Slow Reserve
Procurement Rules

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1 Introduction

1.1 These **SR Procurement Rules** describe the eligibility rules and processes by which **NESO** will procure **Auction Products** on a daily basis from prospective **Service Providers**.

1.2 Subject always to paragraph 1.3, only with respect to **SR Contracts** formed pursuant to these **SR Procurement Rules** will the **SR Service Terms** apply to the provision of, and payment for, **Auction Products** from **Auction Units**.

1.3 These **SR Procurement Rules** supplement, and should be read alongside, the following documents, which together constitute the "**SR Procurement Documentation**":-

1.3.1 the **SR Service Terms**;

1.3.2 the **Balancing Services Glossary of General Terms and Rules of Interpretation**;

1.3.3 the **Flexibility Services Standard Agreement** to the extent that any of its provisions are incorporated by any of the other **SR Procurement Documentation** into such document(s); and

1.3.4 such other document(s) as **NESO** may designate from time to time as comprising a part of the **SR Procurement Documentation**.

~~1.4 These **SR Procurement Rules** shall be effective from the date shown on the front cover of this document or from any later date which may be published by **NESO** prior to that date ("**Effective Date**"), after which **Orders** may be submitted under these **SR Procurement Rules** for **SR Windows** falling in **Service Days** from and including the **SR Go-Live Date**.~~

2 Changes to these SR Procurement Rules

2.1 Subject always to paragraph 2.2, **NESO** may update these **SR Procurement Rules** from time to time by publication of an updated version on its website, and each such updated version shall be effective from the date shown on its front cover.

2.2 To the extent required by the **Electricity Balancing Regulation** (and by reference to those provisions of the **SR Procurement Documentation** constituting terms and conditions approved by the Authority as the terms and conditions related to balancing pursuant to Article 18 of the **Electricity Balancing Regulation**), any variation to these **SR Procurement Rules** will be proposed and implemented in accordance with the applicable requirements in the **Electricity Balancing Regulation**.

3 Defined Terms and Interpretation

3.1 Unless the context otherwise requires, any capitalised term used in these **SR Procurement Rules** shall have the meaning given to it (if any) in either Schedule 1 or the prevailing **Balancing Services Glossary of General Terms and Rules of Interpretation** (as the case may be).

3.2 The rules of interpretation set out in the **Balancing Services Glossary of General Terms and Rules of Interpretation** shall also apply to these **SR Procurement Rules**.

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3.3 For the purposes of paragraph 3.1, with respect to any **Sell Order**, "prevailing" shall mean the latest version of the applicable document which is in effect at the time of submission of that **Sell Order**.

4 Registration of Registered Auction Participants

4.1 Subject always to paragraph 4.3, no entity may participate in an **Auction** unless and until **NESO** has confirmed that it is a **Registered Auction Participant** in accordance with the **Registration and Pre-Qualification Procedure**.

4.2 Where **NESO** determines that any details provided, including confirmations and declarations given by, a **Registered Auction Participant** pursuant to the **Registration and Pre-Qualification Procedure** are no longer true and/or accurate, then **NESO** may (but shall not be obliged to) **Deregister** the relevant entity as a **Registered Auction Participant** and/or **Registered Service Provider**. Such **Deregistration** shall be notified by **NESO** to the **Registered Auction Participant** by email, whereupon it may no longer participate in the **Auctions** with respect to any **Auction Unit** unless and until it is re-registered in accordance with these **SR Procurement Rules** and the **Registration and Pre-Qualification Procedure**.

4.3 An entity may also be **Deregistered** as a **Registered Auction Participant** and/or **Registered Service Provider** in the circumstances specified in the **SR Service Terms**.

4.4 An entity which has been confirmed as a **Registered Auction Participant** may only submit a **Sell Order** for an **Auction Product** and **Auction Unit** in respect of **Plant** and **Apparatus** where such **Plant** and **Apparatus** has been pre-qualified by **NESO** to that **Auction Product** as an **Auction Unit** subject to and in accordance with paragraph 5.

5 Pre-qualification of Eligible Assets

5.1 To be eligible for pre-qualification as an **Eligible Asset**, **Plant** and **Apparatus** must at all relevant times:-

5.1.1 be capable of despatch via **Control Telephony** and/or **System Telephony**; and

5.1.2 be capable of operating in accordance with the **SR Service Terms** (including the relevant **Service Parameters**),

and may also (but need not) be registered as a **Primary BM Unit** or **Secondary BM Unit** under the **BSC** for which the **Registered Auction Participant** is the **Lead Party** (which, for the avoidance of doubt, in relation to any **Registered Auction Participant** which is a **Supplier** shall include any of its **Additional BM Units** but shall exclude its **Base BM Units**).

5.2 **Plant** and **Apparatus** meeting the eligibility criteria in paragraph 5.1 may be submitted by **Registered Auction Participants** to **NESO** for pre-qualification as an **Eligible Asset** in accordance with the process described in the **Registration and Pre-Qualification Procedure**.

5.3 **NESO** may determine that an **Eligible Asset** shall be **Deregistered**:-

5.3.1 where, and having regard to declarations of unavailability notified by the **Registered Auction Participant** pursuant to the **SR Service Terms** or otherwise, it determines that the **Eligible Asset** is no longer capable of providing its **Maximum Registered Product Capacity** with respect to any relevant **Auction Product**; or

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5.3.2 where, at its sole discretion, it determines that the location of that **Eligible Asset** would mean delivery of the applicable **Auction Product** would compromise operational security; or

5.3.3 if that **Eligible Asset** is **Embedded** and participating in an **Active Network Management Scheme** as more particularly described in Schedule 2; or

5.3.4 in any other circumstances which may be specified in the **SR Service Terms**,

whereupon **NESO** shall so notify the **Registered Auction Participant** and the **Eligible Asset** shall then no longer be pre-qualified to the relevant **Auction Product**(s).

5.4 For the avoidance of doubt, where an **Eligible Asset** has been **Deregistered** in the circumstances described in paragraph 5.3, it may subsequently be notified by the **Registered Auction Participant** for pre-qualification once more in accordance with this paragraph 5.

6 Allocation of Eligible Assets to Auction Units

6.1 With respect to any **Auction Product**, an **Eligible Asset** may be allocated by the **Registered Auction Participant** to one or more **Auction Units** in accordance with the process described in the **Registration and Pre-Qualification Procedure**. For the avoidance of doubt:-

6.1.1 all **Eligible Assets** allocated to an **Auction Unit** which is not **BM Participating** shall be located in the same **GSP Group** and **Zone**;

6.1.2 an **Eligible Asset** which is **BM Participating** shall:-

6.1.2.1 be comprised of **Plant** and **Apparatus** located in the same **GSP Group** and **Zone**; and

~~6.1.1.1~~6.1.2.2 only be capable of being allocated to an **Auction Unit** which has no other **Eligible Assets** allocated to it, and once allocated such **Auction Unit** shall be deemed to be itself **BM Participating**; and

~~6.1.1.2~~6.1.2.3 any such **Eligible Asset** may be comprised of aggregated **Plant** and **Apparatus** in accordance with procedures set out in the **Balancing and Settlement Code**.

6.2 Where an **Eligible Asset** is allocated at any time to more than one **Auction Unit**, its **Maximum Registered Product Capacity** shall be split across each such **Auction Unit** in such proportions as shall be specified by the **Registered Auction Participant** at the time of allocation, but so that in relation to any **Auction Product** the sum of all such proportions shall not at any time exceed (and for the avoidance of doubt may be less than) one hundred per cent (100%) of that **Eligible Asset's Maximum Registered Product Capacity**.

6.3 For the avoidance of doubt, an **Auction Unit** may be comprised of one or more **Eligible Assets** which may each be pre-qualified to more than one and/or for different **Auction Products**.

6.4 At any time, and based upon the prevailing allocation of **Eligible Assets** to it, an **Auction Unit** shall have, in relation to each **Auction Product**, a **Maximum Unit Product Capacity**, defined as the aggregate of the **Maximum Registered Product Capacities** (or specified proportions thereof where applicable), and that shall define the eligibility of that **Auction Unit** to participate in the **Auctions** with respect to an **Auction Product**.

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6.5 An **Auction Unit** shall cease to exist for the **Auction Products** on the **Single Market Platform** in the circumstances set out in the **SR Service Terms**.

7 Linking

7.1 Whenever, with respect to any **Auction Product**, **NESO** has a reasonable expectation of a requirement to **Link** two or more **SR Windows**, it shall give reasonable prior notice of that requirement to **Registered Auction Participants** by way of notification on the **Designated Auction Platform** and/or the **Industry Information Website** (**"Linking Notice"**).

7.2 For the avoidance of doubt:-

7.2.1 an **SR Window** may be **Linked** with respect to one **Auction Product** only; and

7.2.2 a series of **Linked SR Windows** with respect to an **Auction Product** may overlap with a series of **Linked SR Windows** with respect to one or more other **Auction Products**.

8 Buy Orders

8.1 **Buy Orders** for any **Auction Product** and **SR Window**, may be submitted (and updated) by **NESO** on the **Designated Auction Platform** at any time prior to the **Auction Closing Time** (or later as provided in paragraph 8.5).

