

RESPONSE AUCTION TRIAL – AUCTION RULES (PHASE 1)

MODIFICATION HISTORY

Version	Publication Date	Effective From	Summary of Change(s)	Affected Provision(s)
1.0	11 May 2019	13 June 2019	First Version	N/A
1.1	4 June 2019	13 June 2019	Amendment to make clearer that the price submitted in an Auction shall be in £/MW/h, where the applicable pound and pence figures are each an integer	Paragraph 7.4.4
1.2	13 June 2019	20 June 2019	Amendment to include provision for change of Buy Order and Exceptional Circumstances where not enough Registered Participants	Paragraph 6.5 and 11.1

Response Auction Trial Auction Rules (Phase 1)

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1. Introduction

- 1.1 These **Response Auction Rules** contain the requirements for participation in the **Auctions** administered by **NGESO** during the **Phase 1 Period** in contemplation of the formation of **Response Auction Contracts**, including rules on the submission of **Orders** and the **Market Clearing Rules**.
- 1.2 All **Sell Orders** submitted by **Registered Auction Participants** and accepted (or part accepted) in accordance with the **Market Clearing Rules** will automatically create a legally binding **Response Auction Contract** for the applicable **Service Week**.

2. Changes to these Response Auction Rules

- 2.1 **NGESO** may update these **Response Auction Rules** from time to time by publication of the changes on its website, and unless required by **Law** to be effective earlier shall be effective from 00.00 hours on the next following **Auction Day** (or any later **Auction Day** as may be specified by **NGESO**) provided that **NGESO** has published the changes by no later than 12:00 hours on the **Day** falling seven (7) **Days** prior to that **Auction Day**.
- 2.2 When publishing changes to these **Response Auction Rules**, **NGESO** may also publish a consolidated version of changes made to the **Response Auction Rules**, but the consolidated version will not be a formal document and may not be relied upon in any way by **Registered Auction Participants**.

3. General Terms and Conditions and Glossary of Terms

- 3.1 These **Response Auction Rules** are subject to the prevailing **General Terms and Conditions** published by **NGESO** alongside these **Response Auction Rules**.
- 3.2 Unless the context otherwise requires, any capitalised term used in these **Response Auction Rules** shall have the meaning given to it (if any) in the prevailing **Glossary of Terms and Rules of Interpretation**, and the rules of interpretation set out in that document shall also apply.
- 3.3 For the purposes of paragraphs 3.1 and 3.2, with respect to any **Auction** “prevailing” shall mean the latest version of the applicable document which is effective on the applicable **Auction Day** in accordance with its terms.

4. Registration Documents

- 4.1 No entity may submit a **Sell Order** unless and until **NGESO** has confirmed that it is a **Registered Auction Participant** pursuant to the provisions of the **Registration Documents**.
- 4.2 Where **NGESO** determines (acting reasonably) that any details provided, including confirmations and declarations given, in Forms A and/or B (including any accompanying **Declaration**, as defined in Form A) of the **Registration Documents** by or on behalf of a **Registered Auction Participant** are no longer true and/or accurate, then **NGESO** may (but shall not be obliged to) de-register the relevant entity as **Registered Auction Participant** and/or **Registered Service Provider** (as the case may be). Such de-registration shall be notified by **NGESO** to the **Registered Auction Participant** by email, whereupon no further **Sell Orders** may be submitted by that entity unless and until it is re-registered pursuant to the provisions of the **Registration Documents**.

5. Phase 1 Period

- 5.1 For the duration of the **Phase 1 Period**, all **Orders** shall be submitted in the prescribed form using the **NGESO Auction Platform**, and shall relate only to a single **Response Auction Product**, being **LFS**.
- 5.2 Following expiry of the **Phase 1 Period**, and for the remainder of the **Auction Trial Period**, it is intended that all **Orders** shall be submitted using a new **Designated Auction Platform** which shall require changes to the **Auction Trial Documentation** including these **Response Auction Rules**. **NGESO** shall communicate details of the new **Designated Auction Platform** and changes to the **Auction Trial Documentation** on its website prior to expiry of the **Phase 1 Period**. It is anticipated that such new **Designated Auction Platform** will facilitate auctions incorporating a wider range of **Response Auction Products** than available in the **Phase 1 Period**.

