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and published alongside these slides.
Submit all question to Slido #2629625

30-minute procurement of Dynamic Response services

28/07/2026

Response Updates

Go lives

Static Firm Frequency Response (SFFR)

All changes approved by Ofgem go live on 31st July:

Minimum bid and unit size reduced to 0.1 MW

Performance Monitoring improvements

Clarity on data submissions

Reduce the Frequency Trigger

Updated Stacking Guidance

Contracted delivery time clarification

Dynamic Response

Some changes approved by Ofgem go live on 31st July:

BMU flag set to false result in unavailability

Updated Stacking Guidance

Amendments to schedule 3

Other changes going live early 2027:

Submission of operational data & metering 24/7

Breach for faulty use of disarming flag

Ability to publish provider penalty data

Updates to RTDX Detailed Design

Clarification of pre-qualification data collection

Simplify headroom / footroom calculations for NBMUs

Added notice to start / cease parameters

Clarification of k-factor calculation

Clarification of unavailability rules

Clarification of use of MDO/MDB

Addition of NBMU low SoE notices

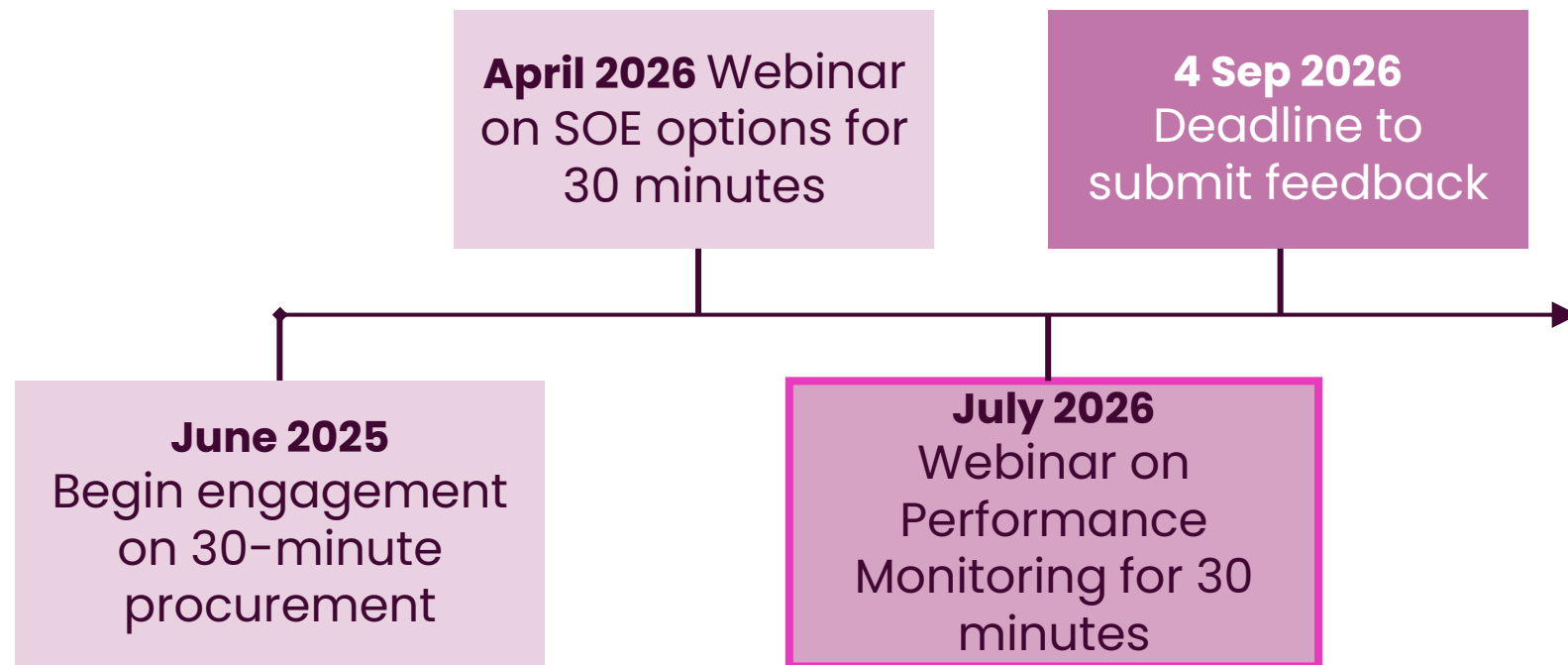
30-minute procurement

- Background on 30-minute procurement of DX
- Recap of SOE Options presented in April Webinar
- Settlement Value (k-factor)
- Options for Tiered Performance

30-minute procurement of Dynamic Response

Why?