8.2 Each **Buy Order** must include (in the correct format as specified from time to time by the **Auction Administrator**):-

8.2.1 a unique "order ID" allocated to the **Buy Order** by the **Auction Administrator;**

8.2.2 the applicable **Auction Product**;

8.2.3 the applicable **SR Window** over which it is defined;

8.2.4 a **Bid Quantity** (in MW) (which must be an integer and, for the avoidance of doubt, may be zero (0) MW); and

~~for the **Auction Product**, representing all or part of **NESO**'s requirement for the **Auction Product** in the applicable **SR Window** (which must be an integer and, for the avoidance of doubt, may be zero (0) MW);~~

8.2.5 a single **Bid Price** (where the applicable pound and pence figures shall each be an integer, and which is not less than the **Minimum Market Price** and not greater than the **Maximum Market Price**). ~~, representing **NESO**'s price limit for the applicable **Auction Product** and **SR Window**; and~~

~~8.2.5 a **Paradoxical Acceptance Indicator**, which is either "True" or "False", indicating if the **Market Clearing Price** for the applicable **Auction Product** and **SR Window** may exceed the **Bid Price** of the **Buy Order**.~~

8.3 **Buy Orders** may indicate a **Buy Order Substitutable Family**, which associates the **Buy Order** with one or more other **Buy Orders** defined on the same **SR Window** and different **Auction Product(s)**, and may also indicate a **Joined Family**, which associates the **Buy Order** with one or more other **Buy Orders** defined over the same **Auction Product** but different **SR Window(s)**.

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8.4 **Buy Orders** shall not be visible to **Registered Auction Participants** on the **Designated Auction Platform** until publication in the **Daily Auction Report** pursuant to paragraph 12.

8.5 A **Buy Order** shall not be capable of being changed by **NESO** after the **Auction Closing Time**, save in exceptional circumstances where, in **NESO**'s reasonable opinion and having regard to market activity, there is a need to protect the integrity of the **Auctions**.

8.6 If, in the sole judgment of **NESO** or (where not **NESO**) the **Auction Administrator**, **NESO** has failed to submit a correct and valid **Buy Order** in accordance with this paragraph 8, **NESO** or the **Auction Administrator** reserve the right to:-

8.6.1 deem that **Buy Order** to be valid and correct; or

8.6.2 cancel a **Buy Order**; and/or

8.6.3 take any other action as it deems appropriate in the circumstances.

8A Zonal Requirements

8A.1 **NESO** shall ensure that, for each **Auction Product** and **Zone**, there is at all times a **Zonal Requirement** (in MW) (which must be an integer and, for the avoidance of doubt, may be zero (0) MW).

8A.2 Subject always to paragraph 8A.3, **Zonal Requirements** shall be submitted (and updated) by **NESO** on the **Designated Auction Platform**, and if at any time no **Zonal Requirement** for a **Zone** is submitted it shall be deemed to be zero (0) MW.

8A.3 With respect to any **SR Window**, **Zonal Requirements** may not be updated after the relevant **Auction Closing Time**.

8A.4 **Zonal Requirements** shall not be visible to **Registered Auction Participants** until publication in the **Daily Auction Report** pursuant to paragraph 12.

9 Sell Orders

9.1 Where a **Registered Auction Participant** shall have pre-qualified one or more **Eligible Assets** to an **Auction Product** pursuant to paragraph 5 and allocated any such **Eligible Asset**(s) to an **Auction Unit** pursuant to paragraph 6, it may submit **Sell Orders** with respect to each such **Auction Unit**, each for one or more **Auction Products** and a single **SR Window** in a **Service Day** in accordance with the following provisions of this paragraph 9.

9.2 Each **Sell Order** must include (in the correct format as specified from time to time by the **Auction Administrator**):-

9.2.1 the name of the **Registered Auction Participant**;

9.2.2 a unique "order ID" allocated to the **Sell Order** by the **Auction Administrator;**

9.2.3 the **Basket ID** of the **Basket** to which it belongs as described further in paragraph 9.4;

9.2.4 the identity of the **Auction Unit;**

9.2.5 the applicable **SR Window** over which it is defined;

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9.2.6 for the purpose of operation of the **Market Clearing Rules**, an indication of its **Sell Order Type** (being **Parent Order, Child Order,** or **Substitutable Child Order**); and

9.2.7 a single **Offer Price** (where the applicable pound and pence figures shall each be an integer), and which is not less than the **Minimum Market Price** and not greater than the **Maximum Market Price**.

9.3 Additionally, but subject always to paragraph 9.7, each **Sell Order** which is a **Parent Order** may include, and each **Sell Order** which is a **Child Order** or **Substitutable Child Order** must include:-

9.3.1 one or more **Auction Product(s)** to each of which the **Auction Unit** must be pre-qualified;

9.3.2 for each of such **Auction Products** comprising the **Sell Order**, a unique "Product ID" allocated to the **Auction Product** by the **Auction Administrator**; and

9.3.3 for each of such **Auction Products** comprising the **Sell Order**, an **Offered Quantity** (in MW), which shall be an integer not less than one (1) MW and not greater than the **Maximum Sell Size**.

9.4 Additionally, each **Sell Order** shall be comprised in a **Basket** which shall meet the following conditions:

9.4.1 each **Basket** shall have a unique "**Basket ID**" allocated to the **Basket** by the **Auction Administrator**;

9.4.2 each **Basket** shall be defined over a single **Auction Unit** and **SR Window**;

9.4.3 each such **Sell Order** must belong to one (1) **Basket**;

9.4.4 each such **Sell Order** must be defined over the same **Auction Unit** and **SR Window** as the **Basket** to which it belongs;

9.4.5 a **Basket** shall contain one **Parent Order** and subject always to paragraphs 9.4.6 and 9.7 may additionally contain one (1) or more **Child Order(s)** and/or one (1) or more **Substitutable Child Order(s)** (which shall together form a **Substitutable Child Group**); and

9.4.6 unless otherwise notified in writing by **NESO**:-

(a) a **Basket** shall be limited to a maximum of ten (10) **Child Orders** and one (1) **Substitutable Child Group**; and

(b) a **Substitutable Child Group** shall be limited to a maximum of ten (10) **Substitutable Child Orders**.

9.5 Additionally, each **Basket** shall be comprised in a **Flexible Group** which shall meet the following conditions:

9.5.1 each **Flexible Group** shall have a unique "**Flexible Group ID**" allocated to the **Flexible Group** by the **Auction Administrator**;

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9.5.2 each **Flexible Group** shall be defined over a single **Auction Unit** and not less than four (4) **Baskets** each defined over consecutive **SR Windows** which are adjacent to one or more of the others (such **SR Windows** to together comprise a **Service Window Block**);

9.5.3 the duration of the **Service Window Block** associated with each **Flexible Group** shall be two (2) hours or such longer duration (in multiples of whole **SR Windows**) as may be specified by the **Registered Auction Participant** on (and in accordance with) the **Designated Auction Platform**; and

9.5.4 all **Baskets** in a **Flexible Group** shall be identical in all respects (including as regards number and ranking of **Sell Orders**, **Sell Order Types** and **Offered Quantities**) save as to **Offer Prices**.

9.6 A **Flexible Group** may be **Looped** to (1) any one or more other **Flexible Groups** defined (for **Slow Reserve** only) over the same **Auction Unit** and over different **SR Windows** in the same **Service Day**, and/or also (2) any one or more **Baskets** defined (for any other product which at the relevant time is co-optimised with **Slow Reserve** in order to determine maximum **Market Welfare**) over the same **Auction Unit** and over different **SR Windows** in the same **Service Day**, in either case so as to form a **Looped Family**, and for the avoidance of doubt where a **Flexible Group** is **Looped** both to **Flexible Group**(s) under (1) above and to **Basket**(s) under (2) above then all of the **SR Windows** over which they are defined shall be different.

9.7 Unless otherwise indicated by **NESO** in its **Linking Notice**, where, for any **Auction Product**, an **SR Window** is **Linked** with one or more other **SR Windows**, then a **Sell Order** with respect to any of those **SR Windows** shall only be valid if it is comprised within a **Flexible Group** which includes each of those other **SR Windows** with which it is **Linked**.

9.8 The aggregate **Offered Quantity** for all valid **Sell Orders** shall be calculated for each **Basket** and **Auction Product**, but where a **Basket** includes **Substitutable Child Orders** then, for each **Substitutable Child Group** in that **Basket**, the **Offered Quantity** from only one such **Substitutable Child Order** shall be included in such aggregation being (where applicable) the **Substitutable Child Order** which results in the highest sum, and furthermore for that **Basket** to be valid, for each individual **Auction Product**, the sum calculated shall not exceed the **Auction Unit**'s **Maximum Unit Product Capacity**.

9.9 **Sell Orders** may be submitted by **Registered Auction Participants** on the **Designated Auction Platform** at any time after the **Auction Opening Time** and before the **Auction Closing Time**. **Sell Orders** must be fully completed and correct as at the relevant **Auction Closing Time**. **Sell Orders** received after the **Auction Closing Time** shall be considered null and void regardless of cause unless otherwise decided by **NESO** at its sole discretion.