6. Buy Orders

- 6.1 **Buy Orders** may be submitted by **NGESO** at any time prior to the **Auction Opening Time**.
- 6.2 Each **Buy Order** shall relate to a single **EFA Block** in the immediately following **Service Week**, and for that **EFA Block** shall indicate **NGESO's** requirement (in MW) for **LFS** (which for the avoidance of doubt may be zero (0) MW) and a **Buy Order Price Limit**.
- 6.3 Accordingly, and for the avoidance of doubt, there shall be forty-two (42) separate **Buy Orders** for each **Service Week**, one for each **EFA Block**.
- 6.4 **Buy Orders** shall not be visible to **Registered Auction Participants** on the **Designated Auction Platform** until publication in the **Weekly Auction Report** pursuant to paragraph 9, although a hash algorithm (being a unique code) associated with the document containing each **Buy Order** (including the **Buy Order Price Limit**) with respect to a **Service Week** shall be published by **NGESO** no later than the **Auction Opening Time** for that **Service Week**.
- 6.5 A **Buy Order** shall not be capable of being changed by **NGESO** after the **Auction Opening Time**, except in exceptional circumstances where, in **NGESO's** reasonable opinion and having regard to market activity, including where there are too few **Registered Auction Participants**, there is a need to protect the integrity of the **Response Auction Trial**.

7. Sell Orders

- 7.1 **Sell Orders** may be submitted by **Registered Auction Participants** at any time after the **Auction Opening Time** and before the **Auction Closing Time**.
- 7.2 **Sell Orders** received after the **Auction Closing Time** shall be considered null and void regardless of cause unless otherwise decided by **NGESO** at its sole discretion.
- 7.3 Each **Sell Order** shall relate to a single **Response Unit** and a single **EFA Block**, and a **Registered Auction Participant** may not submit multiple **Sell Orders** for the same **Response Unit** and **EFA Block**.
- 7.4 To be valid, each **Sell Order** will need to be fully completed at the time of submission, including the following details:-
- 7.4.1 the name of the **Registered Auction Participant**;
- 7.4.2 the **Response Unit** (by reference to its unit ID);
- 7.4.3 the applicable **EFA Block**;
- 7.4.4 a price (in £/MW/h, where the applicable pound and pence figures shall each be an integer);
- 7.4.5 the **Minimum Response Capacity** (in MW), which shall not be less than one (1) MW (and shall be an integer); and
- 7.4.6 the **Maximum Response Capacity** (in MW), which shall not be more than twenty (20) MW (and shall be an integer), and which shall have the same value as the **Maximum Response Capacity** if the **Response Auction Participant** is not able to offer partial execution of the relevant **Sell Order**.
- 7.5 Accordingly, and for the avoidance of doubt, it is possible for a **Registered Auction Participant** to submit up to forty-two (42) separate **Sell Orders** for each **Response Unit** for each **Service Week**.
- 7.6 Where any **Sell Order** is submitted for a **Response Unit** in relation to an **EFA Block** the subject of a valid **Sell Order** previously submitted for that **Response Unit**, then the previous **Sell Order** shall be treated as cancelled.
- 7.7 All submitted **Sell Orders** remain valid unless and until:-
- 7.7.1 the **Sell Order** is cancelled by the **Registered Auction Participant** that submitted it (including in the manner described in paragraph 7.6);
- 7.7.2 the **Registered Auction Participant** modifies it (and, in such case, paragraph 7.6 shall apply); or

- 7.7.3 the **Sell Order** is either accepted (including part accepted) or rejected in accordance with the **Market Clearing Rules** (whereupon it expires).
- 7.8 Each **Registered Auction Participant** is responsible for ensuring that the **Sell Orders** it submits are correct and valid.
- 7.9 Subject always to paragraph 7.10, upon becoming aware of any error in a **Sell Order**, the **Registered Auction Participant** shall modify the **Sell Order** where possible otherwise shall notify **NGESO** immediately, provided that in such event there shall be no obligation on **NGESO** to take any steps to avoid or mitigate any potential losses to the **Registered Auction Participant**.
- 7.10 After the **Auction Closing Time**, **Sell Orders** may not be modified or cancelled and are binding and irrevocable subject always to paragraph 7.7.
- 7.11 **Sell Orders** submitted by **Registered Auction Participants** for each **EFA Block** in any **Service Week** shall not be visible to other **Registered Auction Participants** on the **Designated Auction Platform** until publication in the **Weekly Auction Report** in the manner described in paragraph 9.