- Better alignment with other services and the wholesale market
- Granular procurement for DC allows to match requirements more closely
- Increased flexibility for providers
- ~ £9m savings for consumers per year



SOE Management Options – recap

Option 1: Independent Settlement Periods

- Each Settlement Period is independent of others
- Providers enter each SP with a predetermined energy requirement.
 - The Recovered Energy Volume (REV) formula would be modified to account for the change in delivery period.

Option 2: Indefinite Contiguous Periods

- Each Settlement Period has an energy requirement based on the previous 6 Settlement Periods
 - Periods of being uncontracted are included in the calculation but do not impact the requirements
- Each direction is treated independently

Option 3: SOE Management Blocks

- The current rules for SOE are generalized and apply for up to 10 SPs with no change in volumes in a given direction
- The SOE and performance monitoring for blocks will be linked – similar to the current arrangements for EFA blocks. Blocks will be independent for each direction

Performance Monitoring

Performance Monitoring

Performance monitoring provides a consistent framework for assessing Dynamic Response delivery and addressing non-compliance to ensure systems security.

Performance monitoring is designed to:

- Assess delivery against contractual requirements
- Address repeated non-compliance proportionately
- Incentivise reliable service delivery
- Maintain a level playing field across providers
- Support providers to identify and rectify recurring issues



Performance Monitoring

K-factor

- Measure of performance
- Assesses performance within an individual Settlement Period
- Compares metered response against performance bounds
- Short-term performance measure

Tiered Performance

- Measure of compliance
- Assesses repeated non-compliance over a rolling six-month period
- Uses breach history to allocate a Tiered Performance status
- Long-term compliance measure

Settlement Value

- Units are assigned a Settlement Value for each SP block which depends on the k-factor and the availability factor
- The k-factor is calculated independently for each SP; the lowest k-factor is applied to each SP in the EFA block
 - When stacking services, a single k-factor is calculated for each direction
- The availability factor is calculated for each SP and direction and is 0 for availability ≤ 0.999 or 1 otherwise

30 –min DX

Treat SPs independently per the current formula – this will be less penal. The current regime applies the lowest k-factor to the whole EFA block.

Tiered Performance

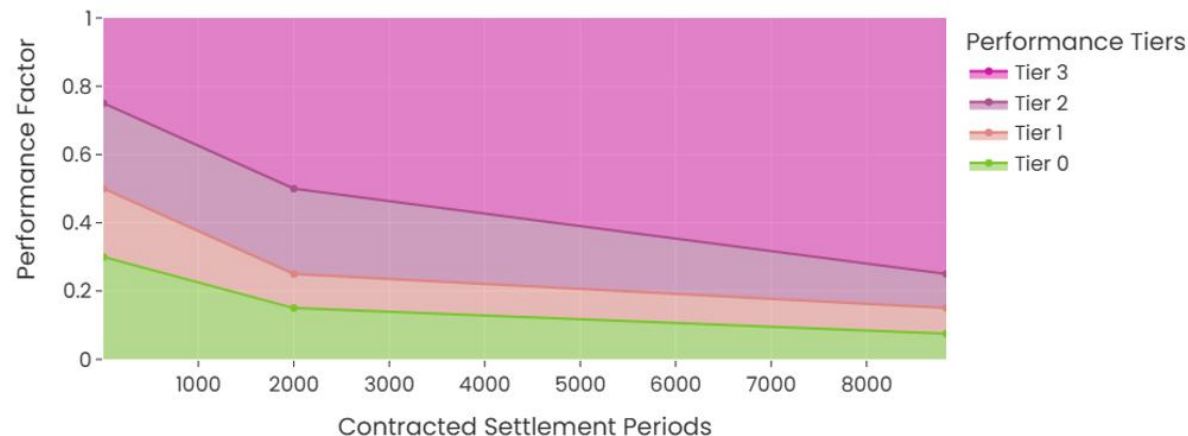
NESO proposes that Dynamic Response units are assigned a Performance Tier based on instances of non-compliance.

Performance is assessed over a rolling six-month performance window, with units allocated to Tier 0 – Tier 3 based on their adherence to the Service Terms and applied to the settlement month.

Response units non-compliance will be addressed through a progressive series of actions and opportunity for rectification.

The scope of Tiered Performance includes the obligations outlined in the Service Terms and gaming checks.

For this webinar, we focus on Tier 0 and Tier 1 options for 30 minutes DX contracts.



