

FIRM FAST RESERVE EXPLANATION AND TENDER GUIDANCE DOCUMENT

**Issue #1
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nationalgrid

Important - Please Read

Introduction

This Explanation and Tender Guidance Document is to be read in conjunction with the following documentation which is available on National Grid's website via

<http://www.nationalgrid.com/uk/Electricity/Balancing/services/reserveservices/FastReserve/>

- Firm Fast Reserve Tender Sheets
- Specimen Fast Reserve Framework Agreement
- Specimen Firm Fast Reserve Tender Acceptance letter
- Fast Reserve Tender Rules and Standard Contract Terms Issue #1: dated 1 April 2009
- Market Information Report
- Firm Fast Reserve Tender Assessment Principles

together with this Explanation and Tender Guidance Document referred to as "the Documentation".

Disclaimer and Tenderer's Responsibility

The information supplied with, contained in, or referred to in the Documentation, and all other information relating to Firm Fast Reserve, and any contract whereby Firm Fast Reserve may be made available to, and provided to National Grid Electricity Transmission plc ("National Grid"), which is provided by National Grid at any time, whether before or after the date hereof, is given in good faith. However, no warranty or representation or other obligation or commitment of any kind is given by National Grid, its employees or advisors as to the accuracy or completeness of any such information or that there are not matters material to the arrangements and matters referred to therein other than is contained or referred to in such information. Neither National Grid nor its employees or advisors shall be under any liability for any error or misstatement or as a result of any failure to comment on any information provided by National Grid or the recipient of the Documentation or any other person or any answers to any questions or for any omission and none of such information shall constitute a contract or part of a contract.

Tenderers for Firm Fast Reserve shall satisfy themselves of the accuracy and completeness of any information they may use in preparing their Firm Fast Reserve Tenders whether such information is provided by National Grid or comes from any other source. National Grid, its advisors and any other person responsible for production of any information to a tenderer do not accept any duty of care to the tenderer. It is the duty and responsibility of a tenderer to ensure that it takes into account all considerations relating to the Firm Fast Reserve Tender and the entering into of an agreement for Firm Fast Reserve.

National Grid reserves the right not to proceed with any tenders or proposals made in response to the Documentation.

Terminology and Interpretation

The Documentation makes reference to various technical and industry-related terms and phrases. Save where otherwise expressly defined, these shall have the meanings set out in the Fast Reserve Tender Rules and Standard Contract Terms Issue #1: dated 1 April 2009. In the event of any conflict between the Standard Contract Terms and any other information supplied with, contained in or referred to in the Documentation (and any other information supplied at any time by National Grid with respect to Firm Fast Reserve), Tenderers and prospective Tenderers should rely solely on the terms and conditions set out or referred to in the Standard Contract Terms. The information contained in this Explanation and Tender Guidance Document is, to the best of National Grid's belief, accurate and has been given in good faith. However, no warranty or representation or other obligation or commitment of any kind is given by National Grid, its employees or advisers as to the accuracy and completeness of any information contained in this Explanation and Tender Guidance Document, or that there are not other matters material to the matters referred to herein other than is contained or referred to in such information. Neither National Grid nor its employees or advisers shall be under any liability for any error, misstatement or omission in this Explanation and Tender Guidance Document and none of such information shall constitute a contract or part of a contract.

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1. OVERVIEW OF TENDER AND CONTRACTING PROCESS

Fast Reserve Framework Agreement:

Any potential provider of Firm Fast Reserve **must** enter into a Fast Reserve Framework Agreement with National Grid in respect of the plant or equipment which it intends will provide Firm Fast Reserve before it will be permitted to submit a tender to provide Firm Fast Reserve from that plant or equipment. The Fast Reserve Framework Agreement gives contractual effect to those provisions of the Fast Reserve Tender Rules and Standard Contract Terms which are relevant to the provider's plant or equipment.