9.10 Validation of **Sell Orders** will be undertaken automatically at the time of submission (before operation of the **Auction** algorithm), and without prejudice to paragraph 9.15 all submitted **Sell Orders** so validated remain valid unless and until:-

9.10.1 the **Sell Order** is cancelled by the **Registered Auction Participant** that submitted it on (and in accordance with) the **Designated Auction Platform**;

9.10.2 the **Registered Auction Participant** modifies it on (and in accordance with) the **Designated Auction Platform**; or

9.10.3 the **Sell Order** is either **Accepted** (including **Partially Accepted**) or **Rejected** in accordance with the **Market Clearing Rules** (whereupon it expires).

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9.11 Each **Registered Auction Participant** is responsible for ensuring that the **Sell Orders** it submits are correct and valid, and also that the relevant **Auction Unit** is able to discharge any **SR Contract(s)** which may subsequently be formed by operation of the **Market Clearing Rules** as more particularly referred to in paragraph 10.5.

9.12 Subject always to paragraph 9.13, upon becoming aware of any error in a **Sell Order**, the **Registered Auction Participant** shall modify the **Sell Order** where possible otherwise shall notify **NESO** immediately, provided that in such event there shall be no obligation on **NESO** to take any steps to avoid or mitigate any potential losses to the **Registered Auction Participant**.

9.13 After the **Auction Closing Time**, **Sell Orders** may not be modified or cancelled by the **Registered Auction Participant** and are binding and irrevocable subject always to paragraphs 9.10 and 9.15.

9.14 **Sell Orders** submitted by **Registered Auction Participants** for each **SR Window** and **Auction Product** shall not be visible to other **Registered Auction Participants** on the **Designated Auction Platform** until publication in the **Daily Auction Report** in the manner described in paragraph 12.

9.15 If, in the sole judgment of **NESO** or (where not **NESO**) the **Auction Administrator**, a **Registered Auction Participant** has failed to submit a correct and valid **Sell Order** in accordance with this paragraph 9, **NESO** or the **Auction Administrator** reserve the right to:-

9.15.1 deem that **Sell Order** to be valid and correct; or

9.15.2 cancel that **Sell Order**; and/or

9.15.3 take any other action as it deems appropriate in the circumstances including requesting the **Registered Auction Participant** to resubmit and/or amend the **Sell Order** so that it is correct and valid.

9.16 The decision of **NESO** or the **Auction Administrator** as to whether or not a **Sell Order** is correct and valid shall be final, and the **Registered Auction Participant** may be notified of such decision without prior consultation or explanation.

10 Market Clearing Rules

10.1 After the **Auction Closing Time**, and in accordance with and subject to the provisions of this paragraph 10, the **Auction** algorithm will match valid **Buy Orders** and **Sell Orders** in order to determine:-

10.1.1 the **Acceptance Ratio** of all **Sell Orders** and **Buy Orders** with the objective of maximising **Market Welfare** having regard to paragraph 10.2.17;

10.1.2 the **Contracted Quantity** of each **Auction Product** with respect to any **Accepted Sell Order**; and

10.1.3 the unique **Market Clearing Price** for each **SR Window**, ~~and~~ **Auction Product** and **Zone**.

10.2 The **Auction** algorithm will determine the **Acceptance Ratio** of **Buy Orders** and of **Sell Orders** in accordance with the following rules:-

Sell Orders

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10.2.1 the **Acceptance Ratio** of a **Parent Order** is either one (1) or zero (0);

10.2.2 the **Acceptance Ratio** of a **Child Order** is between zero (0) and one (1) inclusive;

10.2.3 the sum of the **Acceptance Ratios** of all **Substitutable Child Orders** from the same **Substitutable Child Group** in a **Basket** is between zero (0) and one (1) inclusive;

10.2.4 the **Acceptance Ratio** of a **Child Order** or **Substitutable Child Order** is less than or equal to the **Acceptance Ratio** of the **Parent Order** in its **Basket**;

10.2.5 the **Acceptance Ratio** of a **Child Order** or **Substitutable Child Order** is greater than zero (0) only if its **Order Surplus** is greater than or equal to zero (0);

Linked Service Windows

10.2.6 with respect to each **Basket** for **SR Windows** which are **Linked**, the **Parent Orders** will also have identical **Acceptance Ratios**, and the **Child Orders** and **Substitutable Child Orders** (if any) will also have identical **Acceptance Ratios**;

10.2.7 the **Acceptance Ratio** of a **Child Order** or **Substitutable Child Order** in a **Basket** that is defined in a **Linked Window** is greater than zero (0) only if the sum of the **Order Surplus** of all identical (or as may vary as permitted by paragraph 9.6) orders in all the **Baskets** defined on the **Linked Windows** is greater than or equal to zero (0);

Buy Orders

10.2.8 the Acceptance **Ratio** of a **Buy Order** is between zero (0) and one (1) inclusive;

10.2.9 the sum of the **Acceptance Ratios** of all **Buy Orders** that are members of the same **Buy Order Substitutable Family** is between zero (0) and one (1) inclusive;

10.2.10 the Acceptance **Ratios** of the **Buy Orders** in a **Joined Family** are equal;

~~the Acceptance **Ratio** of a **Buy Order** that has a **Paradoxical Acceptance Indicator** equal to "False" may be greater than zero (0) only if its **Order Surplus** is greater than zero (0);~~

Baskets

~~10.2.12~~10.2.11 the sum of the **Acceptance Ratios** of the **Parent Orders** in any two **Baskets** which are in different **Flexible Groups** and which are **Concomitant** is less than or equal to one (1);

Looped Family

~~10.2.13~~10.2.12 for each **Looped Family**, the **Acceptance Ratio** of the **Parent Order** in any **Basket** that is not a member of a **Flexible Group** (for the avoidance of doubt being one defined for any other product which at the relevant time is co-optimised with **Slow Reserve** in order to determine maximum **Market Welfare**), and the maximum **Acceptance Ratio** of the **Parent Order** in each **Basket** in a **Flexible Group**, are equal, and furthermore are one (1) only if the sum of the **Order Surplus** of all **Sell Orders** in all the **Baskets** that comprise the **Looped Family** is greater than or equal to zero (0);

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~~10.2.14~~10.2.13 the **Acceptance Ratio** of a **Parent Order** in a **Basket** that is not a member of a **Looped Family** is equal to one (1) only if the sum of the **Order Surplus** of all **Sell Orders** in the **Basket** is greater than or equal to zero (0);

Flexible Group

~~10.2.15~~10.2.14 in respect of each **Flexible Group**, **Sell Orders** will be **Accepted** if the sum of the **Order Surplus** in all of the **Baskets** that comprise that **Flexible Group** is greater than or equal to zero (0) and if the duration of consecutive **SR Service Windows** defined by the **Sell Orders** so **Accepted** does not fall below the duration of that **Flexible Group**'s **Service Window Block**;

~~10.2.16~~10.2.15 for each **Flexible Group,** all identical (or as may vary as permitted by paragraph 9.5.4) **Child Orders** and **Substitutable Child Orders** in each relevant **Basket** which are **Accepted** (if any) will have identical **Acceptance Ratios**;

10.2.16 for each **Flexible Group**, the **Acceptance Ratio** of each **Child Order** or Substitutable **Child Order** in ~~in~~ each relevant **Basket** is greater than zero (0) only if the sum of the **Order Surplus** of all identical (or as may vary as permitted by paragraph 9.5.4) **Sell Orders** in all of the **Baskets** in that **Flexible Group** is greater than or equal to zero (0);

Zonal Requirements and Available Transfer Capacities

10.2.17 for any **Auction Product** and **SR Window**, the **Auction** algorithm shall ensure so far as possible (and having regard to (and so as not to exceed) all and any **Available Transfer Capacities**) that each applicable **Zonal Requirement** is satisfied;

General

10.2.18 for any **Auction Product** and **SR Window**, the sum across all **Sell Orders** of the **Matched Quantity** is equal to the sum across all **Buy Orders** of the **Matched Quantity**; and

10.2.19 for the avoidance of doubt, a **Sell Order** or a **Buy Order** with an **Order Surplus** greater than zero (0) may have an **Acceptance Ratio** less than one (1)~~., and a **Buy Order** with an **Order Surplus** less than zero (0) that has a **Paradoxical Acceptance Indicator** equal to "True" may have an **Acceptance Ratio** greater than zero (0).~~

10.3 The **Auction** algorithm will determine the **Contracted Quantity** of each **Auction Product** with respect to **Sell Orders** which are **Accepted** in accordance with the following rules:-

10.3.1 for a **Parent Order**, the **Contracted Quantity** of each **Auction Product** is the **Matched Quantity** of that **Auction Product**;

10.3.2 for a **Child Order**, the **Contracted Quantity** of each **Auction Product** is the **Matched Quantity** of that **Auction Product**, rounded up or down to the nearest integer (subject always to paragraph 10.3.3); and

10.3.3 for a **Substitutable Child Order**, the **Contracted Quantity** of each **Auction Product** is the **Matched Quantity** of that **Auction Product**, rounded down to the next smallest integer.

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10.4 The **Auction** algorithm will determine, with respect to each **Zone**, the **Market Clearing Price** for each **Auction Product** and each **SR Window,** with the objective that the **Total Auction Procurement Cost** is minimised, but subject always to the provisions of paragraph~~s~~ 10.2 ~~10.2.5, 10.2.13 and 10.2.17~~~~10.2.9, 10.2.10 and 10.2.11~~.

