Mid-Term Stability Market
Delivery year 2025/26
EOI Webinar
Contract and Commercial

We will start at 15:05 to allow time for everyone to connect.
This webinar has been recorded.

ESO

House keeping

- Please remain on mute during the webinar
- Videos have been disabled to maximise quality of bandwidth during this webinar
- To submit a query, please use the Q&A function in teams which has been enabled
- If your query is confidential, please email it directly to the Stability Market team: box.stability@nationalgrideso.com
- This webinar has been recorded, a copy of the recording and the slides will be made available

Agenda

Update on progress since the request for information (RFI)

Summary of form of contract

Key contract terms

Summary of assessment methodology

Consultation timeline and next steps

Q&A Session

Update on progress since the request for information (RFI)

RFI Progress Update

What we asked	Summary of RFI Responses	What we did
Do you have any feedback on the principle that bidders can only bid and be chosen for the delivery year in question for each tender round	A majority of the RFI responses were supportive or neutral about this topic. A small proportion of the responses wanted to bid for multiple years and receive contracts for multiple years.	We have retained this principle when finalising the design of the mid-term (Y-1) market.
What are your views on the suggestion that solutions that are successful in previous tender rounds do not need to be re-assessed against tender criteria in future tender rounds	A majority of the RFI responses were supportive of this proposal	This concept it has been taken forward into the design of our draft assessment methodology. More on this to follow later in the webinar.
Are there any concerns with the intention to award contracts on a per-solution basis rather than a per-company basis	A majority of the RFI responses were supportive of this proposal	This principle as been retained when developing the draft contracts.
What is your opinion on the use of a framework style contract with yearly call-offs as opposed to individual contracts for each year of delivery	A majority of the RFI responses were supportive of this proposal	The draft contracts have been developed based on a framework structure. More details on the draft contract to follow in the next agenda item.
We said our intention was not to apply any indexation in the contracts. This means no indexation to indices like CPI, nor any link to energy prices	A mixture of RFI responses were received. Some were neutral and accepting of this, whilst others suggested there should be some link to energy prices.	This principle has been retained when developing the draft contracts.

Summary of contract form

Contract Structure

- The contract terms for Stability Mid-Term Market have been split out into three parts:

  - **Framework Agreement (FA)** – sets out the requirements in order to bid in the market and providers will only need to sign it once when entering the Stability Mid Term Market. It will bind providers into the other two contract documents.
  - **Standard Contract Terms (SCTs)** – sets out the service specific information, terms and conditions that will apply to all providers.
  - **Tender Acceptance Letter (TAL)** – sets out the prices, unit and provider specific information and will be completed following the individual tender rounds.

- This EOI and pre-tender consultation allows the market the opportunity to provide feedback on the contract documents. After the consultation feedback is received, ESO may make changes to either or both contract parts prior to finalising the form of contract in time for the ITT. Following the ITT the contract terms will not be open to negotiation or deviation requests (except for any corrections or amendments deemed necessary by ESO)

- This webinar is intended to support the consultation window
  - The key areas on which ESO would like feedback will be flagged within the Contract Feedback tab of the Consultation Feedback Form
  - After contract award, the requirements of the contract become contractual obligations on the provider – if there are any concerns about meeting any of the contract obligations, this consultation is the opportunity to provide that feedback so that these can be addressed.

Key Contract Terms

Commencement & Term

Contract Duration	**October 2025 – September 2026**
Contract Term	**12 months**

- **Extension provision:** Option to extend the Stability Contract for the next Stability Year following the date of expiry of the Stability Contract on the basis that the same terms and conditions will otherwise apply.

Security Provision

- Requires provision of a Security to cover payment of Liquidated Damages (LDs) Cap set out within the contract to be posted **within thirty business days of the Tender Acceptance Letter**

- An acceptable security could be a **performance bond**, **parent company guarantee**, or **cash deposit**.

