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Contract Award Criteria

Mid-Term (Y-1) Stability Market
Assessment Methodology

DRAFT ONLY – This document is a draft only and will be finalised after the consultation.

Tender Year: 2024–2025

Delivery Year: 2026–2027

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Purpose of this document and the EOI Pack

This document and the other documents that make up the EOI Pack have been provided in good faith. The purpose of these documents is to: 1) provide the market with information about the tender rules and requirements to enable market participants to make an informed decision to express their interest, and 2) allow an opportunity for the market to give their feedback through the consultation prior to the Invitation to Tender (ITT). When the ITT launches, these documents may be updated following feedback from the market and/or to reflect the progression from EOI stage to ITT. Bidders may also receive additional documents and/or information, for example about how their tender submissions will be assessed. This means ITT documents may supersede earlier documents and/or information previously communicated during the EOI.

Commercial Decisions

Any commercial decisions made by bidders to facilitate or support tender submissions are made at the full discretion of the tender participant. NESO shall not be liable for any results of these commercial decisions and does not accept responsibility for any commercial decisions made by participants.

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Version Control

Version	Description	Date
V1	<p>Initial publication at EOI stage of the tender process. The purpose of sharing this at EOI stage is to provide transparency on the intended assessment methodology approach.</p> <p>This document is subject to amends and updates at ITT stage.</p>	<p>08 November 2024</p>

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Contract Award Strategy

The ITT assessment for the 2026/2027 delivery of the Mid-Term (Y-1) Stability Market will be conducted against the predetermined assessment methodology and Contract Award Criteria as detailed in this document and in accordance with the Instructions to Tenderers document.

This document should be read in conjunction with the rest of the ITT Pack (when published at ITT stage), with specific attention to the Instructions to Tenderers and the relevant submission documents (when published at ITT stage).

The award of an overarching framework agreement for the Mid-Term (Y-1) Stability Market will be based on whether proposed solutions meet the baseline tender criteria set out in this document. Those that meet this baseline criteria will be considered for the award of a delivery call-off contract for the 2026/2027 delivery year. The award of the 2026/2027 call-off contract will be based on the most economically efficient combination of solutions that meet the requirement, taking into consideration the cost of purchasing the same 2026/2027 requirement through the Balancing Mechanism (BM).

NESO may procure above, or below, the 2026/2027 delivery year requirement according to the bids received and what the NESO believes to be the most economic action to take.

The second Stability Mid-Term (Y-1) tender will be referred to as '**Mid-Term 26/27**' herein

Assessment Process

Bids received in response to NESO's invitation to tender (ITT) for the Mid-Term 26/27 tender shall be assessed by a designated team of evaluators who shall assess the solutions against the award criteria and scoring methodology outlined in this document.

Detailed below is a summary of the criteria that will be considered and the assessment process that will be followed when awarding the Mid-Term 26/27 contracts, including a reference to the submission document that is applicable for each of the criteria.

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Table 1

Stage No	Assessment criteria	Assessment method	Shortlisting strategy	Applicable document
0	Initial compliance check	N/A – checking to ensure all submissions have been received in full	Non-compliant submissions may be rejected at this stage.	<i>TBC at ITT stage</i>
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.	<i>TBC at ITT stage</i>
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.	<i>TBC at ITT stage</i>
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.	<i>TBC at ITT stage</i>
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.	<i>TBC at ITT stage</i>
5	Financial health criteria (securities)	Pass/fail – must pass by satisfying requirements	Submissions that do not satisfy financial health requirements will be rejected.	<i>TBC at ITT stage</i>
6	Economic optimisation	Must be identified as within economic portfolio of solutions to receive a 2026/2027 delivery year call-off contract.	This stage will be used to identify the most economically efficient portfolio of solutions for the 2026/2027 delivery year.	<i>TBC at ITT stage</i>

Throughout each stage listed in the assessment process, where there is any ambiguity or an incomplete response, this may be clarified by NESO. Clarifications will be issued with a set response deadline. Tenderers should note that clarifications are only to clarify NESO's

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understanding of the tender or to clarify clear errors. They are **not** an opportunity to resubmit a response and should not be viewed as an extension of time.

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 2026/2027 delivery year.

How will the process in Table 1 above apply where a bidder already has an existing framework?

Table 2

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.

Stage 1: Mandatory due diligence assessment methodology

The mandatory due diligence questions will be published at ITT stage.

These questions will be evaluated using the scoring methodology outlined in this section.

