

Procurement Guidelines

Effective Date: 01 January 2014

Version Number: [11.012.0]

**Published in accordance with Standard Condition C16 of
National Grid Electricity Transmission Licence**

Version Control

<u>Date</u>	<u>Version No.</u>	<u>Notes</u>
20.03.01	1.0	Initial version
21.09.01	1.1	Revision to initial version to incorporate new intentions on the procurement of Fast Reserve
01.05.02	2.0	Annual revision incorporating updates to information provision and Licence Condition references
01.05.03	3.0	Revision following annual review
28.11.03	3.1	Revision to incorporate introduction of Maximum Generation Service, POT, and the development of demand side services.
01.05.04	4.0	Revision following annual review
04.10.04	4.1	Revision to incorporate changes as a result of CAP071: the development of Maximum Generation Service
01.01.05	4.2	Revision to incorporate changes relating to BETTA
15.07.05	4.3	Revision to incorporate changes as a result of CAP076: Treatment of System to Generating Intertripping Schemes
02.09.05	5.0	Revision to incorporate changes relating to the provision of warming data; and the informal annual review
06.04.06	6.0	Revision following annual review
01.11.06	7.0	Revision to incorporate the replacement of the Warming & Hot Standby service with BM Start Up service

<u>Date</u>	<u>Version No.</u>	<u>Notes</u>
01.04.07	8.0	Revision to incorporate Short Term Operating Reserve (STOR)
01.04.09	9.0	Revision following annual review
01.04.11	10.0	Revision following annual review
01.04.13	11.0	Revision following annual review
<u>01.01.14</u>	<u>12.0</u>	<u>Revision to incorporate changes for Supplemental Balancing Reserve and Demand Side Balancing Reserve</u>

The Guidelines have been developed in consultation with the Authority. The Guidelines may only be modified in accordance with the processes set out in Standard Condition C16 of National Grid's Electricity Transmission Licence. We will continuously monitor the validity of the Guidelines and intend, in discussion with the Authority, to periodically review the form of the Guidelines and, where appropriate, make such revisions as are necessary.

In the event that it is necessary to modify the Guidelines in advance of issuing the annual updated version of this document, then this will be done in accordance with Standard Condition C16.

The latest version of this document is available, together with the relevant change marked version (if any), electronically from our website <http://www.nationalgrid.com/uk/Electricity/Balancing/transmissionlicencestatements/>

Alternatively a copy may be requested from:

Head of Commercial Frameworks - Electricity
National Grid
National Grid House
Warwick Technology Park
Gallows Hill

Warwick CV34 6DA

Email: BalancingServices@nationalgrid.com

CONTENTS

PART A **Introduction**

1. Purpose of Document

PART B **General Principles**

1. Balancing Services
2. Procurement Principles
3. Balancing Services Relationships
4. Taking Actions Outside the Balancing Mechanism

PART C **Balancing Services Required**

1. Types of Balancing Services
2. Description of Balancing Services
3. Demand Side Providers and Small Generators

PART D **Procurement Mechanisms**

1. Procurement Process
2. Procurement Communication Media
3. Procurement Summary

PART E **Information Provision**

1. General Provisions
2. Information Provision Contact
3. Information Provision Detail
4. Volumes of Balancing Services
5. Information Provision Summary
6. Future Developments

PART A: INTRODUCTION

1. Purpose of Document

This document sets out the Procurement Guidelines (“the Guidelines”) which National Grid Electricity Transmission plc (NGET) is required to establish in accordance with Standard Condition C16 of National Grid’s Electricity Transmission Licence. The purpose of these Guidelines is to set out the kinds of Balancing Services which we may be interested in purchasing, together with the mechanisms by which we envisage purchasing such Balancing Services.

The Guidelines are not prescriptive of every possible situation that we are likely to encounter, but rather represent a generic statement of the procurement principles we expect to follow.

The remainder of this document is structured in four parts. Part B sets out the broad definitions of Balancing Services, the general principles we expect to follow in procuring such services, the relationship between various Balancing Services and a description of actions that will be taken outside of the Balancing Mechanism (BM). Part C describes the kinds of Balancing Services we expect to procure and Part D sets out the procurement mechanisms we expect to utilise in procuring such Balancing Services. Part E contains historical Balancing Services volumes and describes other information we will provide to ensure that appropriate signals are available to market participants and other interested parties.

In the event that it is necessary to modify the Guidelines in advance of issuing the annual updated version of this document, then this will be done in accordance with Standard Condition C16 of the Electricity Transmission Licence.

