Public

Performance Guidance

For DC/DM/DR Providers

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NESO
National Energy System Operator

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1. Introduction

The Tiered Performance Regime is proposed by NESO as part of the November 2026 EBR Article 18 consultation for Dynamic Response Services. As per paragraph 15B of the Service Terms, units providing Dynamic Response will be placed in a progressive series of tiers based on instances of non-compliance. This is aimed to address provider non-compliance and implement an opportunity for rectifications.

Under this regime, each response unit's compliance with Dynamic Response Service Terms will be measured over rolling six months period. Based on this measured performance units will be placed in tiers ranging from 0 to 3. Based on these tiers, response units non-compliance will be addressed through a progressive series of actions and opportunity for rectification.

This guidance document intends to provide clarity on thresholds and methodology for performance tiers and suspension for Dynamic Response service providers.

Overview

The performance assessments in the Tiered Performance Regime has three key components, unit performance measurement, tier thresholds and actions corresponding to tier due to non-compliance.

- **Unit Performance** is measured based on rolling 6 months historical defaults. This is derived from dividing the total number of non-compliant settlement periods (SP) over the relevant months by the total number of contracted settlement periods over the same timeframe. Units must be contracted a minimum of 6 SPs to be considered for the Tiered Performance Regime.
- **Tier Thresholds** are dynamic thresholds for different tiers calculated based on Table 1. With 6 contracted settlement periods being the minimum and 8834 contracted settlement periods being the maximum, with a **knee-point** at 2000 contracted settlement periods. Percentage thresholds for different tiers between the settlement periods 6, 2000 and 8834 are to be derived through linear interpolation.
- The theoretical minimum number of settlement periods is 6, since EFA blocks are in local time, when the clocks change at the start of BST, there are 46 settlement periods and EFA1 has 6 settlement periods. The theoretical minimum cannot be 0 as we cannot enforce the regime on a unit with zero contracts.
- Based on the **unit performance** measurement and **thresholds**, units will be placed in Tiers. Different **actions** will apply **corresponding to tier due to non-compliance**. These actions range from units being deemed unavailable for SP, EFA Block, temporary suspension and finally de-registration.
- Providers will be able to access unit performance data under this regime on a weekly basis. NESO will publish anonymised aggregated statistics every month and a non-

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anonymised performance data under this regime will be published 13 months in arrears in accordance with the disputes process.

2. Motivation

NESO is in the process of implementing new automated and systematic tools and processes for monitoring, and reporting of service provider behaviour and implementing sanctions where necessary. This new regime is part of our work to ensure that we are operating fair and transparent markets.

System Security

The Tiered Performance Regime is proposed to promote system security by ensuring consistent and reliable delivery of auction products. It encourages compliance through timely and accurate data submissions and adherence to the State of Energy rules.

This revised performance regime will better align penalties with the actual impact of non-compliance, creating stronger incentives for service providers to adhere to contractual obligations and enhancing the reliability and responsiveness of our services.

Level playing field for all providers

We have identified cases of providers' repeated non-compliance with requirements of the Dynamic Response Service Terms. In addition, we are concerned about the risk of providers deliberately submitting false data to influence the performance management process. These behaviours risk distorting the market. Establishing robust mechanisms for deterring such behaviours is a high priority for NESO. This has also been highlighted as a priority by several providers who have expressed very strong support for the introduction of the new performance regime to ensure a level playing field.

3. Overview of Tiers

Below is an overview of each of the default tiers, more details on how these apply can be found in Appendix 2.

- **Tier 0:** Deemed unavailable for settlement periods where breaches occur.
- **Tier 1:** Deemed unavailable for the entire EFA block where the breaches occur.
- **Indicative Tier 2:** will trigger a conversation to understand what the issue is and how it can be resolved. If, after a further two months, NESO has not received evidence that Dynamic Response participants are taking steps to improve performance, it will lead to a 28-day temporary suspension from the Dynamic Response Market.
- **Indicative Tier 3:** will trigger a conversation to understand what the issue is and how it can be resolved. If, after a further two months, NESO has not received evidence that

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Dynamic Response participants are taking steps to improve performance, it may deregister the relevant unit.