Table 3

Item	Question Type	Explanation/ Impact of Non-compliance
1	Pass/fail questions	Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected.

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2.	For Information Only questions	The “For Information Only” questions are not scored.
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Tender participants must pass the due diligence questions in full.

Stage 2: Technical criteria assessment methodology

The technical criteria questions will be published at ITT stage.

Part A – solution outline assessment methodology

These questions will be evaluated using the scoring methodology outlined in this section.

Table 4

Item	Question Type	Explanation/ Impact of Non-compliance
1	Pass/fail questions	Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected.
2	For information only questions	The “For Information Only” questions are not scored.

Tender participants must pass these questions in full.

Part B – feasibility simulation questions assessment methodology

This section requests that bidders answer questions in relation to the results of the feasibility simulations that must be completed (details to be shared at ITT stage). These questions will be evaluated using the scoring methodology outlined in this section.

Table 5

Item	Question Type	Explanation/ Impact of Non-compliance
1	Pass/fail questions.	Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected.
2	For Information Only questions	The “For Information Only” questions are not scored.

Tender participants must pass the feasibility simulation questions in full.

Stage 3: Delivery criteria assessment methodology

The delivery criteria questions will be shared at ITT Stage.

These questions will be evaluated using the scoring methodology outlined in this section.

Table 6

Item	Question Type	Explanation/ Impact of Non-compliance
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1	Pass/fail questions	Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected.
2.	For Information Only questions	The “For Information Only” questions are not scored.

Tenderers must pass the delivery criteria in full.

Stage 4: Eligibility criteria assessment methodology

The eligibility criteria questions will be published at ITT stage.

These questions will be evaluated using the scoring methodology outlined in this section.

Table 1

Item	Question Type	Explanation/ Impact of Non-compliance
1	Pass/fail questions	Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected.
2.	For Information Only questions	The “For Information Only” questions are not scored.

Tenderers must pass the eligibility criteria in full.

Stage 5: Financial health assessment methodology

Bidders need to complete the financial health questions which will be shared at ITT stage.

The financial health assessment is made up of the following parts:

1. Agreement to provide the Acceptable Security (as defined by the terms and conditions)
2. Dun & Bradstreet (D&B) analysis of the party providing the security
3. Credit check of the party providing the security

Each part will be assessed using the methodology outlined below.

Part 1 – Agreement to provide the Acceptable Security

Bidders must confirm they will provide an Acceptable Security as defined in the General Terms and Conditions in line with the contractual requirements.

This part of the financial health assessment asks bidders to:

- Confirm they will provide an Acceptable Security as defined in the General Terms and Conditions in line with the tender rules and contractual requirements.
- Confirm which form of Acceptable Security they will be providing (e.g. a Parent Company Guarantee (PCG))

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- Confirm the details of the guarantor company (Company name, Company registration number) who will be providing the Security. This will be used to enable Part 2 and Part 3 of the financial health assessment.
 - For example, where a PCG is being provided, the details of the parent company would be provided. Alternatively, where a Performance Bond is being provided, the name of the guarantor would be the Rated Bank.

This part of the financial health assessment will be evaluated using the scoring methodology outlined in the table below.

Table 2

Item	Question Type	Explanation/ Impact of Non-compliance
1	Pass/fail questions	Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected.
2.	For Information Only questions	The "For Information Only" questions are not scored.

Part 2 – Dun & Bradstreet analysis

Within one month after the tender submission deadline, NESO will assess the Dun & Bradstreet Failure and Delinquency Scores of the named guarantor company (not the bidder).

This assessment will be done using Dun & Bradstreet Credit, and a prorated scoring analysis. The following formula will be used: $\text{Dun \& Bradstreet Score} / 100 * \text{Maximum Available Score}$

Table 3

Dun & Bradstreet Score	Max Dun & Bradstreet Available Score	Maximum Available Score
Company Failure Score	100	50
Company Delinquency Score	100	50

Please note these formulas are built into the Commercial Submission Document and should not be edited.

Where either or both the Dun & Bradstreet Failure and Delinquency scores are not available, NESO will use the Dun & Bradstreet PAYDEX score as an alternative. This will be scored with the same weighting as the Failure and Delinquency Score combined. If a PAYDEX score is not available, then the default score used for the assessment will be 0.

Part 3 – Credit check

During the financial health assessment NESO will also check that the guarantor (e.g., parent company, Rated Bank) providing the Acceptable Security has an acceptable credit rating based on the list below.

