Demand Flexibility Service
Service Terms

Author: Market Operation
National Grid Electricity System Operator Limited
Faraday House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Version: 12.0
Effective From 4 November 2022
Date Published: 3 November 2022
Website: https://www.nationalgrideso.com
Contents

1. Introduction .......................................................................................................................... 5
2. Changes to these DFS Service Terms ................................................................................... 5
3. Defined Terms .......................................................................................................................... 5
4. Interpretation ........................................................................................................................... 5
5. Service Delivery ...................................................................................................................... 5
6. Performance Data .................................................................................................................... 6
7. Utilisation Payments ................................................................................................................. 6
8. Payment Procedure .................................................................................................................. 7
9. Grid Code and Distribution Code ............................................................................................ 8
10. ABSVD .................................................................................................................................. 8
11. Third Party Claims .................................................................................................................. 8
12. Provision of Other Services .................................................................................................... 9
13. Communications .................................................................................................................... 10
14. Termination ............................................................................................................................ 10
15. Force Majeure ....................................................................................................................... 10
16. Liability, Indemnity and Insurance .......................................................................................... 10
17. Records and Audits ............................................................................................................... 10
18. Assignment ............................................................................................................................. 10
19. Confidentiality ....................................................................................................................... 10
20. Intellectual Property Rights ................................................................................................... 10
21. Data Protection ....................................................................................................................... 10
22. Modern Slavery, Anti-bribery and Living Wage .................................................................... 10
23. Notices .................................................................................................................................. 11
24. Dispute Resolution .................................................................................................................. 11
25. Governing Law and Jurisdiction ............................................................................................. 11
26. Severance .............................................................................................................................. 11
27. Third Party Rights .................................................................................................................. 11
28. No Agency or Partnership ...................................................................................................... 11
29. Waiver ................................................................................................................................... 11
30. Entire Agreement .................................................................................................................... 12
1. Introduction

1.1 These DFS Service Terms describe the requirements for provision of the Demand Flexibility Service and the basis upon which NGESO shall make payments in respect thereof, and shall apply to a Registered DFS Participant and applicable DFS Unit where, in accordance with the DFS Procurement Rules, the Registered DFS Participant’s DFS Bid is accepted by NGESO.

1.2 For the purposes of these DFS Service Terms, each Registered DFS Participant referred to in paragraph 1.1 is referred to in the DFS Procurement Documentation as a “Service Provider”.

1.3 The submission by NGESO of a DFS Acceptance shall create a legally binding obligation on the Service Provider to provide from the relevant DFS Unit, and for NGESO to pay for, the applicable Demand Reduction Volume upon the terms of these DFS Service Terms. For the avoidance of doubt, neither a Service Provider nor NGESO shall be under any obligation or commitment to provide or pay for the Demand Flexibility Service except pursuant to these DFS Service Terms.

1.4 These DFS Service Terms should be read alongside the DFS Procurement Documentation of which they form a part.

2. Changes to these DFS Service Terms

2.1 Subject always to paragraph 2.2, NGESO may update these DFS Service Terms from time to time by publication of an updated version on its website, and each such updated version shall be effective from the date shown on its front cover provided always that any updated version shall not apply to any DFS Bids which were submitted prior to the date of publication except with the consent in writing of the relevant Service Provider.

2.2 To the extent required by the Electricity Balancing Regulation (and by reference to those provisions of the DFS Procurement Documentation constituting terms and conditions approved by the Authority as the terms and conditions related to balancing pursuant to Article 18 of the Electricity Balancing Regulation), any variation to these DFS Service Terms will be proposed and implemented in accordance with the applicable requirements in the Electricity Balancing Regulation.

3. Defined Terms

3.1 Unless the context otherwise requires, any capitalised term used in these DFS Service Terms shall have the meaning given to it (if any) in the prevailing DFS Procurement Rules or Balancing Services Glossary of General Terms and Rules of Interpretation (as the case may be).