4. Disputes Process

Providers will have earlier visibility of their current performance through a performance dashboard that will be updated on a weekly basis. NESO encourages providers to review this data on a regular basis and to raise any queries or disputes related to this data at the earliest opportunity to ensure it can be rectified as soon as possible. NESO also reserves the right to initiate an investigation from time to time where performance data suggests anomalies.

If you have a query related to performance monitoring or specific defaults, then please contact the performance monitoring team: box.balancingservicesmonitoring@neso.energy

Any performance related dispute will trigger an investigation from both parties to provide any evidence to support the claim. Should the evidence provided demonstrate that the breach should be waved, NESO will rectify this through the Settlements Team.

5. Suspension Criteria

Tiers 2 and 3 continue to exist within the performance framework and will be visible to NESO Service Leads, Account Managers and providers via the performance dashboard. The dashboard will flag if a unit would nominally trigger a Tier 2 or 3 potentially resulting in a suspension or deregistration. The relevant Account Manager and/or NESO Service Lead will also have visibility of this and will trigger a conversation to understand what the issue is and how it can be resolved.

If, after a further two months, NESO has not received evidence that the Dynamic Response participant has taken steps to improve performance, it may suspend and/or deregister the relevant unit. This may apply, among other circumstances, where there are delays in corrective action, failure to implement a resilient and robust process, aggravating behaviour, or failure to act promptly after becoming aware of the breach, either before or during NESO's investigation.

This method will ensure that continual breaches of the Service Terms and/or Procurement Rules are accounted for through appropriate performance management, while also ensuring that providers and units have time to rectify any issues prior to more severe penalties.

According to Paragraph 15B.7 of the Service Terms, NESO may ignore any defaults or relevant tiers where the default in question was outside reasonable control of the service provider.

In the above case, where an assessment period or suspension/deregistration may be triggered, NESO continues to reserve the right to suspend and/or deregister immediately as a result of failure to submit the required threshold of Operational Metering Data and Baselines outside of

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contracted service periods as per section 6A in the Procurement Rules, or intentional data manipulation as described in paragraph 15B.8 of the Service Terms.

According to paragraph 15B.9 of the Service Terms suspension and/or deregistration may also be imposed at the discretion of NESO using these principles:

- **Seriousness of the Default:** impact on system security, impact on competition, impact on functioning of the auctions and NESO's ability to operate them.
- **Degree of Culpability of the Service Provider:** Determining if the act or omission causing the default was intentional or due to negligence, and reviewing the compliance record of the Service Provider, including previous occurrences of the same or similar defaults.

6. Re-instatement following a suspension or deregistration

Suspension

When a unit is coming to the end of its suspension, the relevant provider will receive an email to notify them of the suspension end date ahead of time with the next auction that the unit can participate in to ensure prompt re-participation in the services.

Deregistration

Following a deregistration, the unit will be required to recomplete the onboarding process, including re-testing of the assets. For a unit to trigger a deregistration, it will have significantly failed to meet the requirements of the Dynamic Response Service Terms. The requirement to re-test will ensure that the assets are still fit for delivering the Dynamic Response Services. Following successful completion of the onboarding process, the unit will be able to re-participate in the auction.

7. Data Publication

NESO intends to share tiered performance data with the providers on a weekly basis after the Tiered Performance Regime goes live and during the 5 months data collection period. This will give providers an early indication that any units are non-compliant with Dynamic Response Service Terms and opportunities for rectification.

NESO also intends to publish anonymised aggregated statistics of units in different tiers and breaches on a monthly basis.

Non-anonymised performance data and all adjustments made to the availability payments will be published 13 months in arrears. This is aligned to the 12 months dispute process as per Schedule 4 of Dynamic Response Service Terms.

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Rolling Performance Window

For a unit *Performance Factor* is calculated over a rolling six historical calendar months including settlement month and applies to the settlement month. Based on the unit performance factor, the response unit will be allocated a performance tier and actions associated with the performance tier will apply to the settlement month. This is further demonstrated in table below, where performance of a response unit is considered over performance window (PW) and settlement month (SM) applied to the relevant SM. For a unit to be considered for tiered performance, the unit must be contracted for at least 6 settlement-period accumulated over the rolling 6 months window.

Unit performance under this regime will not be calculated retrospectively. A data collection period of 6 months including settlement month will apply to all units providing Dynamic Response and the Tier will be calculated and allocated on the 6th month during settlement. During the data collection period, providers will receive weekly update on their performance under this regime.

