To: Company Secretary
National Energy System Operator Limited
Faraday House, Gallows Hill,
Warwick
CV34 6DA

CC: EMR Delivery Body, all other interested stakeholders

Email: James.Hill@ofgem.gov.uk
Date: 25 September 2026

Dear colleagues,

Decision on revisions proposed by Capacity Market Delivery Body to Relevant Balancing Services Guidelines

The National Energy System Operator ("NESO"), in its role as the Delivery Body ("DB") for Electricity Market Reform,[1] consulted on proposed revisions to the Relevant Balancing Services ("RBS") Guidelines between 21 July 2026 and 22 August 2026.[2] The consultation was carried out under Schedule 4 of the Capacity Market ("CM") Rules and sought views on whether the Guidelines remain fit for purpose and the inclusion of additional services.[3] Proposed revisions related to the addition of Demand Flexibility Service ("DFS") Negative[4]

[1] The DB refers to the national system operator, as defined in The Electricity Capacity Regulations 2014. See https://www.legislation.gov.uk/uksi/2014/2043/part/1. National Energy System Operator is currently the national system operator for Great Britain.
[2] NESO, Official Consultation for Annual Review of the Relevant Balancing Services Guidelines, dated 22 July 2026. The consultation was launched on 21 July 2026.
[3] Schedule 4, Capacity Market Rules
[4] NESO introduced a "demand turn up" aspect to the existing DFS to address negative margin requirements.

to Part 1 of the RBS Guidelines and updates to Part 2 of the RBS Guidelines for both DFS Negative and Quick Reserve.

Following consultation, the DB submitted its report to the Authority[5] on 28 August 2026, in accordance with Schedule 4 of the CM Rules.

This letter sets out the Authority's decision to approve the Delivery Body's proposed amendments to the Relevant Balancing Services ("RBS") Guidelines.

Background

The RBS Guidelines are relevant where a Capacity Committed Capacity Market Unit ("CMU") participates in a balancing service during a Settlement Period covered by a System Stress Event. In those circumstances, the Capacity Provider's obligation may be adjusted to reflect capacity provided through a RBS.

Rule 8.5.2 of the CM Rules sets out the non-Balancing Mechanism Adjustment Formula, under which the Adjusted Load Following Capacity Obligation ("ALFCO") is calculated by adjusting the Load Following Capacity Obligation ("LFCO") to account for the provision and successful delivery of eligible RBS. The Guidelines serve two key functions: they identify the services that qualify as RBS, and they define the "Declared Availability" and "Contracted Output" terms that non-Balancing Mechanism Units ("non-BMUs") must use when submitting adjustment data to allow for ALFCO calculation.

Key changes to the RBS Guidelines

In accordance with Schedule 4 of the CM Rules, the DB conducted its annual review of the RBS Guidelines. The 2026 review proposed:

- the addition of DFS Negative to the list of RBS;
- updating Part 2 of the Guidelines to include definitions of "Declared Availability" and "Contracted Output" for DFS Negative; and

[5] The terms "we", "us", "our", "Ofgem" and "the Authority" are used interchangeably throughout this document, referring to the Gas and Electricity Markets Authority. Ofgem is the Office of the Authority.

The Office of Gas and Electricity Markets
10 South Colonnade, Canary Wharf, London, E14 4PU **Tel** 020 7901 7000
www.ofgem.gov.uk

- updating Part 2 of the Guidelines for Quick Reserve following its extension to non-BMU from September 2025.[6]

NESO has evolved DFS from a national demand turn-down service into a bi-directional service that can also be procured zonally. From spring 2026, the service includes a demand turn-up, or negative margin, element. NESO considered that an instruction under DFS Negative could conflict with a Capacity Provider's Capacity Obligation during a System Stress Event, potentially reducing its ability to meet its Capacity Obligation if no RBS adjustment is made. Adding DFS Negative to the RBS list would provide clarity that compliance with such an instruction can be reflected through the CM adjustment arrangements.

Phase 2 of the Quick Reserve service went live in September 2025, opening the service to non-BMUs. The DB has therefore proposed amendments to ensure that non-BMU Quick Reserve providers have clear definitions for the adjustment data required following a System Stress Event.

Non-BM Adjustment Formulae

For DFS Negative, the DB proposed that:

- Declared Availability should equal the Demand Reduction Volume multiplied by 0.5 for the relevant settlement period or periods, using the meaning of Demand Reduction Volume in the DFS Procurement Rules; and
- Contracted Output should equal the amount of energy, in MWh, actually delivered by the DFS Unit for the relevant settlement period, calculated using the DFS Delivered Volumes submitted by the DFS Unit.

For Quick Reserve, the DB proposed that:

- Declared Availability should equal the Contracted Quantity multiplied by 0.5 for the relevant settlement period, using the definition of Contracted Quantity in the Quick Reserve Procurement Rules; and

[6] Proposed amendments to the balancing terms and conditions related to the Quick Reserve Phase 2 service | Ofgem

- Contracted Output should equal the amount of energy, in MWh, actually delivered by the Quick Reserve Unit for the relevant settlement period, calculated using the relevant Quick Reserve delivered volume submitted by the unit.

Authority decision and rationale

In making our decision, we assessed the DB's submission of proposed changes to the RBS Guidelines against the requirements under Schedule 4 of the CM Rules, and in line with our statutory duties. The DB's consultation concluded without receiving any stakeholder responses. Having considered the consultation outcome and the supporting rationale provided in the submission, we are satisfied that the proposed amendments are appropriate and should be approved.

In line with our powers set out in Schedule 4 of the CM Rules, we hereby:

- approve the proposed changes to the RBS Guidelines.

Next steps

The DB shall publish the updated version of the RBS Guidelines within seven working days of this decision, with changes live from the date of publication of the revised version.

The DB should continue to consult on the services which are to be classed as RBS at an appropriate frequency or as NESO's procurement of services changes, in line with the process set out in Schedule 4 of the CM Rules. Any review should maintain the RBS Guidelines as a relevant document which aids transparency and efficiency of markets.

Yours sincerely,

James Hill

Principal Policy Expert – Electricity System Operation

The Office of Gas and Electricity Markets
10 South Colonnade, Canary Wharf, London, E14 4PU **Tel** 020 7901 7000
www.ofgem.gov.uk