compliant levels so that they can rejoin the market. Further guidance will be published on how re-registration will work following de-registration.
Improvements in accuracy of reporting performance data	
A respondent stated that they would agree with the proposed changes only if NESO can show clear improvements in performance data accuracy and the dispute resolution process. They are concerned about introducing a tiered penalty regime while	NESO appreciates this feedback on the disputes process. The removal of the mechanistic application of Tiers 2 and 3 should address the concern around risks of unrecoverable consequences of penalties applied to cases where a dispute has not been resolved.

<p>issues with data calculation, reporting, correction and long delays in resolving disputes still exists. They warn that providers risk suspension or lost revenue based on incorrect data. The provider recommends that NESO demonstrate sufficient resources and implement SLA-style timelines for performance data accuracy and dispute handling. They also call for stricter entry testing for the Dynamic Response Services and consistent performance regimes across all frequency response and reserve services.</p>	<p>NESO are also reviewing the application of relevant penalties across other Response and Reserve products as part of our wider Stacking and Splitting work. Where possible and relevant we will ensure alignment of these services.</p> <p>We welcome additional feedback on the improvements that could be made to the Dynamic Response testing requirements.</p>
<p>Clear appeals process</p>	
<p>One provider outlined the need for a clear appeals process regarding any movement between tiers and imposition of penalties. Furthermore, another provider noted that if a provider shares sufficient proof with NESO that performance has improved, then it should be able to resume participation, or reduce suspension period.</p>	<p>NESO will publish a Tiered Performance Regime Guidance Document that will include information on the appeals process.</p> <p>We hope that the removal of Tiers 2 and 3 will minimise the other concerns raised in this response.</p>
<p>Unplanned outages and real-time tracking of performance against tiers</p>	
<p>One provider stated the need to track performance against tiers in real time with 2 providers requesting clarity on whether tiered performances caveat for actual unplanned outages.</p>	<p>As NESO require Performance Data files to accurately monitor some of these checks and providers currently have 72 hours to re-submit these, we cannot provide real-time tracking of performance. We will provide weekly updates as mentioned previously that should minimise these concerns.</p> <p>Please speak with your Account Manager if you are worried a period of unplanned outage is affecting your performance.</p>
<p>Dissatisfaction around operational issues</p>	
<p>One provider stated that they needed extra clarification to agree with the proposal. This clarification included dissatisfaction around</p>	<p>Tiers will be allocated on a unit-by-unit basis. So, one unit could be allocated Tier 1, but this</p>

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<p>operational issues being aggregated at service provider level as this could affect the providers ability to service all their customers due to the risk of single asset control.</p>	<p>would not impact any other units in the provider's fleet.</p>
<p>Implementation timeline</p>	
<p>One provider stated they agreed with the proposal if it were to be introduced after GC166.</p>	<p>The Tiered Performance Regime should not require any development from providers as there are no new requirements. However, NESO are staggering the implementation of the changes included in this consultation as we realise there are lots of changes that providers do need to make. We have considered wider market changes when creating the implementation timeline. GC0166 implementation is expected to conclude by November 2026, this change will not go live until January 2027.</p>
<p>Disagreements with the proposals</p>	
<p>Some who disagreed with the proposed changes stated that the proposal seemed overly complicated and that this change seemed like it stemmed from individuals or errors. One provider stated that the tiered penalties are unnecessarily penal, as they believe the suspension that comes from tiers 2 and 3 should result in a loss of revenue for the day or a fine rather than a suspension instead.</p>	<p>We hope that the amendments that have been made to the proposal through removing the mechanistic application of Tiers 2 and 3 resolve the concerns raised by those who disagreed with the proposal.</p>
<p>Clarification on the conditions of each tier and publication of tier status</p>	
<p>3 parties outlined the need for clarification on the proposed changes. These included conditions that could lead to a provider falling into Tier 3 and one provider requested clarity on whether the tier status of providers will be published.</p>	<p>NESO have removed the mechanistic application of Tiers 2 and 3 from the proposal and will publish separate criteria that may lead to an Account Manager resulting in suspending or de-registering a specific unit.</p> <p>There will be two different reports that will be published, the first will be published one</p>

