

Fast Reserve (FR) Development

Outline Change Proposals Document (OCP-01)

28th September 2012

nationalgrid

THE POWER OF ACTION

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Executive Summary

This Outline Change Proposal (OCP) document is published in line with the Fast Reserve (FR) Tender Rules and Standard Contract Terms (SCT's) Issue #1 published on the 1st April 2009. From time to time National Grid will review the SCT's and where areas for improvement are identified raise an OCP to implement changes to the document.

During recent months National Grid has reviewed the SCT's and identified a number of areas for improvement. After discussing the suggested changes internally, we now believe that there is value in taking forward a number of changes for industry approval.

The key areas for improvement are:

- The SCT Amendment Process
- The Tender Calendar
- Standard Contract Terms – update
- Optional Prices

This document outlines the proposed amendments to the SCT's and discusses the reasons why National Grid considers these amendments to be improvements to the current terms. We welcome any comments you have on these amendments.

Responses to this consultation should be received by National Grid prior to 5pm on 12th October 2012 and should be sent to:
energy.operations@uk.ngrid.com

Section 1

Introduction to Fast Reserve

Fast Reserve (FR)

1. At certain times of the day National Grid needs access to sources of extra power, in the form of either increased generation or demand reduction, in order to manage a greater than forecast electricity demand on the Great Britain Transmission System and / or unforeseen generation unavailability. These additional power sources which are available to National Grid are referred to as 'Reserve' with one of these Reserve services being **Fast Reserve**, which is defined as follows:

“Fast Reserve” provides the rapid and reliable delivery of active power through an increased output from generation or a reduction in consumption from demand sources, following receipt of an electronic despatch instruction from National Grid.

Fast Reserve is the quickest acting reserve service. It is capable of commencing within two minutes following instruction, at rates of 25MW or greater per minute and providing a minimum of 50MW. This reserve energy should be capable of being both delivered and removed at a reciprocal rate to the commencement, with delivery being sustainable for a minimum of 15 minutes. Fast Reserve may be provided as either a Firm service or Optional service with the Firm service subject to a tender process.

2. The requirement for Fast Reserve can change dependent on both the time of year and time of the day, being related to the system demand profile at the time. To accommodate this varying requirement, Firm Fast Reserve is procured by National Grid on a monthly basis. Procurement is via a competitive tender process from both those who participate in the Balancing Mechanism (BM) and those who do not. To assist tendering parties, National Grid publishes a Firm Fast Reserve market information report which indicates its requirement for the forthcoming calendar month.
3. The contractual provisions relating to the FR service are contained in the *Fast Reserve Tender Rules and Standard Contract Terms Issue #1* which is available on the National Grid website.¹ Any developments implemented as part of this review will be incorporated into Issue #2.

¹ http://www.nationalgrid.com/NR/rdonlyres/CD646068-51A3-4C02-84B3-35F45A8B41E4/33114/FFR_Standard_Terms_and_Conditions_v4.pdf

Current Process for Amending the Standard Contract Terms

4. Paragraph 1.2 of the Fast Reserve Standard Contract Terms obliges National Grid to review the SCT's from time to time, and where at any time National Grid wishes to propose one or more amendments, then it may do so by formulating an Outline Change Proposal (OCP), the contents of which shall include without limitation:-
 - (i) the rationale for the amendment(s), including whether or not required as a result of a Proposed Legal Requirement or Change in Law;
 - (ii) if applicable, details of the Proposed Legal Requirement or Change in Law; and
 - (iii) the Proposed Implementation Date.
5. Each OCP shall be notified by National Grid to all signatories of a Fast Reserve Framework Agreements (Fast Reserve Providers) in writing, giving a reasonable opportunity and, in any event, not less than 10 Business Days to review and provide National Grid with written comments. National Grid shall then consider in good faith, any written comments submitted by the Provider and shall, insofar as is reasonably practicable, address such comments in any Detailed Change Proposal (DCP).
6. This OCP considers a range of areas within the SCT's with a view to proposing amendments with an Implementation Date of **1st April 2013**, and invites responses from both existing, and potential future Fast Reserve Providers.
7. There are amendments proposed in this OCP which are considered by National Grid to be required as a result of any Proposed Legal Requirement or a previous Change in Law with such proposal changes highlighted in the document.
8. It should be noted by Providers and other interested parties that this OCP, insofar as it summarises the SCT's, is intended for guidance only and should not be relied upon, and Providers and other interested parties are directed to the SCT's available on the National Grid website.
9. "Party" defined under the SCT's means each person a party to the Fast Reserve Framework Agreement. Any such reference in this document will be in this context.

Current Review

10. This current Outline Change Proposal is part of a Fast Reserve review which aims to achieve a number of improvements for the service. The overall aim of the Fast Reserve review is to ensure a more transparent and understandable market for Providers, and consequently encouraging new participants to enter the market thereby enhancing the efficient procurement of Fast Reserve for National Grid. In addition, a specific aim of this Outline Change Proposals is to ensure the SCT's are up to date and in line with other Ancillary Services where required.

