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Dear Industry Colleagues,

Following the publication of the Request for Information for the provision of reactive power services published on the website on the 3rd October 2018, please see below an update on the next steps. We would like to thank those who have taken the time to participate in the RFI, the information providers submitted has shaped the next steps for the RFI.

For both South Wales and Mersey the responses were a mixture of responses from both existing market participants and new build participants. The responses were both from synchronous and non-synchronous machines. Existing market participants preferred an index linked contract whereas new build participants expressed a preference to fixed priced contracts.

South Wales

In total 10 responses were received for South Wales of which 4 can meet the minimum technical requirements outlined in the RFI. Based on the responses from providers the next steps are as follows:

For 2019 delivery a call off contract will be tendered, please see contract details below.

- The contract terms will be published by end January 2019
- Tender to run by end February 2019
- Results and contract signatory by end March 2019

For delivery in 2020 our requirements are continually reviewed resulting in no tender planned to run for delivery in 2020.

Contract Structures

Call off contracts

The call off contracts will be spread index linked and/or fixed price. Both structures will include 3 option pricing which will be called off by 10am if required. We would require prices for the following options:

Option 1 - where at the time of the instruction, $PN < SEL$ in EFA block 6 and EFA block 3.

Option 2 - where at the time of the instruction, $PN \geq SEL$ in EFA block 6 or where at the time of the instruction $PN \geq SEL$ in EFA block 3.

Option 3 - where at the time of the instruction, $PN \geq SEL$ in EFA block 6 and EFA block 3.

Please note the contracts terms will be the same for all providers apart from the calculation of the contract fee. There will be 3 contract fee calculations dependant on if provider submits a tender for a gas strike price, coal strike price or other fixed price call off.

For those providers who responded with a preference for longer contract duration, please note that as part of the NOA pathfinder projects a RFI will be published for both South Wales and Mersey which may be of interest. This will be published on the balancing services webpage in due course.

If you have any questions on the above, please contact Emily Champion (Emily.champion@nationalgrid.com)

Yours sincerely,

Emily Champion