	<p>month after delivery that will include an aggregate view of overall market performance against each of the checks. The second report will be published 12 months after delivery that will contain information on each unit's performance, this report will include information on the relevant tier of that unit for that month.</p>
<p>One respondent highlighted that some underperformance penalties applied by NESO are currently done on an EFA block level rather than SP level, suggesting that this would be equivalent of Tier 1 rather than 0.</p>	<p>Following further conversations with respondents to the consultation, we want to clarify that currently the K-factor can impact the full EFA block payment. NESO are not proposing any changes to how the K-factor is calculated and applied, but wish to make clear that K-factor calculations are not considered as part of the Tiered Performance Regime.</p> <p>Currently NESO do not deem a unit unavailable for more than the relevant Settlement Period where the breach occurs. If a unit falls into Tier 1 once this change has gone live the unit will be deemed unavailable for the full EFA block where the breach occurred.</p>
<p>Improved transparency</p>	
<p>One provider requested that NESO should publish the code used to calculate all individual penalties and performance and any aggregation to improve transparency.</p>	<p>NESO are exploring the option of publishing the code for some of the more complicated penalties. Although most of the automated checks such as data submission are rather black and white and we do not see significant value in publishing this code.</p>
<p>Service Terms Amendments</p>	
<p>The gaming checks included in the proposed Service Terms outline that "any" tier can be triggered at the discretion of NESO. We suggest that a specific minimum tier is specified to provide further certainty.</p>	<p>As the mechanistic application of Tiers 2 and 3 have been removed we have updated the wording of this clause, we hope this wording provides some additional clarity.</p> <p>NESO will also publish criteria that will be used by Account Managers for suspension and de-registration.</p>

Revised Service Terms Text

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We propose the following changes to bring this change into effect:

Service Terms

- Updates to paragraphs 6.5, 6.12 & 7.3
- Addition of section 15A Performance Regime
- Addition of defined terms:
- Default
- Default Tier
- Performance Regime
- Relevant Settlement Period

7. Ability to publish provider penalty data

NESO propose to introduce the ability to publish provider penalty data.

Responses Overview	Outcome following feedback
<p>Overview</p> <p>Out of the 18 respondents, 11 respondents agreed with the change, 6 respondents agreed in principle or provided a mixed response and 1 disagreed with the proposal.</p> <p>Benefits highlighted by those agreed included: improved market behaviours, better performance within the market, improved transparency of performance by BESS assets and a level playing field amongst optimisers.</p> <p>The respondent who disagreed cited a lack of confidence in NESO’s ability to accurately report this data.</p>	<p>NESO propose to introduce the ability to publish provider default data. This change is to further incentivise good behaviour across the Dynamic Response Service suite.</p>
<p>Anonymised data sets creating distortions</p>	
<p>One provider cited concern that publishing anonymised data could create distortions within the market. This is through data becoming outdated and easily dismissed especially given the 12-month delay, another provider stated that this 12-month delay</p>	<p>The anonymised data will allow providers to gauge their own performance relative to the overall performance of the market. NESO do not believe this creates distortions. We appreciate that the 12-month delay significantly limits the value of this information, however, in order to ensure that</p>