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

Tiered Performance: 30 Min DX Options

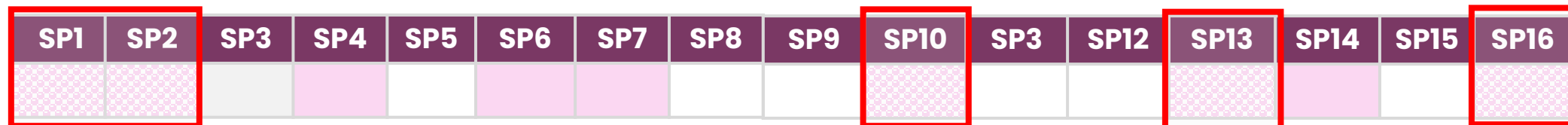
Tiered Performance Regime Options		
Tier 0	Unavailability for the SP	
Tier 1	Option A – Independent SP Availability Adjustment A breach in an SP triggers payment adjustment associated to the breached SP only. Unavailable for the SP + Cost of alternative action applied to the SP for higher Tier.	Option A1: SP deemed unavailable + Contract Value * a predetermined multiplier, X? Option A2: SP deemed unavailable + Cost of most expensive Dx service
	Option B – Multi-SP Availability Adjustment A breach triggers availability adjustment across a defined number of contracted SPs	Deem previous 8 contracted periods as unavailable
	Option C – Temporary Suspension A breach SP is deemed unavailable and temporarily suspended	Breached settlement periods are deemed unavailable and higher tier triggers a one-week mechanistic suspension

Tier 1 Options

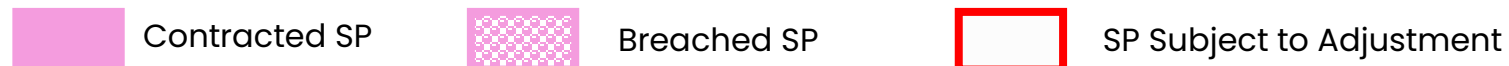
Option A: Independent SP Availability Adjustment

A breach in a Settlement Period results in a payment adjustment associated to the breached settlement period only.

The breached SP is deemed unavailable + an additional cost of alternative action



Only the breach SP is deemed unavailable + additional cost of alternative action



Tier 1 – Option A

Option A1: Deemed Unavailable + Contract Value of breached SP * a predetermined multiplier, X

1. The breached Settlement Period is deemed unavailable.
2. A price adjustment is applied equal to the value of the breached contract multiplied by a predefined factor (X).

*Lose availability payment
+ payment adjustment (Contract Value $\times$ X)*

X = predetermined value to account for cost of alternative action

The multiplier X, is set according to NESO analysis of the cost of scarcity and system security risk due to contract breach

Option A2: Deemed Unavailable + Cost of most expensive Dx service in breached SP

1. The breached Settlement Period is deemed unavailable
2. A price adjustment is applied equal to the contract value of the most expensive DX service in the SP.

*Lose availability payment
+ payment adjustment of most expensive Dx Service in breach SP*

Tier 1 Options

Option B: Multi Availability Adjustment

A Tier 1 breach results in the breached Settlement Period and the seven preceding contracted Settlement Periods being deemed unavailable.

Subsequent Tier 1 breaches expand the unavailability window by one additional preceding contracted Settlement Period per breach; the breached SP is also deemed unavailable.

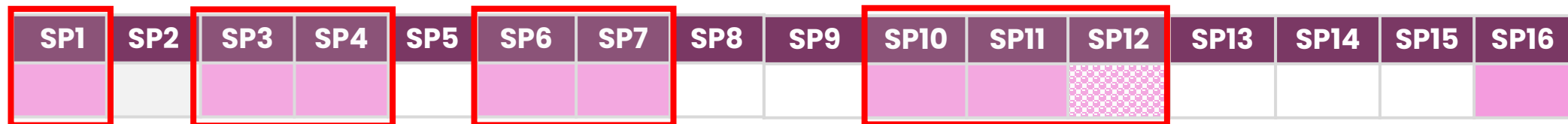
All settlement periods within this window are deemed as unavailable and lose their availability payment.

Generalised formula

$$P_n = 8 + 2(n - 1)$$

n = number of breaches

P_n = number of penalised SPs



Previous SPs deemed unavailable for a breach in SP12 (8 SPs including breached SP)



Contracted SP



Breached SP



SP Subject to Adjustment

Tier 1 Options

Option C – Temporary Suspension

A Tier 1 breach results in the breached Settlement Period deemed unavailable and temporarily suspended from dynamic response services for 1 week.

For this option, a tier 1 breach will trigger a conversation to understand what the issue is and how it can be resolved.