8. Market Clearing Rules

- 8.1 After the **Auction Closing Time**, and for each **EFA Block** in the **Service Week**, the **Auction** algorithm will match all valid **Sell Orders** with the applicable **Buy Order** by identifying the point at which volumes converge, with the result that each such **Sell Order** will either be accepted (or partially accepted) or rejected, and a **Market Clearing Price** will be established for that **EFA Block**, all as more particularly described in this paragraph 8.
- 8.2 All valid **Sell Orders** submitted by the **Auction Closing Time** for a given **EFA Block** will first be stacked in ascending price order, and will be randomly allocated a number ranking from 1 to X where X is the total number of **Sell Orders** for that **EFA Block**.
- 8.3 For a given **EFA Block**, the **Auction** algorithm will then establish:-
- 8.3.1 the point of convergence of the volume requirement defined by the **Buy Order** (in this paragraph 8, "**Buy Order Quantity Limit**") with the cumulative **Maximum Response Capacities** of the remaining stacked **Sell Orders** (in this paragraph 8, "**Aggregate Sell Order Quantity**"); and
- 8.3.2 the **Sell Order** which sits in the stack at this point of convergence, which in the event of a tie shall be ascertained by selection of the **Sell Order** with the lowest random number ranking (in this paragraph 8, "**the Marginal Sell Order**").
- 8.4 Where the **Aggregate Sell Order Quantity** is less than or equal to the **Buy Order Quantity Limit**, all **Sell Orders** will be accepted in full at their **Maximum Response Capacities**, but subject always to paragraph 8.8.
- 8.5 As is implicit in paragraph 8.4, where the **Aggregate Sell Order Quantity**, up to and including the **Maximum Response Capacity** of the **Marginal Sell Order**, is equal to the **Buy Order Quantity Limit**, all **Sell Orders** up to and including the **Marginal Sell Order** will be accepted at their **Maximum Response Capacities**, but subject always to paragraph 8.8.
- 8.6 Where the **Aggregate Sell Order Quantity**, up to and including the **Marginal Sell Order**, exceeds the **Buy Order Quantity Limit** (in this paragraph 8, the excess being the "**Marginal Excess Quantity**"), then:-
- 8.6.1 all **Sell Orders** with a price greater than the price of the **Marginal Sell Order** will be rejected;
- 8.6.2 if the **Minimum Response Capacity** of the **Marginal Sell Order** exceeds the **Marginal Excess Quantity**, the **Marginal Sell Order** will be rejected; and
- 8.6.3 if the **Minimum Response Capacity** of the **Marginal Sell Order** is less than or equal to the **Marginal Excess Quantity**, the **Marginal Sell Order** will be accepted in part to the extent of the **Marginal Excess Quantity** only, but subject always to paragraph 8.8.
- 8.7 At the conclusion of the process described in paragraph 8.6, the **Auction** for the relevant **EFA Block** shall end and the **Market Clearing Price** shall be set equal to the price of the last accepted (or part accepted) **Sell Order**.
- 8.8 Notwithstanding the above, the **Auction** algorithm shall not accept any **Sell Order** which has a price in excess of the **Buy Order Price Limit** for the applicable **EFA Block**.

- 8.9 Each **Sell Order** for an **EFA Block** accepted (or part accepted) in accordance with this paragraph 8 shall, together with all and any other **Sell Orders** with respect to the same **Response Unit** accepted for another **EFA Block** in the relevant **Service Week**, form a **Response Auction Contract** for that **Response Unit** and **Service Week**.