Detailed information on the mandatory technical requirements that a potential Firm Fast Reserve Provider must satisfy as a pre-condition to signing a Fast Reserve Framework Agreement are set out in the Fast Reserve Tender Rules and Standard Contract Terms.

Firm Fast Reserve Tender:

A Tenderer may in any month ("Tender Month") submit the following types of Firm Fast Reserve Tender:

- **Single Month Tender**
- **Short Term Tender**
- **Long Term Tender**

All **Single Month Tenders** must be submitted not later than 17:00 hours on **Business Day 3** of the **Tender Month**.

Unless otherwise provided in the Fast Reserve Tender Rules and Standard Contract Terms, all **Short Term Tenders** and **Long Term Tenders** must be submitted not later than 17:00 hours on **Business Day 1** of the **Tender Month**.

Where in any Tender Month National Grid has notified Tenderers that it has received 1 or more **Long Term Tenders**, Tenderers will have the opportunity to submit additional Firm Fast Reserve Tenders that meet the requirements set out in sub-paragraph 2.3.5(b) of the Fast Reserve Tender Rules and Standard Contract Terms. Such Firm Fast Reserve Tenders must be submitted not later than 17.00 hours on **Business Day 15 of the month next following the Tender Month**.

The detailed requirements and guidance in respect of the completion of Firm Fast Reserve Tenders can be found in Sections 3 and 4 of this Explanation and Tender Guidance Document. More detailed information in respect of the submission, assessment and acceptance/rejection of Firm Fast Reserve Tenders is set out in the Fast Reserve Tender Rules and Standard Contract Terms.

Acceptance and Rejection of Firm Fast Reserve Tenders:

National Grid will accept or reject a Firm Fast Reserve Tender in writing in accordance with the timescales set out in the Fast Reserve Tender Rules and Standard Contract Terms.

Formation of a Firm Fast Reserve Contract:

The issuing by National Grid of a Firm Fast Reserve Tender Acceptance will create a legally binding contract between the Fast Reserve Provider and National Grid for provision by the Fast Reserve Provider of Firm Fast Reserve (the "Firm Fast Reserve Contract"). The Firm Fast Reserve Contract will incorporate the technical parameters and other data contained in the Firm Fast Reserve Tender and Firm Fast Reserve Tender Acceptance and is subject to and governed by the Fast Reserve Tender Rules and Standard Contract Terms and the relevant Fast Reserve Framework Agreement.

Fast Reserve Tender Rules and Standard Contract Terms Issue#1:

National Grid has published a version of the Fast Reserve Tender Rules and Standard Contract Terms (Issue #1) which will become effective on 1st April 2009.

2. ROLE OF AGENTS

Prospective Firm Fast Reserve Providers can choose to use an agent to administer their tender process and, on their behalf, submit Firm Fast Reserve Tenders to National Grid. National Grid perceives the role of an agent as essentially a “go-between”, interfacing with both the prospective Fast Reserve Provider and National Grid. National Grid is willing to deal with agents provided that no part of the tender process or contracting process is hindered. It should be noted that using an agent (or not) does not affect evaluation of Firm Fast Reserve Tenders.

When National Grid has assessed a Firm Fast Reserve Tender submitted by an agent on behalf of a prospective Fast Reserve Provider, National Grid will issue any Firm Fast Reserve Tender Acceptance or Firm Fast Reserve Tender Rejection to the Fast Reserve Provider and submit a copy to the agent for information.