If NESO does not receive evidence that Dynamic Response participants are taking steps to improve performance, it will lead to a 1-week temporary suspension from the Dynamic Response Market.



Thank you

The aim of the webinar will be to start engagement on the aforementioned options, answering questions and gathering feedback.

Please feel free to share any feedback or questions on this content to box.futureofbalancingservices@neso.energy

Feedback on 30 minute DX Options



Appendices

Supplementary Material
for July 2026 Webinar

Contents

1. [Background on 30-minute procurement of DX](#)
2. [Recap of SOE Options presented in April Webinar](#)
3. [Performance Monitoring](#)
 1. [Availability Payments \(k-factor\)](#)
 2. [Options for Tiered Performance](#)
4. [Get in touch](#)

1. Background

30 minute procurement of DX

In March 2026 we introduced some of our thinking on procuring the Dynamic Response Services (DX), which are currently procured in EFA blocks, in 30-minute service windows, i.e Settlement Periods (SP). We are exploring this change as it presents the following benefits:

- Better alignment with other services and the wholesale market
- Granular procurement for DC allows to match requirements more closely
- ~ £9m savings for consumers per year†
- Increased flexibility for providers

We are now asking for feedback on the performance monitoring options as well as the SOE management options presented a few months ago.

Please note that the following slides are intended as outlines rather than in-depth service design of the options under consideration. Details are subject to change, and NESO would welcome any feedback.

Please share your feedback via [this form](#) by 04/09/2026.



2. State of Energy (SOE) Options

SOE Options

In April 2026 we introduced some of our thinking around State of Energy (SOE) management options for Dynamic Response Services (DX) if procured in 30-minute service windows.

The webinar and pre-read that cover these options in detail can be found [here](#).

The next slides contains a recap of the options presented; so far, we have received feedback in support of option 1. We are still keen to hear any feedback on these options, or any alternatives – please use the MS Form linked at the end of the slide pack to share any thoughts.



SOE Management Options – recap

Option 1: Independent Settlement Periods

- Each Settlement Period is independent of others
- Providers enter each SP with a predetermined energy requirement.
 - The Recovered Energy Volume (REV) formula would be modified to account for the change in delivery period.

Option 2: Indefinite Contiguous Periods

- Each Settlement Period has an energy requirement based on the previous 6 Settlement Periods
 - Periods of being uncontracted are included in the calculation but do not impact the requirements
- Each direction is treated independently

MSOE at the start of SP_n =
 $REV \text{ for } SP_n - \text{Delivery in } SP_{n-4} \text{ through } SP_{n-1}$
 $-\max(\text{delivery in } SP_{n-5} - 30\% \text{ of REV in } SP_{n-5}, 0)$
 $-\max(\text{delivery in } SP_{n-6} - 60\% \text{ of REV in } SP_{n-6}, 0)$

Option 3: SOE Management Blocks

- The current rules for SOE are generalised and apply for up to 10 SPs with no change in volumes in a given direction
- The SOE and performance monitoring for blocks will be linked – similar to the current arrangements for EFA blocks.
- Each direction will be treated independently