The Guidelines have been developed in consultation with the Authority and Industry Participants. The Guidelines may only be modified in accordance with the processes set out in Standard Condition C16 of National Grid's Electricity Transmission Licence. We will continuously monitor the validity of the Guidelines and intend, in discussion with the Authority, to periodically review the form of the Guidelines and, where appropriate, make such revisions as are necessary.

The Guidelines make reference to a number of definitions contained in the Grid Code and Balancing and Settlement Code. In the event that any of the relevant provisions in the Grid Code or Balancing and Settlement Code are amended, it may become necessary for us to modify the Guidelines in order that they remain consistent with the Grid Code and/or Balancing and Settlement Code.

In any event, where our statutory obligations or the provisions of the Grid Code are considered inconsistent with any part of these Guidelines, then the relevant statutory obligation and/or Grid Code provision will take precedence.

Unless defined in the Guidelines, terms used herein shall have the same meanings given to them in the Electricity Transmission Licence, the Grid Code and/or the Balancing and Settlement Code as the case may be.

The latest version of this document is available electronically from our website. Alternatively a copy may be requested from the Head of Commercial Frameworks - Electricity. Full contact details are set out in Part E of this document.

PART B: GENERAL PRINCIPLES

1. Balancing Services

The services that we need to procure in order to operate the transmission system constitute Balancing Services.

The Transmission Licence defines Balancing Services as:

- (a) Ancillary Services;
- (b) Offers and Bids made in the balancing mechanism; and
- (c) other services available to the licensee which serve to assist the licensee in co-ordinating and directing the flow of electricity onto and over the GB transmission system in accordance with the Act or the standard conditions and/or in doing so efficiently and economically, but shall not include anything provided by another transmission licensee pursuant to the STC.

Ancillary Services:

These services are described in Connection Condition 8 of the Grid Code and are services procured from Authorised Electricity Operators (AEOs) or persons that make interconnector transfers. These services can be mandatory or commercial in nature. They are not procured from electricity consumers.

Balancing Mechanism Offers and Bids:

These are commercial services offered by generators and suppliers and procured through arrangements set out in Paragraph 5.1, Section Q of the Balancing and Settlement Code. They represent a willingness to increase or decrease the energy output from Balancing Mechanism Units (BMUs) in exchange for payment. Accepted services are used to control the national and local balance of generation and demand.

"Other Services":

These are commercial services that can be entered into with any party, which are classified neither as Ancillary Services nor as BM Offers and Bids. These services can be provided by parties who are not AEOs. This category would include any service provided by parties that are not signatories to the Balancing and Settlement Code. Other Services may also include the procurement of energy for balancing purposes. Further details on 'Other Services' can be found in Part C.

2. Procurement Principles

When procuring Balancing Services, we will apply the following principles.

- Without prejudice to the factors below and after having taken relevant price and technical differences into account, we shall contract for Balancing Services in a non-discriminatory manner.
- In contracting for the provision of Balancing Services we will purchase from the most economical sources available to us having regard to the quality, quantity and nature of such services at that time available for purchase.

The types of issues considered with regards to quality and nature are best explained via an example. When considering a requirement for frequency response from two potential providers we will have regard to the quality, quantity and nature of frequency response available for purchase. In assessing the quality of the service we will consider, for example, the historical performance of the provider. In assessing the nature of the service we will consider, for example, whether the nature of the provider's frequency response service is dynamic or static.

- Where there is, or is likely to be, sufficient competition in the provision of a Balancing Service we will seek to procure that service via an appropriate competitive process (identified in Table 1) or market mechanism, as described in Part D of this document. In such instances we shall provide a statement¹ indicating the processes and terms under which contracts will be awarded. Copies of these statements are available from the Information Provision Contact listed in Part E of this document.
- If we consider that there is insufficient competition in the provision of a Balancing Service (e.g. where there is some form of local monopoly) we shall contract for such provision on a negotiated bilateral basis.
- If Balancing Services are required over a relatively long term, we shall advertise that requirement as appropriate through the communication media set out in Part D of this document.
- If a third party requires Balancing Services, and if we secure provision of such services on their behalf, the associated costs of provision will be fully recharged to the party requiring such services.

3. **Balancing Services Relationships**

Both Ancillary Services and "Other Services" will be procured against the principles set out in this statement. It should be recognised that the volume of services procured will be constrained by economic and technical factors, including the level and nature of services delivered through BM Offers and Bids.

¹ "statement" will be a hyperlink to an appropriate index page on our web-site.