Future Review

11. As noted above, the Fast Reserve service was last reviewed in 2008/09. Given anticipated future changes to the Fast Reserve market, National Grid anticipates future service reviews will be conducted at closer intervals.

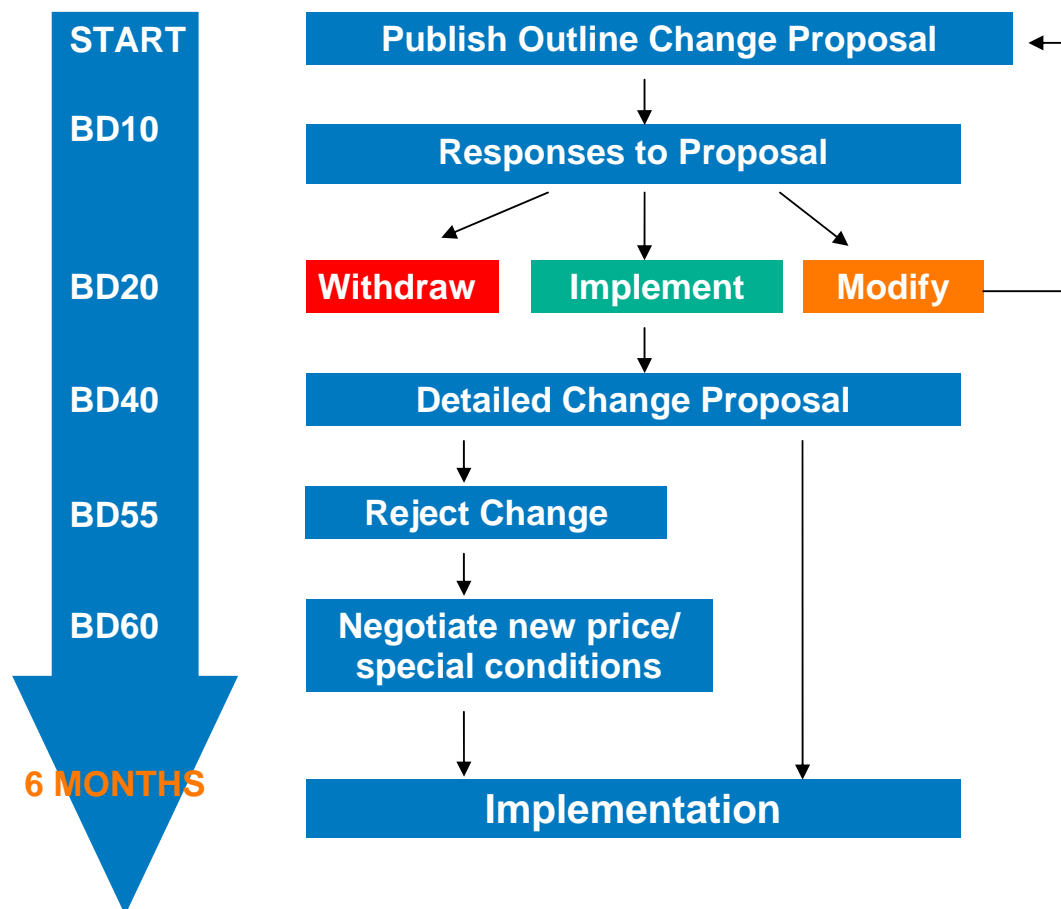
Section 2

Amendment Process

Standard Contract Terms – Amendment Process

12. The current process for amending the SCT's was introduced into paragraph 1.2 of the SCT's following the 2008 Fast Reserve Review. Consequently, this review is the first time the amendment process is being used for Fast Reserve. A similar process was introduced for both Firm Frequency Response (FFR) and STOR. The STOR terms have been updated twice and the FFR terms once. National Grid is therefore proposing changes to the Fast Reserve Amendment process to better align it with those for FFR and STOR, particularly with regards to the timescales associated with some parts of the process. A high-level summary of the **existing process** and the key timescales is included in Figure 1 below.

Figure 1 - Summary of process and timescales for amending SCT's



13. Following publication of an OCP, sub-paragraph 1.2.4 of the SCT's obliges National Grid to give all Providers a reasonable opportunity and, in any event, not less than 10 Business Days, to review and provide National Grid with written comments on the content of that OCP.
14. Whilst the drafting indicates that there may be scope for National Grid to provide in excess of 10 Business Days for a Provider to respond with written comments, sub-paragraph 1.2.5 of the SCT's then dictates that where National Grid fails to make a decision as to withdrawal, modification or implementation of that OCP within 20 Business Days of its publication, then the OCP it shall be deemed to have been withdrawn with immediate effect.
15. Very little scope is therefore provided for a period in excess of 10 Business Days to be afforded to Providers, whilst furthermore, it limits National Grid to a maximum of 10 Business Days to give due consideration to all of the points raised in response to the OCP prior to deciding to either withdraw, modify or implement it via the publication of a DCP.
16. In view of this, National Grid proposes that the SCT's should be amended to provide for a minimum of 20 Business Days for a Provider to respond to an OCP. This proposal is consistent with the current 28-day period (including non-Business Days) which industry respondents have to respond to CUSC Amendment Proposals and proposed modifications to the suite of Charging Methodologies. The proposal is also consistent with the changes already made in the STOR and FFR SCT's.
17. Following this, National Grid also proposes that a further 20 Business Days should be provided for National Grid to give consideration to all of the issues raised by Providers in their responses, which would therefore extend the overall timescales associated with National Grid's decision to proceed with a DCP to 40 Business Days subsequent to the publication of the OCP.