Performance Monitoring

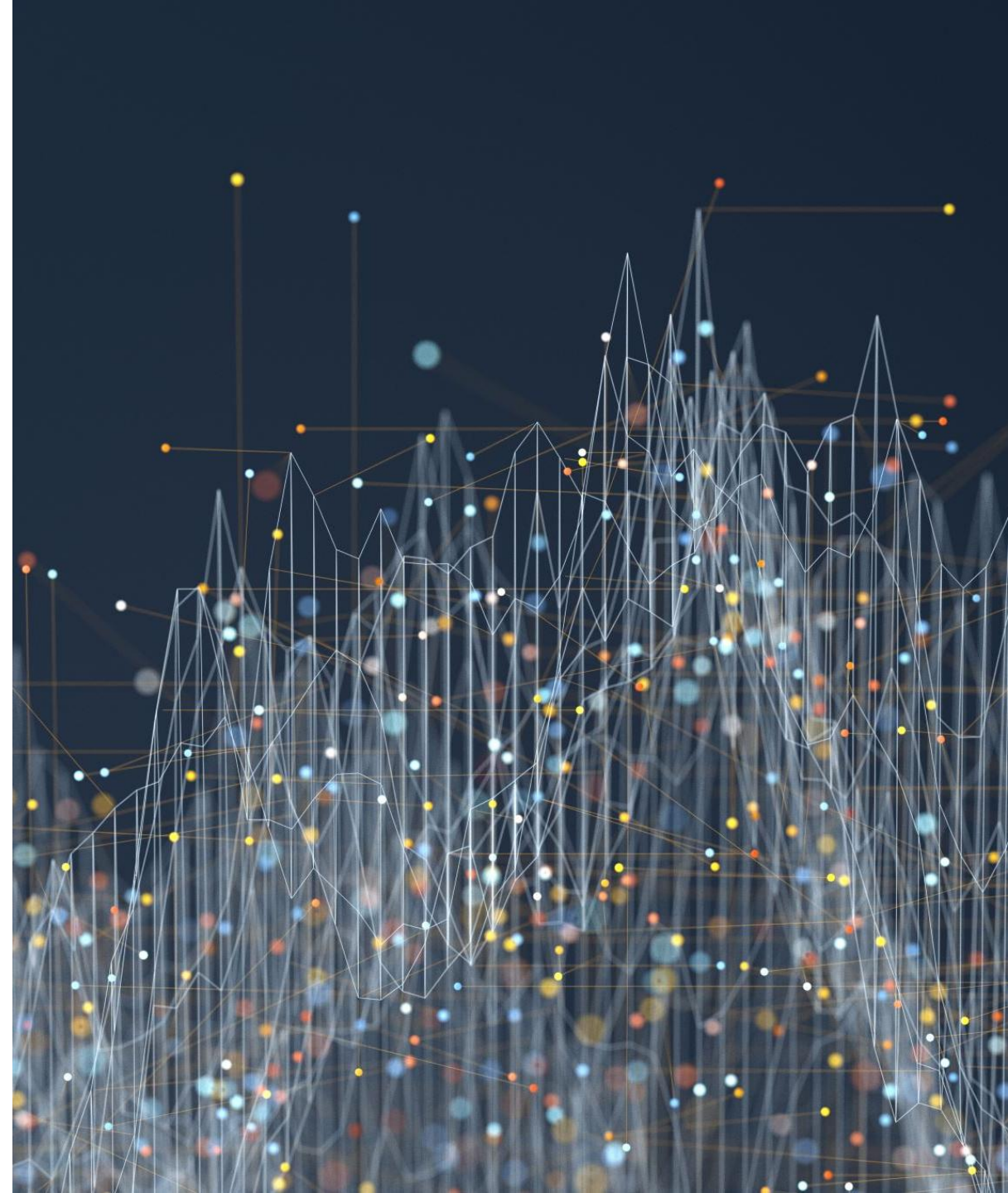
Availability Payments &
Tiered Performance

Performance Monitoring

Performance monitoring provides a consistent framework for assessing Dynamic Response delivery and addressing non-compliance to ensure systems security.

Performance monitoring is designed to:

- Assess delivery against contractual requirements
- Address repeated non-compliance proportionately
- Incentivise reliable service delivery
- Maintain a level playing field across providers
- Support providers to identify and rectify recurring issues



Performance Monitoring

At the moment units' performance is reflected via the k-factor and the availability factor which both impact the **Settlement Value**. NESO is also exploring the addition of a Tiered Performance Regime– this will target behavioural compliance; breaches in non-compliance will lead to escalating tiers with consequences.

K-factor

- Measure of performance
- Assesses performance within an individual Settlement Period
- Compares metered response against performance bounds
- Short-term performance measure

Tiered Performance

- Measure of compliance
- Assesses repeated non-compliance over a rolling six-month period
- Uses breach history to allocate a Tiered Performance status
- Long-term compliance measure

Settlement Value

Currently, units are assigned a settlement value for each SP block which depends on the lowest k-factor for the relevant EFA block and the Availability factor of the given SP.

- The k-factor (K) is calculated independently for each Settlement period in the EFA block; the lowest k-factor is applied to each SP in the EFA block
 - When stacking services, a single k-factor is calculated for each contracted direction
- The Availability factor (F) is calculated for each SP and direction and is 0 for availability ≤ 0.999 , 1 otherwise

30 –min DX

Treat SPs independently per the current formula – this will be less penal. The current regime applies the lowest k-factor to the whole EFA block.