Offers and Bids within the BM will be accepted in price order, after taking account of system technical limitations and dynamic parameters associated with the Offers and Bids. Taking account of these constraints, when all available Offers and Bids that can be accepted have been exhausted, emergency action may need to be initiated. Ancillary Services and "Other Services" can be considered collectively as services procured outside the BM. We will need to procure Ancillary Services and "Other Services" for:

- System Security - Services may be procured outside the BM if we consider that there will be insufficient Offers and Bids available within the BM to balance the system and maintain security of supply.
- Cost - Services may be procured outside the BM if we consider that it would provide an economic alternative to purchasing services through the BM.
- Differentiation - Services may be procured outside the BM if the required technical characteristics are not available through BM Offers and Bids.

4. **Taking Actions Outside the Balancing Mechanism**

Our consideration of whether to undertake actions within or outside the BM will be based on a forecast of the level and cost of services expected to be available within the BM. Contracts will be entered into outside the BM when we anticipate a shortage of appropriate Offers and Bids in the BM to meet system security requirements, or if we consider that such contracts will lead to a reduction in overall cost or provide technical characteristics that are not available through BM Offers and Bids. The principles by which we will forecast the

sufficiency or otherwise of Offers and Bids in the BM-, and technical characteristics, are set out in the Balancing Principles Statement.

When considering what actions will be undertaken outside the BM or what actions will be taken before Gate Closure it is useful to examine energy related products separately from Other Services, in addition to Ancillary Services.

- Ancillary Service Agreements are normally entered into prior to Gate Closure such that prices and service capability are agreed well before they are exercised. Typically, Ancillary Service Agreements provide for the services to be exercised within Gate Closure timescales and for payments to be made in addition to those made within the BM. An example of this type of payment is the Frequency Response capability payment which is contracted for in advance and then made when a provider is placed in a state where it is capable of deviations in its output as a result of deviations in system frequency.
- In the case of Balancing Services not provided by AEOs, agreements are again normally entered into prior to Gate Closure. These services are exercised within Gate Closure timescales, but the providers will often not be a Trading Party within the Balancing and Settlement Code. An example of this is the provision of Frequency Response services from the demand side. This results in the contract being entirely outside the BM.
- For energy we will trade, subject to any restrictions set out in the Transmission Licence, using the same instruments as other traders. For example we will enter into agreements prior to Gate Closure to pay a provider an option fee to ensure that energy is available in the BM. This option may then be exercised prior to or after Gate Closure.

- Where standard energy related products do not provide for our specific requirements, we will seek to amend the standard trading instrument by agreement. For example, for the provision of a MW profile from a specific BMU provider, we may choose to use a Pre Gate Closure BMU Transaction (PGB Transaction) or a Grid Trade Master Agreement Schedule 7A transaction to ensure that energy is delivered according to that MW profile. This could be used to synchronise or desynchronise BMUs with dynamics that extend outside the BM.

PART C: BALANCING SERVICES REQUIRED

1. Types of Balancing Services

We are interested in procuring the following types of Balancing Services:

Ancillary Services

- System Ancillary Services (Part 1), the mandatory services required to be provided by all licensed generators, of:
 - Reactive Power; and
 - Frequency Response.

- System Ancillary Services (Part 2), the necessary services required from some generators and provided if agreement is reached, of:
 - Black Start Capability;
 - Fast Start Capability; and
 - System to Generator Operational Intertripping

- Commercial Ancillary Services. The following services, required from some generators and provided if agreement is reached, of:
 - Constraint Management Services;
 - Enhanced Reactive Service;
 - Commercial Frequency Response Service;
 - Reserve Services; comprising:
 - Fast Reserve;
 - Short Term Operating Reserve;
 - and
 - BM Start -up.
 - Commercial Intertrips;
 - Commercial Fast De-load Service;

System-to-System Services (including Emergency Assistance);
Maximum Generation Service; and
Transmission Related Agreements.

Other Services

Other Services, other than those provided as an Ancillary Service, comprise:

- Reactive Power;
- Frequency Response;
- Short Term Operating Reserve;
- Fast Reserve; **and**
- Demand Intertrip
- Demand Side Balancing Reserve;
and
- Supplemental Balancing Reserve.

Energy Related Products, comprising of:

- Forward Energy Trades;
- Power Exchange Trades;
- Energy Balancing Contracts.

A number of services are listed under both Ancillary Services and Other Services. This distinction arises from the definition of Ancillary Services in the Transmission Licence, which defines Ancillary Services as being provided by AEOs or interconnector parties. Thus where parties that are not AEOs provide a service, such as frequency response, then it is classified as an Other Service rather than an Ancillary Service.