Table 1: Example Six Months Rolling Performance Monitoring

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

Performance Factor Methodology and Tier allocation

Performance Factor for a unit providing Dynamic Response is calculated by dividing the total number of defaults by total number settlement-periods contracted across the performance window.

Table 2: Performance Factor Parameters

Parameters	Symbol	Description
Contracted Settlement Period (CSP)	$Total\ SP_{contracted}$	Total number of Settlement Periods a unit has been contracted for Dynamic Response Services over rolling performance window

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Breached Settlement Period	$Total\ SP_{breached}$	Total number of settlement periods a unit has breached contract terms over rolling performance window
Unit Performance	PF_{unit}	Calculated performance factor for a unit. This factor determines the applicable performance tier for the unit for settlement month

Performance Measurement Equation:

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

Based on the PF_{unit} calculated a Performance Tier will be allocated to the unit which will apply for the settlement month. The Tier allocation formula is described in Appendix 2.

Example: Table 3 below shows an example of settlement period breaches ($SP_{breached}$) and contracted settlement periods ($SP_{contracted}$) with rolling window for reference. Based on that, a Performance Factor (PF_{unit}) for a Unit has been calculated.

Table 3: Example Response Unit Performance over 6 months rolling window

Months	Jan	Feb	Mar	Apr	May	Jun
Breached Settlement periods ($SP_{breached}$)	312	287	401	298	256	321
Contracted Settlement Periods ($SP_{contracted}$)	1150	1300	1300	1000	1500	1250
Rolling Window Index	1	2	3	4	5	6

$$Total\ SP_{breached} = \sum_{i=1}^{6} settlement_periods_{breached} = (312 + 287 + 401 + 298 + 256 + 321) = 1875$$

$$Total\ SP_{contracted} = \sum_{i=1}^{6} settlement_periods_{contarcted} = (1150 + 1300 + 1300 + 1000 + 1500 + 1250) = 7500$$

$$PF_{unit} = \frac{Total\ SP_{breached}}{Total\ SP_{contracted}} * 100 = \frac{1875}{7500} * 100 = 25\%$$

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Appendix 2 Performance Tiers

The performance tiers range from 0 to 3. In this section the scope, thresholds and actions associated with the Tiers are discussed in detail.

Tiers 2 and 3 continue to exist within the performance framework and will be visible to NESO Service Leads, Account Managers and providers via the performance dashboard. The dashboard will flag if a unit would **nominally** trigger a Tier 2 or 3 potentially resulting in a suspension or deregistration. As such they are included in the following descriptions to ensure providers can understand the data presented to them and the potential consequences.