Availability Payments

From the Service terms, the payment formula is:

$$S_{aij} = \text{Round}\left(\left(P_{aj} - \left((1 - K_{aij}) \times PF_{aj}\right) \times V_{aij} \times 0.5 \times F_{aij}\right), 2\right)$$

Where

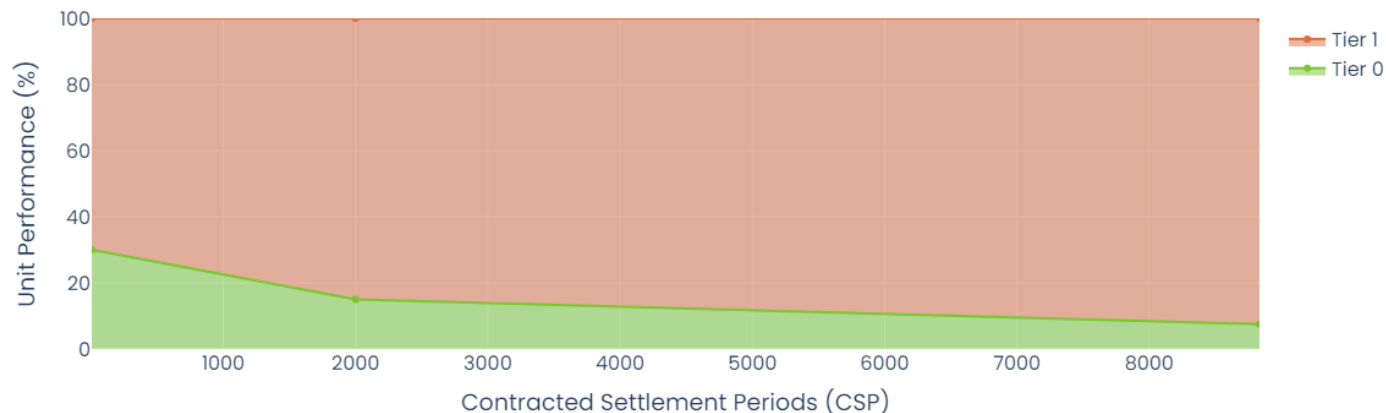
- S_{aij} is the settlement value calculated in respect of Response Unit i for the relevant Auction Product a and Settlement Period j ;
- P_{aj} is the applicable Market Clearing Price in £/MW/h for the relevant Auction Product a and Settlement Period j ;
- V_{aij} is the Contracted Quantity in MW in respect of Response Unit i for the relevant Auction Product a and Settlement Period j ;
- F_{aij} is zero (0) if Response Unit i has any period or periods of unavailability for Auction Product a within Settlement Period j , and is one (1) otherwise;
- K_{aij} is the performance factor in respect of Response Unit i for the relevant Auction Product a and Settlement Period j , and is defined in this Schedule 3 below; and
- PF_{aj} is the settlement adjustment price in £/MW/h applicable to Auction Product a and Settlement Period j , and is which is calculated as follows:
 - The settlement adjustment price is equal to the Market Clearing Price if the Market Clearing Price is greater than or equal to $[x2]$;
 - The settlement adjustment price is equal to -1 (negative one) times the Market Clearing Price if the Market Clearing Price is less than or equal to $[x1]$;
 - The settlement adjustment price is equal to $[X]$ if the Market Clearing Price is between $[x1]$ and $[x2]$.

Extract from the [guidance document](#), slide 14

Tiered Performance

Units providing Dynamic Response will be placed in a progressive series of tiers based on instances of non-compliance. 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 1. Based on these tiers, response units non-compliance will be addressed through a progressive series of actions and opportunity for rectification.

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



The scope of Tiered Performance extends to the following obligations outlined in the Service Terms:

- Submission of Operational Baseline
- Submission of Operational Data
- Submission of Performance Data
- Compliance with State of Energy (SOE) management Rules
- Compliance with Disarming/Re-Arming instructions
- Misuse of Disarming Flag

The following gaming checks are within performance tier scopes:

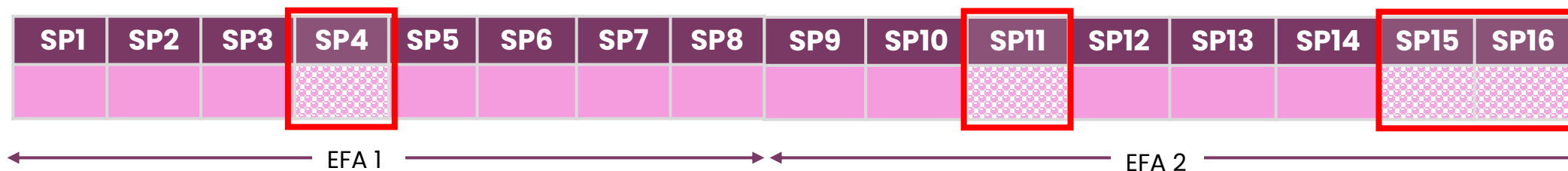
- Misalignment of real-time and post event data
- Misuse of unavailability flag to cover poor performance
- Other inaccuracies or discrepancies that prove to intentionally misrepresent performance in delivery of the service