Availability

- Through the eligibility criteria there is a minimum availability of **90%**
- Although availability greater than 90%, i.e. availability to provide the service **24/7** is encouraged
- Provide inertia in line with the full declared inertia capability (else they will be considered unavailable during that SP)
- Respond to an instruction to provide either SCL or Inertia capability (depending on what is procured in a delivery year), switch modes, change the Set Point or to stop providing the service
- Make a declaration of availability and any subsequent unavailability in accordance with the GTCs

Permitted Services

- Providers can stack the following "**Permitted Services**" set out within the GTCs providing that it doesn't impact the ability to provide the Stability Service
    - **Balancing Mechanism, Response, Reserve, Enhanced Reactive, wholesale electricity market, Capacity Market and Restoration**

Service	Is Stacking Permitted?
Frequency Response (FR)	Yes – providing sufficient capability is reserved to deliver the contracted stability services at all times.
Reserve	Yes – providing sufficient capability is reserved to deliver the contracted stability services at all times.
Reactive power (RP)	Yes – paid for through ORPS
Capacity Market (CM)	Yes - does not impact service delivery
Restoration	Yes - does not impact service delivery
Constraint Management Intertrip Service (CMIS)	No, not permitted
Balancing Mechanism (BM)	Yes - however Non-0MW synchronous providers should forego payment when they generate above 0MW due to being instructed by ESO in the BM
Wholesale Market (WM)	Yes - however Non-0MW synchronous providers should forego payment when they generate above 0MW either due to self-dispatching (>0MW FPN) or are instructed by ESO in the BM

Payment Formula

- Providers will be paid based on **Availability** and **Utilisation**

- The calculation of the Availability payments comprises of the following elements:

    - A.1 the monthly Availability Payment;
    - A.2 the monthly Availability Rebate; Unavailability and
    - A.3 the Annual Reconciliation Payment;

- A Payment Calculator is included within the EOI to enable these options to be explored in further detail by bidders. Please note this tool is illustrative only and is provided in good faith to help the market develop their bids.

Payment Formula – Availability Payment

A.1 The **Availability Payment** AP_m for each calendar month m in the **Contract Year** is calculated as:

$$AP_m = \sum_{jm} [[(AC_{ij} * ASC_{ij} * TA_i) + (AC_{sj} * ASC_{sj} * TA_s)] / APd] * CR_j$$

Where:

$\sum_{jm}$ is the summation for all **Settlement Periods** j in calendar month m

ACij is the **Actual Inertia Capability** of the **Facility** in **Settlement Period** j divided by the **Tendered Inertia Capability** (expressed as a decimal fraction);

ASCij is 1 where the **Facility** is **Available** and capable of providing **Inertia Capability** in **Settlement Period** j, otherwise 0 including where the **Facility** is a **GBGF-S Plant** that is stacking with the **Balancing Mechanism** or wholesale electricity market;

TAi is a factor: (i) if the value of ACij is less than 0.9, equal to 0.7; or (ii) otherwise, equal to 1;

ACsj is the **Actual SCL Capability** of the **Facility** in **Settlement Period** j divided by the **Tendered SCL Capability**(expressed as a decimal fraction);

ASCsj is 1 where the **Facility** is **Available** and capable of providing **SCL Capability** in **Settlement Period** j, otherwise 0 including where the **Facility** is a **GBGF-S Plant** that is stacking with the **Balancing Mechanism** or wholesale electricity market;

TAs is a factor: (i) if the value of ACsj is less than 0.9, equal to 0.7; or (ii) otherwise, equal to 1;

APd is a factor of 2 where both **SCL Capability** and **Inertia Capability** are being contracted and procured, otherwise 1 where only one of either **SCL Capability** or **Inertia Capability** are contracted

CRj is the **Contract Rate** applicable in **Settlement Period** j (expressed in £/**Settlement Period**)

F

Payment Formula – Utilisation payment

The **Utilisation Payment** UP_m for each calendar month m in the **Contract Year** is calculated as:

$$UP_m = \sum H_m [((ADi * AUi) + (ADs * AUs))/APd] * UR/2$$

Where:

$\sum H_m$ is the **summation** for all **Settlement Periods** in calendar month m where the facility was utilised following the relevant instructions.

