

Email: NESORegulation@ofgem.gov.uk

Date: 22 May 2026

To: All interested stakeholders

Dear colleagues,

### **Decision on amendments to the Terms and Conditions related to Balancing for Static Firm Frequency Response Service**

1. On 23 March 2026, we<sup>1</sup> received a submission<sup>2</sup> from National Energy System Operator (“NESO”) proposing amendments to the terms and conditions related to balancing (“T&C”) required by Article 18 of Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing,<sup>3</sup> as amended by the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019<sup>4</sup> (“EBGL”). The submission proposed amending the Static Firm Frequency Response (“SFFR”) service documentation (consisting of the SFFR Service Terms and the SFFR Procurement Rules).
2. In its submission, NESO indicated that the proposed changes are intended to take effect from 31 July 2026.
3. This letter sets out our decision to approve all of NESO's proposed SFFR amendments in accordance with the requirements of the EBGL. Following this decision, with effect from 31 July 2026, references to SFFR in the T&C should be read as referring to these updated versions and earlier versions are then superseded.

### **Background**

4. In accordance with Article 18 of the EBGL, the Transmission System Operator<sup>5</sup> was required to develop a proposal regarding T&C for Balancing Service Providers

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<sup>1</sup> The terms “we”, “us”, “our”, “Ofgem” and “the Authority” are used interchangeably in this document and refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

<sup>2</sup> The published submission shared by NESO for stakeholders’ reference is accessible at:  
<https://www.neso.energy/document/379736/download>

<sup>3</sup> Commission Regulation (EU) 2017/2195: <https://eur-lex.europa.eu/eli/reg/2017/2195/oj>

<sup>4</sup> Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019:  
[https://assets.publishing.service.gov.uk/media/5c17d6b440f0b60c8d601a2c/ENC\\_Markets\\_and\\_Trading\\_SI.pdf](https://assets.publishing.service.gov.uk/media/5c17d6b440f0b60c8d601a2c/ENC_Markets_and_Trading_SI.pdf)

<sup>5</sup> National Energy System Operator (NESO) is now the body responsible for maintaining the T&C, having taken on the responsibilities of NGENSO on its incorporation on 1 October 2024.

(“BSPs”) and Balance Responsible Parties (“BRPs”).<sup>6</sup> On 8 October 2019,<sup>7</sup> we published our decision to confirm, upon satisfaction of certain conditions, that the T&C proposed are the T&C required by Article 18 of the EBGL. On 25 June 2020, all the necessary conditions were met, and the proposed T&C came into force in Great Britain (“GB”).

5. SFFR is a post-fault balancing service procured by NESO to support system frequency following large disturbances. SFFR is activated only following significant frequency drops, with a defined frequency trigger level. Providers are required to respond within 30 seconds of the trigger being met, and to sustain delivery for up to 30 minutes. The service is procured on a day-ahead basis across six Electricity Forward Agreement (EFA) blocks,<sup>8</sup> and providers are paid for availability, regardless of whether the service is ultimately triggered (subject to being able to prove availability).
6. As abovementioned, NESO proposed to amend the T&C by updating the mapped SFFR Service Terms and SFFR Procurement Rules. NESO consulted industry stakeholders on proposed amendments to the SFFR Service Terms and Procurement Rules between 20 November 2025 and 19 December 2025. On 23 March 2026, NESO subsequently submitted those amendments to Ofgem for approval. NESO’s submission included a summary of consultation responses and an explanation of how NESO had considered those responses, together with an updated Article 18 mapping.
7. NESO proposed ten changes to the service documentation for SFFR, nine of which are captured by the Article 18 T&C:
  - reducing the minimum unit size from 1 MW to 0.1 MW (“Proposal 1”),
  - reducing the minimum bid size from 1 MW to 0.1 MW, introducing a new maximum bid size of 100 MW and allowing non-integer bids (“Proposal 2”),
  - tightening the Percentage Performance Measure (PPM) (“Proposal 3”),
  - clarifying when and what data NESO can require from providers (“Proposal 4”),
  - formalising the requirement to submit the frequency measurement used to trigger response (“Proposal 5”),
  - introducing powers to suspend or de-register units (“Proposal 6”),
  - lowering the “Frequency Trigger” from 49.70 Hz to 49.65 Hz (“Proposal 7”),
  - updating references to consolidated Stacking Guidance (“Proposal 8”)
  - Clarifying that if SFFR is triggered near the end of an EFA block, full delivery is still required (“Proposal 9”), and