4. Interpretation

4.1 The rules of interpretation set out in the Balancing Services Glossary of General Terms and Rules of Interpretation shall apply to these DFS Service Terms.

5. Service Delivery

5.1 Throughout each Contracted Settlement Period, the Service Provider shall procure the delivery of the Demand Flexibility Service in accordance with these DFS Service Terms.

5.2 Upon receipt of a DFS Acceptance, the Service Provider shall invoke the DFS Initiation Measures in a timely manner with the objective of ensuring that, throughout each Contracted Settlement Period, the aggregate Demand of the Unit Meter Points comprising the DFS Unit remains lower than the applicable DFS Operational Baseline by at least the Demand Reduction Volume.

5.3 Without limiting paragraph 5.2, when invoking the DFS Initiation Measures with respect to a DFS Unit, the Service Provider shall not do or omit to do any act or thing which has the effect of displacing consumption or demand from the premises or Plant or Apparatus Metered by any Unit Meter Point allocated to it to any other premises or other Plant or Apparatus, and where the Service Provider is not the owner and/or occupier of such premises or other Plant or Apparatus it shall further procure that such owner and/or occupier does not do or omit to do any such act or thing.

5.35.4 With respect to each DFS Unit, the Service Provider shall procure the Performance Data and Settlement Data for each relevant Unit Meter Point during Contracted Settlement Periods to derive the Delivered Demand Reduction Volumes for monitoring and settlement purposes pursuant to paragraphs 6 and 7.
6. Performance Data

6.1 To enable NGESO to monitor the delivery of the Demand Flexibility Service, the Service Provider shall procure and retain for a period of not less than six (sixteen (15) months, and in a format specified by NGESO, the data specified or referred to in paragraphs 6.2 and 6.3 to 6.5 inclusive (“Performance Data”),

6.2 Unless otherwise specified by NGESO in writing from time to time, the Performance Data shall comprise, for each DFS Unit and for each Contracted Settlement Period, the individual Half-Hourly Metered Data together with all other data used by the Service Provider for the purpose of calculating the DFS Operational Baseline pursuant to Schedule 3 of the DFS Procurement Rules for each constituent Unit Meter Point (unless Non-Participating) during each Contracted Settlement Period (shown as MW and MWh).

6.3 The Performance Data shall also identify, for each Unit Meter Point referred to in paragraph 6.2, its prevailing status during the relevant DFS Service Window as either Manually Initiated or Directly Instructable—during the relevant DFS Service Window, and:

i. where Directly Instructable, the time of issue of the communication from the Service Provider to that Unit Meter Point to initiate delivery of DFS; or

ii. where Manually Initiated, the time at which the owner and/or occupier of the premises associated with that Unit Meter Point confirmed its intention to deliver DFS.

6.4 The Performance Data shall also identify, for each Unit Meter Point referred to in paragraph 6.2, its prevailing designation in the relevant DFS Service Window as either Opt-In or Opt-Out, and:

i. where Opt-In and Participating; or

ii. where Opt-Out and Non-Participating.

the time of notification from the owner and/or occupier of the relevant premises.

6.5 The Performance Data shall also include, for each Unit Meter Point which is a Sub-Meter, the individual Half-Hourly Metered Data for the associated Boundary Meter during each Contracted Settlement Period together with all other data used by the Service Provider for the purpose of calculating the DFS Operational Baseline pursuant to Schedule 3 of the DFS Procurement Rules.

6.6 The Service Provider shall provide to NGESO on request upon not less than ten (10) Business Days’ prior notice in writing, to the DFS Assessment Platform as soon as reasonably practicable, copies of all or any Performance Data.

6.7 For the purposes of paragraph 1919 (Confidentiality) the Service Provider consents to NGESO publishing (in a non-anonymised format) all Performance Data on the ESO Data Portal or NGESO’s website, and/or in the DFS Utilisation Reports, for the purpose of illustrating the extent of delivery of the Demand Flexibility Service.