10.5 Each **Sell Order** that is **Accepted** in accordance with the **Market Clearing Rules** shall form an **SR Contract** for that **Auction Unit** and the relevant **SR Window** for each of the **Auction Products** over which it is defined, as more particularly provided in paragraph 13. For the avoidance of doubt, by virtue **of Sell Orders** being comprised in **Flexible Groups**, **Sell Orders** in the same **Flexible Group** which are **Accepted** shall together be defined over a single **Service Window Block**.

11 Warranties and Undertakings

11.1 Without prejudice to its other obligations under and/or pursuant to the **SR Procurement Documentation** and any **SR Contract** and subject to paragraphs 10.1 and 10.3 of the **Flexibility Services Standard Agreement** which shall apply as if set out in full herein:-

11.1.1 **NESO** and each **Registered Auction Participant** warrants and undertakes to the other in the manner set out in paragraph 5.1 of the **Flexibility Services Standard Agreement** as if set out in full herein; and

11.1.2 on each occasion it submits a **Sell Order**, the **Registered Auction Participant** warrants and undertakes to **NESO** in the manner set out in paragraph 5.2 of the **Flexibility Services Standard Agreement** as if set out in full herein.

11.2 Without prejudice to any other right or remedy, **NESO** and the **Registered Auction Participant** shall each be entitled to claim damages from the other for any breach of the warranties and undertakings or any of them set out or referred to in this paragraph 11 subject to paragraphs 10.1 and 10.3 of the **Flexibility Services Standard Agreement** as if set out in full herein.

11.3 Each **Registered Auction Participant** indemnifies **NESO** from and against any losses, liabilities, claims, expenses and demands which **NESO** might suffer as a result of the **Registered Auction Participant** being in breach of the warranties and undertakings or any of them set out or referred to in paragraph 11.1.2.

12 Daily Auction Reports

12.1 By such time following the **Auction Results Time** as may be specified by **NESO** from time to time, **NESO** shall publish (and may subsequently revise) the **Daily Auction Report**.

12.2 Each **Daily Auction Report** shall include, for each **Service Day**:-

12.2.1 for each **Buy Order** (whether or not **Accepted**), the information described in paragraphs 8.2 and 8.3;

12.2.2 for each **Sell Order** (whether or not **Accepted**), the information described in paragraphs 9.2 to 9.5 inclusive;

12.2.3 for each **Sell Order** which is **Accepted**, the **Contracted Quantity(ies)** and relevant **Zone**;

12.2.4 for each **Sell Order** which is not **Accepted**, a **Reason Code**;

and in relation to each **Auction Product**, ~~and~~ **SR Window and Zone**:-

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12.2.5 the **Market Clearing Price**; ~~and~~

12.2.6 the **Auction Clearing Quantity**~~.~~; and

~~12.2.6~~12.2.7 the **Zonal Requirement**.

12.3 The **Daily Auction Report** shall include **Available Transfer Capacities** for each **Zone** and may include such additional information as **NESO** may determine at its sole discretion.

13 Formation of SR Contracts

13.1 The **Auction Administrator** shall make available on the **Designated Auction Platform** the outcome of each **Auction** as soon as reasonably practicable after the **Auction Results Time** and the outcome shall also be published by **NESO** (whether or not it is also the **Auction Administrator**) at such time and in such format as it shall determine in its sole discretion. Insofar as **NESO**'s publication confirms the **Acceptance** (including **Partial Acceptance** where applicable) of a **Sell Order**, one or more **SR Contract(s)** will be formed automatically and simultaneously with such publication at this time and for the purposes of paragraph 13.3 shall be treated as awarded to the relevant **Registered Auction Participant**.

13.2 There shall be one **SR Contract** formed for each **Auction Product** the subject of each **Accepted Sell Order**, and with respect thereto the **Market Clearing Price** for that **Auction Product**, ~~and~~ **SR Window** and the applicable **Zone** shall apply, as more particularly provided in this paragraph 13.

13.3 Each **Registered Auction Participant** awarded an **SR Contract** pursuant to paragraph 13.1 shall provide the relevant **Auction Product** from the applicable **SR Unit** during the applicable **SR Window** pursuant to and in accordance with the **SR Service Terms**.

13.4 For the avoidance of doubt, for any **Registered Auction Participant** with an **SR Contract** the subject of one or more **Accepted** (or part **Accepted**) **Sell Orders** in a **Service Day** (whether for the same or different **Auction Units**), there shall be a separate **SR Contract** formed in respect of each **Auction Unit** for each **SR Window** and **Auction Product**.

13.5 Each **SR Contract** shall be personal to **NESO** and the **Registered Auction Participant** and neither **Party** shall assign, transfer, mortgage, charge, contract or deal in any other manner with any or all of its rights and obligations under an **SR Contract** except as permitted by the **SR Service Terms**.

14 Confidentiality

14.1 Subject always to paragraphs 14.2 and 14.3, the provisions of paragraph 12 of the **Flexibility Services Standard Agreement** shall apply to all and any information provided by **NESO** or any **Registered Auction Participant** to the other (whether orally or in writing) pursuant to or in connection with these **SR Procurement Rules** as if set out in full herein.

14.2 Each **Registered Auction Participant** agrees to the publication by **NESO** of the information contained in the **Daily Auction Reports**, including in a non-anonymised form, insofar as relating directly or indirectly to the **Registered Auction Participant** and the relevant **Auction Unit**.

14.3 Without limiting paragraph 14.2, each **Registered Auction Participant** also agrees to the disclosure by **NESO** to the relevant **Public Distribution System Operator** of information related to any **Sell Order** (whether or not accepted) insofar as relevant to the management and operation of its **Distribution System**, including without limitation location of the relevant **Auction Unit** and its MPAN and technology type, **Auction Product** and the **Contracted Quantity**.

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15 Exceptional Circumstances

15.1 If an exceptional situation arises, in particular if a system or the information needed to operate an **Auction** is unavailable or if an incident prevents an **Auction** from being held in normal circumstances, then **NESO** may take any or all of the following measures (at its sole discretion):-

15.1.1 modify any or all of the **Auction Opening Time**, **Auction Closing Time** or **Auction Results Time**;

15.1.2 authorise **Registered Auction Participants** to submit new **Sell Orders** or modify existing **Sell Orders**;

15.1.3 authorise **Registered Auction Participants** to submit **Sell Orders** otherwise than in accordance with paragraph 9;

15.1.4 cancel the **Auction** for any one or more **Service Days**; and/or

15.1.5 take such other action or steps as it reasonably considers to be necessary.

16 Use of Designated Auction Platform

16.1 Insofar as made available as part of the **Auctions**, each **Registered Auction Participant** agrees to use the **Designated Auction Platform** (including all and any associated hardware and software IT and telecommunications equipment and transmission media):-

16.1.1 in compliance with all applicable **Law**;

16.1.2 in compliance with all and any technical specifications provided from time to time by or on behalf of **NESO** or (if not **NESO**) the **Auction Administrator**; and

16.1.3 solely for the purpose of formation of **SR Contracts** (and any other contracts for **Balancing Services** from time to time procured by **NESO** on the **Designated Auction Platform**),

and any other use is strictly prohibited.

17 Accuracy of Information

17.1 All and any information provided by **NESO** to **Registered Auction Participants** for the purposes of these **SR Procurement Rules** including in each **Daily Auction Report** is provided in good faith, but no representation or warranty is given by **NESO** (or any of its employees, officers agents or advisers) as to the accuracy or completeness of such information.

18 Intellectual Property

18.1 **NESO** and each **Registered Auction Participant** retain ownership of the documents, data and information of any kind (including all intellectual property rights in them) that are provided to the other pursuant to these **SR Procurement Rules**.

18.2 Each **Registered Auction Participant** undertakes to **NESO** that it will at all times when participating in an **Auction**, hold all and any authorisations and/or property rights and/or licences for all of the configurations, interfaces, firmware and software needed by it for it to participate in the applicable auction process through the **Designated Auction Platform**.

18.3 Each **Registered Auction Participant** shall comply (and use reasonable endeavours to ensure that its staff and other representatives comply) with all applicable user licences and terms of use of which the **Registered Auction Participant** is aware governing use by the

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Registered Auction Participant of the systems or software applications comprised in the **Designated Auction Platform**.

18.4 Each Registered **Auction Participant** indemnifies and keeps indemnified **NESO** from and against any claims from a third party relating to an infringement of that third party's intellectual property rights or other property rights arising out of use by the **Registered Auction Participant** of the **Designated Auction Platform** in breach of any user licence or terms of use referred to in paragraph 18.3 of which it is aware.

18.5 **NESO** shall procure such third party intellectual property authorisations as may be necessary to enable the **Registered Auction Participant** to use the **Designated Auction Platform** for the purposes of the **Auctions**.

18.6 **NESO** shall indemnify and keep indemnified the **Registered Auction Participant** from and against any claims from a third party if and to the extent that the use of the **Designated Auction Platform** by such **Registered Auction Participant** for the purposes of a **Sell Order** infringes a third party's intellectual property rights or other property rights.