Tiered Performance: EFA Contracts

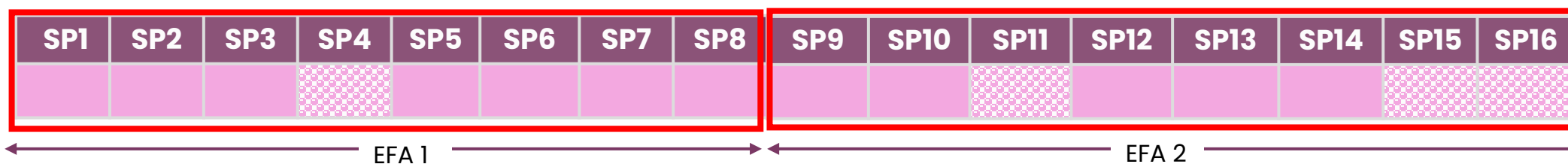
NESO proposes a Tiered performance that tracks compliance over a rolling period (six months), applying escalating consequences for repeated breaches

As per the proposal for **EFA contracts**, breached SPs are deemed as unavailable and availability adjustments are applied to SPs or EFAs where breaches occur depending on the Tier

Tier 0 - unavailability apply only to specific settlement periods where breach(es) occur



Tier 1 - unavailability extend to the entire EFA block where the breach occurred



Contracted SP



Breached SP



SP Subject to Adjustment

Tiered Performance: 30 Min DX Options

Tiered Performance Regime Options		
Tier 0	Breached settlement period is deemed unavailable	
Tier 1	Option A – Independent SP Availability Adjustment A breach in an SP triggers payment adjustment associated to the breached SP only. Unavailable for the SP + Cost of alternative action applied to the SP for higher Tier.	Option A1: SP deemed unavailable + Contract Value * a predetermined multiplier, X?
		Option A2: SP deemed unavailable + Cost of most expensive Dx service
	Option B – Multi-SP Availability Adjustment A breach triggers availability adjustment across a defined number of contracted SPs	Deem previous 8 contracted periods as unavailable
	Option C – Temporary Suspension A breach SP is deemed unavailable and temporarily suspended	Breached settlement periods are deemed unavailable and higher tier triggers a one-week mechanistic suspension

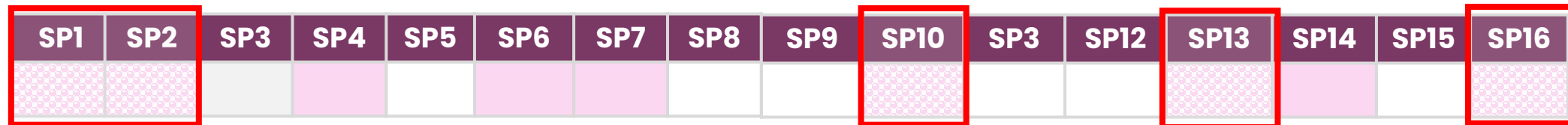
Tier 1 Options

Option A: Independent SP Availability Adjustment

A breach in a Settlement Period results in an unavailability adjustment in the breached settlement period only.

The breached SP is deemed unavailable + an additional cost of alternative action.

The figure below illustrates the contracted SPs, breached SPs and SPs subject to availability adjustments for this option.



Only the breach SP is affected + additional cost of alternative action



Contracted SP



Breached SP



SP Subject to Adjustment

Tier 1 Options

Option A1: Deemed Unavailable + Contract Value of breached SP* a predetermined multiplier, X

The breached Settlement Period is deemed unavailable.

An additional payment adjustment is applied equal to the value of the affected contract multiplied by a predefined factor (X).

Lose availability payment + payment adjustment (Contract Value $\times$ X)

X = predetermined value to account for cost of alternative action

The multiplier X, is set according to NESO analysis of the cost of scarcity and system security risk due to contract breach.

Tier 1 Options

Option A2: Deemed Unavailable + Cost of most expensive Dx service of breached SP

*Payment and availability adjustment for breached SP
= Lose availability payment and |price adjustment of most expensive Dx Service in breach SP|*

Worked example

Assume the following accepted Dynamic Service prices in the breached SP

Services	Price (£/MW/h)
DCL	3.00
DCH	2.45
DML	7.10
DMH	-0.92
DRL	17.94
DRH	-10.54

Most expensive service = DRL (£17.94/MW/h)

Provider contracted:

- Service: DCL
- Volume: 10 MW
- Breached SP: SPI5

$$\text{Price Adjustment} = \left| 10\text{MW} \times \frac{\text{£}17.94}{\text{MWh}} \times 0.5h \right| = \text{£}89.7$$

A Tier 1 unit therefore loses availability payment for DCL contract and price adjustment of £89.7 for the cost of alternative action

Tier 1 Options

Option B: Multi SP Availability Adjustment

A Tier 1 breach results in the breached Settlement Period and the seven preceding contracted Settlement Periods being deemed unavailable.