7. Utilisation Payments

7.1 NGESO shall, in accordance with paragraph 88, make payments to the Service Provider (“Utilisation Payments”) calculated in accordance with the formulae in Schedule 1 and by reference to the Delivered Demand Reduction Volumes.

7.2 If the required number of Onboarding Tests and/or Regular Tests have not taken place by expiry of the DFS Procurement Period (ignoring any Extension Period) in the circumstances specified in the DFS Procurement Rules and where a payment is stated to be payable under these DFS Service Terms, then NGESO shall make a payment to the relevant Registered DFS Participants based on, for each DFS Unit and the number of such tests remaining to be carried out, the Weekly Indicative Forecast and the prevailing Guaranteed Acceptance Price at the time of the first missed test and applying a discount where appropriate as a result of historic performance of the DFS Unit shown by Performance Data.

7.2 For the purpose of paragraph 7.1 where any Unit Meter Point has been allocated by the Service Provider to more than one DFS Unit for any single Contracted Settlement Period, any under or over delivery from any such Unit Meter Point shall be allocated to each such DFS Unit proportionately to each such Unit Meter Point’s Delivered Demand Reduction Volume.
8. Payment Procedure

8.1 In respect of each calendar month during which the Service Provider has received a DFS Acceptance, and subject to timely receipt from the Service Provider of the Settlement Data referred to in paragraph 8.2, NGESO shall send to the Service Provider a Monthly Statement setting out, in respect of each DFS Unit, its calculation for the preceding calendar month of:

i. the Utilisation Payments payable to the Service Provider pursuant to paragraph 6;

ii. any adjustments made to previous Monthly Statements; and

iii. the resulting net amount due to (or from, as the case may be) the Service Provider, and in respect thereof the provisions of Schedule 2 shall apply.

8.2 For the purposes of paragraph 8.1, and subject always to paragraph 8.3, for each DFS Acceptance received during any calendar week ending midnight Sunday, no later than 10:00 hours on the second Monday after expiry of that calendar week, the Service Provider shall send to NGESO, by email to the email account designated DFS Assessment Platform and in a format specified by NGESO for such purpose, the following details ("Settlement Data"):

i. name of Service Provider;

ii. DFS Unit ID;

iii. the Utilisation Price (£/MWh);

iv. start and end time of Contracted Settlement Period;

v. for that Contracted Settlement Period:

1. the DFS Operational Baseline (both MW and MWh per Settlement Period);

2. the Delivered Demand Reduction Volume (both MW and MWh per Settlement Period);

3. the aggregated Half-Hourly Metered Data for all constituent Unit Meter Points (MW and MWh per Settlement Period);

vi. the Service Provider's calculation of the Utilisation Payment payable with respect to that DFS Acceptance.

and in the case of 1, 2 and 3 above, NGESO reserve the right to request such demand volumes for each constituent Unit Meter Point.

8.3 For the purposes of paragraphs 8.1 and 8.2, the Service Provider shall procure the submission of energy volumes associated with each relevant Unit Meter Point as required under and for the purposes of the ABSVD Methodology Statement and paragraph 10.

8.4 Settlement Data shall be submitted to NGESO in such format as may from time to time be specified by NGESO.

8.5 In addition to submitting Settlement Data pursuant to this paragraph 8.2, the Service Provider shall procure the submission of energy volumes associated with each relevant Unit Meter Point as required under and for the purposes of the ABSVD Methodology Statement and paragraph 40.
8.5 Alongside the submission of Settlement Data, the Service Provider shall also submit to NGESO, for each DFS Unit and Contracted Settlement Period, the total value of incentives (“Aggregate Incentive Values”) provided to the owners and/or occupiers of relevant Unit Meter Points (or to any third party on their behalf) for reducing demand pursuant to DFS Initiation Measures, and for the avoidance of doubt such information shall be held by NGESO subject to the restrictions contained or referred to in paragraph 19 and shall not be included in any reports published by NGESO pursuant to the DFS Procurement Rules.