2. Description of Balancing Services

2.1 Ancillary Services

There are two broad types of Ancillary Service, as defined in the Grid Code.

System Ancillary Services, which are divided into two parts, comprise Part 1 System Ancillary Services that are mandatory services required from all licensed generators and Part 2 System Ancillary Services that are necessary services provided by some generators, on a site by site basis, to meet specific system requirements where agreement is reached. Any Ancillary Service which is not a System Ancillary Service and which is provided by an AEO is termed a Commercial Ancillary Service.

System Ancillary Services comprise the services as set out in and described in Connection Condition 8.1 of the Grid Code:

- All licensed generators are required to provide Part 1 System Ancillary Services to ensure the provision of a minimum technical capability to deliver voltage and Frequency Response services.
- Some generators are required to provide the Part 2 System Ancillary Services of Black Start Capability and/or Fast Start Capability. Our additional requirements for these services depend on the actual and expected provision of such services by existing providers.

Additionally, some generators will be required to provide System to Generator Operational Intertripping Schemes as a condition of connection.

Future Requirements

We are interested in discussing arrangements with potential new providers of the Black Start Capability service. However, there is no requirement for any additional Fast Start Capability beyond the current provision from all existing providers. Requirement for System to Generator Operational Intertripping Schemes will be dependent upon future system development and new connections to the Transmission System.

Commercial Ancillary Services, described in Connection Condition 8.2 of the Grid Code, are agreed bilaterally and set out, subject to satisfactory commercial terms, in an Ancillary Services Agreement. The Commercial Ancillary Services we expect to procure are:

- Enhanced Reactive Power Service - which exceeds the minimum technical requirement set out in Connection Condition 6.3.2 of the Grid Code. We will contract for such services as described in the relevant Reactive Power market arrangements (see Part D) and in accordance with Schedule 3 of the CUSC.
- Commercial Frequency Response Service - which provides for combinations of different technical characteristics (compared to mandatory frequency response services), together with alternative pricing arrangements. We contract for such services when the anticipated cost is lower than the alternative service provision.
- Reserve Services - these are instructed services required over a variety of time frames to deal with the matching of generation with demand. The services we expect to procure can be broken down into the following components:
- Fast Reserve – which is a fast acting, reliable, flexible service, provided by plant capable of increasing energy production or

reducing energy consumption, at defined rates and within a defined time period. The details of this service will be described in the detailed statements associated with its procurement via tender (see Part D).

- Short Term Operating Reserve (STOR)- which is provided by either increasing generation to the system, reducing demand or a combination of both in defined timescales. The details of this service will be described in the detailed statements associated with its procurement via tender (see Part D).
- BM Start-up - Which is a service that allows National Grid to access MW from BM Units that would not otherwise have run, and are unable to start-up within BM timescales on the day. Firm payments for this service are made on a £/h basis, to remunerate the costs of preparing a BMU to start up and synchronise within BM timescales.
- Commercial Intertrip - this service is required to minimise the pre transmission line fault output restrictions that may apply to Power Stations. This service is the same as a normal intertrip with the exception of the generator not being obliged to provide the service as part of its connection conditions.
- Commercial Fast De-Load Service - this service is required to minimise the pre transmission line fault output restrictions that may apply to Power Stations. This service is like Intertrip, apart from instead of sending a trip signal directly to a generator breaker the signal goes to the generator and initiates a ramp down to zero output in a set time. If the generation has not reduced within the set time a trip signal will then be sent to the generator breaker to trip the generator.

- Constraint Management Services – these services are required when there is a transmission constraint. A transmission constraint as defined in NGET’s transmission licence: means any limit on the ability of the electricity transmission system, or any part of it, to transmit the power supplied onto the national electricity transmission system to the location where the demand for that power is situated, such limit arising as a result of any one or more of:
 - a) the need not to exceed the thermal rating of any asset forming part of the national electricity system;
 - b) the need to maintain voltages on the national electricity transmission system; and
 - c) the need to maintain the transient and dynamic stability of electricity plant, equipment and systems directly or indirectly connected to the national electricity transmission system.

The technical requirements for such a service will be specific to the location of the constraint and will be defined in the relevant Commercial Services Agreement.

- System-to-System Services (including Emergency Assistance) - these services provide for mutual support of the transmission system with other interconnected systems. These services are only required via interconnectors.
- Maximum Generation Service – this service is required to provide additional short term generation output during periods of system stress for system balancing. This service allows access to unused capacity outside of the Generator’s normal operating range. This service will be initiated by the issuing of an Emergency Instruction in accordance with the Grid Code BC2.9.2, Section 4 of the CUSC and the Maximum Generation Service Agreement.

