

Response Reform June

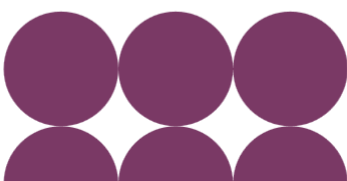
Webinar Q&A

Question	Answer
MFR Compliance and Regulation	
<p>The compliance issues with MFR are stated as monthly pricing and bundling. So why can't it just be unbundled, and priced daily? Should there not be a product which simply enables assets to deliver their grid code defined frequency response capability, without having to go above and beyond that?</p>	<p>This is an option – and one which we might ultimately select. However, given the misalignment between the design of MFR and the evolving needs of the power system, we are exploring alternative options.</p>
<p>Please could you indicate where the MFR requirements (such as the HF/LF bundling) are defined?</p> <p>Follow up: My question about where MFR is defined is: where does the service provider find out what they have to do and how to offer/deliver it. E.g in the BSC, the CUSC, the Grid Code?</p>	<p>The obligation to provide MFR is set out in the Grid Code (CC8.1/ECC8.1)</p> <p>The process for provision of MFR is set out in the Grid Code (BC2.8, BC2.A.2, BC3.5) and the CUSC (section 4.1.3)</p> <p>Provider-specific data for provision of MFR is captured in each provider's Mandatory Services Agreement, an example of which can be found in the CUSC (Schedule 2 Exhibit 4)</p>
<p>What would NESO be doing if the EU regulation wasn't in place?</p>	<p>To clarify: while the relevant regulation was initially introduced by the EU, a deliberate decision was made to retain it in GB law. In other words, it's GB regulation too.</p> <p>If GB regulation didn't require unbundling, and a shorter timescale for service procurement, these would still be fundamentally good market design principles which NESO would be seeking to follow wherever possible.</p>
Future MFR Service Design	
<p>Is the proposed design and development phase intended to be done inside or outside of the defined Grid Code Modification process?</p>	<p>Service design would happen outside the code change process but with extensive engagement with all parties include impacted</p>



	code panel members. Changes to parties' mandatory obligations would then follow the code modification change process.
Can you explain how much money a former MRF provider might make from the new service. We need to understand if the prize is worth developing a new service for.	At this lead time it's hard to say – once we have a draft service design we should be able to answer this more meaningfully.
Is the under/over delivery expected to apply only to the end value/target of the service or is it applied to follow the linear ramp during dynamic events?	Our current thinking is that it would be both. Since frequency is rarely still for long, a unit providing frequency response would typically be ramping most of the time.
Would any changes be made to who is required to provide MFR (or it's replacement)?	Our current intention is that the obligation remains the same, although this is a point we will consider as part of the service design.
Following that thought on the diminishing value of MFR – is there scope to reduce the reliance on the MFR replacement service, given that the other response services are providing better value and system security?	Our hope is that the replacement service will be a meaningful competitor for Dx, even though it will not be able to replace the whole volume.
How many existing MFR providers are made use of by NESO? What percentage of units who have to offer frequency response capabilities are actually providing MFR and DR?	<p>In the last few months, NESO has sent MFR instructions to around 45 distinct units, or around 20% of the total MFR units.</p> <p>All units with an obligation to provide MFR are offering it, although some have chosen to price themselves out of regular utilisation.</p> <p>Detailed MFR data can be found here.</p>
Mandatory Service Agreements (MSAs)	
<p>Has NESO analysed its suite of current Mandatory Service Agreements to help understand what existing assets can deliver?</p> <p>MSA Appendices are produced or verified by NESO engineers from test data produced during FR testing i.e. NESO has got a lot of information about what existing assets can already do (the MSAs summarise this). This seems like a much better-populated set of information than an RFI can offer.</p>	<p>Yes. While the MSA's contain a lot of valuable information, there is some information about unit capability which they don't capture, which we are seeking here.</p> <p>MSA's show what the unit will do while providing MFR. What they don't show is whether a unit is capable of greater speed or flexibility, or what options might exist to reconfigure a unit.</p>