8.6 All Settlement Data and Aggregate Incentive Values shall be submitted to NGESO in such format as may from time to time be specified by NGESO.


9.1 The provision by the Service Provider of the Demand Flexibility Service shall not relieve it of any of its obligations or affect such obligations (where applicable) set out in the Grid Code (including its obligations (if any) to provide Demand control when instructed by NGESO pursuant to Grid Code OC6) or in the Distribution Code of any Public Distribution System Operator.

9.2 Without limiting paragraph 9.1, each Service Provider that is or becomes a DRSC Liable User shall, for the duration of each Contracted Settlement Period, comply in all respects with the Demand Response Services Code as it refers to Demand Response Active Power Control.

10. ABSVD

10.1 For the purposes of the ABSVD Methodology Statement, subject always to paragraph 10.2, the Service Provider hereby consents (where applicable for and on behalf of the Lead Party) of all relevant BM Units Unit Meter Points) to all and any energy volumes associated with delivery of the Demand Flexibility Service pursuant to these DFS Service Terms not being included within the Applicable Balancing Services Volume Data save to the extent the DFS Unit contains from Unit Meter Points (whether Boundary Meters or Sub-Meters) which are Half-Hourly Settled in, and also from Sub-Meters which case energy volumes will bear not Half-Hourly Settled where the associated Boundary Meter is Half-Hourly Settled, being included within the Applicable Balancing Services Volume Data.

10.2 Paragraph 10.1 shall not apply with respect to Boundary Meters which are ‘Domestic’ where the supplier of electricity to the premises Metered by that Boundary Meter is not authorised under contractual arrangements with the owner and/or occupier of such premises to participate in DFS with respect to such Boundary Meter.

10.3 Where pursuant to paragraph 10.1 the Service Provider has consented to the inclusion within the Applicable Balancing Services Volume Data of energy volumes associated with the delivery of DFS from a Unit Meter Point, it shall procure the delivery to NGESO of all relevant Metered Data and other information as may be required for such purpose, which where applicable shall be in accordance with the relevant BSC Procedure.

10.4 For any Unit Meter Point which is a Sub-Meter, the Metered Data and other information required to be delivered to NGESO pursuant to paragraph 10.3 shall be accompanied by the MPAN for the associated Boundary Meter.

11. Third Party Claims

11.1 The Service Provider undertakes to NGESO that the availability and delivery of the Demand Flexibility Service from any DFS Unit pursuant to and in accordance with these DFS Service Terms will not at any time cause the Service Provider to be in breach of or to otherwise be non-compliant with any Connection Agreement and/or any agreement for the supply of electricity or related services to or from any constituent Unit Meter Point or any Plant and Apparatus associated with it.

11.2 Notwithstanding paragraph 11.1, in the event that the Service Provider delivers the Demand Flexibility Service in accordance with these DFS Service Terms in consequence of which NGESO suffers or incurs any loss in respect of a claim brought by any third party related to any actual or alleged breach or non-compliance by the Service Provider as described in paragraph 11.1, then the Service Provider shall indemnify NGESO against all and any losses, liabilities, claims, expenses and demands suffered or incurred by NGESO in connection therewith. Such indemnity shall include any legal costs and expenses reasonably incurred in the contesting of such claims including the court costs and reasonable attorney’s fees and other
professional advisors’ fees. The Parties agree and accept that, for the purposes of paragraph 12.18 all such legal costs and expenses expressed to be the subject of such indemnity shall be treated as direct losses.

11.3 In the event of any such claim referred to in paragraph 11.2 being made against NGESO, NGESO shall as soon as reasonably practicable give notice of the claim together with all relevant supporting documentation to the Service Provider. The Service Provider shall be entitled, upon written notice to NGESO and subject to NGESO receiving from the Service Provider such reasonable undertakings as NGESO shall reasonably require to protect NGESO against damage to its name and reputation, to assume at its own expense the sole conduct of all proceedings relating to such claim including the right to contest such claim in the name of NGESO. NGESO shall supply the Service Provider with all information, assistance and particulars reasonably required by the Service Provider in connection therewith. NGESO shall not accept, settle, pay or compromise any such claim without the prior written approval of the Service Provider (not to be unreasonably withheld or delayed). The Service Provider shall reimburse to NGESO all of its reasonable expenses incurred in connection with the provision of any such information, assistance or particulars in the contesting of any such claim.