Subsequent Tier 1 breaches expand the unavailability window by one additional preceding contracted Settlement Period per breach; the breached SP is also deemed unavailable.

All settlement periods within this window are deemed as unavailable and lose their availability payment.

Generalised formula

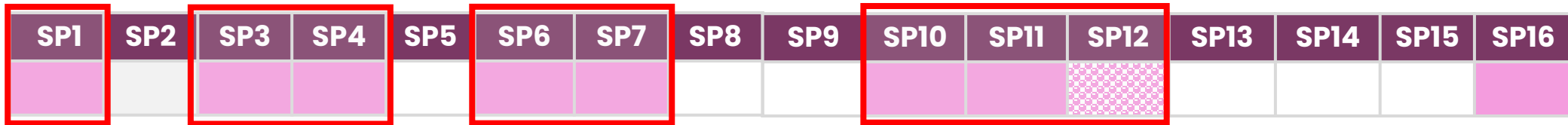
$$P_n = 8 + 2(n - 1)$$

n = number of breaches

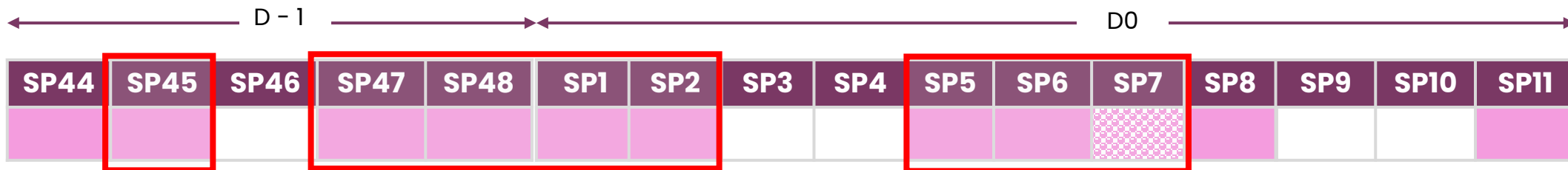
P_n = number of penalised SPs

Tier 1 Options

Option B: Multi SP Availability Adjustment – Worked Examples



Scenario 1: Previous SPs deemed unavailable for a breach in SP12 (8 SP including breached SP)



Scenario 2: SPs Subject to Adjustment in D-1 due to Breach in D0



Contracted SP



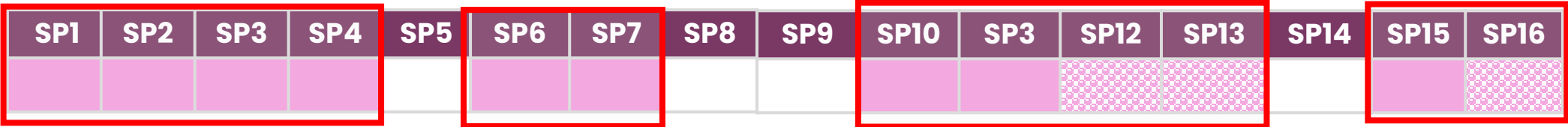
Breached SP



SP Subject to Adjustment

Tier 1 Options

Option B: Multi SP Availability Adjustment – Worked Examples



Scenario 3: Progressive unavailability window expands by one previous Settlement Period for each additional breach; the breached SP is also deemed unavailable

Number of Breaches	* SPs Subject to Adjustment
1 st Breach	8 SPs
2 nd Breach	10 SPs
3 rd Breach	12 SPs
4 th Breach	14 SPs

*Number of previous contracted SPS starting from the last breached contracted period

We acknowledge that the work examples do not cover all edge cases, however, this is our initial proposed options, and we welcome your feedback

 Contracted SP

 Breached SP

 SP Subject to Adjustment

Tier 1 Options

Option C – Temporary Suspension

A Tier 1 breach results in the breached Settlement Period deemed unavailable and temporarily suspended from dynamic response services for 1 week.

For this option, a tier 1 breach will trigger a conversation to understand what the issue is and how it can be resolved.

If NESO does not receive evidence that Dynamic Response participants are taking steps to improve performance, it will lead to a 1-week temporary suspension from the Dynamic Response Market.



Thank you

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Please share feedback though this form, which will remain open until 04/09/2026.

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