Question 1 – Do you consider that the response time permitted for Providers to respond to an OCP should be increased from the current 10 Business Days, to 20 Business Days? If not, could you recommend a more appropriate timescale?

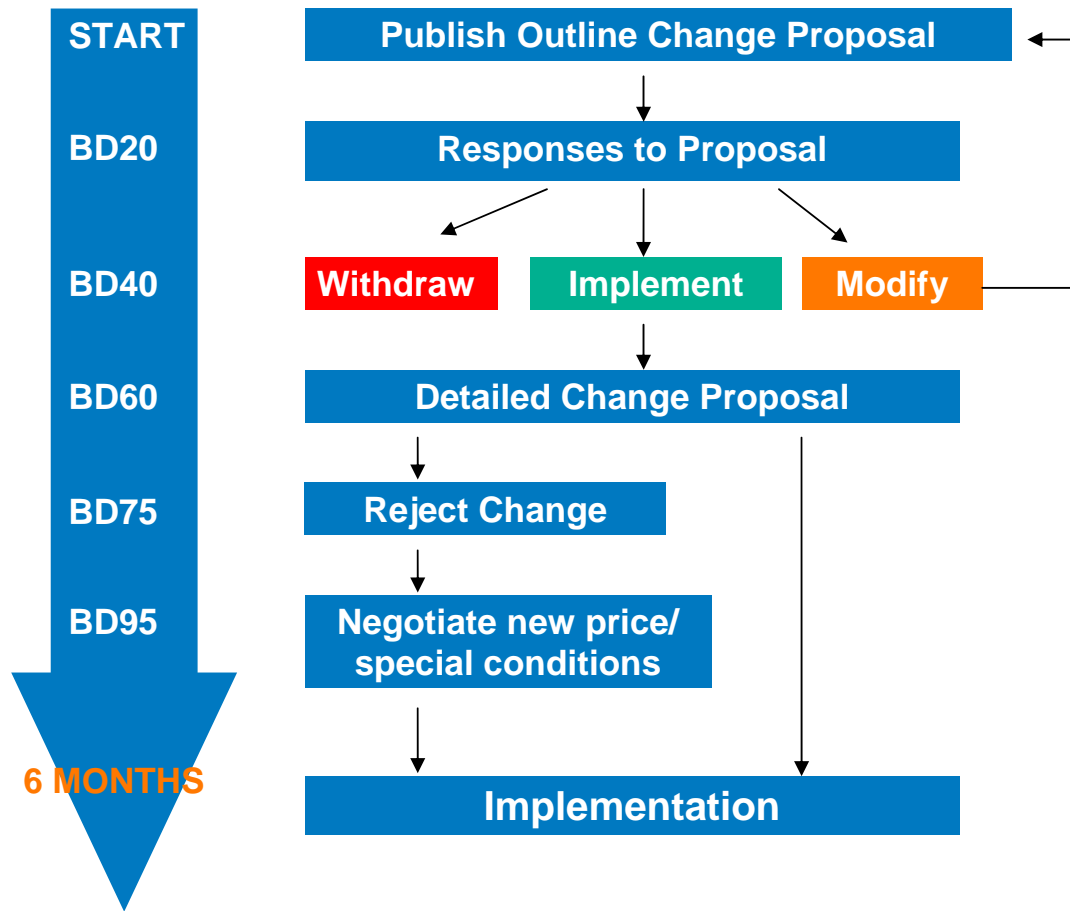
Question 2 – Do you consider that a period of 20 Business Days following receipt of responses to an OCP from Providers is an appropriate timescale for National Grid to give due consideration to these responses and notify of its intention to either withdraw or modify the proposals, or implement them via the publication of a DCP? If not, could you recommend a more appropriate timescale?

18. Sub-paragraph 1.2.10(a) of the SCT's sets out the process for the rejection of Detailed Change Proposals to subsisting Fast Reserve contracts. This process allows Affected Fast Reserve Providers a period of 15 Business Days after publication of a DCP to notify National Grid that it wishes to reject the application of those changes to a subsisting Fast Reserve Contract. Sub-paragraph 1.2.13 of the SCT's then allows 5 Business Days for National Grid and an Affected Fast Reserve Provider to negotiate in good faith, amendments to the Fast Reserve Framework Agreement by way of Special Condition(s) in order to negate the impact of a DCP with respect to the Fast Reserve Contract in question such that the Fast Reserve Provider is in no better/worse position after the coming into effect of the DCP than it would have been had that DCP not come into effect. In the event that no such agreement is reached within that period of 5 Business Days, then the matter(s) may be referred to Expert Determination (as defined in the SCT's).
19. Similarly, sub-paragraphs 1.2.10(b) and 1.2.16 of the SCT's provides the same timescales for an increase in contract prices to be negotiated in limited circumstances to reflect any increase in net costs of the Fast Reserve Provider.
20. National Grid considers that a period of 5 Business Days is insufficient time for these issues to be negotiated and resolved consequent upon a DCP. National Grid therefore proposes to increase the timescales to 20 Business Days to facilitate the possibility of a successful resolution.