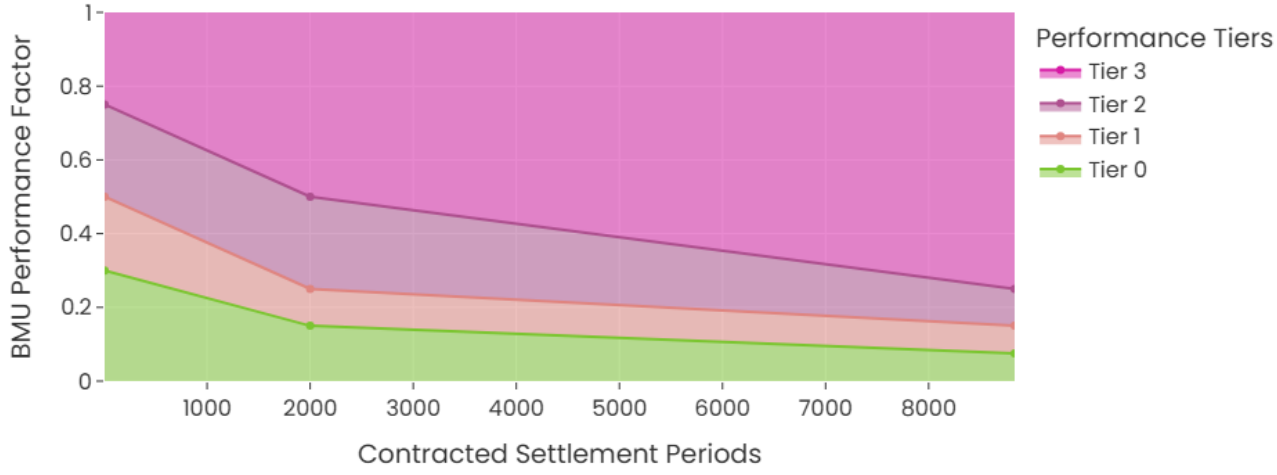


Figure 1: Visual illustration of Performance Tiers

Performance Tier Thresholds

Table 4: Maximum allowed failure per Performance Tier

Default Tier	Maximum allowed failure %		
	6 SPs	2000 SPs	8834 SPs
Tier 0	30%	15%	7.5%
Tier 1	50%	25%	15%
Indicative Tier 2	75%	50%	25%
Indicative Tier 3	N/A	N/A	N/A

As we are dealing with fractions, at lower contracted settlement periods number of penalties have higher impact. To mitigate that a knee-point at 2000 contracted settlement periods is proposed.

Performance Tier Actions

- **Tier 0:** is effectively the current performance regime, where the result is deemed unavailability for the settlement period in which the breach occurred. This tier is the

default tier and will apply during the data collection period. This initial sanction serves as a warning and an immediate consequence of failing to comply with the specified regulations. This is effectively the limit of the status of penalty enforcement

- **Tier 1:** where tier 1 is triggered, the unit will be deemed unavailable for the entire EFA block in the settlement month where the breaches have occurred. This level of sanction reflects a more serious breach and indicates a pattern of non-compliance that requires stronger deterrence.
- **Indicative Tier 2:** will trigger a conversation to understand what the issue is and how it can be resolved. If, after a further two months, NESO has not received evidence that Dynamic Response participants are taking steps to improve performance, it will lead to a 28-day temporary suspension from the Dynamic Response Market. This sanction aims to provide a significant consequence that encourages corrective action and compliance with the Service Terms. If performance improves and/or NESO receives evidence that appropriate action is being taken, then no suspension will be imposed.
- **Indicative Tier 3:** will trigger a conversation to understand what the issue is and how it can be resolved. If, after a further two months, NESO has not received evidence that Dynamic Response participants are taking steps to improve performance, it may deregister the relevant unit. This final sanction is a last resort where providers repeatedly breach, and effective action is not taken to address this behaviour.

NESO would consider a unit who triggers an indicative tier 2 or 3, that does not change its behaviour in the allocated 2 months to have persistently and materially failed to meet the requirements of the Service Terms and Procurement Rules.

Suspension and/or deregistration may also be imposed at the discretion of NESO using these principles:

- **Seriousness of the Default:** impact on system security, impact on competition, impact on functioning of the auctions and NESO's ability to operate them.
- **Degree of Culpability of the Service Provider:** Determining if the act or omission causing the default was intentional or due to negligence, and reviewing the compliance record of the Service Provider, including previous occurrences of the same or similar defaults.

Scope of Performance Tiers

The scope of the Tiered Performance Regime extends to the following obligations outlined in the Service Terms, please note that K-factor calculations are not in scope of the Tiered Performance Regime:

- Submission of Performance Data
- Compliance with State of Energy (SOE) management rules
- Compliance with Disarming/Re-Arming instructions

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- Misuse of Disarming Flag

Gaming Checks will also be included in the Tiered Performance Regime:

- Misalignment of real-time and post event data
- Misuse of unavailability flag to cover poor performance
- Other inaccuracies or discrepancies that prove to intentionally misrepresent performance in delivery of the service

Should it be deemed a provider has purposefully misrepresented its performance in delivery of Dynamic Response through any of the above check a suspension or deregistration can be triggered. NESO considers breaches in any of the checks listed above to be a material breach of the Service Terms. For the avoidance of doubt these checks will also be considered for determining the relevant performance tier.

Performance Tier allocation formula

Performance tiers for units are determined through linear interpolation. The formula considers number of contracted settlement period, unit performance and tier thresholds.

