

Proposed Form of Procurement Guidelines Report (1st May 2002 to 30th April 2003)

Introduction

National Grid procures Balancing Services, under the umbrella of an incentive scheme, subject to the framework laid down in Special Condition AA4 of the Transmission Licence. This framework obliges National Grid to “operate the transmission system in an efficient, economic and co-ordinated manner” and also requires a number of statements and reports on the procurement and use of Balancing Services to be established. The **Procurement Guidelines** is one of these statements, and sets out the principles used in our procurement of Balancing Services, the kinds of Balancing Services that we may be interested in purchasing and the mechanisms by which we do so. The Procurement Guidelines statement is published on the National Grid Industry Information website and is subject to annual review and industry consultation. When a new Procurement Guidelines statement is published (covering the forthcoming relevant period) National Grid are required to produce a **Procurement Guidelines Report** (“Report”), covering the preceding relevant period, having previously agreed the ‘form’ of the Report with the Authority.

This paper constitutes National Grid’s proposed ‘form’ of the Report, which has been submitted to the Authority for approval. Any comments or suggestions on the scope and objectives of the Report should be forwarded directly to the Authority.

Purpose of Procurement Guidelines Report

The purpose of the Procurement Guidelines Report is to provide information in respect of the relevant Balancing Services which National Grid has bought (or acquired) in the relevant period.

Reporting Period

In accordance with Special Condition AA4 of the Transmission Licence, the Report will be produced within one month after the publication date of the revised Procurement Guidelines. Version 3.0 of the Procurement Guidelines, which is expected to become effective from 1st May 2003, therefore the period covered by the Report will be 1st May 2002 – 30th April 2003.

Relevant Balancing Services

The Balancing Services we have procured, either via market arrangements or bilateral contracts, throughout the period covered by the Report, are:

- Reactive Power
- Frequency Response

- Black Start
- Fast Start
- Reserve Services - Fast Reserve, Standing Reserve, Warming
- Intertrip
- Emergency Assistance
- Energy Related Products (including PGBT's)

Further definitions and descriptions of each Balancing Service can be found in the Procurement Guidelines and on the National Grid industry information website.

Excluded Services

As laid down in Special Condition AA4 - paragraph 4 of the Transmission Licence, the Report will specifically exclude Balancing Services acquired solely through the acceptance of an offer or bid in the Balancing Mechanism, providing such offer or bid was not made pursuant to any prior agreement. Further information on offer and bid acceptances is contained within the Balancing Principles Statement Report.

Balancing Services Procured

Appendix I shows the type of information that will be presented in the Report in respect of each relevant Balancing Service. Where services have been procured via market arrangements, information on tenders received and contracts awarded will be included. Where appropriate the Report will give aggregated information on price and energy volumes associated with procured services. However, in order to protect customers' commercial confidentiality, we are unable to present this type of information for certain services.

Further information

For further information on the types of Balancing Services that National Grid procures, please refer to the prevailing **Procurement Guidelines**. Information on offer and bid acceptances in the Balancing Mechanism is contained within the **Balancing Principles Statement Report**. These documents, along with the **Procurement Guidelines Report**, are published in accordance with Special Condition AA4 of the Transmission Licence and are available on the National Grid Industry Information website at:

<http://www.nationalgrid.com/uk/indinfo/balancing/index.html>

Alternatively, please contact:

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Any comments or suggestions on the form of the Procurement Guidelines Report should be forwarded directly to the Authority.

Appendix I - SERVICE PROCUREMENT INFORMATION

Services Procured via Market Arrangements	Bilateral Contracts (Volume / Price)	Market Tenders (Volume / Price)	Market Information
Reactive Power			
Fast Reserve			
Standing Reserve			
Services Procured via Bilateral Contracts	Bilateral Contracts* (Volume / Price)	Market Tenders (Volume / Price)	Market Information
Reactive Power			
Frequency Response			
Black Start			
Fast Start			
Warming & Hot Standby			
Intertrip			
Emergency Assistance			
Energy Related Products (including PGBT's)			

*Details will be quoted where contractual confidentiality requirements permit.