ADi is expressed as a factor of 1 to represent that the **Facility** provided the instructed **inertia** service during each **Settlement Period** , else where the **Facility** is a **GBGF-S Plant** who is stacking with the **Balancing Mechanism** or wholesale electricity market then this factor is 0,

AUi is expressed as a decimal fraction of the **Actual Inertia Capability** of the **Facility** divided by the **Tendered Inertia Capability (**for the relevant contracted delivery year)

ADs is expressed as a factor of 1 to represent that the **Facility** provided the instructed **SCL** service during each **Settlement Period**, else where the **Facility** is a **GBGF-S Plant** who is stacking with the **Balancing Mechanism** or wholesale electricity market then this factor is 0,

AUs is expressed as a decimal fraction of the **Actual SCL Capability** of the **Facility** divided by the **Tendered SCL Capability (**for the relevant contracted delivery year)

UR is the contracted utilisation price applicable per Hour H as per the **Contract Form**

APd is a factor of 2 where both SCL and inertia are being contracted and procured, otherwise 1 where only one of either SCL or inertia are contracted

Payment Formula – Unavailability

A.2.2 The charge for **Unavailability** (UC_m) in calendar month m of the **Contract Year** is calculated as:

$$UC_m = \text{min of } [\{\min (AA_{im} - TA_{im}), 0\} * BMa_m / AP_d] + [\{\min (AA_{sm} - TA_{sm}), 0\} * BMa_m / AP_d], [£70{,}000 / 48 * (SP_{am} - (SP_m * TAim))]$$

Where:

AA_{im} is a fraction (expressed as a percentage) the numerator of which is the aggregate number of **Settlement Periods** in month m in which the **Facility** was **Available** to provide **Inertia Capability**; and the denominator of which is the aggregate number of **Settlement Periods** in month m less any **Settlement Periods** in which the **Facility** is **Unavailable** by reason of **Force Majeure**;

TA_{im} is the **Target Availability** (expressed as a percentage) for **Inertia Capability** for month m;

AA_{sm} is a **fraction** (expressed as a percentage) the numerator of which is the aggregate number of **Settlement Periods** in month m in which the **Facility** was **Available** to provide **SCL Capability**; and the denominator of which is the aggregate number of **Settlement Periods** in month m less any **Settlement Periods** in which the **Facility** is **Unavailable** by reason of **Force Majeure**;

TA_{sm} is **the Target Availability** (expressed as a percentage) for **SCL Capability** for month m;

$\mathbf{BMa_m}$ is the alternative **Balancing Mechanism** cost for month m;

AP_d is a factor of 2 where **both** SCL and inertia are being contracted and procured, otherwise 1 where only one of either SCL or inertia are contracted;

SP_{am} is the number of **Settlement Periods** in month m in which the **Facility** was available for all or part of the **Contracted Inertia Capability** and **Contracted SCL Capability**; and

SP_m is the number of **Settlement Periods** in month m.

Calculation of alternative BM cost under development.

Payment Formula – Availability Rebate

A.2.1 The **Availability Rebate** (AR_m) for each calendar month in the **Contract Year** is calculated as:

$$AR_m = Max((UC_m + UL_m + LAD_u), -AP_m)$$

Where:

UC_m is the sum (if any) calculated in accordance with paragraph A.2.2 below (being a negative value); and

UL_m is the unrecovered **Availability Rebate** (if any) as at month m, calculated in accordance with paragraph A.5 below (being a negative value); and

LAD_u is the sum (if any) calculated in accordance with paragraph A.4 below (being a negative value);

Payment Formula – Annual Reconciliation

A.3 The **Annual Reconciliation Payment** (ARL_{final}) is calculated for **Contract Year** y as :

$$ARL_{final} = Min\ (AP_y + AR_y, Abs\ ((\underline{UC}_y + LAD_y) - AR_y))$$

Where:

AP_y is the aggregate **Availability Payment** calculated in respect of each month in **Contract Year** y in accordance with paragraph A.1;

AR_y is the aggregate **Availability Rebate** calculated in respect of each month in **Contract Year** y in accordance with paragraph A.2.1;

$\underline{UC}_y$ is the aggregate charge for **Unavailability** calculated in respect of each month in **Contract Year** y in accordance with paragraph A2.2.