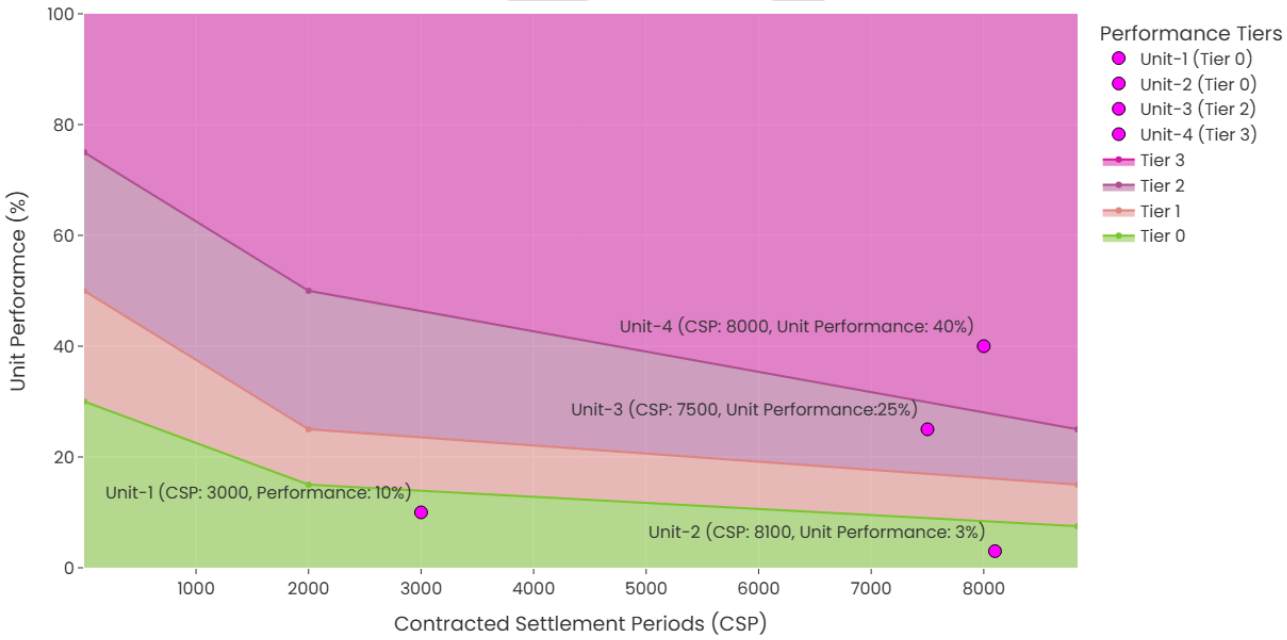


Figure 2: Visual illustration of units in different tiers

Table 5: Applicable Tier Threshold parameters for a Response Unit

Parameters	Symbol	Description
Unit Performance	$Performance\ Factor_{unit}$	Calculated performance factor for a unit. This factor determines the applicable performance tier for the unit for settlement month
Tier 0 Threshold	$Applicable\ Threshold_{t0}$	Maximum limit of breached settlement periods applicable under Tier 0
Tier 1 Threshold	$Applicable\ Threshold_{t1}$	Maximum limit of breached settlement periods applicable under Tier 1
Indicative Tier 2 Threshold	$Applicable\ Threshold_{t2}$	Maximum limit of breached settlement periods applicable under Indicative Tier 2

Step 1: Determine which performance thresholds applies to the unit. This can be calculated from contracted settlement periods $Total\ SP_{contracted}$. Performance tier thresholds are defined with a knee-point at 2000 contracted settlement periods where the slope for thresholds changes. If total contracted settlement periods within rolling 6 months are between 6-2000 then thresholds in Table 6 applies and between 2000-8834 Table 7 applies. If a unit has exactly 2000 contracted settlement periods, both tables can be used.

When,

$$6 \leq Total\ SP_{contracted} \leq 2000$$

Table 6: Applicable Tier Threshold limits for CSP between 6-2000

Default Tier	Maximum allowed performance factor	
	6 SPs	2000 SPs
Tier 0	30%	15%
Tier 1	50%	25%
Indicative Tier 2	75%	50%
Indicative Tier 3	N/A	N/A

When,

$$2000 \leq Total\ SP_{contracted} \leq 8834$$

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Table 7: Applicable Tier Threshold limits for CSP between 2000-8834