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<sup>6</sup> Our decision of 14 September 2018 <https://www.ofgem.gov.uk/decision/decision-assignment-transmission-system-operator-obligations-under-guideline-electricity-balancing-regulation-within-gb>

<sup>7</sup> Our decision of 8 October 2019 is accessible here <https://www.ofgem.gov.uk/publications/decision-transmission-system-operators-proposal-terms-and-conditions-related-balancing>

<sup>8</sup> Four-hour blocks aligned to the Central European Time (CET) day.

- making housekeeping changes (“Proposal 10”). Proposal 10 does not require authority approval as it does not affect the T&C.

### **Rationale for our decision**

8. We have reviewed the SFFR service documentation proposed by NESO to be recognised as part of the T&C related to balancing and submitted to us in line with the requirements of the EBGL, the wider principles of the Electricity Regulation, and our statutory duties and obligations. To do this, we engaged with NESO to better understand its proposals in several areas.
9. In reaching our decision, we also considered feedback from industry stakeholders in response to NESO’s consultation on the proposed changes, and NESO’s response to those views. The overall industry response was positive, but there were concerns over system reliability and inconsistencies with other service designs. Some stakeholders requested clarifications about how NESO will implement the proposed changes in practice. NESO addressed these comments and amended the SFFR service documentation to incorporate relevant stakeholder feedback where appropriate.
10. We have set out below the main views which contributed to our decision. For brevity, we have grouped proposals where their purpose aligned.

### Broadening market participation

11. Proposals 1, 2, 7 and 8 relate to participation thresholds for the SFFR service and their impact on market access. They all lower barriers to entry: improving flexibility for participants, reducing risk of concentration within the market, and increasing market liquidity.
12. Stakeholders broadly supported Proposals 1 and 2. Several respondents highlighted that these changes would improve access for smaller and aggregated assets by removing the need to aggregate to an integer MW, thereby improving competition and market liquidity.
13. A small number of stakeholders raised concerns that reducing minimum unit size thresholds could increase risks to service reliability and create inconsistencies with other NESO services. Some stakeholders also sought clarification on how the proposed bidding parameters will work in practice and whether Proposal 2 (bid size changes) has any linkage to Proposal 8 (cross-service stacking).
14. NESO responded to these points by explaining that:
  - the underlying technical and performance requirements of the service remain unchanged, and it is not expected that the service reliability or quality will be reduced;
  - improvements to Percentage Performance Measure (PPM) (considered below) would mitigate any possible risks arising from increased participation;

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- the minimum thresholds for other NESO services are also being reviewed, including with regard to potential alignment with the SFFR proposals;
  - the 100 MW cap applies per unit per EFA block, not per provider; providers may hold multiple units below the cap;<sup>9</sup> and
  - changes to bid size rules are separate from cross-service stacking arrangements.
15. We considered these views in making our decision and agreed with the responses NESO provided as mitigating industry concerns. We are satisfied that the reduction in minimum unit and bid sizes is proportionate, addressing stakeholder concerns over barriers to participation.<sup>10</sup> Our view is that service reliability risk is appropriately mitigated by the strengthened PPM and is something NESO can effectively monitor, given those tools.
16. Regarding Proposal 7,<sup>11</sup> most respondents supported the change, agreeing with NESO that it should lead to fewer unnecessary activations,<sup>12</sup> and thereby improving liquidity and lower procurement costs. However, a few respondents did express concern around potential impacts on system security and provider value. One stakeholder also questioned whether this proposal would allow NESO to further lower frequency trigger level in its sole judgement, rather than requiring stakeholder engagement and approval of the Authority.
17. NESO responded to these points by explaining that:
- providers are paid for availability rather than utilisation, therefore fewer activations in the future would not be expected to reduce provider value;
  - its system studies indicate no detriment to system security at the proposed trigger level; and
  - NESO does not intend to change the trigger level often; NESO will conduct a thorough investigation and analysis to understand any implications of further reducing it prior to further reduction.
18. We have considered these stakeholder views and agree with NESO's position that reduced frequency of balancing energy delivery should not be detrimental to providers, due to the availability payment structure of the service. Indeed, we consider that it should allow providers to remove some of the costs associated with delivery risk due to potential reduced delivery frequency, and thus result in reduced procurement costs.