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<p>significantly limits the value of this information and fails to justify the cost of producing it.</p>	<p>the non-anonymised data is not subject to change we must allow the full 12 months in which disputes can be raised to elapse prior to publication.</p> <p>This will ensure that NESO have full confidence in the data set that is published. This provision will ensure that we do not unduly harm the reputation of any service provider without sufficient confidence in the outcome.</p>
<p>Two parties stated that frequent rule changes reduce relevancy and urge NESO to wait until rule changes stop and another flagged that publication of this data could reveal internal weaknesses of providers.</p>	<p>With the exception of the new check for faulty use of disarming flag that we are proposing in this round of changes, the rules that are included in the Tiered Performance Regime have been rules in the Dynamic Response Service since the services were launched. It is only the method of enforcement that has changed. We do not intend to change these rules regularly, where needed we may introduce additional checks but do not intend to remove any of the current checks.</p>
<p>Additional testing to ensure performance data is correct</p>	
<p>One respondent stated the need for NESO to ensure all data is correct before publication as they believe that historically NESO have not done this. Two parties also stated the need for rigorous testing of this platform and a way to ensure that nothing is published until all parties agree.</p> <p>The respondent who disagreed with the change stated that they did not have confidence in NESO ability to accurately report this proposed change.</p>	<p>NESO will not publish any data that we do not have confidence in. This is one of the main drivers for waiting 12 months until the window to raise disputes has elapsed before publishing any non-anonymised data. As this will ensure the published data is not subject to change.</p> <p>NESO will implement full end to end testing of systems used to deliver this capability.</p>
<p>Negative investment impacts</p>	
<p>One provider stated publishing this data may have negative impacts on investments in this sector by giving an overly negative view on how assets perform.</p>	<p>This change is driven by the need for improved transparency and to continue to incentivise good behaviour across the market. We appreciate there is a risk that this data may have a negative impact on perception of</p>

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	<p>how units are currently performing due to the delay in publication. However, as stated in the implementation section we will not start reserving the right to publish any provider penalty data any earlier than from January 2027. So, the non-anonymised data will not be published until Feb 2028 at the earliest. We believe this solution is appropriate given the improved transparency that has been explicitly and repeatedly requested on this topic.</p>
<p>Enquiries of publishing data closer to real time</p>	
<p>Two providers have questioned why NESO are reluctant to publish providers data closer to real-time or more regularly as they believe markets would then self-monitor making NESO's role much easier.</p>	<p>The anonymised data will be published closer to real time, around 1 month after delivery. The non-anonymised data will still be published at a monthly granularity, only 12 months after delivery. This is to ensure that the data published is no longer open to disputes and therefore not subject to change.</p>
<p>Service Terms Amendments</p>	
<p>One provider recommended altering the wording of this clause from NESO "may, at its sole discretion" to "NESO will publish" to ensure it meets its intended rationale of improve transparency and incentivise good market behaviour.</p>	<p>We appreciate the feedback on the wording in the legal documents. The intention of the clause referenced is to gain consent from market participants that NESO can publish the data should it wish to and is not intended to describe what NESO should be publishing. NESO will keep its obligations regarding publication of penalties data under review.</p>

Revised Service Terms

We propose the following changes to bring this change into effect:

Service Terms

- Updates to paragraph 15.6

8. Unit Suspension

NESO propose to introduce the ability to suspend assets, units and providers from the Dynamic Response Market.