12. Provision of Other Services

12.1 The Service Provider undertakes to NGESO that the availability and delivery of the Demand Flexibility Service from any DFS Unit pursuant to and in accordance with these DFS Service Terms will not at any time be impaired or otherwise prejudiced by the Service Provider’s performance of any agreement with a third party (including another Service Provider) relating to any constituent Unit Meter Point or any associated Plant and Apparatus, including the making available and/or delivery of services to that third party by the Service Provider (whether by way of increases or reductions in Generation or Demand or stipulated running profiles, participation in any other services (including where part of a trial service) or otherwise, and whether to assist in the management, operation or protection of a User System or pursuant to the Capacity Market Rules or otherwise).

12.2 Notwithstanding paragraph 12.1, and without prejudice to paragraph 12.6, in the event that the Service Provider is unable to provide the Demand Flexibility Service (to any extent) in all or any part of any Contracted Settlement Period for any reason described in paragraph 12.1, then the Service Provider shall promptly give a full explanation to NGESO.

12.3 Subject always to paragraph 12.4, the Service Provider hereby agrees to reimburse to NGESO all and any additional costs and expenses incurred by it as a result of such inability including NGESO’s additional costs of alternative or replacement service provision.

12.4 The amount or amounts for which the Service Provider may be liable to reimburse NGESO pursuant to paragraph 12.3 in respect of any single instance of delivery of the Demand Flexibility Service shall not exceed in aggregate two hundred and fifty thousand pounds sterling (£250,000).

12.5 Where, in relation to any DFS Unit and during any one or more Settlement Periods in a Contracted Settlement Period, a Service Provider is required under the terms of any agreement with NGESO to provide from any constituent Unit Meter Point any other Balancing Service (except with respect to Reactive Power) the Parties agree and acknowledge that to the extent that such service provision is inconsistent or in conflict with the delivery of the Demand Flexibility Service (as determined by NGESO acting reasonably) then the Demand Flexibility Service cannot be provided simultaneously with such other Balancing Service. Accordingly, unless pursuant to the terms for provision of and payment for such other Balancing Services the relevant constituent Unit Meter Point is deemed unavailable to provide the Demand Flexibility Service or except as may otherwise be specified by NGESO, the relevant constituent Unit Meter Point shall be deemed unavailable to provide such other Balancing Service, and availability of the constituent Unit Meter Point to provide the Demand Flexibility Service pursuant to these DFS Service Terms shall prevail.

12.6 Where, during any one or more Settlement Periods in a Contracted Settlement Period, a Service Provider or third party is making available and/or delivering services are being made available and/or being delivered from a Unit Meter Point to a third party in breach of paragraph 12.1, then that DFS Unit shall be deemed to be Non-Participating for the purposes of these DFS Service Terms.
13. Communications

13.1 Any communications required by these DFS Service Terms to be given in writing shall unless otherwise provided in this paragraph 13 be made and deemed to have been received in accordance with paragraph 23 (Notices) save as may be otherwise agreed by the Parties.

13.2 The Parties consent to the recording of all telephone conversations between them relating in whole or in part to these DFS Service Terms, and each Party agrees to notify its employees of that consent and obtain their consent to that recording if required by Law.

14. Termination

14.1 Upon expiry of each Contracted Settlement Period, paragraphs 8.4 to 8.6 inclusive of the prevailing Common Flexibility Service Terms and Conditions shall apply as if set out in full herein but on the basis that all references therein to termination or expiry shall be construed as referring to that Contracted Settlement Period.