- Transmission Related Agreements - where connection arrangements result in a requirement for the output of a generator to be constrained due to events on the transmission system the commercial process is managed via a Transmission Related Agreement.

2.2 Other Services

As indicated in Part B, “Other Services” include services which are not classified as “Ancillary Services”, but technically can provide the same effect from different service providers. An example of “Other Services” would be Frequency Response provided by an electricity consumer (a party that is not an AEO).

Other Services may also include the purchases/sales of energy in connection with operating the transmission system and/or doing so economically and efficiently. Purchases/sales via bilateral forward contracts or through a recognised exchange will fall within this category. This includes PGB Transactions. The levels of procured energy will be included in the Balancing Services Adjustment Data (BSAD) which is submitted to the Balancing Mechanism Reporting Agent in line with the BSAD Methodology Statement for inclusion in the calculation of System Sell Price and System Buy Price in accordance with the Balancing and Settlement Code. Demand Side Balancing Reserve and Supplemental Balancing Reserve are also examples of Other Services.

Demand Side Balancing Reserve is provided by demand reduction or smaller generating units following instruction by NGET. The details of this service will be described in the detailed statements associated with its procurement (see Part D).

Supplemental Balancing Reserve is a “last resort” reserve service which is procured from generation (or potentially demand reduction) in

order to reduce the risk of requiring involuntary demand reduction to balance the system. The details of this service will be described in the detailed statements associated with its procurement (see Part D).

2.3 Prohibited Activities

We have been given discretion with regard to the procurement of Balancing Services, subject to a licence obligation to operate the transmission system in an efficient, economic and co-ordinated manner and under the umbrella of an incentive scheme.

We should be able to make the best use of the range of tools available to us including (but not limited to) energy contracts and option contracts called both inside and outside of the BM.

In addition to the licence obligation to operate the transmission system in an efficient, economic and co-ordinated manner, we are also prohibited from purchasing or otherwise acquiring electricity except pursuant to the procurement or use of Balancing Services in connection with operating the transmission system and doing so economically and efficiently (or with the consent of the Authority) with the result that we are prohibited from speculative trading.

In addition we are required to publish a range of information to market participants in relation to how we envisage procuring Balancing Services and energy purchases. Full details of the range of information that we will publish and details on where this information can be found on our web-site.

2.4 Buying Energy or Selling Energy Related Contracts

Reasons why we may buy or sell energy or energy related contracts forward include:

- To meet our mean forecast requirement for balancing energy.

- To provide options to meet potential variations from the mean forecast. The Reserve Services described above may fulfil this requirement.
- To reduce the total cost of balancing the transmission system using the BM. For example, if a certain volume of Offers are forecast to be required in the BM (e.g. for the purposes of establishing spinning reserve), it may be more economic to purchase a volume of energy forward such that a reduced volume of Offers and Bids are required.
- Direct Arbitrage between different balancing instruments in order to yield a lower overall balancing cost. In order to comply with the Transmission Licence, this would only be valid if an immediate cost saving can be obtained by directly replacing one balancing instrument to fulfil a specific requirement with another which replaces the same requirement. An example of such a direct arbitrage could be to sell a 12-month contract and replace it with 2 consecutive 6-month contracts.

3. Demand Side Providers and Small Generators

We are interested in procuring Balancing Services from demand side providers subject to technical and dynamic considerations (where demand side providers, include demand reducers, demand increasers and small generators embedded on site).

Demand side providers provide 'Other Services' as defined in section 2.2 above. The types of Balancing Services that we are interested in procuring from demand side providers are the same as shown in the list of 'Other Services' provided in Part C, section 1.

Demand side providers are encouraged to participate in the standard market tender process we use to procure the following services (subject to meeting the minimum technical criteria):

- Reactive Power;
- Fast Reserve;
- Short-Term Operating Reserve (STOR)
- Firm Frequency Response
- Demand Side Balancing Reserve (DSBR)

We are also interested in entering into bilateral contracts with demand side providers for the following services (again subject to meeting the minimum technical criteria):

- Frequency Response – provision of non-dynamic response via frequency relay initiated response;
- Fast Reserve – for demand side providers who are unable to participate in the standard market tender arrangements;
- Demand Intertrip – used to assist in maintaining local system security;
- BM Offers and Bids; and
- Energy Related Products.

Bilateral contracts with demand side providers are procured by the same means as for any other provider.