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<sup>9</sup> Though we understand that a single unit greater than 100MW cannot be split into multiple bids.

<sup>10</sup> In "Enabling Demand-Side Flexibility in NESO Markets" published in December 2024 (<https://www.neso.energy/document/349481/download>), NESO set out its plan to identify and remove barriers to participation in its markets, including barriers faced by demand-side flexibility. The document highlighted that this approach would inform service design and reforms to balancing services such as SFFR. Integer unit size was identified as a barrier through this workstream which NESO would consider changing to enable wider market participation, particularly from demand side providers and aggregated units.

<sup>11</sup> Proposal 7 proposed amending a defined term "Frequency Trigger" in Schedule 1 of the SFFR Procurement Rules. The change of the defined term affects the mapped provisions (including Paras.5.2, 6.2, and 15.6) of the SFFR Service Terms and we have therefore treated this proposal as part of the request to amend the Article 18 T&C related to balancing.

<sup>12</sup> Where system frequency drops below the trigger point but does not ultimately need recovering to above 49.5Hz, for example, as caused by a small loss of generation.

19. During our review of NESO's submission, we requested supplementary evidence from NESO's system studies to support the proposed reduction to the trigger level. The additional evidence showed that the possible system security impacts of this proposal are expected to be negligible.
20. Regarding NESO's ability to change the frequency trigger level, we note that the existing wording of the defined term in question (i.e. "Frequency Trigger") already allowed NESO to change the frequency trigger to different values by way of giving notice to market participants, rather than by way of seeking approval from Ofgem.<sup>13</sup> We expect that NESO would only utilise such capability to change the trigger level for more targeted, short-term changes aligned to specific system operability needs, and to follow the same process as for this amendment to enact more permanent changes to the value of the frequency trigger.
21. NESO confirmed its position aligned with the above, undertaking to (a) conduct thorough investigation and analysis to understand any implications of making any further changes to the trigger level prior to making such changes, and (b) engage further with industry and ensure that appropriate notice is given before any changes to the trigger level. In view of NESO's system studies and commitment (see para.36 below) in relation to this proposal, we agree Proposal 7 should be made.
22. Proposal 8 aimed at updating and consolidating the Stacking Guidance into a single document covering all NESO procured frequency response services, ensuring clearer and more consistent rules for the stacking of response services. Stakeholders were generally supportive of this proposal, highlighting improved clarity and consistency.
23. One stakeholder opposed the change, considering that Proposal 2 might impact stackability of SFFR with other NESO services. NESO confirmed that the two proposals are two different requirements and that service stacking is enabled with different bid size limitations.
24. Ofgem considers that this change improves transparency and accessibility without altering substantive obligations on parties, and that, alongside the Stacking Guidance, NESO can support providers to understand how stacking of services can be done under these rules through further coordinated market engagement.
25. **We are satisfied that Proposals 1, 2, 7 and 8 reflect appropriate consideration of stakeholder feedback, define reasonable and justified participation requirements, and are in the interests of existing and future consumers, including through their impact on competition, market participation, and efficient system operation. We therefore approve these proposals.**

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<sup>13</sup> The term "Frequency Trigger" is defined in Schedule 1 of the SFFR Procurement Rules. NESO proposed amending this definition to read "*means 49.70 ~~49.65~~ Hz or such other level as may be notified from time to time by NGESO NESO to Registered Static FFR Participants for the purposes of these Static FFR Procurement Rules*". The phrase "... or such other level as may be notified from time to time..." remains unchanged.