Question 3 – Do you consider that an increased period of 20 Business Days would be more appropriate than the current timescales in the interests of arriving at a mutually beneficial negotiation of Special Condition(s) or contract prices? If not, could you recommend a more suitable timescale?

21. If each of the proposals contained in this Section were to be implemented, the process would look like that summarised in Figure 2 below.

Figure 2 - Summary of proposed process/timescales for amending SCT's



22. Sub-paragraph 1.2.11 of the SCT's specifies that the Fast Reserve Provider may only seek an increase in contract prices consequent upon a DCP in limited circumstances. Where those circumstances do not apply, and the Fast Reserve Provider is unable to reject the application of the DCP to a subsisting Fast Reserve Contract (because the DCP reflects a change in law), then it is proposed that the Fast Reserve Provider should be entitled to terminate the Fast Reserve Contract. A new termination right is therefore proposed for the Fast Reserve Provider, to be included in the termination provisions of the SCT's.

Standard Contract Terms – Amendment Process – Short Change

23. As outlined above, under this amending the Standard Contract Terms section, the amendment process for the SCT's is designed for a full review, involving a process which takes a minimum of six months. This leaves the service rather inflexible to adapt to changes that may be required for the benefit of all parties at short notice. It is therefore proposed that an

amendment be made to the SCT's, in the form of an additional clause that will allow changes to be made in a shorter timeframe where required, following agreement between all of the Parties, and without using the full amendment process. This is designed to make the service more flexible and ready for any potential changes that come along.

24. The proposal is that the below drafted clause (1.2.22) be included in the SCT's. The clause means that National Grid is not limited to making all changes through the changes process if a proposed change is agreed to by all Parties, as such all industry participants would need to consent to a change before it could be introduced under this clause. If all Parties agreed, a change to the SCT's could be implemented on a timescale quicker than is currently possible. Note: this is proposal is designed to work alongside and in conjunction with the current amendment process.

1.2 CHANGES TO THIS DOCUMENT

Outline Change Proposal

1.2.1 This Document shall be reviewed by National Grid from time to time, and **(without prejudice to sub-paragraph 1.2.22)** where at any time National Grid wishes to propose one or more amendments to this Document then it may at its sole discretion do so by formulating an Outline Change Proposal. Each Outline Change Proposal shall describe in reasonable but not excessive detail all such amendments and shall specify a single Proposed Implementation Date, save that insofar as any such amendments are required as a result of a Proposed Legal Requirement or a Change in Law then each of such amendments shall be the subject of a separate Outline Change Proposal.

1.2.22 Nothing in this paragraph 1.2 shall preclude National Grid and all Parties at the relevant time from agreeing changes to this Document otherwise than in accordance with this paragraph 1.2.

Question 4 – Do you believe that the proposed change to introduce a process allowing changes to be made to the SCT's following agreement from all parties, without conducting the full review process, will make the SCT's and Fast Reserve Service more flexible and responsive to future changes? Are you supportive of such a proposal?

Section 3 Tender Dates

Tender Timetable

25. The current Fast Reserve Tender Dates are unnecessarily complex and have the potential to cause confusion. There are two separate Market Days each month depending on the length of the tender. The Long Term Tender results are also notified a day after that months Fast Reserve Market Report. Table 1 describes the current tender dates.

Table 1 – Current Tender Dates

Business Day	Action
BD1	Market Day for Short Term (Multiple Month) and Long Term Tenders
BD3	Market Day for Single Month Tenders
BD5	Tender Report
BD10	Results Day
BD14	Fast Reserve Monthly Market Report
BD15	Results Day for Long Term Tenders

26. The tender rules are covered in Section 2 of the SCT's. The tender rules ensure there is a fair and clear structure to the tender process and that all providers are treated equally. A tender may be considered invalid if the tender rules are not followed.

27. Short Term (Multiple Month) and Long Term tenders must be received by Business Day (BD) one each month and Single Month tenders must be received by Business Day three each month. This can cause confusion with tenders arriving on the wrong day or the tender envelope not being clearly marked with the length of the tender. Each of these leads to the risk of a tender being deemed invalid under the tender rules of the SCT's.

28. The timetable also currently requires National Grid to assess a number of sometimes complex tenders, gain internal sanction and notify tendering parties of the results, within a short period of time.

29. A further issue with the tender timetable is in relation to the Long Term Tenders, where the Results Day is currently Business Day fifteen, compared with Business Day ten for other tender results. This difference creates a situation where a Long Term Tender result cannot be included in the Fast Reserve Market Report which must be published a day prior to the Long Term Tender results day.

