

# Stability Mid-term (Y-1) Market Request for Information

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## 1. Executive Summary

In 2021 National Grid Electricity System Operator (ESO) launched the [Stability Market Design](#) innovation project to explore the design for the enduring stability market with a focus on value for consumers. As a result of this work, in the April [2023 Markets Roadmap](#) we set out the proposal to procure stability services across several timescales:

- Long-term Y-4
- Mid-term Y-1
- Short-term D-1

The first step to launch the Stability Market is to initiate the mid-term (Y-1) market, with the intention to undertake the first mid-term (Y-1) tender round later this year (2023). This decision has been taken for several reasons including, the desire to access high-availability stability services that meet our requirement, whilst offering the market with a regular route to market without overloading the market by launching all three timescales at once. Instead, the other stability markets will continue to be developed in parallel. Prior to the launch of a mid-term market, ESO are seeking industry perspectives on a variety of topics that will help ESO to design and launch a mid-term market. ESO are particularly interested to hear from parties that can provide stability services and are interested in a Stability mid-term market. Please respond to this Request for Information (RFI) by **12pm noon Friday 18<sup>th</sup> August 2023**.

## 2. Purpose of RFI

This is a Request for Information (RFI) only and not part of a formal tender process. ESO will use the received information to refine ESO's understanding of the stability market and to support the design of the tender process for a mid-term (Y-1) market. All information provided in this document is indicative and subject to change prior to any formal tender process. A contract will **not** be awarded through a response to this RFI.

**It should be noted that parties are strongly encouraged to respond to this RFI if they are interested in taking part in a future Stability mid-term (Y-1) market.**

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## 3. Summary of requirements

### Context

As articulated in our [Operability Strategy Report](#), our stability needs are changing rapidly. This is driven predominantly by a greater influx of non-synchronous generation technologies (such as wind, solar and battery storage) coupled with the closure of existing synchronous generators, including nuclear, coal and gas. In parallel, the annual Frequency Risk and Control Report (FRCR) assesses our operational frequency risks and the associated costs of managing them. The latest report (2023) recommends a reduction of the optimal minimum inertia requirement from 140GW.s (current) to 120GW.s. This will be followed by further evaluation to reduce this figure below 120GW.s.

To date, we have concluded three Stability Pathfinders – first of their kind tenders to procure inertia and Short Circuit Level (SCL) on a competitive basis. More information can be found on these [here](#). The launch of this RFI represents a further step in our evolution from ad-hoc Pathfinder tenders to a more regular, structured Stability Market.

Future stability requirements are modelled by calculating inertia and SCL from transmission connected generation dispatched in our dispatch simulation models. Along with volumes contracted via Stability Pathfinders, and contributions from embedded generation and demand, this accumulates to a baseload level of system stability services. Our latest modelling indicates that in many circumstances across the next few years, the requirement to maintain system stability can be met through a combination of self-dispatched generation, demand, and Stability Pathfinders. For the remaining periods, we have identified an opportunity to optimise how stability is secured through the mid-term (Y-1) market and deliver consumer savings versus the alternative actions currently available to us.

### Mid-term (Y-1) Requirements

The indicative requirements for the first mid-term (Y-1) tender are summarised below.

#### System needs (indicative)

- Initially the mid-term (Y-1) market will be focused on procurement of inertia **only**.
  - In future years the scope might be expanded to include short circuit level (SCL) based on system studies and identified requirements.
- The target inertia requirement for the first delivery year is 7GW.s - please note this requirement is indicative and ESO may procure above or below this volume according to the bids received and the assessment criteria.
- ESO do not intend to procure to cover for any redundancy or N-1 largest loss scenarios specifically.
- The technical specification will be on a technology agnostic basis.

#### Eligibility criteria (indicative)

- Solutions must provide the service at 0MW export.
- Solutions must be capable of 90% availability (7,884 hours).
- Solutions must have an existing connection agreement (whether already connected or due to connect in time for contract start).
- Solutions must either be directly connected to the transmission system or if Embedded have a User System Entry Point of 132kV.

