Bidding Code of Practice for System Services Markets

Single Electricity Market

(Plain English Version)

31 July 2026

System Services Bidding Code of Practice (Plain English Version)

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1. Governance

1. This Bidding Code of Practice for System Services (SS BCoP) has been drafted by the Regulatory Authorities (RAs) of the Single Electricity Market (SEM). This document was last updated on [XXX].
2. This Code may, following consultation with service providers and such other persons as the RAs consider appropriate, from time to time be amended.
3. This Code is not intended to displace other regulatory or licence obligations that service providers may hold.
4. Please contact the Market Monitoring Unit (MMU) for any queries.

2. Terms

5. Energy Markets: The Balancing Market (BM) and the ex-ante markets for physical energy: the Day-Ahead Market (DAM), the Intraday Auctions (IDA1, IDA2, and IDA3), and the Intraday Continuous Market (IDM).
6. Energy Position: The accumulated volume of a unit's trades in the ex ante markets and any balancing actions taken by the TSOs in the BM or through pre-BM non-energy actions (NEAs).
7. System services markets: The Day Ahead System Services Auction (DASSA), the DASSA secondary market and secondary bilateral trading mechanism, and the Residual Availability Determination (RAD) mechanism collectively. Additionally, the definition will include any contracts or market established through the Layered Procurement Framework or the Fixed Contracts Mechanism.

3. Background

3.1. System Services Markets

8. Throughout this SS BCoP, any reference to bids is inclusive of:
   a. Bids by units to take on an obligation to provide balancing capacity (either upward or downward reserve products) through any of:
      i. The DASSA;
      ii. Buy Orders in the DASSA secondary market (i.e. to take on a DASSA obligation);
      iii. Buy Orders in the secondary bilateral trading mechanism; and
      iv. The RAD mechanism.
   b. Bids for units to relieve themselves of an obligation to provide balancing capacity (either upward or downward reserve products), namely:
      i. Sell Orders in the DASSA secondary market (i.e. to relieve oneself of a DASSA obligation); and
      ii. Sell Orders in the secondary bilateral trading mechanism.

3.2. Objective of the SS BCoP

9. The SS BCoP sets out general principles to which service providers participating in the system services markets shall adhere. It sets out examples of costs that units may reflect in their bids and describes how service providers are expected to justify their bids to the RAs if requested.
10. In addition to this SS BCoP, the RAs may prepare informal guidance documents, which may be reissued or updated from time to time. These guidance documents would contain more detail on the market behaviour expected of service providers, including simplified worked examples.

4. Key Principles for Bidding Behaviour

11. Service providers shall act in good faith when participating in system services markets.
12. Service providers shall set bids in any system services market in a competitive manner. More specifically, they shall set bids that would be a rational response to the incentives that would be created by the existence of competitive pressures in both supply and demand in that particular market.
    a. In competitive, pay-as-clear markets, such as the DASSA and the RAD, a rational response to incentives is to bid based on marginal costs. Section 5 details a non-exhaustive list of the costs that units might reflect in bids based on marginal costs.
    b. In competitive, pay-as-bid markets, a rational response to incentives is to bid either (a) based on marginal costs or (b) based on an expectation of the costs of the marginal cleared buyer in that secondary market batch.
13. Service providers' bids shall be divisible, unless there is economic or technical justification for indivisible bidding.
14. Service providers' bids to take on an obligation to provide balancing capacity in the DASSA are expected to make available all capacity that units expect to be capable, technically, of delivering for both upward and downward reserve, consistent with the units' expected schedules in energy markets, unless the units can provide a reasonable justification for being unable to make such capacity available in the system services markets. Examples of reasonable justifications for units being unable to make capacity available in the DASSA include:
    a. If the price cap in the DASSA does not suffice for a unit to recover the cost of making capacity available (and the unit can demonstrate that its costs exceed the price cap), or
    b. If the unit thinks it is highly likely that it will be unavailable (e.g. if a RES unit predicts that they will be unable to generate due to insufficient wind).
15. If any units take on an obligation in the DASSA that, between DASSA clearing and the closure of the secondary market for a given trading period, they come to expect they will be unable to deliver, then they shall submit a Sell Order in the DASSA secondary market for the obligation they expect they will be unable to deliver. This includes units that come to expect, because of TSO instruction, that they will be unable to deliver as a result of TSO actions taken to redispatch those units.
16. If a unit takes on mutually incompatible commitments for a trading period at DASSA clearing (e.g., because it has bid the same MW of a capacity for both upward and downward reserve for a given DASSA trading period), it is the unit's responsibility to resolve the incompatibility. The unit is expected to either trade out of the mutually incompatible commitments (through the DASSA secondary market or bilateral trading) or be subject to the TSOs' DASSA incentive framework.
17. Service providers are expected to review their bidding strategies across system services and energy markets to ensure that their bidding strategies are consistent with those that would be chosen by competitive bidders.