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- A- Standard and Poor’s (S&P) long-term rating; or
- A3 Moody’s long-term rating;

This part of the financial health assessment will be evaluated using the scoring methodology outlined in the table below.

Table 4

Item	Question Type	Explanation/ Impact of Non-compliance
1	Pass/fail	Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected.

Should the guarantor company providing the Acceptable Security (parent company, Rated Bank) not have an acceptable credit rating for either S&P or Moody’s then NESO reserve the right to either:

- 1) accept an alternative credit rating that is equivalent to the listed credit ratings above if this can be evidenced; or
- 2) request the security is provided by an alternative provider that meets the acceptable credit ratings. If the Tenderer does not agree to do so, NESO shall consider this a ‘fail’; or
- 3) Accept a lower rating at NESO’s discretion on a case-by-case basis subject to performance on other aspects of the financial health check and perceived level of overall risk associated with the bid.
- 4) Accept the lower rating or lack of rating where the Acceptable Security being offered is cash in escrow.

Financial health assessment summary

The overall financial health assessment will be based on the combination of these three parts based on the table below.

Table 5

Result	Description	Comments
Pass	Satisfies the pass/fail requirements of Part 1 Scores above 50 in Part 2 Satisfies the pass/fail requirements of Part 3	Tenderer has satisfied the requirements of the financial health check in full.
Subject to Review	Satisfies the pass/fail requirements of Part 1 Scores below 50 in Part 2 Satisfies the pass/fail requirements of Part 3	If Part 1 and Part 3 have been satisfied, then the Tenderer will pass (subject to the below).

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		NESO may explore the reasons for the lower D&B score. NESO reserve the right to retain or remove tenderer from tender process as result of these findings.
Fail	Fails to meet the pass/fail requirements of either Part 1 or Part 3	Tenderer has failed to satisfy the financial health requirements.

Stage 6: Economic optimisation methodology

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 on an annual basis for the delivery year to consumers using both availability fee and utilisation costs, if applicable. 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 (£/GVA.s/h, which should be inclusive of all variable costs to the providers, for example: fuel. This is only applicable to GBGF-S technologies.
- 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 per a bidder's technical submission
- Any mutually exclusive of or independent constraints will be factored at this point

This information will be assessed using optimisation methods to find a solution considering both availability price and utilisation prices.

For GBGF-I technologies, utilisation costs will not be considered, providers will submit only an availability fee. The tool will calculate total costs of being available using the following: availability price (£/SP) and a calculated availability profile based on the 90% availability requirement and the service start date specified by providers (in total number of SP per year)

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For GBGF-S technologies the tool will calculate total costs of being available using the following: availability price (£/SP) and a calculated availability profile based on the 90% availability requirement and the service start date specified by providers (in total number of SP per year) and total costs of utilisation using: utilisation price (£/GVA.s/h) and utilisation profile (GVA.s/SP). More information will be published at the ITT stage on how these factors are considered.

Start Date

For solutions arriving after 1st October 2026, NESO will start to include a late start adjustment in the assessment which is associated with options arriving late. More details will be shared at the ITT stage.

Finding the Optimal Solution

We will use optimisation methods to find the most cost-effective solution to our requirements. It will be set up to minimise cost, subject to meeting all inertia requirements as well as constraints such as mutually exclusive options. Mutually exclusive constraints will be added based on the rules set by NESO and any additional information in individual tender submissions, as well as to reflect any constraints that prevent multiple solutions from different providers from connecting.

Each option will have an inertia contribution. The economic assessment will be running on national level and once a solution is found, NESO will check if the solution is feasible technically. The cost will be the total present value over the tender period from 1st October 2026 to 30th September 2027.

More information about the algorithm to find the optimal solution will be provided at the ITT stage.

Counterfactual

To ensure consumer value the options submitted to NESO 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 NESO 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). NESO 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.

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This model is run across the whole Mid-Term 26/27 contract period and will be used to compare the cost of tendered options with the alternative of not procuring that inertia and instead using the BM (potentially inclusive of both energy and non-energy actions) to manage the requirement. If it is cheaper to manage some level of requirement using BM units (whether these are energy or non-energy actions) than to use tendered options, NESO may buy less than our requirements.

More information about BM solution used in counterfactual will be provided at the ITT stage.

Additional Notes

Site Visits, Presentations, Interviews

NESO reserves the right to undertake site visit(s), request a presentation from participants, or undertake an interview with all or some of the bidders who meet the above criteria. These will be used to provide greater understanding of participant's submissions.