Responses Overview	Outcome following feedback
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<p>Overview</p> <p>Of the 19 respondents, 10 of them agreed stating that proposed changes yielded significant benefits such as: better market performance, incentivising providers to adhere to their obligations, reduced costs to consumers, and that suspension for persistent failures is proportionate and consistent with the Tiered Performance Regime’s objectives. 3 disagreed and 6 did not specify. Those who disagreed were not confident in the service design of Tiered Performance Regime as detailed below.</p>	<p>NESO propose to introduce the ability to suspend from the Dynamic Response Services. We echo the benefits provided in the responses to this change.</p> <p>We hope that the removal of mechanistic suspension from the Tiered Performance Regime will minimise concerns raised by respondents who disagreed with this change.</p>
<p>Current Design Flaws</p>	
<p>One respondent supports the principle of unit suspension. However, believed the current process is flawed due to the following reasons:</p> <ul style="list-style-type: none"> • Tier 3 escalation needs human judgement - Providers should discuss performance with NESO before suspension, not face automatic escalation. • SP-based scaling is unfair - High-volume providers are penalised more heavily, even when their actual failure rates are lower, which could harm liquidity and bidding behaviour. • Misalignment with contracted MW and value - Escalation is based only on SPs, treating small and large MW failures the same, reducing efficient procurement incentives. • No link to system or financial impact - Units with vastly different settlement values face identical penalties, which doesn’t reflect true cost or system risk. 	<p>NESO have removed the mechanistic application of Tiers 2 & 3 from the Tiered Performance Regime and hope that this minimises the concerns raised by this respondent.</p> <p>Tier 3 escalation needs human judgement: NESO will publish the criteria for suspension that will be used by account managers, conversations will be conducted with the provider to understand the problem prior to a suspension.</p> <p>SP-based Scaling: For Tiered Performance regime, the tiers are calculated based on fraction/percentage failure out of total contracted settlement periods. For high volume providers each SP failure has lower impact on the failure rate as it’s a fraction of higher number contracted settlement period. For example, failing 5 contracts out of 10 contracted settlement periods is 50% failure rate. For 200 contracts a unit must fail 100 settlement periods for 50% failure rate but has a much higher impact to system risk. The contracted SP based scaling reflects that reality.</p>

	<p>Misalignment with Contracted MW and No link to system or financial impact: NESO’s intention behind the Tiered Performance Regime is to discourage repeated behaviours (non-submission of data, SoE breach) that have adverse effects on system risk.</p> <p>It is correct, escalation is based on settlement periods. So, for higher tiers when units lose whole EFA blocks of payment for a SP level breach, it has an implicit financial incentive to not have repeated breaches and scales based on contracted volume (higher volume contracts lose more payment).</p>
<p>The need for clear rules and conditions & clarity on the appeals process</p>	
<p>Two respondents cited the need for clear rules and conditions for unit suspension to account for double standards and ensure appropriate thresholds and one provider enquired about the appeals process.</p>	<p>NESO will produce, and publish, clear guidance that Account Managers will use to ensure that all market participants are treated fairly and equally.</p> <p>We will also add additional guidance on the appeals process in the Tiered Performance Regime Guidance Document.</p>
<p>One provider stated the need for set notice periods and provide a graduated reinstatement process with clear evidence requirements.</p>	<p>Providers will have improved visibility of their performance and relevant tiers through the dashboard that will be updated on a weekly basis. We will publish guidance, alongside the criteria for suspension and de-registration, on the reinstatement process and will explore the options for a graduated reinstatement process.</p>
<p>One provider stated that NESO should define objective criteria for ‘persistent’ and ‘material’.</p>	<p>We will provide more details in the Tiered Performance Regime Guidance Document.</p>
<p>Service Terms amendments and clarifications</p>	
<p>One provider pushed back on clause 15.11 (iii). They flagged concerns that optimisers for third-party asset owners should not be penalised for performance related issues caused by asset owners.</p>	<p>Please note that we have amended the Tiered Performance Regime proposal and Tiers 2 and 3 have since been removed and therefore mechanistic suspension, for example due to non-submission of data during a contracted period, will not lead to unit suspension.</p>

	<p>Suspension of a market participant would only be done where there are evident cases of malpractice. For example, where there has been intentional data manipulation to gain a benefit in the market.</p> <p>It is not intended that a market participant would be suspended for the poor performance of one or a limited number of units.</p>
<p>One provider requested further information on the relationship between the revised 15.11 and new clause 15A.6(iii).</p>	<p>15.11 lays out some scenarios that may result in de-registration or suspension of an eligible asset, unit or service provider.</p> <p>15A.6 iii explains how a unit could be suspended specifically as part of the Tiered Performance Regime. Although please note that we have amended the Tiered Performance Regime proposal and Tiers 2 and 3 have since been removed.</p>
<p>Focus on intentional breaches</p>	
<p>One provider mentioned that NESO should focus their suspension efforts on persistent and deliberate breaches.</p>	<p>NESO's Tiered Performance Regime proposal has been amended to remove the mechanistic application of Tiers 2 and 3. NESO will continue to have the ability to suspend units and providers for material and continual breaches of the Service Terms and failure to submit relevant data.</p>
<p>Correct use of suspension</p>	
<p>Multiple respondents stated that suspending specific units for technical issues rather than the entire service provider is the preferred approach, except in clear cases of provider malpractice.</p>	<p>In the majority of cases this would be on a unit-by-unit basis, and market providers would only be affected in more serious scenarios where there are clear cases of malpractice.</p>
<p>Nature of Suspension</p>	

