



SINGLE ELECTRICITY MARKET COMMITTEE

DS3 System Services Tariff Review

Decision Paper

SEM-26-012

10 March 2026

Contents

- 1 Introduction and Background3
- 2 Proposals in the TSOs' Consultation Paper4
- 3 TSOs' Recommendations5
- 4 SEM Committee Decisions6
- 5 Next Steps7

1 Introduction and Background

The SEM Committee consulted on the Phased Implementation Roadmap (PIR) for System Services Future Arrangements during 2023, and published its decision¹ on 8 December 2023. As part of its decision, the SEM Committee instructed the TSOs to initiate a System Services tariff review and Consultation. The TSOs published a *DS3 System Services Tariffs Consultation Document* in March 2024² and based on the responses to this paper, the TSOs published a *DS3 System Services Tariffs Recommendation Paper* on 11 June 2024³. In September 2024⁴, the SEM Committee decided that:

- From October 2024, the Temporal Scarcity Scalar (TSS) should be reduced to 4.0 (as opposed to 6.3) when SNSP >70%, and to 2.25 (as opposed to 4.70) when SNSP >60%
- From October 2025 further reductions in the TSS and tariff rates may occur, subject to a review of the impact from the first reduction, in relation to service availability relative to system needs

Since the above TSS reductions took effect, the TSOs have monitored the outcomes and have observed a continued increase in the fast-acting reserve services from System Service providers.

The current System Services procurement tariff mechanism is based on price regulation, where service providers are tested to prove their service provision capability. Providers are subsequently paid based on their real time availability, to provide a given service, in each trading period. There is currently no competition for individual services and the remuneration volumes per trading period are based on real time availability volumes. The existing tariff arrangements have a long stop date of 30 September 2027.

On 11 July 2025, the TSOs published the *DS3 System Services Temporal Scarcity Scalar (TSS) Consultation*⁵; This Consultation and the TSOs' Recommendations paper (Annex 1) should be read in conjunction with this SEM Committee Decision paper.

¹ [SEM-23-103 System Services Future Arrangements – Phase III: Detailed Design & Implementation – Phased Implementation Roadmap](#)

² [DS3 System Services Tariffs Consultation Document](#)

³ [DS3 System Services Tariffs Recommendations Paper](#)

⁴ [SEM-24-065 System Services Tariff Review Decision Paper](#)

⁵ [DS3 System Services Temporal Scarcity Scalar \(TSS\) Consultation](#)

2 Proposals in the TSOs' Consultation Paper

Within their Consultation, the TSOs proposed the following options:

- **Option 1: A reduction in Temporal Scarcity Scalar values to unity for the fast-acting services (FRR, POR, SOR, TOR1, TOR2)**

Given the TSOs advised that they do not see any scarcity in the fast-acting System Service products and now have an excess of contracts, the TSOs proposed that the TSS is no longer required and is now outdated

- **Option 2: As per Option 1, but with an increase in underlying tariffs to offset some of the expenditure reduction**

This option was proposed to lessen the financial impact on fast-acting System Service providers, with an example provided of reducing the TSS but increasing underlying tariff rates by 25%

- **Option 3: Cease procurement of certain System Services**

The Consultation stated: *“Following on from SEM-25-031⁶ the SEMC has instructed the TSOs ‘via correspondence to the TSOs to keep the gates open’ “*

The TSOs also stated in the Consultation: *“While each option is presented as a standalone option, the SEMC may consider a combination of the proposed options.”*

⁶ [SEM-25-031 Future Arrangements for System Services – The Gap Decision Paper](#)

3 TSOs' Recommendations

Based on the twenty-three industry responses and feedback received during a workshop on 14 August 2025, the TSOs' recommendations were:

- *The TSS scalars should continue to be reduced as the TSOs' analysis has shown that there is no scarcity and we continue to see higher SNSP levels driven by new interconnector capacity. However, we propose a gradual reduction over the next two years.*
 - *We would propose reducing TSS:*
 - *For October 2025 (or 1 month after a SEMC decision) the TSS to 3.5 (as opposed to 4) when SNSP 70% and 1.75 (as opposed to 2.25) when SNSP 60% i.e. a reduction of 0.5 in each,*
 - *For October 2026 we would propose another 0.5 reduction in the TSS scalars i.e. 3.0 (as opposed to 3.5) when SNSP 70% and 1.25 (as opposed to 1.75) when SNSP 60%*
- *The TSOs propose no changes to the underlying tariff rates and no further tariff consultations in advance of DASSA go-live*

4 SEM Committee Decisions

The Regulatory Authorities have reviewed the TSOs' options and recommendations, and have advised the SEM Committee on each of the proposals. Based on this, the SEM Committee's decision is as follows:

- The TSS values should be reduced one month from this SEM Committee Decision
 - The TSS should be reduced to 3.5 (as opposed to 4.0) when SNSP >70% and 1.75 (as opposed to 2.25) when SNSP >60% i.e. a reduction of 0.5 in each scalar
- Tariff rates will remain at the current rates
- The TSOs will continue to monitor the effectiveness and costs of the Regulated Arrangements and report quarterly to the Regulated Authorities as per SEM-23-103. If appropriate, the TSOs should provide the Regulatory Authorities with recommended revisions to current tariff rates
- Based on the analysis provided to date by the TSOs to the Regulatory Authorities, the SEM Committee is unable to take a decision at present with regards to the TSS values effective from 1 October 2026.
The TSOs should engage with Regulatory Authorities, and carry out further analysis and Consultation to recommend a broader range of options

In order to ensure maximum efficiency and best outcomes, the SEM Committee request that the TSOs include the Regulatory Authorities, at an early stage, prior to finalising and issuing any future Consultations.

5 Next Steps

The SEM Committee notes that the Temporal Scarcity Scalar values are published in section six of the *DS3 System Services Protocol – Regulated Arrangements Version 4.1*⁷.

Given the SEM Committee's decision to change these TSS values, the *DS3 System Services Protocol – Regulated Arrangements* document will need to be updated and republished. There will not be a further Consultation for these changes to the Protocol.

The TSOs will engage with the Regulatory Authorities to provide a range of options with regards to TSS values, effective from 1 October 2026.

⁷ [DS3 System Services Protocol – Regulated Arrangements Version 4.1](#)