18.7 In respect of the indemnities given in paragraphs 18.4 and 18.6 the indemnified party shall:-

18.7.1 notify the indemnifying party as soon as possible of any claim the subject of the indemnity (in this paragraph 18, "**IPR Claim**");

18.7.2 give the indemnifying party control of the **IPR Claim**;

18.7.3 make no admissions in respect of an **IPR Claim** without prior written consent of the indemnifying party; and

18.7.4 provide such support in respect of the **IPR Claim** as the indemnifying party may reasonably require at the cost of the indemnifying party.

19 Viruses

19.1 Each **Registered Auction Participant** shall, prior to uploading any information to the **Designated Auction Platform** or otherwise interfacing with it, use up to date versions of anti-virus software available from an industry accepted anti-virus software vendor to check for and delete from its systems viruses, trojan horses, worms, time-bombs, keystroke loggers, spyware, adware or any other harmful programmes or similar computer code designed adversely to affect the operation of any computer software or hardware (in this paragraph 19, "**Malicious Software**").

19.2 If, notwithstanding the provisions of paragraph 19.1, **Malicious Software** is found on the **Designated Auction Platform**, the **Registered Auction Participant** shall co-operate with **NESO** to reduce the effect of the **Malicious Software** and, particularly if **Malicious Software** causes loss of operational efficiency to the **Designated Auction Platform**, assist **NESO** to mitigate any losses and restore the **Designated Auction Platform** to its original operating efficiency.

20 Costs

20.1 For the avoidance of doubt, each **Registered Auction Participant** shall remain responsible for all costs and expenses incurred by it in connection with these **SR Procurement Rules** including all costs of preparing and submitting **Sell Orders**.

21 Site Export and Import Limits

21.1 Each **Registered Auction Participant** shall, prior to submitting a **Sell Order**, ensure sufficient export and/or import capacity at the premises at which each relevant **Auction Unit** is situated

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(including where applicable **Transmission Entry Capacity** (and, if relevant, the STTEC)) so as to enable it to provide the relevant **Auction Product** during each and every applicable **SR Window** in accordance with its obligations under the **SR Contract** which may be formed in relation thereto and in conformance with its obligations owed to the owner of the relevant part of the **National Electricity Transmission System** or the relevant **Distribution System** or such other network (as applicable).

22 Notices

22.1 Save to the extent the manner of communication between the **Parties** is stipulated in the **Registration and Pre-Qualification Procedure**, paragraph 16 of the **Flexibility Services Standard Agreement** shall apply as if set out in full herein to any notice required to be submitted under these **SR Procurement Rules** by either **NESO** or the **Registered Auction Participant** to the other.

22.2 For the purposes of paragraph 22.1, the relevant contact details and addresses of each **Registered Auction Participant** shall be those notified from time to time by that **Registered Auction Participant** to the other pursuant to the **Registration and Pre-Qualification Procedure**.

23 Dispute Resolution

23.1 The provisions of paragraph 17 of the **Flexibility Services Standard Agreement** shall apply in relation to any dispute or difference of whatever nature however arising under, out of, or in connection with these **SR Procurement Rules** as if set out in full herein, save that:-

23.1.1 no **Party** shall have any right to refer any dispute to an **Expert** for determination except where the dispute is stated in these **SR Procurement Rules** to be referable to an **Expert** for determination or otherwise agreed in writing by **NESO** and the **Registered Auction Participant** to be so referable; and

23.1.2 nothing in this paragraph 23 shall prevent the **Parties** from agreeing to resolve any dispute or difference through the courts in which case paragraph 24.1 shall apply; and

23.1.3 where any dispute is referred to arbitration, the rules of the **London International Court of Arbitration** shall apply unless otherwise agreed in writing by the **Parties** (and paragraph 17.6 of the **Flexibility Services Standard Agreement** shall be read and construed accordingly).

24 Governing Law and Jurisdiction

24.1 Any claim, dispute or matter (whether contractual or non-contractual) arising under or in connection with these **SR Procurement Rules** or their enforceability shall be governed by and construed in accordance with the laws of England and Wales.

24.2 **NESO** and each **Registered Auction Participant** submits to the exclusive jurisdiction of the courts of England and Wales over any claim, dispute or matter arising under or in connection with these **SR Procurement Rules** or their enforceability and waives any objection to proceedings being brought in such courts or on the grounds that proceedings have been brought in an inconvenient forum.

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SCHEDULE 1 – DEFINED TERMS

"Acceptance Ratio"	for any **Order**, a number between zero (0) and one (1), indicating the proportion of an **Offered Quantity** or a **Bid Quantity** which has been matched by the **Auction** algorithm;
"Accepted" or "Acceptance"	in respect of any **Order**, where its **Acceptance Ratio** is greater than zero (0), and for the avoidance of doubt such **Sell Order** shall be **Partially Accepted** if its **Acceptance Ratio** is less than one (1);
"Active Network Management Scheme"	a scheme operated by a **Public Distribution System Operator** which is designed to continually monitor in real time constraints on an area of the network for the purpose of allocation of available capacity;
"Agent"	in respect of any **Registered Auction Participant**, its agent (if any) notified to **NESO** pursuant to the **Registration and Pre-Qualification Procedure**;
"Auction"	in respect of all **Auction Products** and **SR Windows** in a **Service Day**, the operation of the algorithm pursuant to the **Market Clearing Rules** and the submission of **Orders** pursuant thereto;
"Auction Administrator"	the operator from time to time of the **Designated Auction Platform** (which may be **NESO**);
"Auction Clearing Quantity"	in respect of any **Auction Product** and for each **SR Window** falling in any **Service Day**, the sum of the **Contracted Quantities**;
"Auction Closing Time"	in respect of the **SR Windows** falling in any **Service Day**, 14:00 hours on the **Service Day** which immediately precedes that **Service Day**;
"Auction Opening Time"	in respect of the **SR Windows** falling in any **Service Day**, 08:00 hours on D-15 where D is that **Service Day**;
"Auction Product"	any **Slow Reserve Product**;
"Auction Results Time"	in respect of the **SR Windows** falling in any **Service Day,** 14:30 hours on the **Service Day** which immediately precedes that **Service Day**;
"Auction Unit"	a collection of one or more **Eligible Assets** meeting the eligibility criteria described in these **SR Procurement Rules** and registered at the relevant time as an **Auction Unit** in accordance with the **Registration and Pre-Qualification Procedure**;

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"Available Transfer Capacity"	in relation to two adjacent **Zones**, and for each **SR Window** in a **Service Day**, the prevailing maximum capacity available for transfer of **Auction Products**-, **BR Auction Products** and **QR Auction Products** between those **Zones** (in each direction) as submitted by **NESO** on the **Designated Auction Platform** on or prior to the preceding **Service Day**;
"Balancing Reserve"	as defined in the **BR Procurement Rules**;
"Basket"	in respect of any **SR Window** and **Auction Unit**, a collection of one or more **Sell Orders** which meet the requirements of paragraph 9;
"Bid Price"	the price (£/MW/h) associated with each **Buy Order** as more particularly described in paragraph 8.2.5;
"Bid Quantity"	in respect of any **Buy Order**, the volume of an **Auction Product** required by **NESO** in the **SR Window** defined by that **Buy Order** as more particularly described in paragraph 8.2.4;
"BM Participating"	in respect of a **Contracted Unit**, that for the duration of the relevant **SR Contract**, it is or will be registered as a **BM Unit**;
"BR Auction Products"	the '*Balancing Reserve Products'* as that term is defined in the **BR Procurement Rules**;
"BR Procurement Rules"	the prevailing document titled '*Balancing Reserve Procurement Rules'* published by or on behalf of **NESO** from time to time governing the procurement of **Balancing Reserve**;
"Buy Order"	an **Order** submitted by **NESO** in accordance with paragraph 8 comprising a **Bid Quantity** for an **Auction Product** and **SR Window**, and an associated **Bid Price**, validly registered as such on the **Designated Auction Platform**;
"Buy Order Substitutable Family"	a group of two (2) or more **Buy Orders** defined over the same **Settlement Period** as more particularly described in paragraph 8.3 and whose **Acceptance Ratios** are constrained as described in paragraph 10.2.9;
"Child Order"	in respect of any **Basket**, a **Sell Order** whose **Acceptance** (1) is dependent on the **Acceptance** of another **Sell Order** in that **Basket** (being its **Parent Order**), and (2) independent of the **Acceptance** of any other **Child Order**(s) in that **Basket,** and having such other characteristics as are described in paragraphs 9 and 10;

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"Contracted Quantity"	for each **Auction Product** in an **Accepted Sell Order**, the **Matched Quantity**, rounded to an integer according to the rules appropriate to the **Sell Order Type** as more particularly described in paragraph 10.3;
"Contracted Unit"	an **Auction Unit** that is, for any **SR Window**, subject to a subsisting **SR Contract** formed upon **Acceptance** of a **Sell Order**;
"Control Telephony"	the principal method by which personnel of **NESO** and a **Registered Auction Participant** with control over **Plant** and **Apparatus** or (as the case may be) the **National Electricity Transmission System** speak to one another for the purposes of control of the **System** in both normal and emergency operating conditions;
"Daily Auction Report"	the report (which may comprise more than one document, published separately) published by **NESO** pursuant to paragraph 12.1;
"Demand Turn Down"	a reduction in import of **Active Power** (expressed in MW) attributable to an **Auction Unit** (where applicable comprising a reduction in aggregate imports of **Active Power** attributable to all relevant **Eligible Assets**), of an amount and for such period as more particularly provided in the **SR Service Terms** (and by reference to an **Operational Baseline**);
"Demand Turn Up"	an increase in import of **Active Power** (expressed in MW) attributable to an **Auction Unit** (where applicable comprising an increase in aggregate imports of **Active Power** attributable to all relevant **Eligible Assets**), of an amount and for such period as more particularly provided in the **SR Service Terms** (and by reference to an **Operational Baseline**);
"Deregistered"	in relation to (1) any **Auction Product**, means the cessation of an **Auction Unit's** pre-qualification to that **Auction Product**, and (2) any **Registered Auction Participant**, means the cessation of that **Registered Auction Participant**'s eligibility to participate in the **Auctions**, and (3) any **Registered Service Provider**, means the cessation of that **Registered Service Provider**'s eligibility to provide