30. With these issues in mind National Grid proposes to simplify the Tender Dates so that the Market Day for all tenders is the first Business Day of the month and that both the results are announced on the twelfth Business Day of the month for all tenders. Table 2 below describes the proposed tender timetable.

Table 2 - Proposed Tender Dates

Business Day	Action
BD1	Market Day for all tenders
BD3	Tender Report
BD12	Results Day for all tenders
BD14	Fast Reserve Monthly Market Report

31. Under this process all tenders will be received on Business Day one this will allow tenders of different lengths to be sent in a single envelope and avoid confusion between dates. The tenders will then be opened on Business Day two and a tender report compiled for assessment no later than Business Day three. This will then give National Grid time to complete the tender assessment, gain internal sanction and notify the Providers of their results for all Fast Reserve tenders who will receive the results on Business Day twelve. National Grid will then publish the Fast Reserve Monthly Market Report on Business Day fourteen.

Question 5 - Do you consider the new proposed tender dates to be an appropriate change? If not, could you recommend a more suitable timescale?

Section 4

Tender Sheet Amendment

32. The Tender Sheets are the method by which a Fast Reserve Service Provider indicates the parameters and costs of their tender to provide a Firm Fast Reserve Service. The OCP proposes the following amendments should be made to the template Tender Sheets and consequently any amendments required to the SCT's.
33. Part Tender Acceptance: - At present a Fast Reserve Provider may enter either a Single Month and / or a Multiple Month tender(s). For Multiple Month tenders, National Grid must either accept or reject the tender in full. The OCP proposal is that an option on the tender sheets be introduced to allow some flexibility in this area. This option will be elected into by the tendering party, i.e. if they did not indicate this option then the current 'accept all' or 'reject all' would method apply. By marking this 'part tender acceptance' option, a Multiple Month tender would in effect turn into a series of Single Month tenders and allows National Grid to accept any part of a tender that is assessed as economically beneficial rather than rejecting the whole tender on the grounds that the whole tender is not sufficiently economically beneficial.
34. Tendered Hours: - Currently the Fast Reserve Tender Sheet template does not allow flexibility over the hours offered by the Provider. The OCP proposal is to re-design the tender sheets to allow the Provider to tender for specific and different periods of the day. This will increase the flexibility Providers have to use the Unit for other services during part of the day when Fast Reserve is less likely to be required. This more precise tendering over more specific periods of the day may also allow National Grid to reduce the availability costs paid in procuring the required level of service.
35. The purpose of these OCP proposed changes is to allow a tendering provider to more accurately and flexibly tender the service they can provide whilst allowing National Grid to maximise the effectiveness of the service they accept and contract for. As such National Grid proposes to review and update the format of the tender sheets.

Question 6 – Do you consider the generally updating of tender sheets, tender guidance and the introduction of the above specifically outlined proposed changes will give the tendering Party and National Grid more flexibility around the monthly service tender?
If not, what could you recommend what changes would provide more flexibility?

Section 5 Optional Prices



OPTIONAL PRICES: Introduction & Amendment

36. Each potential Fast Reserve Provider will have agreed with National Grid, as part of their Fast Reserve Framework Agreement, Contract Prices for the provision of an Optional Fast Reserve Service. The Optional Contract Prices will be in the form of an Enhanced Rates Availability Fee and Capped Bid-Offer Price, in respect of a BM Unit or an Optional Availability Fee and Optional Energy Fee, in respect of a non-BM Unit, to be known as the “Optional Prices.” These Optional Prices allow National Grid, when required, to request provision of Fast Reserve (acceptance of which is then decided by the Provider) at the pre-agreed and Optional Price.
37. The Fast Reserve Framework Agreement and Standard Contract Terms, as currently drafted, do not provide a sufficient method to quickly and efficiently amend the Optional Prices. The current method for achieving such a change would be to amend the Fast Reserve Framework Agreement itself, which naturally has time and cost implications.
38. The proposed change should allow for the service Providers to maintain up to date Optional Prices and enable them to react to the market and more effectively reflect the current market position. The proposal is to draft and introduce a template facsimile form. This will allow for the Optional Price element of a Fast Reserve Framework Agreement to be introduced (if required) and amended by the service Provider.
39. The service Provider will complete, sign and send to National Grid, via facsimile, to indicate the revised prices. Within one week of receipt of the facsimile form, National Grid will update its current system prices and then send a signed copy of the facsimile back to the Provider to confirm that the Optional Prices have been amended. Amendment of Optional Prices via facsimile will be limited to one change a calendar month.
40. To implement this change, National Grid proposes to make the below, highlighted amendments, to Clause 3.3.3 (c) and Clause 4.3.3. (c) in the SCT's. In addition, the Fast Reserve Framework Agreement template will be updated introducing the required wording and facsimile form to allow for Optional Prices to be introduced and amended. Any Providers with current Fast Reserve Framework Agreements can request an update to allow for amendment of Optional Prices via facsimile, if required.

