

National Grid ESO
 Faraday House
 Gallows Hill
 Warwick
 CV34 6DA

jon.wisdom@nationalgrideso.com
 07929 375010
 nationalgrideso.com

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Re: Quick Reserve (Phase 1) Terms and Conditions

Dear James,

In accordance with Commission Regulation (EU) 2017/2195 of 23 November 2017 as converted into retained EU law (EBR), National Grid ESO is proposing to update its terms and conditions relating to Balancing by the introduction of terms and conditions for the new Balancing Service of Quick Reserve (QR), Phase 1.

These proposed new terms and conditions comprise QR Service Terms and QR Procurement Rules. In due course, further aspects of this Balancing Service will be introduced, and so these current documents are described as "Phase 1". When developed, further phases will be subject to separate consultation.

Alongside these proposed new QR terms and conditions, ESO is also publishing proposed updates to two further documents. First, it is proposing some minor 'housekeeping' updates to its Balancing Services Glossary of General Terms and Rules of Interpretation document ("General Glossary"), which is incorporated into the QR Service Terms and QR Procurement Rules (as well as into other documentation forming part of the existing approved terms and conditions related to balancing). Second, it is proposing a small change to the existing Procurement Rules for Dynamic Response services, so as to align with a corresponding term in the QR Procurement Rules to allow co-optimisation in the daily auctions across both sets of products. This change is distinct from the separate consultation on proposed updates to the Response terms and conditions.

In accordance with EBR, the ESO has now concluded its consultation on these documents (which are a proposal for new terms and conditions related to Balancing).

Below we have summarised the changes we are now proposing to make to those terms and conditions in response to comments received as part of the consultation. In addition, we have corrected an error in our summary document in the 'Availability Declaration' section to show these must be submitted 60 minutes prior to any QR window rather than 90 minutes as previously stated.

Draft Amendments to the Quick Reserve (Phase 1) Service Terms

Paragraph	Subject Matter	Change
5.11	Excessive Pricing	Wording added to provide further detail on the process NGENSO will engage in when in receipt of excessive prices from Service Providers, including the actions that may be taken where there are repeated submissions of excessive prices.
16	Correction	Correction to refer to clause 7 of the Flexibility Services Standard Agreement.

28	Correction	Correction to refer to clause 17 of the Flexibility Services Standard Agreement.
31	Correction	Correction to remove the wording “ <i>with the exceptions of the words “other than the Distribution and Transmission Licensees (the Company)) who shall be entitled to independently enforce all of the terms of the Contract”.</i> ”

Draft Amendments to the Quick Reserve (Phase 1) Procurement Rules

Paragraph	Subject Matter	Change
4.1	Correction	Cross reference to clause 4.3 corrected.
9.4	Correction	Cross references to clauses 9.2.9, 9.2.10 and 9.2.11 corrected.
10	Correction	Correction to refer to clause 10 of the Flexibility Services Standard Agreement.

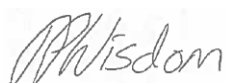
Draft Amendments to the Glossary of General Terms and Rules of Interpretation

Paragraph	Subject Matter	Change
Part 4	General Terms	Correction to the version reference of the Flexibility Services Standard Agreement

Annexed to this letter is a table showing how we believe the proposed terms and conditions (and corresponding parts of the GB codes) map across to the terms and conditions related to Balancing described by Article 18 of EBR.

If you have any queries regarding this proposal, please contact us using the above email address.

Yours sincerely,



Jon Wisdom
Head of Market Change Delivery

Annex 1

EBR Article 18 mapping for the Quick Reserve (Phase 1) Terms and Conditions

Please note: The table below cross references the terms and conditions related to balancing described in article 18 of Commission Regulation (EU) 2017/2195 of 23 November 2017 (as incorporated into EU retained law, and as amended by the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019/532) (“**EBR Article 18**”) against the corresponding parts of the GB codes and relevant contractual provisions, with particular reference to the Quick Reserve (phase 1) service. This cross referencing includes the terms and conditions for balancing service providers and the terms and conditions for balance responsible parties.

Nothing in this table shall prejudice or otherwise affect the operation of the GB codes and relevant contractual provisions, and furthermore in the event of any conflict or inconsistency between this table and EBR Article 18 the latter shall prevail.

Table 1 – Mandatory Elements

Below is the mapping of EBR Article 18 with references to the relevant Quick Reserve (phase 1) terms and conditions.