15. Force Majeure

15.1 Save for paragraphs 10.2.2 and 10.4 which shall not apply, paragraph 10 of the prevailing Common Flexibility Service Terms and Conditions shall apply as if set out in full herein.

16. Liability, Indemnity and Insurance

16.1 Paragraph 11 of the prevailing Common Flexibility Service Terms and Conditions shall apply as if set out in full herein.

17. Records and Audits

17.1 Paragraph 5 of the prevailing Common Flexibility Service Terms and Conditions shall apply as if set out in full herein.

18. Assignment

18.1 Paragraph 12 of the prevailing Common Flexibility Service Terms and Conditions shall apply as if set out in full herein.

19. Confidentiality

19.1 The provisions of paragraph 13 of the prevailing Common Flexibility Service Terms and Conditions shall apply to all and any information provided by NGESO or any Registered DFS Participant to the other (whether orally or in writing) pursuant to or in connection with these DFS Service Terms as if set out in full herein.

20. Intellectual Property Rights

20.1 The provisions of paragraph 14 of the prevailing Common Flexibility Service Terms and Conditions shall apply to all Intellectual Property Rights owned by or licensed to either Party as if set out in full herein.

21. Data Protection

21.1 The provisions of paragraph 15 of the prevailing Common Flexibility Service Terms and Conditions shall apply as if set out in full herein.

22. Modern Slavery, Anti-bribery and Living Wage

22.1 The provisions of paragraph 16 of the prevailing Common Flexibility Service Terms and Conditions shall apply as if set out in full herein, and without limitation as at the date of submission of each DFS Acceptance the Service Provider warrants, represents and undertakes to NGESO in the manner set out in paragraph 16.1 thereof and indemnifies NGESO as provided in paragraphs 16.2 and 16.7 thereof.
22.2 Any breach of this paragraph 2222 by the Service Provider shall be deemed a material breach of these DFS Service Terms for the purposes of paragraph 5.2.4 of the DFS Procurement Rules.

23. Notices
23.1 Save to the extent the manner of communication between the Parties is otherwise stipulated in these DFS Service Terms, paragraph 17 of the prevailing Common Flexibility Service Terms and Conditions shall apply to any notice required to be submitted under these DFS Service Terms by either NGESO or the Registered DFS Participant to the other as if set out in full herein.

23.2 For the purposes of paragraph 23.1, the relevant contact details and addresses of each Party shall be those notified from time to time by that Party to the other pursuant to the Registration and Pre-Qualification Procedure.

24. Dispute Resolution
24.1 The provisions of paragraph 18 of the prevailing Common Flexibility Service Terms and Conditions shall apply in relation to any dispute or difference of whatever nature however arising under, out of, or in connection with these DFS Service Terms as if set out in full herein, save that:

i. no Party shall have any right to refer any dispute to an Expert for determination except where the dispute is stated in these DFS Service Terms to be referable to an Expert for determination or otherwise agreed in writing by the Parties to be so referable;

ii. nothing in this paragraph 24.1 shall prevent the Parties from agreeing to resolve any dispute or difference through the courts in which case paragraph 25.2 shall apply; and

iii. where any dispute is referred to arbitration, the rules of the Electricity Arbitration Association shall apply unless otherwise agreed in writing by the Parties (and paragraph 18 of the prevailing Common Flexibility Service Terms and Conditions shall be read and construed accordingly).

25. Governing Law and Jurisdiction
25.1 Any claim, dispute or matter (whether contractual or non-contractual) arising under or in connection with these DFS Service Terms or their enforceability shall be governed by and construed in accordance with the laws of England and Wales.

25.2 Subject always to paragraph 24.1, NGESO and each Registered DFS Participant submits to the exclusive jurisdiction of the courts of England and Wales over any claim, dispute or matter arising under or in connection with these DFS Service Terms or their enforceability and waives any objection to proceedings being brought in such courts or on the grounds that proceedings have been brought in an inconvenient forum.