3.3 OPTIONAL SERVICE

3.3.3 Payment for the Optional Service

- (c) The Fast Reserve Provider may **(by way of amendment to, or as otherwise provided in, the Fast Reserve Framework Agreement)** from time to time revise the Enhanced Rates Availability Fee in respect of any one or more of the Contracted BM Units by giving National Grid not less than one week's notice in writing, and any such revision shall take effect from 05.00 hours on a Monday.

4.3 OPTIONAL SERVICE

4.3.3 Payment for the Optional Service

- (c) The Fast Reserve Provider may **(by way of amendment to, or as otherwise provided in, the Fast Reserve Framework Agreement)** revise the Optional Availability Fee and/or the Optional Energy Fee in respect of any one or more of the Contracted Sites from time to time by giving National Grid not less than one week's notice in writing, and any such revision shall take effect from 05.00 hours on a Monday.

OPTIONAL PRICES: Inclusion of Optional Prices in the monthly Fast Reserve Market Report

41. The monthly Fast Reserve Market Report has been recently reviewed and updated within the scope outlined in the SCT's. The resulting Market Report outlines a clear picture of the Firm Fast Reserve Market, at the current date and going forwards, in a simple format.
42. Each Fast Reserve Provider has a Framework Agreement in which outlines the current Optional Prices. In the case of BM Providers the Agreement will refer to an Enhanced Rate Availability Fee. For non-BM Providers there will be both an Optional Fast Reserve Availability Fee and an Optional Fast Reserve Energy Fee.
43. A proposed change is for the inclusion of the current Optional Prices of each service Provider as an addition to the monthly Fast Reserve Market Report. This proposal is in conjunction with

the proposal to introduce a process for Providers to update their Optional Prices. The aim would be to have an open and potentially more fluid market.

44. The give effect to the above proposed change and therefore allowing National Grid the ability to disclose the Optional Prices of Providers in the monthly Market Report, the following Clause amendment is proposed;

2.6 MARKET INFORMATION

2.6.3 “For the purposes of paragraph 5.6, each Fast Reserve Provider consents to the disclosure by National Grid of information pursuant to this paragraph 2.6 insofar as related to it and/or the contents of any Firm Fast Reserve Tender submitted by it and/or any Fast Reserve Contract to which it is a party, **including without limitation the prevailing Enhanced Rates Availability Fee in respect of any Contracted BM Unit and the prevailing Optional Availability Fee and/or Optional Energy Fee in respect of any Contracted Site, and any revisions thereto.**”

Question 7 – Do you consider the proposal of introducing a facsimile process for amending the Optional Fast Reserve Service price an improvement and preferable to the current system where amendment of the entire Fast Reserve Framework Agreement is required?

Question 8 – Would you support the inclusion of each Provider’s current Optional Fast Reserve Service prices as part of the template for the monthly Fast Reserve Market Report to make the Optional Market both more open and fluid? If not, what alternative process would you suggest?

Section 6

Standard Contract Terms - Revisions

Standard Contract Terms – Update to ‘Boilerplate’ Clauses and ‘definitions’

45. ‘Boilerplate clauses’ are defined as “Language which is used commonly in documents having a definite meaning in the same context without variation; used to describe standard language in a legal document that is identical in instruments of a like nature.”
46. As noted previously in this document, the current Fast Reserve Standard Contract Terms were last reviewed in 2008. To keep the SCT’s up to date with **current legislation** and also **in line with the terms of other Ancillary Services** the following changes and additions to the ‘boilerplate’ clauses are proposed:

Definitions

47. Clause 6.3 of the SCT’s outlines the definitions used in the SCT’s. It is proposed to update and introduce some new definitions, as outlined below.

6.3 DEFINITIONS

“Adequate Procedures” shall be determined in accordance with section 7(2) of the Bribery Act (and any guidance issued under section 8 of that Act);

“Applicable Law” means any statute, statutory instrument, licence, law or decree or order in council or directive, or any code including the Grid Code, the Balancing and Settlement Code, the Connection and Use of System Code, the Distribution Code(s) or any request, requirement, instruction, direction or rule of any Competent Authority but only, where not having the force of law, if compliance with the Applicable Law is in accordance with the general practice of persons to whom the Applicable Law is addressed;

“Associated Person” has the meaning ascribed to it in section 8 of the Bribery Act and shall include but is not limited to any employees, agents and/or subcontractors of the Fast Reserve Provider or National Grid as applicable in relation to the provision of Fast Reserve;

“Bribery Act” means the Bribery Act 2010 (and any amendments thereto);

“Contract Prices” means (as the case may be):

- (1) in respect of a Firm Contracted BM Unit, any or all of the Firm Availability Fee, the Positional Fee and the Window Initiation Fee;
- (2) in respect of a Contracted BM Unit, the Enhanced Rates Availability Fee;
- (3) in respect of a Firm Contracted Site, any or all of the Firm Availability Fee, the Positional Fee and the Window Initiation Fee; or
- (4) in respect of a Contracted Site, the Optional Availability Fee or **Optional Energy Fee**;

