TRANSITION

Basic Market Rules v2.08

1-Oct-

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# General Rules

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| **Rule** | **Rule Description** | **Defined by NMF** | **Defined by WSC** |
| **1.1** | **Portfolio Rules for the Delivery of a Flexibility Service** | | |
| **1.1.1** | Providers of a flexibility service may use a portfolio of one or more DERs to deliver a flexibility service, provided the portfolio meets the requirements of the flexibility service. | ✓ | ✓ |
| **1.1.2** | If a flexibility service is to be provided by a portfolio, the Market Actor should inform the buyer of any change in the DERs which are providing the flexibility service including substitution or replacement as soon as practicable. |  |  |
| **1.1.3** | If a flexibility service is to be provided by a portfolio of DERs, the Market Actor can substitute a DER that was expected to deliver that flexibility service with another DER from within the portfolio, provided the substituted DER is approved to deliver that flexibility service and is in the same delivery area. |  |  |
| **1.2** | **Market abuse** | | |
| 1.2.1 | Market Actors have an obligation to deliver a flexibility service in accordance with the contract for that flexibility service. |  |  |
| 1.2.2 | Market Actors should only transact P2P services where they can deliver or use the P2P service and should not use P2P services for market abuse purposes. Any such action would be will be subject to Rule 5. |  |  |
| 1.2.3 | Market Actors should not default on the delivery of one flexibility service to benefit from delivering another flexibility service for financial gain (this also applies to P2P services). Any such action will be subject to Rule 5.Where Market Actors are contracted with the ESO or Business-as-Usual Flexibility Services with the DSO (or another DSO), these flexibility contracts should take precedence over TRANSITION flexibility contracts. |  |  |
| 1.2.4 | Market Actors should not use inside information to manipulate the delivery or price for flexibility services or the flexibility market. Any such action would be will be subject to Rule 5. |  |  |
| **1.3** | **Flexibility Service Stacking** | | |
| 1.3.1 | The stacking of flexibility services is the ability of a Market Actor to increase revenue by making a DER available to deliver more than one flexibility service concurrently or to deliver flexibility services in adjacent settlement periods. |  |  |
| 1.3.2 | Market Actors are permitted to stack flexibility services provided; |  |  |
| 1.3.2.1 | the DER is approved to deliver the flexibility services to be stacked; |  |  |
| 1.3.2.2 | the delivery of one flexibility service to be stacked would not oppose or prevent the delivery of another flexibility service to be stacked (unless permitted by the contract) or breach the contract conditions for any of the flexibility services; or |  |  |
| 1.3.2.3 | it excludes flexibility services whose contract prevents stacking of flexibility services or requires exclusivity of delivery for that flexibility service. |  |  |
| 1.3.2.4 | There is no more than one DSO procured flexibility service stacked. For Trial Period 1 it is only possible to stack a P2P service (e.g. EMM) and a flexibility service (e.g. Sustain). |  |  |
| 1.3.3 | Any unforeseen conflicts that arise from the stacking of flexibility services will be subject to Rule 5. |  |  |
| **1.4** | **Minimising Costs for the Delivery of Flexibility Services** | | |
| 1.4.1 | If the DSO no longer requires a flexibility service that has been procured or has been instructed to deliver, it should seek to minimise the total cost of such flexibility service. This may include terminating the flexibility service or the contract if this would reduce the total cost. Such termination will be in accordance with the Flexibility Services Agreement. |  |  |
| 1.5 | **Active Network Management Schemes** | | |
| 1.5.1 | It is possible for DERs located within Active Network Management (ANM) schemes to participate in flexibility services and P2P services markets during Trial Period 1. Sites with ANM schemes will need to declare that they are part of such a scheme and provide both their non-firm capacity and firm capacity when entering the flexibility market. This clause will be further developed using learnings from the ENA Open-Networks project. |  |  |

# Flexibility Market

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| **Rule** | **Rule Description** | **Defined by NMF** | **Defined by WSC** |
| **2.1** | **Standard Flexibility Products and Flexibility Services** | | |
| 2.1.1 | The flexibility market should be based on standard flexibility products and flexibility services where possible to reduce barriers to entry, enable opportunistic participation, increase market liquidity and increase competition. |  |  |
| 2.1.2 | New flexibility products or flexibility services should be agreed through the relevant flexibility market. |  |  |
| **2.2** | **Use of the Flexibility Market** | | |
| 2.2.1 | All trades and transactions for flexibility should be conducted through the NMF. This provides visibility of the type and range of flexibility services and highlights the value of the flexibility market. | ✓ |  |
| 2.2.2 | All trades undertaken by Market Actors that occur on a flexibility market should provide the minimum data set for that flexibility market. | ✓ |  |
| 2.2.4 | DERs must be approved prior to first delivery of a flexibility service or P2P service and buyers and sellers should consider this point in relation to DERs under development at the contracting stage. |  | ✓ |
| 2.2.5 | A DER can be offered for the delivery of flexibility services and P2P services across multiple markets to provide the same or different flexibility services or P2P services at the same time. |  |  |
| 2.2.6 | If a DER is offered for the delivery of flexibility services or P2P services across multiple markets, it should be removed from all other flexibility markets once a trade or transaction has been agreed, unless flexibility services or P2P services on other markets permit flexibility service stacking and the delivery of flexibility services or P2P services would not conflict or breach Rule 1.3.2. |  |  |
| **2.3** | **Availability** | | |
| 2.3.1 | Market Actors should only offer a DER in a flexibility market to deliver one or more flexibility services if the DER is expected to be available to deliver the flexibility services. |  |  |
| **2.4** | **Selection of Successful Offers** | | |
| **2.4.1** | When advertising an auction, buyers should disclose the selection criteria that will be used which may include;   * offer price of the flexible capacity; * parameters of the DER and the flexibility service; * the location of the DER; * the flexibility of the DER compared to the flexibility service capacity being sought; * the relative performance of flexibility service provider or DER(s) and the relative risk to the flexibility service; * the basis on which DER(s) can be selected for the delivery of a flexibility service when otherwise out of merit; and * any other reason the buyer deems relevant to provide transparency. | ✓ | ✓ |