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	Balancing Services to **NESO** via the **Single Market Platform**;
"Designated Auction Platform"	the auction platform(s) from time to time designated by **NESO** for use in connection with the **Auctions**;
"DRSC Liable User"	any **Service Provider** whose **SR Contract** renders it a **Demand Response Provider** by virtue of the relevant **Auction Product** comprising a source of controllable **Demand**;
~~**"Effective Date"**~~	~~the meaning given to that term in paragraph 1.4;~~
"Eligible Assets"	any item of **Plant** and **Apparatus** which has been validated by **NESO** in accordance with the **Registration and Pre-Qualification Procedure** as capable (either individually or in combination with one or more other **Eligible Assets**) of providing one or more **Auction Products** in accordance with the **SR Service Terms**;
"Energy Limited"	a classification given in the **Registration and Pre-Qualification Procedure** to any **Auction Unit**:- (a) which creates its store of energy by using power ultimately drawn from the **National Electricity Transmission System**; and (b) whose **State of Energy** at the start of a relevant **SR Window** is insufficient to provide full delivery of the **Contracted Quantity** for the duration of that **SR Window**;
"Flexible Group"	a grouping of not less than four (4) **Baskets** each defined over consecutive **SR Windows** which are adjacent to one or more of the others as more particularly described in paragraph 9.5;
"Grid Supply Point"	the meaning given to that term in the **BSC**;
"GSP Group"	the meaning given to that term in the **BSC**;
"Industry Information Website"	the web page listed under the **NESO** website for the publication of information for the use by **Registered Auction Participants** and other interested parties;
"IPR Claim"	as defined in paragraph 18.7.1;
"Joined"	in respect of a **Buy Order**, that it is associated with one or more other **Buy Orders** over the same **Auction Product** but defined by different **SR Windows**;
"Joined Family"	two (2) or more **Buy Orders** which are **Joined** as more particularly described in paragraph 8.3;

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"Link", **Linking"** or **"Linked"**	in respect of any two or more consecutive **SR Windows** and single **Auction Product**, that the submission and/or **Acceptance** of any **Sell Order(s)** in respect of that **Auction Unit** for any of such **SR Windows** is conditional upon that **Sell Order** being comprised within a **Flexible Group** which includes each of those other **Settlement Periods SR Window** as more particularly described in paragraph 9.7;
"Linking Notice"	the meaning given to that term in paragraph 7.1;
"Looped"	in respect of a **Flexible Group**, that **Acceptance** of the **Sell Order**(s) in its **Baskets** is a pre-condition to **Acceptance** of **Sell Order**(s) in the **Baskets** comprising one or more other **Flexible Groups** and/or other **Basket**(s) (defined over any other product(s) which is at the relevant time co-optimised with Slow Reserve) to which it is **Looped** as more particularly described in paragraph 9.6;
"Looped Family"	two (2) or more **Flexible Groups**, or one (1) or more **Flexible Groups** and one (1) or more **Baskets** (defined over any other product(s) which is at the relevant time co-optimised with **Slow Reserve**), which are **Looped** as more particularly described in paragraph 9.6;
"Malicious Software"	as defined in paragraph 19.1;
"Market Clearing Price"	the price (£/MW/h) derived for an **Auction Product**, ~~and~~ **SR Window** and applicable **Zone** by operation of the **Market Clearing Rules** as more particularly described in paragraph 10.4;
"Market Clearing Rules"	the rules set out in paragraph 10 for creation of **SR Contracts** and establishment of **Market Clearing Prices**;
"Market Welfare"	the aggregate of:- (1) the sum of the **Order Surpluses** with respect to all **Buy Orders** and **Sell Orders** in a **Service Day**, and (2) the 'Market Welfare' for that **Service Day** as defined in the **Response Procurement Rules** but with respect only to limb (1) and the **Response Auction Products** and (3) the 'Market Welfare' for that **Service Day** as defined in the **QR Procurement Rules** but with respect only to limb (1) and the **QR Auction Products**, and (4) the 'Market Welfare' as defined in the **BR Procurement Rules** but with respect only to limb (1) and the **BR Auction Products**;

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"Matched Quantity"	in respect of any **Order** and **Auction Product**, either the **Acceptance Ratio** multiplied by the **Offered Quantity** in the case of a **Sell Order**, or the **Acceptance Ratio** multiplied by the **Bid Quantity** in the case of a **Buy Order**, and in either case where the **Matched Quantity** need not be an integer;
"Maximum Market Price"	such price (£/MW/h) as may be notified in writing by **NESO** to **Registered Auction Participants** from time to time, being the maximum permitted **Bid Price** and **Sell Price** associated with (respectively) a **Buy Order** and **Sell Order**, and which for the avoidance of doubt may be positive or negative or zero;
"Maximum Registered Product Capacity"	in respect of any **Eligible Asset** and **Auction Product**, the maximum capability for which its component **Plant** and **Apparatus** are pre-qualified in accordance with the **Registration and Pre-Qualification Procedure**;
"Maximum Unit Product Capacity"	in respect of any **Auction Unit** and **Auction Product**, the aggregate of the **Maximum Registered Product Capacity** of each **Eligible Asset** allocated to it the relevant time;
"Maximum Sell Size"	such volume (MW) as may be notified in writing by **NESO** to **Registered Auction Participants** from time to time, being the maximum permitted **Offered Quantity**, and which for the avoidance of doubt shall be three hundred (300) MW unless otherwise notified in writing by **NESO**;
"Minimum Market Price"	such price (£/MW/h) as may be notified in writing by **NESO** to **Registered Auction Participants** from time to time, being the minimum permitted **Bid Price** and **Sell Price** associated with (respectively) a **Buy Order** and **Sell Order**, and which for the avoidance of doubt may be positive or negative or zero;
"MSID Pair"	the meaning given to that term in the **BSC**, and **"MSID Pair Data"**~~,~~ and references to MPAN shall be construed accordingly;
"**Negative Slow Reserve**" or "**NSR**"	**Slow Reserve** delivered by way of **Demand Turn Up** or **Output Curtailment**;
"Non-Contracted Unit"	an **Auction Unit** that is not, with respect to any **SR Window**, the subject of an **SR Contract** formed pursuant to these **SR Procurement Rules**;
"Offer Price"	the price (£/MW/h) associated with each **Sell Order** as more particularly described in paragraph 9.2.7;

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"Offered Quantity"	in respect of any **Sell Order**, the volume of an **Auction Product** offered by a **Registered Auction Participant** in its **Sell Order** as more particularly described in paragraph 9.3.3;
"Open Balancing Platform" or **"OBP"**	the **NESO** flexible dispatch platform, intended as a direct replacement for the legacy ASDP/PAS dispatch system, which is capable of sending and receiving real-time data (including availability submissions and dispatch notifications) to and from **Service Providers** with respect to **Auction Units** which are not **BM Participating**, using a common communication data interface capable of receiving web-based data from **Service Providers** via an API;
"Operational Baseline"	in relation to any **Auction Unit**, an intended operating profile more particularly defined in the **SR Service Terms** (being a level (which may be zero) of **Output** or **Demand** which where applicable shall be an aggregate operating profile across all constituent **Eligible Assets**;
"Optional Availability Declaration"	with respect to any **Auction Unit** which is not **BM Participating**, the submission by the **Service Provider** of a **Non-BM Data Submission** in the circumstances specified in the **SR Service Terms**;
"Order"	a **Sell Order** or a **Buy Order** (as the context admits);
"Order Surplus"	in respect of a **Sell Order**, the sum of the **Product Surpluses** of all **Auction Products** over which it is defined, and with respect to a **Buy Order**, the **Matched Quantity** multiplied by the difference between (1) the **Bid Price** of that **Buy Order** and (2) the **Weighted Average Market Clearing Price** for the **Auction Product** and **SR Window** over which it is defined**;**
"Output Curtailment"	a curtailment in exports of **Active Power** (expressed in MW) attributable to an **Auction Unit** (where applicable comprising a curtailment in aggregate exports of **Active Power** attributable to all constituent **Eligible Assets**), of an amount and for such period as more particularly provided in the **SR Service Terms** (and by reference to an **Operational Baseline**);
"Output Increase"	an increase in exports of **Active Power** (expressed in MW) attributable to an **Auction Unit** (where applicable comprising an increase in aggregate exports of **Active Power** attributable to all constituent **Eligible Assets**), of an amount and for such period as more particularly provided in the **SR Service**

