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Updated Tender Results for Mersey Voltage Pathfinder 2022 Tender

Dear Industry Colleagues,

Following the previously published Mersey Voltage Pathfinder Tender Results¹ on 22 May 2020, we have been in discussions with PeakGen and Ofgem relating to a request to pass through additional costs to NGESO compared with what was originally tendered by PeakGen. These reflect:

- additional site-specific costs that PeakGen could not be made aware of during the tender process,
- a series of cost impacts that are directly linked to the global pandemic that were unforeseen at the point the commercial tender closed - 9 April 2020, and
- uncertainty as to whether their 0MW, reactive only asset will be exposed to Final Consumption Levies (FCLs).

Discussions have now concluded between NGESO and PeakGen with the following agreed changes to the tendered price.

- An updated £/SP figure to cover both the connection and COVID cost exposure. This places an expectation on PeakGen to manage these costs effectively as they will be subject to any availability penalties, and
- A new 'utilisation' style fee that reflects PeakGen's potential exposure to FCLs - capped at £0.65m (present value) over the contract term. The utilisation style fee and cap protects consumers in the event that PeakGen are not exposed to FCLs either before or during the contract term.

The changes above were agreed on the basis that there was minimal impact on the tender result as the below table shows. After the addition of the fixed cost exposure, the overall solution of PeakGen and Zenobe is still the most economic.

¹ <https://www.nationalgrideso.com/transmission-constraint-management?market-information> see 'Static Reactive Power Mersey 2022 – 2031'

Company	Option	Reactive Volume MVar	Effective MVar	Availability Fee £/SP	£/SP /MVar	Total Present Value	Cost / effective MVar	Comment
PeakGen Top Co Ltd	PeakGen (FROD4)	200	200	£39.93	£0.20	£5,706,783	£28,534	Total cost of solution £8.810m
PeakGen Top Co Ltd	PeakGen (FROD4)	200	200	£48.16	£0.24	£6,768,570	£33,843	Total cost of solution £9.872m
Transmission Investment Services Limited	TISL-TAP-250 (CAPE2)	250	234	£73.52	£0.31	£10,469,243	£44,740	
Zenobe Energy Limited	CAPE-BS7-4	40	38	£15.00	£0.39	£3,103,422	£81,669	Total cost of solution £8.810m £9.872m

Table 1: amended extract of results table published on our website² under 'Static Reactive Power Mersey 2022 - 2031'

Should PeakGen be exposed to FCLs, the cap will limit the total cost of solution to £10.525m. This would be £0.056m more than the next economic solution. However, NGESO and PeakGen are actively engaged with Ofgem and BEIS to discuss the appropriateness of 0MW, reactive only assets being exposed to FCLs. We expect that a resolution will be found which prevents the new PeakGen and Zenobe solution exceeding the next economic solution.

We considered alternatives to amending the PeakGen tender submission, including returning to the tender stack and rerunning the tender. However, there was uncertainty whether other parties could still guarantee their submitted prices or meet the April 2022 delivery date. Rerunning a tender with a later delivery date would incur additional balancing costs from April 2022. We therefore believe the approach outlined above is in the best interest of end consumers.

Further information

For further information or explanation regarding the above decision, please contact commercial.operation@nationalgrideso.com

Yours sincerely

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² <https://www.nationalgrideso.com/transmission-constraint-management?market-information>