### Performance monitoring and enforcement

26. Proposals 3, 4, 5, 6 and 9 concern monitoring of SFFR delivery and actions to be taken in response to underperformance.
27. Stakeholders generally supported proposals aimed at improving performance monitoring, data clarity, and enforcement procedures, recognising the importance of accurate delivery for a post-fault frequency response service. A small number of respondents nevertheless raised disagreement or concerns about:
  - potential additional costs for smaller providers and possible procedural ambiguities or difficulties in the PPM; and
  - the proportionality of data requests and practical application of enforcement measures.
28. NESO clarified its view that many of the data requirements proposed actually reflect information that is already provided in practice. NESO also amended some terms in the service documentation in response to feedback that identified ambiguities or possible unintended impacts. NESO also emphasised that suspension and de-registration powers are intended as a last resort and will only be applied proportionately.
29. Ofgem has considered these points carefully. We agree with stakeholders that proportionality and clarity are important, but we also agree with NESO that robust performance monitoring and enforcement are necessary to ensure system security and protect consumers from the costs of under-delivery. We consider that NESO has appropriately responded to stakeholder concerns through clarification and refinement rather than by weakening performance expectations. We consider that the approach is balanced and thus should not unnecessarily deter market entry.
30. Stakeholders also supported the clarification under Proposal 9 for delivery obligations where a trigger occurs near the end of an EFA block. They noted that this appears to align with other services and recognised NESO's requirement to avoid gaps in response availability / provision. Ofgem agrees with both stakeholder and NESO views that this amendment is clear, necessary and proportionate.
31. **Overall, we are satisfied that Proposals 3, 4, 5, 6 and 9 will strengthen compliance and transparency. We therefore approve these proposals.**

### Housekeeping changes

32. Stakeholder responses did not indicate concerns about the housekeeping changes. As NESO noted, Proposal 10 is outside the scope of Article 18, and therefore does not require Authority approval.

## Decision

33. Considering the above, we hereby:
- approve that SFFR Service Terms and SFFR Procurement Rules as mapped form part of the T&C required by Article 18 of the EBGL.
34. For clarity, **our approval is effective as of 31 July 2026** to allow industry participants and NESO sufficient time to prepare for and implement the changes.

## Next Steps

35. NESO should publish the approved amendments to the SFFR Service Terms and Procurement Rules, together with updated Article 18 mapping, by 31 July 2026.
36. In addition, we note commitments made by NESO in response to stakeholder feedback, including to:
- monitor the market participation after implementation of the proposed changes and continue to engage with stakeholders to understand any other barriers to entry;
  - keep the frequency trigger level under review, assess the need of a test activation requirement, and consider further reducing trigger level only after a thorough investigation and analysis and further engagement with the industry;
  - update the SFFR Guidance to provide additional clarity on performance monitoring and enforcement; and
  - look to provide better alignment of documents and terminology across NESO webpages.
37. While these commitments do not form conditions of approval, Ofgem expects NESO to deliver on them as well as to continue to monitor the service generally for possible improvements. We will monitor delivery through ongoing regulatory oversight.
38. In reaching this decision, Ofgem has sought clarification from NESO on the potential wider impacts of Proposal 7. NESO assessed that the proposed frequency trigger level is not expected to give rise to additional system security risks, including under possible scenarios where system inertia is reduced, as considered through NESO's ongoing Frequency Risk and Control Report (FRCR) work.<sup>14</sup> NESO is confident that, from the mix of procured SFFR and Dynamic Containment, that the statutory requirement of recovering frequency to 49.5 Hz within 1 minute is achievable with the lower SFFR trigger level (49.65 Hz), even with potentially faster falling frequency under a lighter inertia system.
39. Ofgem expects NESO to monitor actual system impacts following implementation of Proposal 7 and to take any relevant interactions into account through the FRCR work and to consider communicating the role of service set points in future FRCR transparency work. For the avoidance of doubt, this decision to approve Proposal 7

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<sup>14</sup> See NESO's Frequency Risk and Control Report 2025 Supplementary Report (March 2026) for more detail on FRCR: <https://www.neso.energy/document/379676/download>

does not pre-judge or pre-determine any future frequency response changes or FRCR work, which would be subject to further analysis, engagement and approval as appropriate.

40. If you have any queries regarding the information contained in this letter, please contact Anthony Ser ([NESORegulation@ofgem.gov.uk](mailto:NESORegulation@ofgem.gov.uk)).

Yours sincerely,

**James Hill**

Principal Policy Expert – Electricity System Operation

For and on behalf of the Gas and Electricity Markets Authority