Article	Text	Code or Document	Section
18.2	The terms and conditions pursuant to paragraph 1 shall also include the rules for suspension and restoration of market activities pursuant to Article 36 of Regulation (EU) 2017/2196 and rules for settlement in case of market suspension pursuant to Article 39 of Regulation (EU) 2017/2196 once approved in accordance with Article 4 of Regulation (EU) 2017/2196.	Grid Code	OC9.4
		BSC	G3, P1.6, P5, Q4.3.4, Q5.4, Q5A and T1.7
18.4	The terms and conditions for balancing service providers shall:	-	-

Article	Text	Code or Document	Section	
18.4.a	Define reasonable and justified requirements for the provisions of balancing services;	QR Procurement Rules	QR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Auction Units 6 – Linking 12 – Formation of QR Contracts QR Service Terms 5 – Service Availability	
		QR Service Terms		
		BSC		A, H3, H4.2, H4.7, H4.8, H5.5, H6, H10, J3.3, J3.6, J3.7 and J3.8
		CUSC		4.1.3
		Grid Code	BC1, BC2, BC3 & BC4	
18.4.b	allow the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to offer balancing services subject to conditions referred to in paragraph 5 (c);	BSC	K3.3, K8, S6.2, S6.3 and S11, S12, S13 and S14	
		Grid Code	DRSC 4.2, BC1.4	
		QR Procurement Rules	QR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Auction Units Schedule 2 – Registration and Pre-Qualification Procedure	
18.4.c	allow demand facility owners, third parties and owners of power generating facilities from conventional and renewable energy sources as well as owners of energy storage units to become balancing service providers;	BSC	K3.2, K3.3, K8	
		QR Procurement Rules	QR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Auction Units 6 – Linking Schedule 2 – Registration and Pre-Qualification Procedure	

Article	Text	Code or Document	Section
18.4.d	require that each balancing energy bid from a balancing service provider is assigned to one or more balance responsible parties to enable the calculation of an imbalance adjustment pursuant to Article 49.	BSC	T4, Q7.2, Q6.4
18.5	The terms and conditions for balancing service providers shall contain:	-	-
18.5.a	the rules for the qualification process to become a balancing service provider pursuant to Article 16;	QR Procurement Rules	QR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Auction Units 6 – Linking Schedule 2 – Registration and Pre-Qualification Procedure
		Grid Code	BC5, BC4.4.2
		CUSC	4.1
		BSC	J3.3, J3.6, J3.7, J3.8, K3.2, K3.3 and K8
18.5.b	the rules, requirements and timescales for the procurement and transfer of balancing capacity pursuant to Articles 32 and 34;	QR Procurement Rules QR Service Terms	QR Procurement Rules 7 – Buy Orders 8 – Sell Orders 9 – Market Clearing Rules 12 – Formation of QR Contracts QR Service Terms 22 – Transfer of QR Contracts
18.5.c	the rules and conditions for the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to become a balancing service provider;	QR Procurement Rules	QR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Auction Units Schedule 2 – Registration and Pre-Qualification Procedure
		BSC	K3.3 and K8
		Grid Code	BC1.4 and BC1.A.10

Article	Text	Code or Document	Section	
18.5.d	the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO during the prequalification process and operation of the balancing market;	QR Procurement Rules	QR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Pre-qualification of Auction Units 8 – Sell Orders Schedule 2 – Registration and pre-qualification Procedure QR Service Terms 7 – Service Delivery 17 – Monitoring and Metering	
		QR Service Terms		
		BSC		O
		Grid Code		DRC, BC5 BC1.4
		CUSC	4.1.3.14 and 4.1.3.19	
18.5.e	the rules and conditions for the assignment of each balancing energy bid from a balancing service provider to one or more balance responsible parties pursuant to paragraph 4 (d);	BSC	T4	
		QR Procurement Rules	QR Procurement Rules 12 – Formation of QR Contracts	
		QR Service Terms	QR Service Terms 21 – Assignment 22 – Transfer of QR Contracts	
18.5.f	the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO to evaluate the provisions of balancing services pursuant to Article 154(1), Article 154(8), Article 158(1)(e), Article 158(4)(b), Article 161(1)(f) and Article 161(4)(b) of Regulation (EU) 2017/1485;	QR Service Terms	QR Service Terms 5 – Service Availability 7 – Service Delivery 17 – Monitoring and Metering	
		Grid Code	BC1.4, BC1.A.10,	
		CUSC	4.1.3.19	
18.5.g	the definition of a location for each balancing product taking into account paragraph 5 (c);	Grid Code	BC1.4	
18.5.h	the rules for the determination of the volume of balancing energy to be settled with the balancing service provider pursuant to Article 45;	BSC	T3	

Article	Text	Code or Document	Section
18.5. i	the rules for the settlement of balancing service providers defined pursuant to Chapters 2 and 5 of Title V;	QR Service Terms	QR Service Terms 8 – QR Availability Payments 9 – Energy Utilisation Payments 10 – Payment Procedure Schedule 3 – QR Availability Payments Schedule 4 – Payment Provisions
		BSC	T1.14, T3 and U
		CUSC	4.1.3.9 and 4.1.3.9A
18.5. j	a maximum period for the finalisation of the settlement of balancing energy with a balancing service provider in accordance with Article 45, for any given imbalance settlement period;	QR Service Terms	QR Service Terms 8 – QR Availability Payments 9 – Energy Utilisation Payments 10 – Payment Procedure Schedule 3 – QR Availability Payments Schedule 4 – Payment Provisions
		BSC	U2.2
		CUSC	4.3.2.6
18.5. k	the consequences in case of non-compliance with the terms and conditions applicable to balancing service providers.	QR Procurement Rules	QR Procurement Rules 4 – Registration of Registered Auction Participants 5 – Prequalification of Auction Units Schedule 2 – Registration and Pre-qualification Procedure
		QR Service Terms	QR Service Terms 5 – Service Availability 7 – Service Delivery 16 – Termination of QR Contracts 17 – Monitoring and Metering
		BSC	H3, Z7 and A5.2
		CUSC	4.1.3.9, 4.1.3.9A and 4.1.3.14
18.6	The terms and conditions for balance responsible parties shall contain:	-	-
18.6. a	the definition of balance responsibility for each connection in a way that avoids any gaps or overlaps in the balance responsibility of different	BSC	K1.2, P3 and T4.5