We are always interested in entering into bilateral discussions with demand side providers for the provision of specialised services where

demand side characteristics preclude participation in our standard market tender processes, or there are enhanced services that can be provided.

We are interested in entering into discussions with the demand side about developing new services or market processes. Typically, we would develop new services through the use of contract trials in order to assess the service requirement, dimensions. Once proven, and where appropriate, the service details and procurement mechanism will be reflected in a modification to these Guidelines. Examples of those services that may potentially be developed further are:

- Fast Reserve by Tele switch control of meters
- Demand Management

PART D: PROCUREMENT MECHANISMS

1. Procurement Process

As indicated in Part B of these Guidelines, where sufficient competition exists, we will seek to contract for Balancing Services via some form of market mechanism. In other circumstances, bilateral contracts will be entered into with the service providers. In all such circumstances we will be mindful of our Licence obligations when entering into these agreements.

Market mechanism

This will normally be a tender based process for the selection and award of service contracts. In each case, the mechanism will include:

- a statement of our service requirements;
- the issuing of invitation to tender documentation, providing sufficient information to allow the provision of a service offer to be made, including standard contract terms and conditions;
- arrangements for governance of the process;
- a statement of principles and criteria that we will consider when evaluating the awarding of contracts; and
- a report providing information on previous tenders.

Schedule 3 of CUSC contains the market mechanism arrangements for Reactive Power. This information is supplemented by other information available on our web-site. The information noted above may be requested from the Head of Commercial Frameworks - Electricity. Full contact details are set out in Part E of this document.

Bilateral Contracts

Bilateral contracts may be required where limited competition exists in the supply of a service (taking into account locational factors where

necessary). This may be due to special technical requirements of the desired service, where some form of monopoly exists or the unique characteristics of certain individual providers.

Where we consider there to be a limited degree of competition, we will

- contact those service providers we believe to be capable of providing the required service or who have expressed an interest in providing the service in order to establish whether they wish to enter into a contract for the service in question; and
- offer non-discriminatory terms for the acquisition of the service.

However, if there is insufficient time to identify and contact other providers, we reserve the right to contract as appropriate to meet system security requirements.

Where we consider that no competition exists (such as the provision of a locational service), we will offer non-discriminatory terms for the acquisition of the required service.

2. **Procurement Communication Media**

We shall communicate any service requirement by contacting those parties that we believe may be interested in providing the service, including any existing or past service providers, and anyone that has expressed a prior interest in providing such services in the future. In addition, notification of tenders will normally be advertised in trade magazines as appropriate and via our web-site.

3. **Procurement Summary**

This summary Table 1 sets out the Balancing Services we expect or intend to procure and the mechanisms by which we expect to procure them. It also sets out the timescales over which we intend to procure those Balancing Services set out in Part C, section 1 of these Guidelines.

Table 1 BALANCING SERVICES SUMMARY TABLE

ANCILLARY SERVICES	MEANS OF PROCUREMENT	TIMESCALES
Part 1 Services		
Reactive Power	Mandatory Services Agreement pursuant to the CUSC	Evergreen
Frequency Response	Mandatory Services Agreement pursuant to the CUSC	Evergreen
Part 2 Services		
<ul style="list-style-type: none"> • Black Start • Fast Start • System to Generator Operational Intertripping 	<ul style="list-style-type: none"> Bilateral contracts Bilateral contracts Entered into pursuant to the CUSC 	<ul style="list-style-type: none"> Up to life of asset Up to life of asset Up to life of asset
Commercial Ancillary Services		
Constraint Management Services	Bilateral Contracts or Contracts derived from market tenders	As required
Enhanced Reactive Services	Contracts derived from Market tenders or bilateral contracts	Min Annual
Frequency Response	Bilateral contracts or contracts derived from market tenders	Min monthly via bilateral contract or tender process
Reserve		
<ul style="list-style-type: none"> • Fast Reserve 	Bilateral contracts or contracts derived from market tenders	Min monthly via bilateral contract or tender process
<ul style="list-style-type: none"> • STOR 	Contracts derived from Market tenders.	As required via tender process
<ul style="list-style-type: none"> • BM Start Up 	Bilateral contracts	Evergreen
<ul style="list-style-type: none"> • Commercial Intertrip 	Bilateral contracts or Contracts derived from market tenders	As required
<ul style="list-style-type: none"> • Commercial Fast De-load 	Bilateral contracts or Contracts derived from market tenders	As required

