

Response Auction Trial Auction Rules (Phase 2)

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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 2 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

- 4.1 No entity may submit a **Sell Order** unless and until **NGESO** has confirmed pursuant to the provisions of the **Registration Documents** that it is a **Registered Auction Participant**, and for such purpose Forms A and B of the **Registration Documents** must be submitted to **NGESO** not less than thirteen (13) **Days** prior to the **Day** in which the **Auction Opening Time** falls.
- 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 Participation** 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**.
- 4.3 A **Sell Order** may only be submitted by a **Registered Auction Participant** in respect of **Plant** and **Apparatus** where:-
- 4.3.1 such **Plant** and **Apparatus** has been validated by **NGESO** as an **Eligible Asset**; and
- 4.3.2 such **Eligible Asset** has been registered to a **Response Unit**,
- in each case, in accordance with the **Auction Participation Guidance Document**.

4.4 For the purposes of paragraph 4.3:-

4.4.1 **Plant and Apparatus** must be notified by the **Registered Auction Participant** to **NGESO** for validation by no later than thirteen (13) **Days** prior to the **Day** in which the **Auction Opening Time** falls; and

4.4.2 an **Eligible Asset** must be registered by the **Registered Auction Participant** to a **Response Unit** by no later than 17:00 hours on the **Day** which is the thirteenth **Day** preceding the **Day** in which the **Auction Opening Time** falls.

4.5 Where **NGESO** determines (acting reasonably), having regard to declarations of unavailability notified by the **Registered Auction Participant** pursuant to the **Response Auction Service Terms** or otherwise, that any **Eligible Asset** is no longer capable of providing its **Registered Response Capacity**, then **NGESO** shall so notify the **Registered Auction Participant** whereupon the **Eligible Asset** shall be ineligible for registration to any **Response Unit** until such time as it is re-validated by **NGESO** in accordance with the **Testing Guidelines**.

4.6 It is a further pre-condition to participation in an **Auction** that, in respect of each **Response Unit** and for the duration of each relevant **EFA Block** the subject of a **Sell Order**, the **Service Provider** shall have procured that for the purposes of the **ABSVD Methodology Statement** and by exercise of any opt-out conferred on it (or on the **Lead Party** of all relevant **BM Units**), all and any energy volumes associated with the delivery of **Response** pursuant to any **Response Auction Contract** will not be included within the **Applicable Balancing Services Volume Data**.

5 Phase 2 Period

5.1 For the duration of the **Phase 2 Period**, all **Orders** shall be submitted in the prescribed form using the **Designated Auction Platform**, and shall relate only to a single **Response Auction Product**, being either **LFS** or **DLH**.

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 be for a single **Response Auction Product** and 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 that **Response Auction Product** (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, for each **Response Auction Product** 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.

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, 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 one or more consecutive **EFA Blocks** in the same **EFA Day**, and a **Registered Auction Participant** may not submit multiple **Sell Orders** for the same

Response Unit and **EFA Block** nor submit **Sell Orders** for more than one **Response Auction Product** in respect of the same **Response Unit** and **EFA Block**.

- 7.4 To be valid, each **Sell Order** will need to be fully completed and correct as at the relevant **Auction Closing Time**, and must include (in the correct format as specified from time to time by the **Auction Administrator**):-
- 7.4.1 the name of the **Registered Auction Participant** and its unique “order ID” allocated to it by the **Auction Administrator**;
 - 7.4.2 the **Response Unit** (by reference to its “portfolio name” allocated to it as either BMU ID or the newly formatted NBM unit by NGENSO);
 - 7.4.3 the applicable **Response Auction Product**;
 - 7.4.4 the applicable **EFA Block(s)**;
 - 7.4.5 a “block code” indicating whether the **Sell Order** is a **Parent Block** or a **Child Block** and whether it is **Curtable**;
 - 7.4.6 a price (in £/MW/h, where the applicable pound and pence figures shall each be an integer); and
 - 7.4.7 the **Offered Response Capacity** (in MW), which shall be an integer not less than one (1) MW nor more than twenty (20) MW and which shall not exceed the aggregate **Registered Response Capacity** of each component **Eligible Asset**.
- 7.5 Accordingly, and for the avoidance of doubt, it is possible for a **Registered Auction Participant** to submit, for any **Response Auction Product**, between one (1) and six (6) separate **Sell Orders** for each **Response Unit** for each **EFA Day** in a **Service Week**, and up to a total of forty-two (42) separate **Sell Orders** for each **Response Unit** in a **Service Week**.
- 7.6 All **Sell Orders** which are **Parent Blocks** or **Child Blocks** shall comply with the following requirements:-
- 7.6.1 a **Parent Block** may have no more than one (1) **Child Block** in any **EFA Block**;
 - 7.6.2 a **Parent Block** shall not be **Curtable**;
 - 7.6.3 all **Child Blocks** shall be **Curtable**;
 - 7.6.4 all **Child Blocks** must comprise:-
 - (a) an **EFA Block** comprised within its **Parent Block**; and/or
 - (b) the **EFA Block** immediately prior to the first **EFA Block** of its **Parent Block** (if within the same **EFA Day**); and/or
 - (c) the **EFA Block** immediately following the last **EFA Block** of its **Parent Block** (if within the same **EFA Day**).
- 7.7 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**, including where the later **Sell Order** is the subject of a different **Response Auction Product**, then the earlier **Sell Order** shall be treated as cancelled.
- 7.8 All submitted **Sell Orders** remain valid unless and until:-
- 7.8.1 the **Sell Order** is cancelled by the **Registered Auction Participant** that submitted it (including in the manner described in paragraph 7.7);
 - 7.8.2 the **Registered Auction Participant** modifies it (and, in such case, paragraph 7.7 shall apply); or