3. MANDATORY REQUIREMENTS OF THE TENDER PROCESS

- 3.1 Each Firm Fast Reserve Tender must be in respect of one Contracted BM Unit or Contracted Site that is listed as such in the Fast Reserve Provider's Fast Reserve Framework Agreement.
- 3.2 Each Firm Fast Reserve Tender must be in respect of Contracted MW of at least 50MW (from a single Contracted BM Unit or Contracted Site or aggregated from a number of smaller Units/Sites which together will comprise a single Contracted BM Unit or Contracted Site for the purposes of the Firm Fast Reserve Tender).
- 3.3 The Response Time (time it would take from the time of instruction to the full delivery of the Contracted MW) must be less than or equal to 2 minutes at rates greater than or equal to 25 MW per minute. The time taken for a Contracted BM Unit or Contracted Site to cease provision of Fast Reserve from the time of instruction must be less than or equal to 2 minutes at rates greater than or equal to 25 MW per minute.
- 3.4 The Maximum Utilisation Period (maximum time that National Grid will be permitted to use the Firm Fast Reserve following any one instruction, or series of contiguous instructions) must be a minimum of 15 minutes.
- 3.5 Where applicable, all Technical Parameters submitted in a Firm Fast Reserve Tender in respect of a BM Unit should be consistent with the Other Relevant Data (as referred to in Grid Code BC 1.4.2(f)) (if any) in respect of that BM Unit which the tenderer, in its reasonable expectation, expects to apply for the term of any Firm Fast Reserve Contract resulting from the Firm Fast Reserve Tender. In the event that a Tenderer submits a Firm Fast Reserve Tender(s) in respect of two or more BM Units at the same Power Station, then the Tenderer shall ensure that the tendered Technical Parameters permit National Grid to instruct all tendered BM Units at that Power Station to provide Firm Fast Reserve during the same Settlement Period.
- 3.6 Tenderers must complete all mandatory fields on the Tender Sheets, and must enter only 1 item of data per field.
- 3.7 Tenderers may offer the service in as many periods shown on the Tender Sheets as it chooses.
- 3.8 A Tenderer may not tender for a period that is already the subject of a Firm Fast Reserve Contract (unless that Firm Fast Reserve Contract has been terminated in accordance with the Fast Reserve Tender Rules and Standard Contract Terms or unless the Fast Reserve Tender Rules and Standard Contract Terms expressly provide otherwise).
- 3.9 In providing the Firm Fast Reserve service the Tenderer must be compliant with any statutory or other enactment applicable to it and provision of Firm Fast Reserve must not interfere with the Tenderer's obligations under any other agreements and arrangements to which the Tenderer may be a party, for example:

- the Electricity Safety, Quality and Continuity Regulations 2002 (as amended from time to time)
- any regulations made under Section 29 of the Electricity Act 1989
- the Grid Code
- the Distribution Code of any Public Distribution System Operator
- any licence granted to the Tenderer for the generation, supply or distribution of electricity
- any restrictions and conditions attaching to the relevant authorisations of the Environment Agency
- any agreement for load management
- any agreement for the supply of electricity to or by the Tenderer or for the Tenderer's connection to and use of any transmission or distribution system.

It is the responsibility of those tendering to ensure that the provision by them of Firm Fast Reserve will not place them in breach or non-compliance as described above.

4. GUIDANCE NOTES FOR COMPLETION OF THE TENDER SHEETS

The document entitled “**FIRM FAST RESERVE TENDER SHEETS**” comprises:

- Tender Sheet 1 – Tenderer, Contracted BM Unit/Contracted Site, Agent Details and Utilisation Restrictions.
- Tender Sheet 2 – Single Month Tender
- Tender Sheet 3 – Short Term Tender
- Tender Sheet 4 – Long Term Tender
- Tender Sheet 5 – Tenderer’s Signature and Acknowledgment

Please note: Any Tenderer wishing to submit a Long Term Tender specifying monthly rather than annual Tendered Service Parameters may request an alternate form of Tender Sheet from National Grid. Such Tender Sheet shall replace and be in substitution for Tender Sheet 4.

Tender Sheets 1 and 5 must be submitted for each tendered Contracted BM Unit or Contracted Site

Tender Sheet 2 must be submitted for each Contracted BM Unit or Contracted Site being tendered for a Single Month Tender.

Tender Sheet 3 must be submitted for each Contracted BM Unit or Contracted Site being tendered for a Short Term Tender.

Tender Sheet 4 must be submitted for each Contracted BM Unit or Contracted Site being tendered for a Long Term Tender.