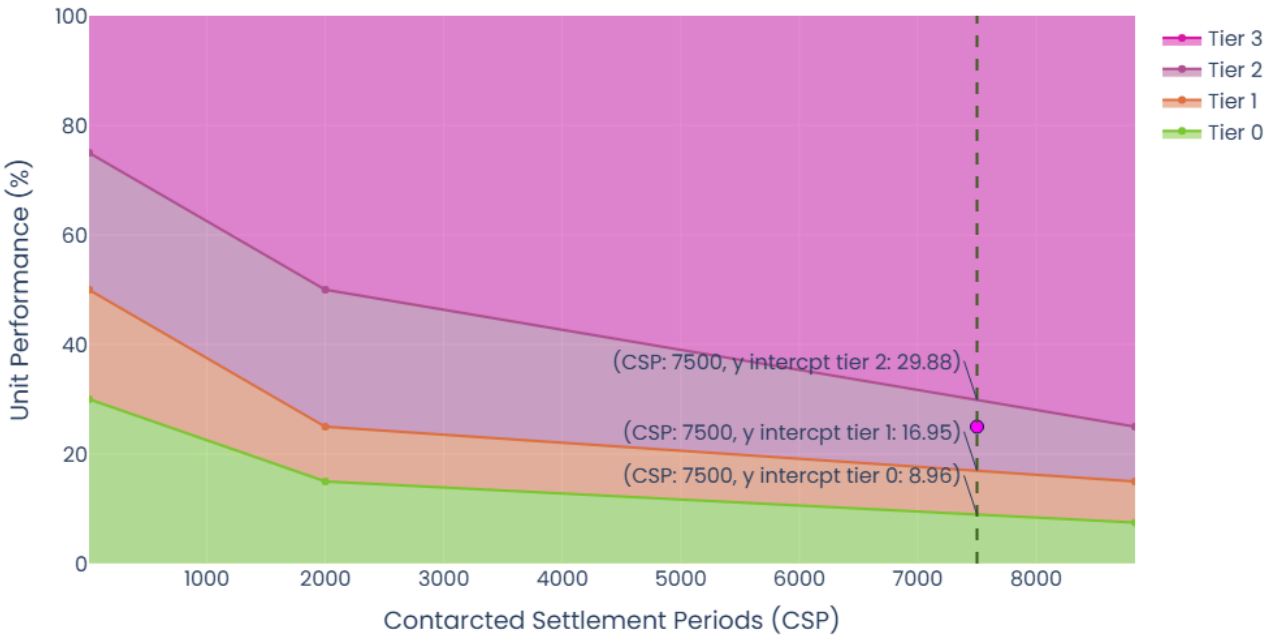
Default Tier	Maximum allowed performance factor	
	2000 SPs	8834 SPs
Tier 0	15%	7.5%
Tier 1	25%	15%
Indicative Tier 2	50%	25%
Indicative Tier 3	N/A	N/A

Example: In this example we will calculate tiered performance for an imaginary unit **Unit-3** participating in Dx services. Unit-3 had 7500 contracted settlement periods has a performance factor of 25% over 6 historical month including settlement month. Since the contracted service periods for Unit-3 is over 2000, the threshold limits that apply are in Table 7.

Step 2: Once the performance thresholds are determined, we can use linear interpolation to calculate applicable performance thresholds for that unit. To find the intercept we can use Linear Interpolation Formula for Tier x when $Total\ SP_{contracted} \geq 2000$:

- $Applicable\ Threshold_{tx} = Threshold_{sp2000} + (Total\ SP_{contracted} - 2000)\frac{(Threshold_{sp8834} - Threshold_{sp2000})}{(8834-2000)}$

Example:



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Figure 3: Applicable Tier thresholds (y intercepts) for Unit with CSP 7500

- For Tier 0 when contracted settlement period is 7500, y intercept can be calculated:
  - $Applicable\ Threshold_{t0} = 15 + (7500 - 2000)\frac{(7.5-15)}{(8834-2000)}$
  - $Applicable\ Threshold_{t0} = 8.96$
- For Tier 1 when contracted settlement period is 7500, y intercept can be calculated:
  - $Applicable\ Threshold_{t1} = 25 + (7500 - 2000)\frac{(15-25)}{(8834-2000)}$
  - $Applicable\ Threshold_{t1} = 16.95$
- For Indicative Tier 2 when contracted settlement period is 7500, y intercept can be calculated:
  - $Applicable\ Threshold_{t2} = 50 + (7500 - 2000)\frac{(25-50)}{(8834-2000)}$
  - $Applicable\ Threshold_{t2} = 29.88$
- And finally,
  - $Applicable\ Threshold_{t3} > 29.88$