<p>Are units that are required to participate in MFR due to their mandatory service agreement, but are participating in Dynamic Response, also need to provide (or at least price out) of MFR in non-contracted periods?</p> <p>Follow-up: NESO guidance: "Delivery of DC/DM/DR is considered as delivering a commercial service and so FSM mode does not need to be delivered whilst providing these services." When not contracted in Dx for a period, does MFR need to be provided (or priced out at least)?</p>	<p>Currently yes, we attempted to raise a Grid Code change to address this; this exercise to identify a more credible future service is one of the actions we were given by the Grid Code panel.</p> <p>Yes, Dynamic Response is classed as a commercial service. When not contracted for Dx, a Grid code adherent still needs to offer MFR even at high prices.</p>
<h3>Frequency & Inertia</h3>	
<p>Can you explain why it matters if frequency swings around a lot in the 49.9 - 50.1 Hz range? I have never heard anyone complain about the system frequency?</p>	<p>To minimise the impact of (and hence the cost to secure) a major fault event, we attempt to keep frequency close to 50Hz the rest of the time. Anything that makes this harder increases the cost and difficulty of securing major faults.</p>
<p>Regarding system frequency swings, NESO previously told industry this is due to non-BM NIV chasing assets and are trying to resolve this by further regulation of those assets. Is this analysis on slow DR response contradicting this? This makes creating a solution very difficult without a known cause</p>	<p>It's both. Frequency volatility is exacerbated by non-BM NIV chasing conducted without NESO visibility – but it's also exacerbated by slower DR delivery.</p>
<p>While some assets which can't achieve the proposed DR spec, these assets typically do provide real inertia to the system - and surely there is value in that, even if the ramp response takes a little longer. Inertia still acts against the change. How is this being acknowledged/valued?</p> <p>As inertia goes lower, you need DC, and faster acting frequency products to manage the system. How can we categorically say these are different products - Inertia and Freq are intrinsically linked. There should be</p>	<p>Yes, there is some value in inertia, but it is not currently a major factor in determining our response requirement, and hence its value is not strongly linked to the value of frequency response.</p> <p>We are taking measures to reduce our inertia requirements in preparation for a zero-carbon system, and separately to introduce more robust inertia markets to ensure that the inertia we do need can be procured in a way which reflects its value.</p>



acknowledgement of this relationship and value transfer	
Dynamic Response Updates	
<p>When do you expect the Autumn Dx consultation change service terms to go live?</p> <p>Follow up: Sorry, I meant the autumn 2025 consultation changes that have recently been submitted to Ofgem. Is implementation of Dx service terms immediately upon Ofgem approval (1 July)?</p>	<p>We expect to consult on Realtime Dynamic Response in early autumn 2026, with an expected go live of the first half of 2027.</p> <p>The content in the autumn 2025 consultation will be split into two go lives, 31 July 2026 and January 2027, more details on which changes will go live when can be found in the Submission Document.</p>
<p>The locational value of the provision of Frequency Response I haven't heard publicly promoted before. can you talk more about this, and why there is no consideration of a locational procurement approach?</p>	<p>We are considering a locational procurement approach for the Dynamic Response and Reserve services. We have published the Locational Procurement Market Design that we are seeking feedback on by 03 July 2026. More details, including the need/value, can be found in our recent webinars:</p> <p>Jan 2025 Webinar July 2025 Webinar Nov 2025 Webinar</p>
General	
<p>Can it be confirmed, will this slide deck, and links to RFIs be published?</p>	<p>Yes slides with all links included will be published alongside this Q&A document and the recording of the webinar. The RFI links can be found here:</p> <p>MFR & DR Reform Reserve Reform RFI Locational Procurement Market Design</p>