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<p>Two providers have questioned the nature of suspension, with one provider enquiring if suspension is to be from individual frequency response services as breached, or across the whole market?</p>	<p>Suspension would result in the unit, eligible asset or market provider being suspended from all of the Dynamic Response Services, this would not be on a service by service basis.</p> <p>It's important to note that units would not also be suspended from other NESO services such as Reserve, however, there is an edge case scenario where a unit is suspended today, and they have already put in their bids for today. Any bids with a response service as a 'parent' will be rejected. So, if they have a reserve service as a 'child' to a response 'parent' that bid will get rejected.</p>
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Revised Service Terms & Procurement Rules

We propose the following changes to bring this change into effect:

Service Terms

- Updates to paragraph 15.11

Procurement Rules

- Addition of paragraph 6.9
- Addition of defined term 'Suspension'
- Updates to Schedule 2 – Registration and Pre-qualification Procedure

9. Pre-approved baseline methodology required for stacking with other NESO services

NESO propose to update the reference to the Stacking Guidance Document and also include the requirement for pre-approved baseline methodology for stacking Dynamic Response with other NESO services.

Responses Overview	Outcome following feedback
<p>Overview</p> <p>Of the 13 who responded to this question, 11 agreed with the proposal, one somewhat agreed and one did not specify whether they agreed or disagreed with the proposal. Those who agreed highlighted the importance of</p>	<p>NESO propose to update the reference to the Stacking Guidance Document as well as include the requirement for pre-approved baseline methodology for stacking Dynamic Response with other NESO services.</p>

pre-approved methodologies for stacking and that the consolidated guidance is clearer and easier to locate.	
Complexity	
One respondent added that requiring pre-approved baseline methodologies for stacking with other NESO services adds another layer of procedural complexity. Stressing providers may struggle to navigate this when stacking across multiple different services.	There are limited services that can currently be stacked with the Dynamic Response Services. The pre-approved baseline methodology addressed in the Guidance Document is relevant for stacking Dynamic Response with Stability and Inertia services. Other specific guidance will be produced for stacking Dynamic Response with other services once it is permissible to do so.
Implementation timelines	
One respondent flagged that NESO should ensure clear and adequate timelines for operators to implement and prepare for the technical changes.	The implementation section of this document should provide the relevant information. It's important to note that stacking Dynamic Response with Stability and Inertia services is optional and so providers will have as long as they require to implement this change should they wish to do so.
Consistency	
One respondent highlighted that some services are referred to by different names in certain parts of NESO literature and the website and this would be a good opportunity to ensure consistency of terminology.	NESO welcome the feedback on existing literature and webpages, we will endeavour to update these to ensure consistency where possible.
Feedback on Guidance Document	
The provider who did not fully agree with the change provided detailed feedback on the guidance, but had no further comments on the updates to the service terms.	We have discussed this detailed feedback with the relevant respondent but have not included in this document as it is out of scope of the changes made to the Service Terms.

Revised Service Terms

We propose the following changes to bring this change into effect:

Service Terms

- Addition of paragraph 12.6
- Update to Defined Term 'Stacking Guidance'

10. Amendments to schedule 3

NESO propose to make amendments to Schedule 3 of the Service Terms.