“National Transmission System” the meaning attributed to it in the CUSC; [This replaces “GB TRANSMISSION SYSTEM” and is subsequently used throughout the SCT’s]

“Relevant Requirements” means all applicable laws, statutes, regulations, and codes relating to anti-bribery and anti-corruption including but not limited to the Bribery Act;

Bribery Act, 2010

48. It is proposed that the wording, outlined below, be entered into the SCT’s as Clause 5.16. This brings the SCT’s in line with the recently introduced Bribery Act 2010:

5.16 ANTI BRIBERY

5.16.1 “Each Party shall:

- (a) comply with all Relevant Requirements;
- (b) not engage in any activity, practice or conduct which would constitute an offence under sections 1, 2 or 6 of the Bribery Act 2010 if such activity, practice or conduct had been carried out in the United Kingdom;
- (c) have and shall maintain in place, throughout the term of a Fast Reserve Framework Agreement, its own policies and procedures, including Adequate Procedures, to ensure compliance with the Relevant Requirements and this paragraph 5.16, and will enforce them where appropriate; and

(d) procure and ensure that all of its Associated Persons and/or other persons who are performing the services in connection with a Fast Reserve Framework Agreement comply with this paragraph 5.16.

5.16.2 If either Party breaches this paragraph 5.16 then, without prejudice to any other rights or remedies, the other Party may immediately terminate the Fast Reserve Framework Agreement and all and any subsisting Fast Reserve Contract on written notice to the Party in breach.”

European Legislation

49. It is proposed that Clause 6.2.3 (d) is updated to include the following amended wording with the purpose of updating the agreement to take account of European Union legislation.

6.2.3 In this Document and in the Fast Reserve Framework Agreement and each Fast Reserve Contract:

- (d) unless the context otherwise requires any reference to any statute, statutory instrument or other Applicable Law will include any statute or statutory instrument or other Applicable Law which amends, extends, consolidates or replaces the same whether before or after the date of this agreement and includes any order, regulation, instrument or other subordinate legislation made under the relevant statute or statutory instrument or other Applicable Law;**

Question 9 – Do you accept the proposed legislative changes outlined in this document? Do you believe other changes that have not been outlined here should be considered for inclusion?

Section 7 Other Issues

Standard Contract Terms – Contracted MW Profile – Clarity of Clause 4.2.1(d)

50. A current Fast Reserve Service Provider has questioned the clarity of Clauses 4.2.1 (d), located on page 43 of the SCT's, (wording of such outlined in the textbox below). National Grid agrees that the wording of the clause could be amended to make the purpose of the clause and therefore purpose of the clause could be amended to more clearly define its aim.
51. The question in this instance concerns whether the Clause intends the ten percent error margin to apply to the Firm Service Declaration or the Contracted MW Profile. The intent is that it applies to the Contracted MW Profile. National Grid agrees that the wording could be adjusted to clarify the intent of this particular Clause.
52. The OCP therefore proposes that the following wording, in the text box below, replaces the original Clause in the SCT's. The amended text is **highlighted in red**.

4.2 FIRM SERVICE

4.2.1 Availability of the Firm Service

(d) In respect of any Firm Contracted Site which is a Type 2 Contracted Site, the Fast Reserve Provider shall, in respect of each Firm Fast Reserve Window notified by National Grid pursuant to sub-paragraph 4.2.1(a), submit to National Grid a notice in the applicable form set out in Annexure 3 to this Section 4 (a "Firm Service Declaration") in which the Fast Reserve Provider shall, by reference to the latest forecast Demand or Generation profile of the Firm Contracted Site, either confirm the accuracy of or notify revisions (if any) to the Contracted MW Profile of such Firm Contracted Site provided always that the Fast Reserve Provider shall use reasonable endeavours to ensure that the aggregate Demand reduction or increase in Generation capability available from the relevant Firm Contracted Site in respect of each Settlement Period comprised in a Firm Fast Reserve Window notified in the Firm Service Declaration is accurate to within a ten per cent error margin.

(e) Any Firm Service Declaration made by the Fast Reserve Provider in accordance with sub-paragraph 4.2.1(d) shall be submitted to National Grid no later than Gate Closure in respect of the first Settlement Period which falls within the Firm Fast Reserve Window. Failure to submit a Firm Service Declaration in accordance with sub-paragraph 4.2.1(d) and this sub-paragraph 4.2.1(e), **or submission of a Firm Service Declaration which indicates a deviation from the Tendered Service Parameters by more than 10%**, shall be deemed to constitute unavailability of Firm Fast Reserve from the Firm Contracted Site in respect of the relevant Firm Fast Reserve Window. As soon as reasonably practicable after receipt of a Firm Service Declaration, National Grid shall acknowledge receipt by facsimile in the applicable form set out in Annexure 3 to this Section 4.