26. Severance
26.1 The provisions of paragraph 19 of the prevailing Common Flexibility Service Terms and Conditions shall apply as if set out in full herein.

27. Third Party Rights
27.1 The provisions of paragraph 20 of the prevailing Common Flexibility Service Terms and Conditions shall apply as if set out in full herein with the exception 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”.

28. No Agency or Partnership
28.1 The provisions of paragraph 21 of the prevailing Common Flexibility Service Terms and Conditions shall apply as if set out in full herein.

29. Waiver
29.1 The provisions of paragraph 22 of the prevailing Common Flexibility Service Terms and Conditions shall apply as if set out in full herein.
30. Entire Agreement

30.1 The provisions of paragraph 23 of the prevailing Common Flexibility Service Terms and Conditions shall apply as if set out in full herein.

31. EMR

31.1 Notwithstanding any confidentiality obligations and any restriction on the use or disclosure of information set out in the DFS Procurement Documents, the Services Provider consents to NGESO and each of its subsidiaries using all and any information or data supplied to or acquired by it in any year under or in connection with any Balancing Services Contract for the purpose of carrying out its EMR Functions.

31.2 For the purposes of this paragraph 31 only:

i. “AF Rules” has the meaning given to “allocation framework” in section 13(2) of the Energy Act 2013;

ii. “Capacity Market Rules” means the rules created pursuant to section 34 of the Energy Act 2013 as modified from time to time in accordance with The Electricity Capacity Regulations 2014;

iii. “EMR Functions” has the meaning given to “EMR functions” in Chapter 5 of Part 2 of the Energy Act 2013; and

SCHEDULE 1 - UTILISATION PAYMENTS

Calculation of Settlement Value

A settlement value shall be established for each DFS Acceptance in accordance with the following formula:

$$S_i = (P_e \times \max (V_{ie}, 0))$$

Where

- $S_i$ (£) is the settlement value for the Demand Flexibility Service calculated in respect of DFS Unit $i$ for Contracted Settlement Period $e$
- $P_e$ is the applicable Utilisation Price specified in the relevant DFS Bid, in £/MWh, attributable to Contracted Settlement Period $e$
- $V_{ie}$ is the Delivered Demand Reduction Volume in MWh, in respect of DFS Unit $i$ and Contracted Settlement Period $e$
SCHEDULE 2 - PAYMENT PROVISIONS

Where amounts falling due by or to NGESO under these DFS Service Terms are expressed to be payable in accordance with this Schedule 2, then with respect to all and any such amounts the following provisions shall apply.

1. On the eighth (8th) Business Day of each calendar month NGESO shall send to the Service Provider a statement (the “Monthly Statement”) setting out, for each DFS Contract, details of the following (to the extent applicable) in respect of the preceding calendar month, together with such other information as may be required to be provided under the these DFS Service Terms:-
   a. the aggregate number of hours of service provision, together with any Applicable Balancing Services Volume Data;
   b. details of events of default or service failures, and any consequential amounts withheld by or payable to NGESO with respect thereof;
   c. the amounts payable by or to NGESO as a result; and
   d. in relation to all DFS Acceptances, the total net amount falling due to or from the Service Provider.

2. If the Service Provider disagrees with the content of any Monthly Statement, it may notify NGESO in writing, with evidence upon which it relies in support of such disagreement, no later than the date falling ten (10) Business Days after receipt thereof, but in the absence of any such notification by such date the Monthly Statement shall be final and binding on the Parties subject only to paragraph 4.

3. Where a disagreement is notified by the Service Provider pursuant to paragraph 2, the Parties shall discuss and endeavour to resolve the same in good faith, and any revisions to a Monthly Statement agreed as a result thereof shall be reflected in a revised Monthly Statement, which shall promptly be issued by NGESO. In the absence of agreement, the Monthly Statement shall be binding upon the Parties until such time as otherwise agreed in writing between the Parties or as may otherwise be determined by an Expert following a referral by either Party to an Expert for determination, and which in each case shall be reflected in a revised Monthly Statement which shall promptly be issued by NGESO.