Step 3: Once applicable thresholds have been calculated Tier will be allocated as shown below:

- Tier 0 is applicable when,
  - $0 \leq Performance\ Factor_{unit} \leq Applicable\ Threshold_{t0}$
- Tier 1 is applicable when,
  - $Applicable\ Threshold_{t0} < Performance\ Factor_{unit} \leq Applicable\ Threshold_{t1}$
- Indicative Tier 2 is applicable when,
  - $Applicable\ Threshold_{t1} < Performance\ Factor_{unit} \leq Applicable\ Threshold_{t2}$
- Indicative Tier 3 is applicable when,
  - $Applicable\ Threshold_{t2} < Performance\ Factor_{unit}$

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Example: Continuing from the previous example where we have calculated the y intercepts for 7500 contracted settlement periods, we will determine the applicable tier here:

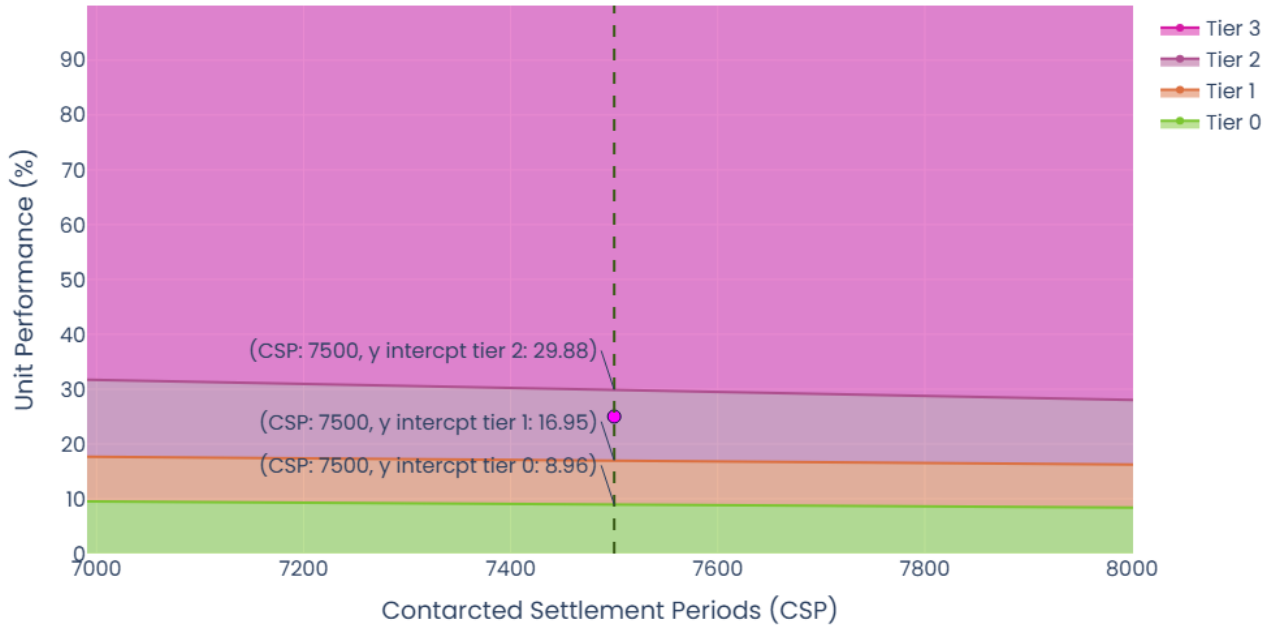


Figure 4: Tier allocation for a response unit based on CSP 7500 and PF 25%

- Tier 0 Threshold Check: Not Satisfied
  - $0 \leq 25.0 \leq 8.96$
- Tier 1 Threshold Check: Not Satisfied
  - $8.96 < 25.0 \leq 16.95$
- Indicative Tier 2 Threshold Check: Satisfied
  - $16.96 < 25.0 \leq 29.88$
- Indicative Tier 3 Threshold Check: Not Necessary
  - $29.88 < 25.0$

Indicative Tier 2 allocated for the Unit.

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