Responses Overview	Outcome following feedback
Overview	
All respondents apart from one expressed agreement with this change or added no additional comments, one respondent disagreed with this change. Those who agreed highlighted improvements to clarity and consistency.	NESO propose to make amendments to Schedule 3. Changes to schedule 3 include updating the variable names used in some formulae to be consistent with those used in the rest of the Service Terms.
Reference to Grace Period	
The respondent that disagreed with the change raised concerns that Schedule 3 still includes reference to Grace Period.	The reference to Grace Periods is correct, CTPs are only proposed to replace Grace Period 2. Grace Period 1 will remain when CTPs are introduced. However, as noted above CTPs are not included in this submission.

Revised Service Terms

We propose the following changes to bring this change into effect:

Service Terms

- Updates to Schedule 2 – Capability Data Tables
- Updates to Schedule 3 – Availability Payments

11. Housekeeping changes

In addition to the above proposals, we are making some housekeeping changes. These do not fundamentally change the terms and conditions of the service, these include:

- ASDP updated to OBP
- Clarification added on termination of contract post transfer of asset ownership
- Removed defined terms that were not used
- Addition of defined terms ‘Deregister’ for consistency with other product terms and conditions.

Responses Overview	Outcome following feedback
Missing Defined Terms	

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<p>One respondent highlighted the defined term for 'De-register' was not in Schedule 1 (defined terms), another also raised that Continuous Transition Period and Grace Period are also missing defined terms.</p>	<p>If the defined term is mentioned in the Procurement Rules, then the term should be defined in the Procurement Rules. Terms are only defined in the Service Terms if they are not mentioned in the Procurement Rules. As such, the defined term for De-register can be found in the table of defined terms in Schedule 1 in the Procurement Rules. We have removed the bolded Continuous Transition Period and Grace Period as they are not defined terms, but a description of both can be found in the capability data tables in Schedule 2 of the Service Terms.</p>
<p>Timely update of documents</p>	
<p>One respondent requested NESO update all documents on NESO webpages in a timely manner with clear signposting of such changes. Some updates are missed as updates are only shared via one route when there are multiple.</p>	<p>We will endeavour to ensure all of the documents are updated in a timely manner. We do try and use multiple channels to update industry on any changes such as the newsletter, OTF and regular webinars, although will explore if this can be clearer.</p>
<p>Typo</p>	
<p>One respondent flagged a typo in the defined term of Input Frequency, as it said alternative rather than alternating currents.</p>	<p>This has been updated.</p>
<p>Changes in ownership / Operation of Asset</p>	
<p>One respondent asked for additional clarification on the new requirements during changes in ownership and operation of the assets. They requested that the process is minimised where possible as it can be costly and timely. Can the prequalification tests be re-used, rather than re-testing to pre-qualify again?</p>	<p>If the provider is not changing the operating and/or communications platform for the unit then there is no requirement to re-test. If they are making changes to these platforms then we will require the unit to re-test to ensure they can deliver the service.</p>

Appendix 1: Continuous Transition Options

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Figure 1: NESO's original proposal