9. Weekly Auction Report and Formation of Response Auction Contracts

- 9.1 On or around the **Auction Results Time**, **NGESO** shall publish the **Weekly Auction Report**, which may (at **NGESO**'s sole discretion) include in relation to each **Response Auction Product** and each **EFA Block**:
- 9.1.1 for each **Sell Order**, the information contained in paragraph 7.4 (other than the price of that **Sell Order**);
- 9.1.2 the **Buy Order** requirement;
- 9.1.3 the **Market Clearing Price**;
- 9.1.4 the **Auction Clearing Quantity**; and
- 9.1.5 in relation to each accepted **Sell Order**, the quantity of the **Response Auction Product** the subject of a **Response Auction Contract** (being the **Maximum Response Capacity** or, if part accepted, a lower amount being not less than the **Minimum Response Capacity**).
- 9.2 Within or alongside the **Weekly Auction Report**, **NGESO** shall also publish the document attributable to the hash algorithm published pursuant to paragraph 6.4 containing all of the **Buy Orders** for the relevant **Service Week**.
- 9.3 Each **Registered Auction Participant** awarded a **Response Auction Contract** agrees to be bound by its terms with respect to each accepted (or part accepted) **Sell Order** so notified in the **Weekly Auction Report** and the relevant **Response Unit** and **EFA Block(s)**.
- 9.4 The **Response Auction Contract** will be formed automatically and simultaneously with the publication of that part of the **Weekly Auction Report** which confirms acceptance of the **Sell Order**, subject always to paragraph 9.5.
- 9.5 **NGESO** may publish revisions to a **Weekly Auction Report** but for the purposes of paragraph 9.4 the version published as at 17:00 hours immediately following the **Auction Results Time** shall be definitive.
- 9.6 For the avoidance of doubt, for any **Registered Auction Participant** with a **Response Unit** the subject of one more accepted (or part accepted) **Sell Orders** in a **Service Week**, there shall be a single **Response Auction Contract** formed in respect of that **Response Unit** for that **Service Week** comprising each **Contracted EFA Block**.

10. Confidentiality and Market Reports

- 10.1 Subject always to paragraph 10.2, the provisions of paragraph 8 (*Confidentiality and Announcements*) of the **General Terms and Conditions** shall apply to all and any information provided by **NGESO** or any **Registered Auction Participant** to the other (whether orally or in writing) pursuant to or in connection with these **Response Auction Rules**.
- 10.2 Each **Registered Auction Participant** agrees to the publication by **NGESO** of the information contained in the **Weekly Auction Report**, insofar as relating directly or indirectly to the **Registered Auction Participant** and the relevant **Response Unit**.

11. Exceptional Circumstances

- 11.1 If an exceptional situation arises, in particular if a system or the information needed to operate the **Auction** is unavailable or if an incident prevents the **Auction** from being held in normal circumstances, or if in **NGESO**'s reasonable opinion there are too few **Registered Participants** then **NGESO** may take any or all of the following measures (at its sole discretion):
- 11.1.1 modify any or all of the **Auction Opening Time**, the **Auction Closing Time** and the **Auction Results Time**;
- 11.1.2 authorise **Registered Auction Participants** to submit new **Sell Orders** or modify existing **Sell Orders**; and/or

11.1.3 cancel the **Auction**.

12. Use of Designated Auction Platform

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):-

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

12.2 in compliance with all and any technical specifications provided from time to time by or on behalf of **NGESO**;

12.3 solely for the purpose of formation of **Response Auction Contract**,
and any other use is strictly prohibited.

13. Accuracy of Information

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

14. Intellectual Property

14.1 **NGESO** 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 **Response Auction Rules**.

14.2 Each **Registered Auction Participant** undertakes to **NGESO** 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** through the **Designated Auction Platform**.

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

14.4 Each **Registered Auction Participant** indemnifies and keeps indemnified **NGESO** 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 14.3 of which it is aware.

14.5 **NGESO** 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 each **Auction**.

14.6 **NGESO** shall indemnify and keep indemnified the **Registered Auction Participant** from and against any claims from a third party that the use of the **Designated Auction Platform** by such **Registered Auction Participant** for the purposes of an **Auction** infringes a third party's intellectual property rights or other property rights.

14.7 In respect of the indemnities given in paragraphs 14.4 and 14.6 the indemnified party shall:

14.7.1 notify the indemnifying party as soon as possible of any claim the subject of the indemnity (in this paragraph 14, "**IPR Claim**");

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

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

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

15 Viruses

- 15.1 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 15, “**Malicious Software**”).
- 15.2 If, notwithstanding the provisions of paragraph 15.1, **Malicious Software** is found on the **Designated Auction Platform**, the **Registered Auction Participant** shall co-operate with **NGESO** to reduce the effect of the **Malicious Software** and, particularly if **Malicious Software** causes loss of operational efficiency to the **Designated Auction Platform**, assist **NGESO** to mitigate any losses and restore the **Designated Auction Platform** to its original operating efficiency.

16 Costs

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