LAD_y i is the aggregate liquidated damages for a late **Start Date** calculated in accordance with paragraph A.4

Background Checking

- In line with procurement best practice the Pathfinders team have identified an opportunity to introduce background checking obligations
- New Background Checking (Security) terms have been added into the **Standard Contract Terms** within **Schedule F**
- If you have any feedback on this schedule please provide it through the consultation feedback form

Conditions Precedent (CPs)

- Below is the list of Conditions Precedents, **clause 3.8** of the Standard Contract Terms (SCTs):

    1. the Provider or (where applicable) its agent or contractor having applied to Elexon Limited to become a BSC Party
    2. the Provider having acceded to the BSC and CUSC;
    3. the Provider having submitted the Maintenance Plan;
    4. the Provider having submitted Acceptable Security

- The Provider shall use all reasonable endeavours to ensure that the Conditions Precedents are satisfied by no later than the date specified in the **Stability Mid-Term Market Tender Pack**

- **Failure** to complete all the Conditions Precedents would result in the contract being terminated and the provider being liable for the termination sum

Liquidated Damages (LDs)

- If there is a delay in the Scheduled Start date, the provider will become liable for LDs at the LAD rate:
    - **LAD Rate:** means a daily rate equal to the alternative Balancing Mechanism cost multiplied by the number of Settlement Periods in the day
- For the period between the Scheduled Start date and the date on which the proving test is actually passed, the Provider will owe any accrued amount of LDs based on the LAD rate
- If the LDs reach the **LAD Cap** (90 days of LDs accrued at the LAD rate) then ESO have the option to terminate the contract

Summary of assessment methodology

End to end process

Note: The assessment methodology is only draft at this stage and subject to change and finalisation at the ITT stage.

Stage No	Assessment criteria	Assessment method	Shortlisting strategy
0	Initial compliance check	N/A	Non-compliant submissions may be rejected at this stage.
1	Mandatory due diligence criteria	Pass/fail – bidders must pass all pass/fail questions.	Submissions that do not meet any minimum pass/fail requirements will be rejected.
2	Technical criteria, inclusive of the feasibility simulations	Pass/fail – bidders must pass all pass/fail questions.	Submissions that do not meet any minimum pass/fail requirements will be rejected.
3	Delivery criteria	Pass/fail – bidders must pass all pass/fail questions.	Submissions that do not meet any minimum pass/fail requirements will be rejected.
4	Eligibility criteria	Pass/fail – bidders must pass all pass/fail questions.	Submissions that do not meet any minimum pass/fail requirements will be rejected.
5	Financial health criteria (securities)	Pass/fail – must pass by satisfying requirements	Submissions that do not satisfy financial health requirements will be rejected.
6	Economic optimisation	Must be identified as within economic portfolio of solutions to receive a 2025/2026 delivery year call-off contract.	This stage will be used to identify the most economically efficient portfolio of solutions for the 2025/2026 delivery year.

Solutions that pass stages 0 – 3 will be entitled to receive an overarching framework agreement. These solutions will progress to be considered in stages 4 through 6.

Only those that are successful in stages 4 through 6 will receive a call-off contract for the 2025/2026 delivery year.

Stage 6 - Economic optimisation

Note: The assessment methodology is only draft at this stage and subject to change and finalisation at the ITT stage.

Inertia

The Economic Assessment will be used to identify overall optimal combination of solutions, to ensure inertia requirements are met at the lowest overall costs to consumers on a £/Settlement Period (SP) basis using both availability fee and utilisation costs. This will be subject to being technically feasible and the costs of which are lower than our counterfactual option.

Information that will be assessed

- An availability price in £ per settlement period (£/SP), which should be inclusive of costs faced by the provider, for example all applicable network / use of system charges, levies & losses.
- A utilisation price in £ per Hour (£/h), which should be inclusive of all variable costs to the providers, for example: fuel.
- Both availability price and utilisation price should be the most competitive price that can be offered.
- Service start date and any associated late start adjustments
- Inertia contribution in GVA.s, as stated in the technical specification.
- Any mutually exclusive of or independent constraints will be factored at this point

Counterfactual

To ensure consumer value the options submitted to ESO will be compared to a counterfactual cost.

- The balancing mechanism (BM) units can be used to meet inertia requirements using both energy and non-energy type of actions. To value BM costs ESO need to match the inertia requirement in each settlement period with available generation, which is a function of each scenario's generation background and availability to start up.
- An optimisation tool will be utilised to find the lowest cost solution for each hour, while meeting constraints such as the requirement.
- The BM costs are determined by combining the cost of accepting offers on the available generators up to their stable export limit (SEL).
- ESO need to maintain the balance of generation and demand, so the cost of bidding off an equal amount of generation elsewhere is also included.
- Additionally, non-energy actions from BM units may be used in counterfactual to support finding the optimal solution.