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	Terms (and by reference to an **Operational Baseline**);
~~**"Paradoxical Acceptance Indicator"**~~	~~an indicator selected by **NESO** for each **Buy Order**, as more particularly described in paragraph 8.2.6;~~
"Parent Order"	in respect of any **Basket**, a **Sell Order** whose **Acceptance** is a pre-condition to **Acceptance** of one or more other **Sell Orders** in that **Basket** (each being its **Child Orders**);
"Partially Accepted"	in respect of any **Accepted Sell Order**, where its **Acceptance Ratio** is less than one (1);
~~**"Product Surplus"**~~	~~in respect of a **Sell Order** and **Auction Product**, the **Matched Quantity** multiplied by the difference between (1) the **Market Clearing Price** for the **Auction Product** and **SR Window** over which it is defined, and (2) the **Offer Price** of that **Sell Order**;~~
"**Positive Slow Reserve**" or "**PSR**"	**Slow Reserve** delivered by way of **Demand Turn Down** or **Output Increase**;
"Procurement Cost"	in respect of an **Auction Product** and **SR Window**, the sum of the product of the **Market Clearing Price** and **Contracted Quantity** in each **Zone**;
"Product Surplus"	in respect of a **Sell Order** and **Auction Product**, the **Matched Quantity** multiplied by the difference between (1) the **Market Clearing Price** for the **Auction Product** and **SR Window**, and the **Zone** over which it is defined, and (2) the **Offer Price** of that **Sell Order**;
"QR Auction Products"	the '*Quick Reserve Products'* as that term is defined in the **QR Procurement Rules**;
"QR Procurement Rules"	the prevailing document titled '*Quick Reserve (QR) Procurement Rules'* published by or on behalf of **NESO** from time to time governing the procurement of **Quick Reserve**;
"Quick Reserve"	as defined in the **QR Procurement Rules**;
"Reason Code"	a code designated by **NESO** from time to time to a reason why an **Order** is not **Accepted**;
"Registered Auction Participant"	a **Registered Service Provider** who is subsequently registered with **NESO** as eligible to participate in the **Auctions**;

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"Registered Service Provider"	a person registered from time to time pursuant to the **Registration and Pre-Qualification Procedure** as eligible to provide any one or more **Balancing Services** to **NESO** including any successor(s) in title to, or permitted assign(s) of, such person;
"Registration and Pre-Qualification Procedure"	the procedure and processes described in Schedule 2;
"Rejected"	in respect of any **Order**, where its **Acceptance Ratio** is zero (0);
"Response"	as defined in the **Response Procurement Rules**;
"Response Auction Products"	the 'Response Products' as that term is defined in the **Response Procurement Rules**;
"Response Procurement Rules"	the prevailing document titled 'Response Services Procurement Rules' published by or on behalf of **NESO** from time to time governing the procurement of **Response**;
"SR Contract"	a **Balancing Services Contract** for the delivery of **Slow Reserve** from an **Auction Unit** formed either pursuant to paragraph 13 or upon utilisation by **NESO** of an **Optional Availability Declaration** and more particularly described in the **SR Service Terms**;
~~**"SR Go-Live Date"**~~	~~the first **Service Day** in respect of which the **Market Clearing Rules** will operate in relation to **Slow Reserve Products** for the determination of **Market Clearing Prices** and formation of **SR Contracts**, being the **Service Day** whose **Auction Opening Time** falls in the date notified in writing by **NESO** for such purpose;~~
"SR Procurement Documentation"	as described in paragraph 1.3;
"SR Procurement Rules"	this document as published by **NESO** from time to time;
"SR Service Terms"	the prevailing document titled 'Slow Reserve (SR) Service Terms' published by or on behalf of **NESO** from time to time containing the terms and conditions governing **SR Contracts**;
"SR Window"	each consecutive thirty (30) minute period commencing at 23.00 hours;
"Service Window Block"	a continuous period of not less than two (2) hours in duration falling wholly in a **Service Day** and comprising consecutive **SR Windows** defined by a **Flexible Group** and each of which may be the

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	subject of a separate **SR Contract** formed pursuant to an **Auction**;
"Sell Order"	an **Order** submitted by a **Registered Auction Participant** in accordance with these **SR Procurement Rules** for the delivery upon and subject to the **SR Service Terms** of an **Auction Product** during a **SR Window** falling in a **Service Day**, validly registered as such on the **Designated Auction Platform** and being one of the **Sell Order Types**;
"Sell Order Type"	**Parent Order**, **Child Order** and **Substitutable Child Order**;
"Service Day"	each twenty-four (24) hour period commencing at 23.00 hours;
"Service Parameters"	such requirements and/or parameters for delivery of an **Auction Product** as may be specified in the **SR Service Terms**;
"Service Provider"	in respect of any **Contracted Unit**, **NESO**'s counterparty to an **SR Contract,** and with respect to any **Non-Contracted Unit** any **Registered Auction Participant** providing or seeking to provide **Quick Reserve** pursuant to an **Optional Availability Declaration**;
"Single Market Platform"	the online platform hosted by **NESO** comprising the **Registration and Pre-Qualification Procedure**;
"Slow Reserve" or **"SR"**	when used in the **SR Procurement Documentation**, any or all of the **Slow Reserve Products** as the context admits;
"Slow Reserve Products"	**Positive Slow Reserve** and **Negative Slow Reserve**;
"State of Energy"	the prevailing state of charge of an asset (such as a battery) which is **Energy Limited** representing its available **Active Power Output** and **Demand**;
"System Telephony"	an alternative method by which personnel of **NESO** and a **Registered Auction Participant** with control over **Plant** and **Apparatus** or (as the case may be) the **National Electricity Transmission System** speak to one another for the purposes of control of the **System** in both normal operating conditions and where practicable emergency operating conditions;
"Substitutable Child Order"	in respect of any **Basket**, a **Sell Order** whose acceptance is dependent on the acceptance of another **Sell Order** in that **Basket** (being its **Parent Order**), and whose **Acceptance** is constrained by the

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	Acceptance of any other **Substitutable Child Order**(s) in its **Substitutable Child Group**;
"Substitutable Child Group"	a group of **Substitutable Child Orders** as more particularly described in paragraph 9.4.5; and
"Total Auction Procurement Cost"	for any **Service Day**, the total of (1) the sum, over all **Auction Products** ~~and **SR Windows**~~, of the **Auction Clearing Quantity** multiplied by the applicable **Market Clearing Price**, in respect of each **SR Window** and **Zone**, and (2) the equivalent sum, over all **QR Auction Products** as derived under the **QR Procurement Rules**, (3) the equivalent sum, over all **BR Auction Products**, as derived under the **BR Procurement Rules**, and (4) the equivalent sum, over all **Response Auction Products**, as derived under the **Response Procurement Rules**;
"Weighted Average Market Clearing Price"	in respect of an **Auction Product** and **SR Window**, the **Procurement Cost** divided by the total **Contracted Quantity**, where the total **Contracted Quantity** is zero (0), the price is not calculated;
"Zonal Requirement"	shall mean, for any **SR Window**, **NESO**'s required volume (MW) of each **Auction Product** in each **Zone**;
"Zone"	the geographical areas within Great Britain as delineated and identified as such and described in a document published by or on behalf of **NESO** for the purposes of these **SR Procurement Rules** and as may be modified by **NESO** from time to time by notice in writing to **Registered Auction Participants**, but so that any change to a **Zone:** (a) shall only be after review by **NESO** of all **Zones** to take place periodically (no less frequently than every three (3) years) or earlier consequent upon significant changes in the network topology or other constraint conditions; and (b) shall be effective not earlier than two (2) years after either the date of first publication of such document or such later date when the last to occur change to that **Zone** was effective, provided always that a change to a **Zone** may be effective sooner where exceptional circumstances apply or in order to correct an error but not so as to cause the number of **Zones** to change.

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SCHEDULE 2 – REGISTRATION AND PRE-QUALIFICATION PROCEDURE

Summary

For an entity to register as a **Registered Auction Participant**, it must first become a **Registered Service Provider** by submitting its corporate details onto **NESO** systems and (if accepted) receiving a user ID. To become a **Registered Auction Participant** it must then accede to the **SR Procurement Documentation**. Once registration is complete, a **Registered Auction Participant** may then submit assets under its operation or control for prequalification by **NESO** as **Auction Units**.

Prequalification as an **Auction Unit** will relate to a specific **Auction Product**. An asset may be pre-qualified as an **Auction Unit** to more than one **Auction Product.**

Once pre-qualified, an **Auction Unit** may participate in the daily auctions for the applicable **Auction Product**.

Process and Timings

Outlined below is the process and associated timings for registration and asset pre-qualification. Further detail will be provided from time to time by **NESO**.