4. Where, having regard to any Settlement Run or to the results of any other monitoring by NGESO of service delivery, NGESO or the Service Provider discovers that some or all of any calculations and/or amounts falling due shown in any Monthly Statement are incorrect, then it shall promptly notify the other in writing whereupon NGESO shall, at its discretion, revise the Monthly Statement and re-issue the same to the Balancing Service Provider, and the provisions of paragraphs 2 and 3 shall apply mutatis mutandis to such revised Monthly Statement.

5. In the absence of fraud, neither NGESO nor the Balancing Service Provider may invoke the provisions of paragraph 4, with respect to the contents of any Monthly Statement (including any revised Monthly Statement) after the period of twelve (12) months has elapsed following submission of the original Monthly Statement in which the calculations and/or amounts in question were first stated, after which date such calculations and/or amounts shown in the last Monthly Statement (including any revised Monthly Statement) issued by NGESO shall be final and conclusive.

6. No later than the eighteenth (18th) Business Day of each month, NGESO will issue a self-billing invoice (or credit note) in accordance with paragraph 11 reflecting the Monthly Statement issued pursuant to paragraph 1 (as may have been revised pursuant to the foregoing provisions), and no later than five (5) Business Days after such date of issue NGESO shall pay to the Service Provider (or the Service Provider shall pay to NGESO, as the case may be) the net amount shown as due from NGESO to the Service Provider (or from the Service Provider to NGESO, as the case may be) in that Monthly Statement (or revised Monthly Statement).

7. All payments shall be made in pounds sterling by direct bank transfer or equivalent transfer of immediately available funds to the other Party’s bank account, details of which shall be as notified by each Party to the other from time to time in accordance with these DFS Service Terms.

8. If by virtue of the foregoing provisions, it is determined or agreed that:-
   a. the Service Provider was entitled to a further payment from NGESO, then the Service Provider shall be entitled to interest at the Base Rate on the amount of such further payment from the due date until the date of actual payment; or
   b. the Service Provider was not entitled to any payment it has received, then NGESO shall be entitled to interest at the Base Rate on such amount from the date of payment by NGESO until the date of repayment by the Service Provider (or, as the case may be, until the date when NGESO makes a payment to the Service Provider pursuant to paragraph 6 against which such amount is offset).

9. All amounts specified falling due and payable pursuant to these DFS Service Terms shall be exclusive of any Value Added Tax or other similar tax and NGESO shall pay to the Service Provider Value Added Tax at the rate for the
time being and from time to time properly chargeable in respect of the making available and/or provision of the Demand Flexibility Service under these DFS Service Terms.

10. Sums payable by one Party to the other pursuant this Schedule 2 whether by way of charges, interest or otherwise, shall (except to the extent permitted by these DFS Service Terms or otherwise required by Law) be paid in full, free and clear of and without deduction, set-off or deferment in respect of any disputes or claims whatsoever provided that either Party shall be entitled to set off any payment due and payable by the other Party under this Schedule 2 against any payment it makes to that Party under this Schedule 2.

11. For so long as the Service Provider is a Registered DFS Participant, the Service Provider agrees that NGESO shall maintain a self-billing system whereby each Monthly Statement shall constitute a self-billing invoice for VAT purposes. Accordingly, NGESO and the Balancing Service Provider shall enter into a self-billing agreement in accordance with VAT legislation and published guidance from HM Revenue and Customs from time to time, and agree to comply with all relevant requirements in relation to self-billing, and for such purpose the Service Provider hereby warrants and undertakes to NGESO that:-
   a. it is registered for VAT and will inform NGESO forthwith if its ceases to be so registered or changes its VAT registration number;
   b. it will account to HM Revenue and Customs for the VAT paid by NGESO pursuant to paragraph 9; and
   c. it will not issue its own VAT invoices for provision of the Demand Flexibility Service.