How does the end to end process apply to future years where a bidder already has an existing framework?

Note: The assessment methodology is only draft at this stage and subject to change and finalisation at the ITT stage.

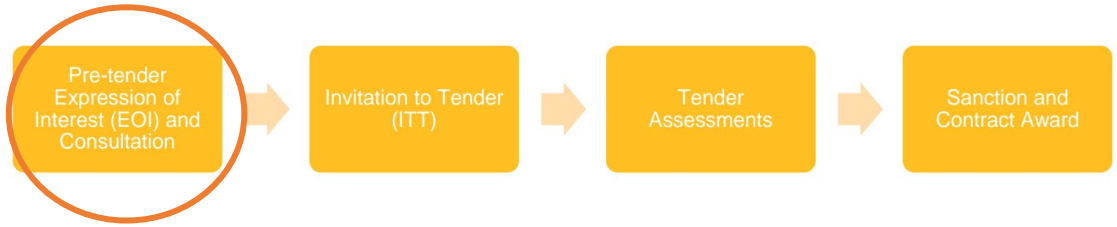
Stage No	Does this stage still apply when a bidder already has an existing framework agreement for the Stability Mid-Term Market?
0	A compliance check will still be conducted to ensure all submissions have been received in full.
1	Where bidders declare there has been no change compared to the initial response to these questions, the bidder will be fast tracked past this stage. Where there has been any change, the bidder will be required to re-complete this criterion and be re-assessed.
2	Where bidders declare there has been no change compared to the initial response to these questions, the bidder will be fast tracked past this stage. Where there has been any change, the bidder will be required to re-complete this criterion and be re-assessed.
3	Where bidders declare there has been no change compared to the initial response to these questions, the bidder will be fast tracked past this stage. Where there has been any change, the bidder will be required to re-complete this criterion and be re-assessed.
4	This will need to be re-assessed during each tender round for each call-off contract.
5	This will need to be re-assessed during each tender round for each call-off contract.
6	This will need to be re-assessed during each tender round for each call-off contract.

Mid-Term 2025/2026 timeline and next steps

Timeline

The Mid-Term 2025/2026 tender will follow the process outlined below, which consists of a Expression of Interest (EOI) followed by a combined commercial and technical Invitation to Tender (ITT).

We are currently in the 'Expression of Interest and Consultation' stage.



Indicative Timeline	
Task	**Date**
EOI Launch	**3 October 2023**
Consultation Deadline	3 November 2023
EOI Deadline	Early Bird Deadline: 1 December 2023 Backstop Deadline: 26 January 2024
ITT Launch	January 2024
ITT Window	January – April 2024
ITT Deadline	April 2024
ESO Internal Tender Assessments	April 2024 – July 2024
ESO Internal Sanction Process	August 2024
Contract Award	September 2024

Please note this timeline is subject to change/updates as the tender progresses.

Immediate next steps

To participate in the Mid-Term 25/26 tender process and be invited to the ITT, participants must express an interest by sending an email to: box.stability@nationalgrideso.com

Expressions of interested must be received by the **EOI deadline.**

EOI Deadline

The EOI deadline has been set on a staged basis, with **an Early Bird deadline** and a **Backstop deadline.**

- Early Bird deadline – **1 December 2023 5pm**
- Backstop deadline – **26 January 2024 5pm**

Expressing an interest does not result in an obligation to submit a full tender submission.

Consultation Deadline

As part of the EOI the market is invited to provide feedback on the documents that we have been publishing using the consultation feedback proforma.

Any market participant can respond to the consultation regardless of whether they are expressing an interest. Those who express an interest are encouraged to provide consultation feedback.

If a participant wishes to provide feedback it should be done using the **Consultation Proforma** and returned to box.stability@nationalgrideso.com

Providing feedback on the documents shared in this EOI is optional. Providing feedback does not result in an obligation to express an interest or to propose a tender submission.

The deadline to return any consultation feedback to ESO is **5pm 3rd November 2023.**

We will now open for Q&A

Please submit any queries via the Q&A functionality in teams

Any confidential queries should be sent directly to the team by email box.stability@nationalgrideso.com

Any questions that we are unable to answer will be taken away and responded to offline