(f) Where, **in respect of** a Firm Contracted Site (being a Type 2 Contracted Site), the Fast Reserve Provider becomes aware that either:-

(i) actual Demand or Generation levels in a Firm Fast Reserve Window are deviating from the [Tendered Service Parameters/Firm Service Declaration] by more than 10%;
or

(ii) a technical problem exists which in the reasonable opinion of the Fast Reserve Provider will limit the ability of the Fast Reserve Provider to provide Firm Fast Reserve from that Firm Contracted Site,

Standard Contract Terms – Electronic Tender

53. It is anticipated that in the near future a system may be developed that allows potential Ancillary Service Providers to submit tenders to National Grid electronically. The OCP therefore proposes the SCT's are amended such that, if an electronic tender system becomes available, Fast Reserve is contractually positioned to immediately utilise such a system.
54. The amendment to the SCT's will concern entering tenders and will specifically mention and allow electronic tenders on receipt of signed written confirmation from National Grid as to the rules for entering such tenders.

Question 10 – Would you support an amendment to the Fast Reserve SCT's to position the service ensuring that any option to tender electronically could be quickly implemented, should that become a possibility?

Standard Contract Terms – Facsimile Templates

55. It has been noted that some of the templates for facsimile are missing from the current SCT's. An example of this is Annex 2 Section 3, where a template for the Fast Reserve Provider to notify National Grid of its inability to provide the Firm Service is absent. Such templates are typically used for communication between the National Grid Control room and service Providers about provision of the Service. As part of the OCP proposals there will be a review of the templates with missing templates to be identified and added to the SCT document.
56. Furthermore, it is proposed that all template facsimiles should be collated into a new section of the SCT's with the purpose of easily locating the required template. The SCT's shall give clear guidance to any Provider, which template should be used and referencing the relevant part of the SCT to which the template relates.
57. A further proposal is for a 'word document' version of the facsimile templates section be made available on the Fast Reserve area of the National Grid website. Making the documents more readily available and for electronic completion prior to being faxed.

Question 11 – Do you support the inclusion of a suite of template documents with brief guidance notes on use of each template facsimile and inclusion of word format on the National Grid website?

Section 8 Responses

58. National Grid welcomes responses from the industry regarding any of the issues raised in this OCP, in addition to any other issues that industry members consider worthy of raising with a view to improving the way in which the Fast Reserve service currently operates. More specifically, National Grid would welcome responses to the following questions:

Question 1 – Do you consider that the response time permitted for Providers to respond to an OCP should be increased from the current 10 Business Days, to 20 Business Days? If not, could you recommend a more appropriate timescale?

Question 2 – Do you consider that a period of 20 Business Days following receipt of responses to an OCP from Providers is an appropriate timescale for National Grid to give due consideration to these responses and notify of its intention to either withdraw or modify the proposals, or implement them via the publication of a DCP? If not, could you recommend a more appropriate timescale?

Question 3 – Do you consider that an increased period of 20 Business Days would be more appropriate than the current timescales in the interests of arriving at a mutually beneficial negotiation of Special Condition(s) or contract prices? If not, could you recommend a more suitable timescale?

Question 4 – Do you believe that the proposed change to introduce a process allowing changes to be made to the SCT's following agreement from all parties, without conducting the full review process, will make the SCT's and Fast Reserve Service more flexible to future changes? Are you supportive of such a proposal?

Question 5 – Do you consider the new proposed tender dates to be an appropriate change? If not, could you recommend a more suitable timescale?

Question 6 – Do you consider the generally updating of tender sheets, tender guidance and the introduction of the above specifically outlined proposed changes will give the tendering Party and National Grid more flexibility around the monthly service tender? If not, what could you recommend what changes would provide more flexibility?

Question 7 – Do you consider the proposal of introducing a facsimile process for amending the Optional Fast Reserve Service price an improvement and preferable to the current system where amendment of the entire Fast Reserve Framework Agreement is required?

Question 8 – Would you support the inclusion of each Provider's current Optional Fast Reserve Service prices as part of the template for the monthly Fast Reserve Market Report to make the Optional Market both more open and fluid? If not, what alternative process would you suggest?

Question 9 – Do you accept the proposed legislative changes outlined in this document? Do you believe other changes that have not been outlined here should be considered for inclusion?

Question 10 – Would you support an amendment to the Fast Reserve SCT's to position the service ensuring that any option to tender electronically could be quickly implemented, should that become a possibility?

Question 11 – Do you support the inclusion of a suite of template documents with brief guidance notes on use of each template facsimile and inclusion of word format on the National Grid website?

59. Any questions regarding the content of this Outline Change Proposals Document should be directed to Russell Bredin on **01926 653716**. All responses to this Document should be emailed to energy.operations@nationalgrid.com by no later than **5pm on 12th October, 2012**. Please note that unless marked as 'Confidential', all responses will be published on the National Grid website.

Glossary of Terms



BD	Business Day
BM	Balancing Mechanism
CUSC	Connection and Use of System Code
DCP	Detailed Change Proposals
EoD	Event of Default
FFR	Firm Frequency Response
MW	MegaWatt
OCP	Outline Change Proposals
SCT's	Standard Contract Terms
STOR	Short Term Operating Reserve