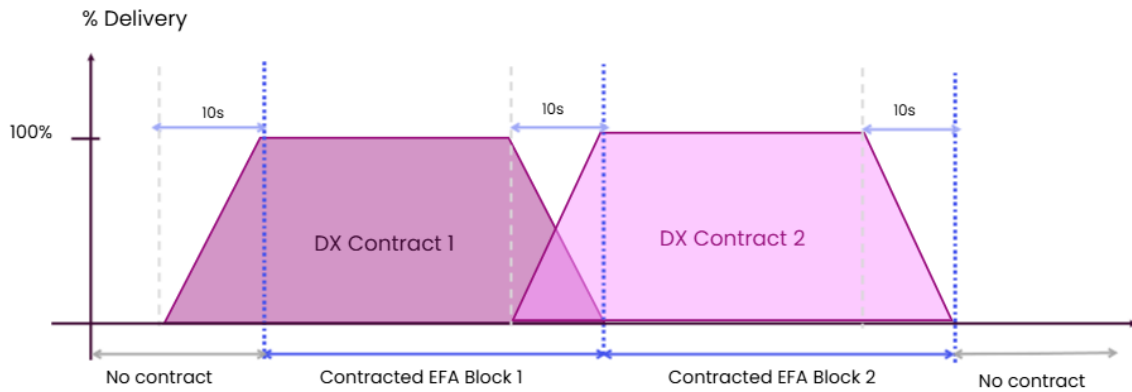


Figure 2: Proposal from respondent

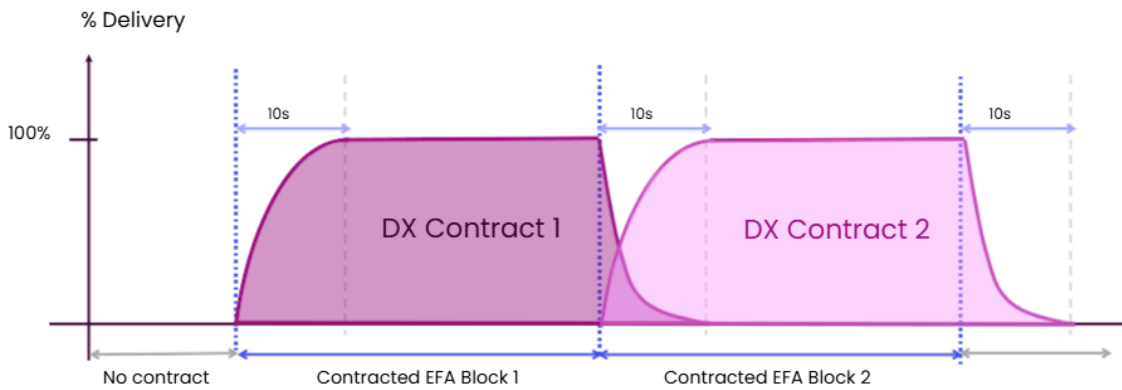
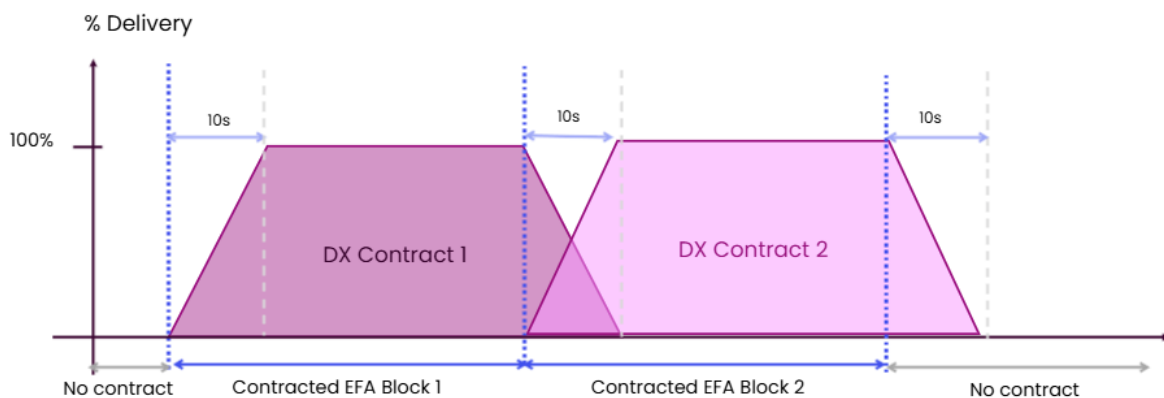


Figure 3: Preferred option from respondents that will be explored further before re-consultation



Appendix 2: Mapping Document

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EBR Article 18 mapping for the Dynamic Response Term 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 Response 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 Response 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
	The terms and conditions for balancing service providers shall:	-	-