- Step 1 – entity requests registration as a **Registered Service Provider** (and associated user IDs)
- Step 2 – **NESO** validates registration and user IDs created (e*ntity is now a **Registered Service Provider**)*
- Step 3 - entity submits one or more assets for pre-qualification as an **Eligible Asset**, specifying the **Auction Product**(s) for which it seeks prequalification
- Step 4 - **NESO** undertakes any necessary asset validation
- Step 5 – where relevant, **NESO** validates onboarding to **OBP** (and/or any other relevant flexible dispatch platform)
- Step 6 - entity accedes to **SR Procurement Documentation** (*entity is now a **Registered Auction Participant**)*
- Step 7 – **NESO** confirms completion of prequalification process (*assets are now **Eligible Assets** for the applicable **Auction Product**(s) and capable of being allocated to an **Auction Units** into daily auctions)*
- Step 8 – entity allocates **Eligible Assets** to **Auction Units** *(participant can now enter **Auction Units** into daily auctions for the applicable **Auction Product**).*

Except where the contingency procedure applies, all of the above steps (which are summarised below) are to be completed via the **Single Market Platform**, and the participant must ensure that all information submitted on the **Single Market Platform** is fully complete and correct.

In the event that the **Single Market Platform** is unable to be utilised to complete any or all of the above steps, **NESO** may (at its discretion) implement a contingency procedure and notify this to participants in writing providing as much advance notice as is reasonably practicable in the circumstances. The contingency procedure may include completion of Steps 1, 2 and 3 using Forms A, B and C, copies of

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which are available on the **Single Market Platform** or will otherwise be made available by **NESO**, and Steps 4, 5 and 6 by email submission of the 'Provider Data Template' available on request from **NESO**. The notification from **NESO** informing participants that the contingency procedure has been implemented shall confirm the manner and timescales in which such documentation is to be submitted to **NESO**.

References below to the **Single Market Platform** are to be construed as including the contingency procedure where applicable, unless the context otherwise requires.

Registration as Registered Service Provider

Each participant is required to submit its corporate details, together with details of any related entity on whose behalf it is acting as agent.

In addition, where it has not already done so, each participant must ensure that it has completed the necessary vendor setup forms that are outlined on **NESO**'s Settlement web page to be set up as a vendor on **NESO**'s systems. These should be submitted as soon as possible so that **NESO** can make payments in a timely manner in accordance with the **SR Service Terms**.

Once registered, a participant may be **Deregistered** by **NESO** as a **Registered Service Provider** in the circumstances described in these **SR Procurement Rules**, whereupon it may no longer provide **Balancing Services** to **NESO** via the **Single Market Platform** (notwithstanding its accession to the **SR Procurement Documentation** or any other similar documentation for other **Balancing Services**). A participant once **Deregistered** may subsequently apply to **NESO** for its registration as **Registered Service Provider** to be restored which **NESO** may agree at its sole discretion.

Registration as Registered Auction Participant

To be registered as a **Registered Auction Participant** with eligibility to pre-qualify and allocate **Auction Units** for participation in the **Auctions**, a participant must accede to the **SR Procurement Documentation** via the **Single Market Platform**.

Once registered, a participant may be **Deregistered** by **NESO** as a **Registered Auction Participant** in the circumstances described in these **SR Procurement Rules**, whereupon it may no longer participate in any **Auctions** (notwithstanding its accession to the **SR Procurement Documentation**). A participant once **Deregistered** may subsequently apply to **NESO** for its registration as **Registered Auction Participant** to be restored which **NESO** may agree at its sole discretion.

Pre-qualification of Eligible Assets

For asset pre-qualification, **NESO** will require submission via the **Single Market Platform** of all relevant technical details associated with the asset's capability and operating parameters to enable **NESO** to complete validation for the relevant **Auction Product**, including (where not **BM Participating**) **MSID Pairs** and other metering data to enable volume adjustments pursuant to the **ABSVD Methodology Statement**. Validation will include an assessment that the asset is capable of operating in accordance with the relevant **Service Parameters**, and where applicable will classify the asset as **Energy Limited**.

Each **Eligible Asset** registered to an **Auction Product** will be given a **Maximum Registered Product Capacity**, representing the maximum capacity of the relevant **Auction Product** which it is capable of delivering. Validation will be required before the **Maximum Registered Product Capacity** of an **Eligible Asset** can be increased**.**

As part of validation, for each **Eligible Asset NESO** will record (as relevant) relevant technical parameters including **Recovery Period**, **Minimum Activation Period** and **Time to Full Delivery**

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all of which must be consistent with the **SR Service Parameters** (all as defined in the **SR Service Terms**).

Eligible Assets will not normally be pre-qualified to an **Auction Product** if they have a condition in their DNO connection agreement whereby they are signed up to an **Active Network Management Scheme** / Flexibility Connection. However, **NESO** will consider this on a case by case basis and may (at its sole discretion) enable such participation if there is reasonable evidence to demonstrate that the asset has very high forecasted availability (for example as shown by Curtailment Assessment Reports from DNOs). **NESO** shall continue to keep this under review and any changes to this position shall be consulted accordingly.

Once an asset has been pre-qualified and registered to an **Auction Product** as an **Eligible Asset**, it may be **Deregistered** by **NESO** as an **Eligible Asset** in the circumstances (if any) described in these **SR Procurement Rules** and/or the **SR Service Terms**, whereupon it shall no longer be pre-qualified to that **Auction Product**. The **Registered Auction Participant** may subsequently resubmit the relevant asset(s) for pre-qualification to that **Auction Product**. **Deregistration** in respect of an **Auction Product** shall not affect the pre-qualification of the relevant asset(s) as an **Eligible Asset** with respect to other **Auction Products**.

Allocation to Auction Units

Registered Auction Participants are able to create **Auction Units** via the **Single Market Platform**, to which it may allocate one or more **Eligible Assets**.

An **Eligible Asset** may be allocated to more than one **Auction Unit**, in which case for each **Auction Product** the **Maximum Registered Product Capacity** shall be split across each such **Auction Unit** in such proportion as shall be specified by the **Registered Auction Participant**. Where the **Maximum Registered Product Capacity** is split in this way, the sum of all such proportions shall not at any time exceed (but may be less than) 100% of the **Maximum Registered Product Capacity**.

Each **Auction Unit** shall have a **Maximum Unit Product Capacity** for each **Auction Product**, defined as the aggregate of the **Maximum Registered Product Capacities** (or specified proportions thereof where applicable) associated with each **Eligible Asset** allocated to it.

When allocating **Eligible Assets** to an **Auction Unit**, **Registered Auction Participants** are required to submit technical details for that **Auction Unit** representing its overall capability and operating parameters based on the capability and operational parameters of each such allocated **Eligible Asset**, which must be consistent with the relevant **Service Parameters.**

Every **Auction Unit** created on the **Single Market Platform** must have at least one **Eligible Asset** allocated to it to be capable of participating in the daily auctions.

An **Auction Unit** can only have allocated to it multiple **Eligible Assets** if they are all located within the same **GSP Group** and **Zone**, although **NESO** may (at its discretion) determine that, for system operational reasons, this restriction may need to be increased to require multiple **Eligible Assets** allocated to an **Auction Unit** to be located within the same **Grid Supply Point**.

An **Eligible Asset** may be unallocated from an **Auction Unit** including by reallocation to another **Auction Unit**, but an **Eligible Asset** may not be so unallocated from an **Auction Unit** whilst that **Auction Unit** is **Suspended**.

Timescales

Initial registrations must be completed in line with the timings outlined below:-

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Activity	Provider	NESO
Pre-qualification of **Auction Units**	Valid and complete data should be submitted 7 calendar days in advance.	Auction participation can take place 7 calendar days after submission of validly completed data. **NESO** will notify the **Registered Auction Participant** if allocation activity can be accommodated sooner.
Allocation of **Eligible Assets** to **Auction Units**	Allocation can only occur on a weekly basis and must be sent to **NESO** in the "market window" on a Monday (see further below)	Deemed accepted upon submission, subject to errors and/or incomplete data. New/updated **Auction Units** can participate in daily auctions from and including that for **Service Days** commencing 23.00 hours the following Thursday. **NESO** will notify **Registered Auction Participants** if allocation activity can be accommodated sooner.

Changes to pre-qualification status or allocation

If **Registered Auction Participants** wish to change the pre-qualification status and/or allocation to an **Auction Unit** of **Eligible Assets**, including introducing new **Eligible Asset**(s) for pre-qualification or increasing the **Maximum Registered Product Capacity** of an existing pre-qualified **Eligible Asset**, this must be done as described above (on the **Single Market Platform** or using any contingency arrangements where applicable).

Allocation of **Eligible Assets** to **Auction Units**, whether submitted via the **Single Market Platform** or using the 'Provider Data Template' (where the contingency arrangements apply) are only processed by **NESO** on a weekly basis, although **NESO** will notify the **Registered Auction Participants** if allocation activity can be accommodated more regularly. In the absence of any such notification, allocations can only therefore be submitted in the stipulated daily "market window" ending on Monday each week. The market window is the period from 15.00 hours on a calendar day to 10.00 hours on the next calendar day (and where this document refers to a market window for a particular calendar day, unless otherwise indicated that is a reference to the market window which ends on that day). Any submissions from **Registered Auction Participants** received outside this market window will be rejected, and so will not be applicable, and must be resubmitted in the next following Monday market window.

For the avoidance of doubt, allocation submissions are not required to be made every week. Once validly submitted, a subsequent submission is only required should any information change. As explained above, and subject to any notification from **NESO** as referred to above, any updates submitted during the Monday market window will not become effective until the **Service Day** commencing 23.00 hours on the following Thursday. All queries and communications shall be made via a **Registered Auction Participant's** account manager or commercial.operation@~~nationalenergyso.com~~neso.energy.

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