For the avoidance of doubt, the Fast Reserve Tender Rules and Standard Contract Terms Issue #1 takes effect from 1st April 2009.

Examples of possible combinations in respect of each tenderer:

- If you are tendering for one BM Unit for a Single Month Tender please fill in Tender Sheets 1, 2 and 5*
- If you are tendering for one BM Unit/Site for a Short Term Tender please fill in Tender Sheets 1, 3 and 5*
- If you are tendering for one BM Unit/Site for both a Single Month Tender and Short Term Tender please fill in Tender Sheets 1, 2, 3 and 5*
- If you are tendering for one BM Unit/Site for a Long Term Tender please fill in Tender Sheets 1, 4 and 5*

- (v) *If you are tendering for one BM Unit/Site for both a Short Term Tender and Long Term Tender please fill in Tender Sheets 1, 3, 4 and 5.*
- (vi) *If you are tendering for one BM Unit/Site for a Long Term Tender please fill in Tender Sheets 1, 4 and 5.*

Please note: National Grid will supply electronic copies of Tender Sheets via email, on request. Alternatively, Tenderers may submit Firm Fast Reserve Tenders on copies of the relevant Tender Sheets taken from National Grid's web site.

TENDER SHEET 1 - Tenderer, Contracted BM Unit/Contracted Site, Agent Details and Utilisation Restrictions

Tender Sheet 1 must be completed by all Tenderers, in respect of each tendered Contracted BM Unit or Contracted Site.

Part I - Tenderer, Contracted BM Unit/Contracted Site and Agent Details

Notes

- 1 Please insert the Tenderer's company name in the space provided.
- 2 Please insert the identification of the Contracted BM Unit or Contracted Site for which Firm Fast Reserve is being tendered. (This must be the same as the identification for that Contracted BM Unit or Contracted Site specified in the Fast Reserve Framework Agreement).
- 3 Please delete (YES/NO) as appropriate if a Fast Reserve Provider's Agent is appointed in respect of the Contracted BM Unit or Contracted Site. If YES, please complete Items 4, 5 and 6. If NO, leave 4, 5 and 6 blank.
- 4 Please insert the Fast Reserve Provider's Agent's name if an agent is appointed in respect of the Contracted BM Unit or Contracted Site.
- 5 Please insert the Registered Company No. of the Fast Reserve Provider's Agent if an agent is appointed in respect of the Contracted BM Unit or Contracted Site.
- 6 Please insert the address of the Registered Office of the Fast Reserve Provider's Agent if an agent is appointed in respect of the Contracted BM Unit or Contracted Site.

Part II – Utilisation Restrictions

- | | | |
|---|--|---|
| 7 | Maximum energy utilisation/ consumption (MWh) | Insert the maximum time in minutes or alternatively ticking one of the time periods for which you will allow National Grid to utilise Firm Fast Reserve in any single utilisation. (This must be a minimum of 15 minutes). |
| 8 | Maximum number of utilisations | Insert the maximum number of times Firm Fast Reserve can be utilised in any the appropriate time period for which Contracted MWs are being offered. |
| 9 | Recovery Period | Insert the maximum time in <u>whole minutes</u> it takes to make Firm Fast Reserve available again after it has been utilised. For BM providers this is the subsequent Bid-Offer Acceptance. For Non BM providers this means the minimum period of time after |

delivery of Firm Fast Reserve (in accordance with a Firm Instruction) before issue of a subsequent Firm instruction.

10 **Periods of unavailability**

Dates of planned outages across the Tendered Service Periods. National Grid can then take an informed view across all tenders received to assess overall availability across the period. The dates can be indicative for Short Term Tenders and Long Term Tenders with Tendered Service Terms beyond the period 2009/10.

TENDER SHEETS 2, 3 & 4 - SINGLE MONTH, SHORT TERM and LONG TERM TENDERS

Tender Sheet 2 must be submitted for each Contracted Site or Contracted BM Unit being tendered for a Single Month Tender.