Article	Text	Code or Document	Section
	market participants providing services to that connection;		
18.6. b	the requirements for becoming a balance responsible party;	BSC	A, H3, H4.2, H4.7, H4.8, H5.5, H6, H10, J3.3, J3.6, J3.7, J3.8, K2, K3.3 and K8
18.6. c	the requirement that all balance responsible parties shall be financially responsible for their imbalances, and that the imbalances shall be settled with the connecting TSO;	BSC	N2, N6, N8, N12, and T4,
18.6. d	the requirements on data and information to be delivered to the connecting TSO to calculate the imbalances;	BSC	O, Q3, Q5.3, Q5.6, Q6.2, Q6.3, Q6.4
		Grid Code	BC1.4.2,3,4, BC1 Appendix 1 BC2.5.1,
18.6. e	the rules for balance responsible parties to change their schedules prior to and after the intraday energy gate closure time pursuant to paragraph 4 of Article 17;	BSC	P2
		Grid Code	BC1.4.3,4,
18.6. f	the rules for the settlement of balance responsible parties defined pursuant to Chapter 4 of Title V;	BSC	T4, U2
18.6. g	the delineation of an imbalance area pursuant to Article 54(2) and an imbalance price area;	-	<i>GB constitutes one imbalance area and imbalance price area and they are equal to the synchronous area</i>
18.6. h	a maximum period for the finalisation of the settlement of imbalances with balance responsible parties for any given imbalance settlement period pursuant to Article 54;	BSC	U2.2
18.6. i	the consequences in case of non-compliance with the terms and conditions applicable to balance responsible parties;	BSC	H3, Z7 and A5.2
18.6. j	an obligation for balance responsible parties to submit to the connecting TSO any modifications of the position;	BSC	P2
18.6. k	the settlement rules pursuant to Articles 52, 53, 54 and 55;	BSC	T4, U2
18.6. l	where existing, the provisions for the exclusion of imbalances from the imbalance settlement when they are associated with the introduction of ramping restrictions for the alleviation of deterministic frequency deviations	Deterministic frequency deviation is a continental European concept and is not a characteristic of the GB system.	N/A

Article	Text	Code or Document	Section
	pursuant to Article 137(4) of Regulation (EU) 2017/1485.	Therefore, this requirement does not apply to GB.	

Table 2 - Non- Mandatory elements

Article	Text	Comment
18.7. a	-	Sub-paragraph 18.7.a was repealed pursuant to paragraph 18(6)(a) of Schedule 2 of the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019/532.
18.7. b	where justified, a requirement for balancing service providers to offer the unused generation capacity or other balancing resources through balancing energy bids in the balancing markets after day ahead market gate closure time, without prejudice to the possibility of balancing service providers to change their balancing energy bids prior to the balancing energy gate closure time due to trading within intraday market;	NG ESO does not expect to require this from Balancing Service Providers, except where balancing capacity or energy has been contracted. Although in the BM defaulting rules apply if data is not updated, there is no legal requirement for parties to offer unused generation capacity or any other balancing resource.
	-	Sub-paragraph 18.7.c was repealed pursuant to paragraph 18(6)(c) of Schedule 2 of the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019/532.
18.7. d	specific requirements with regard to the position of balance responsible parties submitted after the day-ahead market timeframe to ensure that the sum of their internal and external commercial trade schedules equals the sum of the physical generation and consumption schedules, taking into account electrical losses compensation, where relevant;	NG ESO does not expect to require this from Balancing Service Providers. No BSC party is required to contract to match its Final Physical Notifications (FPNs).
18.7. e	an exemption to publish information on offered prices of balancing energy or balancing capacity bids due to market abuse concerns pursuant to Article 12(4)	NG ESO does not expect to require this exemption. Such data is published on Insights Real-Time Information Service (IRIS).

18.7. f	an exemption to predetermine the price of the balancing energy bids from a balancing capacity contract pursuant to Article 16(6)	-
18.7. g	An application for the use of dual pricing for all imbalances based on the conditions established pursuant to Article 52(2)(d)(i) and the methodology for applying dual pricing pursuant to Article 52(2)(d)(ii).	NG ESO does not expect to apply for the use of dual pricing for all imbalances. A single imbalance price was adopted by the GB market in November 2015.