<ul style="list-style-type: none"> System to system services including Emergency Assistance Maximum Generation Service 	Bilateral contracts	Evergreen
	Bilateral contracts entered into pursuant under CUSC	As required
BALANCING MECHANISM OFFERS AND BIDS	Services are procured under the provisions of the Balancing and Settlement Code	N/A
OTHER SERVICES		
Reactive Power	Contracts derived from Market tenders or bilateral contracts	Min Annual
Frequency Response	Bilateral contracts	Min Seasonal
STOR	Contracts derived from Market tenders	As required
Fast Reserve	Bilateral contracts or contracts derived from market tenders	Min monthly via bilateral contract or tender process
<u>DSBR</u>	<u>Bilateral contracts derived from market tenders</u>	<u>Annual tender supplemented by ad hoc tenders as required</u>
<u>Supplemental Balancing Reserve</u>	<u>Bilateral contracts</u>	<u>As required to be effective between November and February of each winter season.</u>
ANCILLARY SERVICES	MEANS OF PROCUREMENT	TIMESCALES
Demand Intertrip	Bilateral contracts	As required
Energy Related Products	Procured via Markets/Bilateral contracts	As required

Formatted: Font: Not Bold

Formatted: Font: Not Bold

PART E: INFORMATION PROVISION

1. General Provisions

We shall publish information on the Balancing Services that we intend to procure. In doing so we will seek to provide market participants and other interested parties with sufficient information without compromising the commercial position of any contracting party.

As part of the provision of information we will provide BSAD. The calculation methodology used is set out in a separate document entitled "BSAD Methodology Statement" established by The National Grid Electricity Transmission plc under the Transmission Licence.

2. Information Provision Contacts

All queries regarding the provision of Balancing Services we intend to procure should be made, in the first instance, to:

Head of Commercial Frameworks - Electricity
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick CV34 6DA

Email: BalancingServices@nationalgrid.com

3. Information Provision Detail

In the circumstances where tenders are held we publish information on the outcome of these processes via market reports, which are available on our web-site. This is currently the case for Reactive Power (every

six months), STOR (as required), Fast Reserve (monthly) and Firm Frequency Response (monthly). In addition information will also be published for Maximum Generation Service on a disaggregated basis.

4. **Volumes of Balancing Services**

Cost and Volumes of Balancing Services procured can be found in the Annual Procurement Report at the following link <http://www.nationalgrid.com/uk/Electricity/Balancing/transmissionlicencestatements/>.

5. **Information Provision Summary**

Table- 2 sets out the information on Balancing Services that we will make available to market participants and other interested parties. A number of services set out in Table 1 have been aggregated in Table 2 to ensure that we provide market participants and other interested parties with sufficient information without compromising the commercial position of any contracting party.

Table- 2 sets out the volume and price information we are able to make available and the timescales over which the information will be updated. In many cases the information will be provided pursuant to the BSAD Methodology Statement. In addition Table- 2 sets out the source of the information, Hard copies of this information may be requested from the Head of Commercial Frameworks - Electricity. Full contact details are set out in section 2 above.

6. **Future Developments**

Information provision in the future will be integral to the development of new services and will follow the following principles :

- Information in relation to balancing activities undertaken by National Grid Electricity Transmission plc will be made available if it helps the efficient operation of the wider market;

- Ex-ante information will be made available if it helps the market to be in a position to balance without SO intervention; and
- Information will be made available to all parties at the same time, on an equal basis without discrimination or favour.

In conjunction, National Grid Electricity Transmission plc will aim to ensure that:

- Information transparency does not undermine an individual party's commercial confidentiality;
- Provision of information does not result in the SO becoming a 'distressed buyer';
- Information will not highlight where the SO has a locational specific constraint ;and
- any benefit to the wider industry from the provision of increased information should justify the costs of its provision.

7. **Disclaimer**

All information published or otherwise made available to market participants and other interested parties pursuant to these Procurement Guidelines is done so in good faith. However, no warranty or representation is given by National Grid Electricity Transmission plc , its officers, employees or agents as to the accuracy or completeness of any such information, nor is any warranty or representation given that there are no matters material to any such information not contained or referred to therein. Accordingly, no liability can be accepted for any error, misstatement or omission in respect thereof, save in respect of a misrepresentation made fraudulently.