Tender Sheet 3 must be submitted for each Contracted Site or Contracted BM Unit being tendered for a Short Term Tender.

Tender Sheet 4 must be submitted for each Contracted Site or Contracted BM Unit being tendered for a Long Term Tender.

Notes

- 1 Please insert the Tenderer's company name in the space provided.
- 2 Please insert the identification of the Contracted BM Unit or Contracted Site for which Firm Fast Reserve is being tendered. (This must be the same as the identification for that Contracted BM Unit or Contracted Site specified in the Fast Reserve Framework Agreement).

11	Fast Reserve Month (mm/yyyy)	Please indicate the single calendar month for which this tender is offered for.
12	MW Delivery or MW Delivery Profile or Enhancements to Contracted MW or Contracted MW Profile	<p>BM Guidance Please provide the maximum amount of MW deliverable as Firm Fast Reserve for a Contracted BM Unit. This means providing a profile of energy production and/or consumption in MW for a Contracted BM Unit against which Fast Reserve will be delivered which is described by reference to a start time and end time, a maximum and minimum Physical Notification and a profile shape and forming part of the Tendered Service Parameters. This can be submitted as a separate document to accompany the tender sheet submission.</p> <p>Non BM Guidance In respect of a <u>Type 1 Contracted Site</u> only, means the maximum respective change in the level of energy production or consumption in MW for such Type 1 Contracted Site which the Fast Reserve Provider may be instructed by National Grid to provide from the Type 1 Contracted Site when delivering Firm Fast Reserve more particularly specified in Appendix 3, Part III of your Fast Reserve Framework Agreement.</p> <p>In respect of a <u>Type 2 Contracted Site</u> only, means a profile of energy production or consumption in MW for such Type 2 Contracted Site against which Firm Fast Reserve will be delivered which is described by reference to Contracted Settlement Periods, a maximum</p>

		and minimum MW level and a profile shape, as more particularly specified in Appendix 3, Part III of your Fast Reserve Framework Agreement.
13	Tendered Service Periods (per Operational Day Type)	Please set out the time periods within each Operational Day (between 05:00 hours and 05:00 hours) that the Firm Fast Reserve service is available. The Operational Days are stipulated as Monday – Fridays, Sundays and statutory banks holidays in England and Wales, and Saturdays. This parameter can alter on a monthly basis across each of these categories.
14	Availability Fee (£/hr)	Insert the price in £/hr you wish to be paid for making Firm Fast Reserve available against for each hour in a Tendered Service Period where the service is available.
15	Positional Fee (£/hr)	This parameter provides the ability should you wish to specify a Positional Fee (the cost of putting plant in a position where Firm Fast Reserve may be provided)
16	Window Initiation Fee (£/Firm Fast Reserve Window)	National Grid will notify ‘windows’ during which it requires the Firm Fast Reserve service to be provided, for which a Window Initiation Payment will be made.
17	Capped Bid-Offer Price(s)* (£/MWh) or Firm Fast Reserve Energy Fee	<p><u>BM Guidance</u> Capped Bid – Offer prices are for BM participants, please insert the tendered Fixed Capped Offer Price and/or Fixed Collared Bid Price in the box, depending on whether the tender is for an Offer service, a Bid service, or both. These are the limits within which BM prices must be submitted during the Firm Fast Reserve Period.</p> <p>For the avoidance of doubt, for BM Units this will be a single price (the contract price) which will set both the Bid and Offer Prices when available for Firm Fast Reserve.</p> <p><u>Non BM Guidance</u> Insert the energy price in £/MWh you wish to be paid when National Grid instructs and utilises Firm Fast Reserve.</p>
18	Firm Fast Reserve Month (referenced from the tender submission month)	For Short Term Tenders only - Please indicate the specific months for which this Tender is offered. The month reference is the month immediately following the Tender Month. So for example a Tender is submitted on BD1 in February 2010 for months referenced 1-12 the commencement date of that tender offer (if accepted) would be 01 st March 2010 and the duration would be 12 months.