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18.4			
18.4.a	Define reasonable and justified requirements for the provisions of balancing services;	<p>Response Procurement Rules</p> <p>Response Service Terms</p>	<p>Response Procurement Rules</p> <p>4 – Registration of Registered Auction Participants</p> <p>5 – Pre-qualification of Eligible Assets</p> <p>12 – Formation of Response Contracts</p> <p>Response Service Terms</p> <p>5 – Service Availability</p> <p>12 – Provision of Other Services</p>
		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);	<p>BSC</p> <p>Grid Code</p> <p>Response Procurement Rules</p>	<p>K3.3, K8, S6.2, S6.3 and S11, S12, S13 and S14</p> <p>DRSC 4.2, BC1.4</p> <p>Response Procurement Rules</p> <p>4 – Registration of Registered Auction Participants</p> <p>5 – Pre-qualification of Eligible Assets</p> <p>6 – Allocation of Eligible Assets to Auction Units</p> <p>Schedule 2 – Registration and Pre-Qualification Procedure</p>
18.4.c	allow demand facility owners, third parties and owners of	BSC	K3.2, K3.3, K8

	power generating facilities from conventional and renewable energy sources as well as owners of energy storage units to become balancing service providers;	Response Procurement Rules	Response 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
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;	Response Procurement Rules	Response 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
		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;	Response Procurement Rules Response	Response Procurement Rules 7 – Buy Orders 8 – Sell Orders 9 – Market Clearing Rules

		Service Terms	12 – Formation of Response Contracts Response Service Terms 21 – Transfer of Response 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;	Response Procurement Rules	Response 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;	Response Procurement Rules Response Service Terms	Response Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Eligible Assets 6A – Background Submission Data 8 – Sell Orders 13 – Confidentiality Schedule 2 – Registration and pre-qualification Procedure Response Service Terms 5 – Service Availability 6 – Service Delivery 15 – Monitoring and Metering Data 15A – Performance Regime 19 – 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
		Response Procurement Rules	Response Procurement Rules 12 – Formation of Response Contracts
		Response Service Terms	Response Service Terms 20 – Assignment 21 – Transfer of Response 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;	Response Service Terms	Response Service Terms 5 – Service Availability 6 – Service Delivery 15 – Monitoring and Metering Data 15A – Performance Regime 19 – Records and Audits
		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;	Response Service Terms	Response Service Terms 5 – Service Availability 6 – Service Delivery 7 – Availability Payments 8 – Payment Procedure Schedule 3 – Availability Payments Schedule 4 – Payment Provisions
		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;	Response Service Terms	Response Service Terms 7 – Availability Payments 8 – Payment Procedure Schedule 3 – Availability Payments Schedule 4 – 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.	Response Procurement Rules	Response Procurement Rules 4 – Registration of Registered Auction Participants 5 – Prequalification of Eligible Assets Schedule 2 – Registration and Pre-Qualification Procedure
		Response Service Terms	

			<p>Response Service Terms</p> <p>5 – Service Availability</p> <p>6 – Service Delivery</p> <p>12 – Provision of Other Services</p> <p>14 – Termination of Response Contracts</p> <p>15 – Monitoring and Metering Data</p> <p>15A – Performance Regime</p>
		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,
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	Deterministic frequency deviation is a continental European concept and is not a characteristic of the GB system. Therefore, this	N/A

	137(4) of Regulation (EU) 2017/1485.	requirement does not apply to GB.	
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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,	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).

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	taking into account electrical losses compensation, where relevant;	
18.7. e	an exemption to publish information on offered prices of balancing energy or balancing capacity bids due to market abuse concerns pursuant to Article 12(4)	NESO does not expect to require this exemption. Such data is published on Insights Real-Time Information Service (IRIS).
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 on the information set out in Article 52(2)(d)(i) and the methodology for applying dual pricing pursuant to Article 52(2)(d)(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.