TABLE 2: Balancing Services Information Provision Summary

<i>Balancing Service</i>	<i>Volume information</i>	<i>Price information</i>	<i>Timescale</i>	<i>Information Source</i>
Reactive Power	Historical utilisation figures set out in Reactive Power Market Report.	Default utilisation prices set out in CUSC Schedule 3, Part 1.	Invitation To Tender issued every 6 months.	Invitation To Tender available on our website.
	Utilisation volumes per BM Unit in the Reactive Power Market Report.	Full successful tender details by BM Unit in Reactive Power Market Report.	Market Report published every 6 months after each tender round (as set out in CUSC).	Market Report available on our website.
	Utilisation data on a lead and lag basis per BM Units.	Contractual information, including price, capability, commencement and term.	Information updated in line with Market Report.	Utilisation and contractual information to be available on our website.
	Reactive Power capability requirement index.		Index published from Tender Round 9 (i.e. contracts starting 1 April 2002, tender pack issued Sept/Oct 2001)	Index contained in the Reactive Power Invitation To Tender which is available on our website.

Balancing Service	Volume information	Price information	Timescale	Information Source
Frequency Response	Primary, secondary and high frequency response volume requirement curves and tables to indicate system need.	Part 1 System Ancillary Service – Holding rates for primary, secondary and high frequency response. Tendered Commercial Frequency Response - Price of tendered primary, secondary, and high frequency response.	Part 1 System Ancillary Service - Prices will be published monthly . Tendered Commercial Frequency Response – Prices will be published when tenders are received. System response volume requirement tables will be published monthly Requirement curves will be updated annually.	Primary, secondary and high frequency response prices, requirement curves, and tables are available on our website.
	MWh of Primary, Secondary and High Frequency Response held in each day of the Utilisation Month	The volume of response held will be broken down on a BMU basis	Response volumes will be published monthly.	Primary, secondary and high frequency response volumes are available on our website.
	Assumed Utilisation volumes (summed for all BM Units)	Total Imbalance Compensation (payment to all generators across the month)	Assumed utilisation and total imbalance compensation prices will be published monthly.	Assumed utilisation and total imbalance compensation prices will be published on our website.
STOR	Tendered volume and contracted volume from the latest tender round. System Reserve	Tender price information	STOR Market Information Report updated after each tender round.	All Information will be contained within the Market Information Report available on National Grid's Industry Information website.

<i>Balancing Service</i>	<i>Volume information</i>	<i>Price information</i>	<i>Timescale</i>	<i>Information Source</i>
	Requirements, and contracted volume from previous tender rounds in the year will be published in advance of next tender rounds			
Fast Reserve	Indicative volume requirement by Settlement Period Historic utilisation by day and average by Settlement Period	Total historic volume reported by three price bands (Bids and Offers)	Requirements published monthly in advance	This information will be published on our website
BM Start Up	Estimated Capacity Level (MW)	Hourly BM Start Up Payment Rate	As soon as practical after the issue of a new BM Start Up instruction, or change in status of an existing BM Start Up instruction	This information will be published via our website on a reasonable endeavours basis

Maximum Generation Service	Contracted and available volumes to be provided on an ex ante basis including the volume that is automatically guaranteed payment. Delivered volumes to be published on a ex post basis.	Price submitted in £/MWh as per the Maximum Generation Service Agreement	Information to be published at time of contract signature and updated as necessary. Information also to be provided on an ex post basis detailing aspects surrounding the utilisation of the service including instruction times, volume delivered and payments.	This information will be published on our website
Energy Products	Total MW contracted (buy and sell) pre gate closure for Each Settlement period	Total cost (buy and sell) is contained within the BSAD	BSAD will be published at 5pm D-1. Also BSAD will be published half hourly at Gate Closure.	<p>A version of BSAD will be published at 5pm D-1 on our website. This version shows energy related costs and volumes (buy and sell) BSAD calculated in accordance with the BSAD Methodology Statement will be made available to the BMRA for publication each half hour.</p> <p>National Grid will make half hourly BSAD available to be published on the BMRS.</p>

Pre Gate Closure BMU Transaction	For each Pre Gate Closure BMU Transaction, the specific BMU, volumes and price will be published.	Accepted offer will be entered on the BMRS warning screen at the time the transaction is agreed. All offers will be published as soon as practicable but at any event on a reasonable endeavours basis before the end of D+1.	The accepted offer will be displayed on the BMRS warning screen. All offers will be published on the National Grid web site.
<u>DSBR</u>	<u>The quantities of DSBR procured in each utilisation price band will be published.</u> <u>The quantities and price of DSBR despatched and delivered will be published after the event.</u>		<u>This information will be published on our website.</u>
<u>Supplemental Balancing Reserve</u>	<u>The quantity of Supplemental Balancing Reserve and associated capability prices procured will be published.</u> <u>The quantity and utilisation price of any SBR despatched will be published.</u>		<u>A notice explaining the quantity of SBR despatched will be displayed on BMRS.</u>