19	<p>Firm Fast Reserve Year (reference commencing from the year of tender submission)</p>	<p>For Long Term Tenders - Please indicate the specific years for which this tender is offered. The tender is referenced commencing from the year in which the tender is submitted. A Long Term Tender may not commence earlier than the third calendar month following the Tender Month.</p> <p>For example a tender submitted on BD1 in February 2010 for years referenced 3-6 the commencement date of that tender offer (If accepted) would be 01st March 2012 and the duration would be 3 years.</p>
20	<p>Availability Fee (£/hr) (please indicate if as per Framework Agreement)</p>	<p>If a Tenderer has pre agreed an indexation methodology as part of their Fast Reserve Framework Agreement - applicable to their tendered Availability Fee and wishes indexation to form part of this tender offer please do not enter an Availability fee on a yearly basis under parameter 14. Instead please refer to the price and Fast Reserve Framework Agreement to indicate that it is the Contracted Indexation Methodology as per Appendix 6 of the Fast Reserve Framework Agreement.</p>
21	<p>Capped Bid-Offer Price(s) (£/MWh) or Firm Fast Reserve Energy Fee</p>	<p>If a Tenderer has pre agreed an indexation methodology as part of their Fast Reserve Framework Agreement - applicable to their tendered Capped Bid – Offer Price(s) or Firm Fast Reserve Energy Fee and wishes indexation to form part of this tender offer please do not enter the appropriate fee on a yearly basis under parameter 17. Instead please refer to the price and Fast Reserve Framework Agreement to indicate that it is the Contracted Indexation Methodology as per Appendix 6 of the Fast Reserve Framework Agreement.</p>

TENDER SHEET 5 - Tenderer's Signature and Acknowledgment

Tender Sheet 5 must be completed by all tenderers.

This tender sheet must be completed, signed and dated by an authorised signatory on behalf of the Fast Reserve Provider. Failure to complete this tender sheet will invalidate the Firm Fast Reserve Tender.

5. ASSESSMENT OF FIRM FAST RESERVE TENDERS AND SELECTION FACTORS

- 5.1 After the Firm Fast Reserve Tender submission deadline, all Firm Fast Reserve Tenders received will be opened, examined for completeness, and logged electronically by an evaluation panel.
- 5.2 National Grid reserves the right to deal with late submissions in a manner which it feels most appropriate taking account of any particular circumstances. In general, any late submissions will not be accepted.
- 5.3 Any submission that is regarded as non-compliant or unclear may be referred by National Grid back to the tenderer for clarification. If necessary, technical parameters may be adjusted by a Tenderer to ensure compliance, but price information may not be changed.
- 5.4 The logging process records all information specified on the Tender Sheets in electronic form.
- 5.5 This electronic data, along with any historic performance data, forms the basis for tender assessment. Each Firm Fast Reserve Tender will be assessed for each of the Service Terms to which it refers. The assessment methodology is reported in the “Firm Fast Reserve Tender Assessment Principles” document. The objective of the assessment is to:-
 - 5.5.1 identify the minimum cost solution in meeting the Reserve requirement using the Firm Fast Reserve Tenders received and other Reserve alternatives for each period; and
 - 5.5.2 re-optimize the Reserve requirement, if necessary, retaining any plant required to meet system considerations.
- 5.6 An acceptance letter (“Firm Fast Reserve Tender Acceptance”) or rejection letter (“Firm Fast Reserve Tender Rejection”) will be sent to each Tenderer by the published date informing it whether or not its Firm Fast Reserve Tender is successful. National Grid does not communicate the full results of the assessment process to all Tenderers, but will publish a summary of volume purchased; volume used and price information in a Market Information Report which will be made available via;

<http://www.nationalgrid.com/uk/Electricity/Balancing/services/reserveservices/FastReserve/>

6. FURTHER INFORMATION

Any communications with National Grid associated with the Documentation or the tender process should be addressed to:

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