### Look ahead for future years

Round	Indicative Requirement	Contracted Delivery Year
Round 1	7GW.s	2025-2026
Round 2	9 GW.s	2026-2027
Round 3	At least 11GW.s	2027-2028

Please note this information is indicative and subject to change based on system needs.

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## 4. Summary of mid-term (Y-1) tender process and form of contract

Please note all information provided in this section is indicative and subject to change. No guarantee is made that the information set out here will be applied in any subsequent tender process or contract agreements.

### Tender Process

The intention is that an annual tender process will be run which ends one year prior to the service delivery year in question.

	2023	2024	2025	2026	2027	2028
2025/26 delivery year		Tender		Delivery Year		
2026/27 delivery year			Tender		Delivery Year	
2027/28 delivery year				Tender		Delivery Year

Please note this information is indicative and subject to change based on system needs.

- The expectation is that tenders will be focused on one delivery year at a time e.g., during the tender run between 2023 and 2024, bidders could only bid for the 2025-2026 delivery year. This means that to be contracted for a specific year of service delivery, bidders would need to take part in each relevant tender round.
- For bidders that had been successful in previous tender rounds, then we are considering market rules that mean these parties would be automatically viewed as technically acceptable with only a requirement to re-price in future tender rounds (subject to no substantial changes being made to the asset).
- Each tender round will be open to new bidders and/or new solutions/assets. You do not need to partake in the first tender round to be able to partake in the subsequent tender rounds.

### Contract Format

- It is expected that contracts would be issued on a per-solution basis rather than a per-company basis.
- This would likely be an enduring framework agreement, with individual “call-offs” from that framework agreement for each service successful delivery year.
  - This means that the overarching terms and conditions would only need to be agreed once, only requiring the call-off to be agreed for each successful delivery year.

### Payment Structure (indicative)

- The mid-term (Y-1) market will operate on a pay-as-bid basis.
- Bidders will be requested to submit two prices:
  - An availability fee e.g., £/Settlement Period
  - A utilisation fee e.g., £/GW.s/hour
- Successful bidders will receive their availability fee for each settlement period in which they are available and will be paid their utilisation fee for each settlement period in which they are dispatched by ESO.
- These prices will be fixed within the contract for the delivery year in question. As contracts will be capped to 12-months, it is expected that no indexation formulas will be adopted.

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## 5. RFI Questions

Please refer to the **Stability Mid-Term Y-1 RFI Submission Pro-Forma** to view the questions ESO are asking through this RFI.

## 6. RFI Submission Information

The submission deadline for responses to this RFI is **12pm (noon) on Friday 18<sup>th</sup> August 2023**. Please ensure your response, supporting documents and communications relating to this RFI are provided in English.

Please provide answers to all the questions using the **Stability Mid-Term Y-1 RFI Submission Pro-Forma**. If additional space is required or you wish to provide further information in separate documents, please clearly state the question number in the file name of these additional documents, using the following naming convention: **Q(number)-(document name)-(company name)**.

Submissions must be received by the submission deadline. Submissions should be sent to the following address: [box.stability@nationalgrideso.com](mailto:box.stability@nationalgrideso.com).

All communications and queries arising from this RFI should be conducted by email using the email address detailed above.

Please ensure all emails in relation to this RFI include the following in the subject box: **Stability mid-term market RFI 2023 - (suppliers name)**.

Any queries **must** be submitted no later than five days prior to the submission deadline for this RFI.

Following receipt of RFI responses ESO may organise follow up meetings with market participants to discuss the information received in more detail.

## 7. RFI Expenses

ESO shall not be responsible for or pay for any costs or expenses that may be incurred by the supplier in the preparation and submission of a response to this RFI.

## 8. Confidentiality

All details of this RFI and associated documents must be treated as private and confidential and shall not be disclosed to any other party, except where this is necessary for you to prepare and submit a response. You must ensure that you have an adequate confidentiality agreement in place with any subcontractors, consultants or agents before issuing them with any information concerning the requirements of this RFI.

Details of your response to this RFI shall not be disclosed to any third party unless such disclosure is required by OFGEM, DESNZ, and/or law or court order.

Following the conclusion of the RFI, ESO reserve the right to publish an anonymised summary of responses.