5. Costs That May Be Reflected in Bids

18. Service providers' bids across system services markets shall only include costs associated with providing balancing capacity. Costs associated with providing balancing energy should be recovered through the BM.
19. Service providers' bids into any ex-ante system services market that is pay-as-clear, such as the DASSA, are expected to reflect the marginal costs faced to take on the relevant obligation. These costs might include:
    a. A unit's opportunity cost, including potential profits from energy markets whose outcomes are unknown at DASSA gate closure (if the unit could otherwise have provided energy);
    b. Costs required to achieve an energy position compatible with fulfilling system service obligations, to the extent these costs are not recovered through the energy markets;
    c. Costs to operate and maintain the unit to provide the service, to the extent these costs are not recovered through other markets; and
    d. The potential costs associated with securing a replacement provider of system services to meet the unit's DASSA obligation for the relevant trading period, in the event the unit cannot meet its DASSA obligation. The RAs expect any such costs would be based on either:
        i. the expected cost of transferring the DASSA contract to another unit through secondary trading or bilateral trading, or
        ii. the cost of having the TSOs secure a replacement for the relevant trading period, which for the unit is reflected in either the compensation payment or the availability payment under the TSOs' DASSA incentive framework.
20. For the RAD, which is an ex-post pay-as-clear market, service providers' bids are expected to reflect the marginal costs faced to take on the relevant obligation. Since the RAD is ex-post and based on eventual availability, the RAs do not expect service providers to face the opportunity cost of profits from providing energy in that trading period, costs associated with achieving an energy position compatible with fulfilling system service obligations, or costs of securing a replacement provider for the relevant trading period. Therefore, service providers who submit a RAD bid are expected to reflect in their bids a more limited set of costs, which might include:
    a. Costs required to operate and maintain the unit to provide the service, to the extent these costs are not recovered through other markets.
21. Service providers are also expected to reflect cost synergies across system service products in their bids, to the extent that they can reasonably expect to clear for multiple products in system services markets. Units typically face a cost for each MW of capacity used to provide system services in each half-hour. Units can typically provide multiple services with the same MW of capacity. Therefore, units can spread the cost across all the services for which they can reasonably expect to clear (i.e., they face cross-product cost synergies). In some cases, units also face a shared cost to take on balancing capacity commitments across multiple trading periods and therefore face cross-period cost synergies. Service providers are expected to reflect both cross-product and cross-period synergies within their bids to the extent that they can reasonably expect to clear for multiple products and multiple periods.

6. Expectations for Service Providers to Justify Their Bids to the MMU

22. The MMU will use a range of indicators to detect possible abuses of market power in the DASSA, secondary trading, bilateral trading, and RAD mechanism, and to detect instances where service providers have not complied with the principles laid out in this SS BCoP.

23. In cases where the MMU detects possible non-compliance, it may request additional data from service providers, including cost and operational data to justify bids. The MMU will use the data shared by service providers in response to data requests to examine whether the service provider's justification for their bids complies with the principles set out in the SS BCoP. Service providers should ensure they are able to:

    a. Demonstrate that they reflected only allowed costs within their bids, and that they relied on evidence such as historical data or forecasts of future market outcomes in setting their bids (or in setting their bidding strategy, which they use to set their bids); and

    b. Demonstrate to the MMU that their bids and bidding strategy align with the principles laid out in this code.