- 7.8.3 the **Sell Order** is either accepted (including part accepted) or rejected in accordance with the **Market Clearing Rules** (whereupon it expires).
- 7.9 Each **Registered Auction Participant** is responsible for ensuring that the **Sell Orders** it submits are correct and valid.
- 7.10 Subject always to paragraph 7.11, 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**.
- 7.11 After the **Auction Closing Time**, **Sell Orders** may not be modified or cancelled and are binding and irrevocable subject always to paragraph 7.8.
- 7.12 **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 optimise the matching of all valid **Sell Orders** to the **Buy Order** through the acceptance (or partial acceptance) of **Sell Orders**, to determine a **Market Clearing Price** for that **EFA Block**, all as more particularly described in this paragraph 8.
- 8.2 For a given **EFA Block** and **Response Auction Product**, the **Auction** algorithm will accept (or partially accept) **Sell Orders** in accordance with the following:-
- 8.2.1 **Sell Orders** for single **EFA Blocks** will be accepted in ascending price order wherever possible;
- 8.2.2 where a **Sell Order** is not **Curtable**:-
- (a) if **in the money**, it can be either fully rejected (**paradoxically rejected**) or fully accepted;
 - (b) if **at the money**, it can be either fully rejected, fully accepted or
 - (c) if **out of the money**, it can only be fully rejected;
- 8.2.3 where a **Sell Order** is a **Parent** or **Child Block**:-
- (a) a **Child Block at the money** can be partly accepted;
 - (b) a **Child Block** cannot be accepted if its **Parent Block** is rejected; and
 - (c) a **Parent Block out of the money** can be accepted if its **Child Block(s)** once accepted provides sufficient **surplus** to compensate; and
- 8.2.4 for the purposes of this paragraph 8.2, in relation to any **Sell Order**:-
- (a) **in the money** means the average of the rounded **Market Clearing Prices** over the relevant hours and weighted by the corresponding accepted volume is higher than the price limit of that **Sell Order**;
 - (b) **at the money** means the average of the rounded **Market Clearing Prices** over the relevant hours and weighted by the corresponding accepted volume is equal to the price limit of that **Sell Order**;
 - (c) **out of the money** means the average of the rounded **Market Clearing Prices** over the relevant hours and weighted by the corresponding accepted volume is less than the price limit of that **Sell Order**;

- (d) **paradoxically rejected** means, due to **Sell Order** acceptance constraints (where not **Curtable**), that **Sell Order** can be rejected even if its price limit is less than the **Market Clearing Price**; and;
- (e) **surplus** in relation to a **Sell Order (Child or Parent)** means the sum over all **EFA Blocks**, over which the **Sell Order** is defined, of the difference between the **Market Clearing Price** less the price limit of that **Sell Order**, multiplied by the accepted volume of that **Sell Order**, and a requirement for a sufficient compensatory surplus to allow acceptance of a **Parent Block out the money** shall mean that the surplus of the relevant **Child Block(s)** exceeds the difference between price limit of the **Parent Block** less the **Market Clearing Price**, multiplied by the accepted volume of that **Parent Block**.

8.3 Each **Sell Order** for an **EFA Block** accepted (or part accepted) in accordance with the market clearing process described in this paragraph 8 in relation to a **Response Auction Product** shall, together with all and any other **Sell Orders** relating to that **Response Auction Product** 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 Each **Registered Auction Participant** awarded a **Response Auction Contract** for a **Response Auction Product** 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)**.

9.3 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 9.4.

9.4 **NGESO** may publish revisions to a **Weekly Auction Report** but for the purposes of paragraph 9.3 the version published as at 17:00 hours immediately following the **Auction Results Time** shall be definitive.

9.5 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** for each **Response Auction Product** comprising each **Contracted EFA Block** relating to that **Response Auction Product**.

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, 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

12.1 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):-

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

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

12.1.3 solely for the purpose of formation of **Response Auction Contracts**,

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** and the **Auction Administrator** 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** and the **Auction Administrator** 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**.

17 TEC

- 17.1 Each **Registered Auction Participant** shall, prior to submitting a **Sell Order** for any **Response Auction Product**, procure that the **Transmission Entry Capacity** (and, if relevant, the **STTEC**) for the relevant **Connection Site** is sufficient to enable it to provide **Response** during each and every **Contracted EFA Block** in accordance with its obligations under any **Response Auction Contract** which may be formed in relation thereto.