# Peer-to-Peer Services

This Rule 3 applies if Market Actors enter into a trade for a P2P service that comprises one or more transactions that covers a defined time period, e.g. 1600-1800 each weekday on July or 0900-1600 on 16 July).

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| **Rule** | **Rule Description** | **Defined by NMF** | **Defined by WSC** |
| **3.1e** | **Approval to exceed Maximum Import Capacity or Maximum Export Capacity** | | |
| 3.1.1 | Peer-to-peer (P2P) services that involve a Market Actor exceeding their Maximum Import Capacity (MIC) or Maximum Export Capacity (MEC) require the approval of the DSO prior to delivery of such a P2P service. |  |  |
| 3.1.2 | The DSO should publish how approval for requests for P2P services to exceed MIC or MEC will be processed, including timescales for approval (if applicable). |  |  |
| 3.1.3 | A Market Actor who obtains approval from the relevant DSO for a P2P service to exceed their MIC or MEC should comply with the terms of such approval. |  |  |
| 3.1.4 | If a Market Actor involved in a P2P service exceeds their MIC or MEC without prior discussion with and approval of the host DSO, the terms and conditions of their connection agreement will apply. Regular occurrences will also be subject to Rule 5. |  |  |
| 3.2 | **Enabling P2P Services** | | |
| 3.2.1 | P2P services can enable increased connection of renewable generation and other low carbon technologies that will support the delivery of Net Zero and this will create additional value to the owner and / or operator of the asset. |  |  |
| 3.2.2 | There will be zero fee payable to the DNO for enabling P2P services. |  |  |
| 3.2.3 | P2P services will be enabled on an all-pass or all-fail for each flexibility market. |  |  |

# Conflict Management

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| **Rule** | **Rule Description** | **Defined by NMF** | **Defined by WSC** |
| **4.1** | **Priority of access** | | |
| 4.1.1 | Section 4.1 is kept here as a placeholder for future primacy rules. For Trial Period 1the Business-as-Usual flexibility markets will have priority of access to DERs over the TRANSITION flexibility markets. |  |  |
| **4.2** | **Communication to avoid Conflict in Delivery of a Flexibility Service between ESO and DSO** | | |
| 4.2.1 | Section 4.2 is kept here as a placeholder for future primacy rules. For Trial Period 1the ESO and DSO communication will take place under Business-as-Usual processes and through the TRANSITION project Stakeholder engagement processes. |  |  |
| **4.3** | **Conflict in Delivery of a P2P service between Market Actors** | | |
| 4.3.1 | Section 4.3 is kept here as a placeholder for future primacy rules. |  |  |

# Dispute Resolution Process

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| **Rule** | **Rule Description** | **Defined by NMF** | **Defined by WSC** |
| **5.1** | **Determining a Dispute** | | |
| 5.1.1 | All disputes in relation to Rules 1-4 should initially be addressed using Rule 5. |  |  |
| 5.1.2 | If a dispute cannot be resolved using these Rules, then the parties will raise their dispute to the TRANSITION mailbox. |  |  |
| **5.2** | **Potential Outcomes of a Dispute** | | |
| 5.2.1 | This Rule 5.2 applies to Market Actors who have been through the disputes process (Rule 5) and deemed to have either;  * regularly exceeded their MIC and / or MEC during the delivery of a P2P service without prior DNO approval (Rule 3.1.4); * arbitraged between two or more flexibility service (Rule1.2.3); * determined to have used inside information or relied on market abuse (Rule 1.2.4); * acted in bad faith in relation to the Rules; or * breached one or more of the Rules. |  |  |
| 5.2.2 | Depending on the outcome of a dispute, a Market Actor may be subject to penalties or sanctions as per the NMF Platform Ts&Cs which may include temporary or permanent suspension from one or more flexibility markets. Parties shall use good faith efforts to resolve any operational issue, dispute, claim or proceeding following the process outlined in Section 20 of the NMF Ts&Cs. | ✓ |  |

# Revision of Rules

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| **Rule** | **Rule Description** | **Defined by NMF** | **Defined by WSC** |
| **6.1** | **The Rules will be reviewed and iterated after each workshop or trial period.** | | |