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Dear Service Provider

Reactive Power Invitation to Tender for Tender Round 25

This letter is notification of the publication of new documents on the National Grid Industry Information website relating to Reactive Power and notification of the commencement of the Reactive Power Market Tender Process for contracts commencing 1st April 2010 (Tender Round 25). We would specifically like to highlight our interest in additional economic reactive capability in the Scotland area (as previously highlighted in Section 10 of the 19th Reactive Market Report).

The following documents have been published on our website and comprise the Invitation to Tender for Reactive Power Market Agreements commencing 1st April 2010:

- Invitation To Tender and Guidance Notes for the Completion of Tenders
- Tender Sheets and Certificate of Bona Fide Tender
- Methodology for Calculation of Reactive Power Capability Data – issue 15
- Specimen Reactive Market Ancillary Services Agreement for steam plant
- Specimen Reactive Market Ancillary Services Agreement for CCGT plant

The Market Day for the submission of Tenders for Tender Round 25 is 17:00 hours on Friday, 13th November 2009. The Reactive Power Market Report for Tender Round 24 for contracts effective 1st October 2009 will be available and published on the National Grid Industry Information website by 6th November 2009. Previous Market Reports from earlier tender rounds are also available via the website.

Additionally, National Grid shall communicate updated forecast default payment rates, which shall be utilised for the Tender assessment, no later than one week prior to the Market Day (see Section 6 of the Guidance Notes for the Completion of Tenders for further information). This decision has been taken due to volatility in the electricity market rendering more recent forecasts inaccurate for the purposes of assessment.

Potential providers who may be interested in tendering are as follows:

- Generators required to provide the minimum Grid Code Obligatory Reactive Power Service (ORPS) and already in receipt of the Default Payment Mechanism, may wish to tender for alternative payment terms (i.e. capability and utilisation payments).
- Generators that have a reactive capability in excess of the minimum Grid Code ORPS, known as the "Grid Code Plus Enhanced Reactive Power Service" (Grid Code ERPS).
- Any other eligible Service Provider able to offer other plant or apparatus that could generate or absorb Reactive Power, known as the Enhanced Reactive Power Service (ERPS). These Service Providers must fulfil the market qualification criteria and be capable of making their capability available for use by National Grid.

Further information on ERPS can also be found on National Grid's industry website (<http://www.nationalgrid.com/uk/Electricity/Balancing/services/ReactivePower/enhanced/>)

Please note that anyone wishing to offer a service in respect of a non-BM Unit should contact me for guidance before submitting a tender. The documents can be viewed via the following web address: <http://www.nationalgrid.com/uk/Electricity/Balancing/services/ReactivePower/markettender/>

If you require a paper copy of any of the documents mentioned in this letter please contact Bea Ennim on 01926 65 3448.

Yours sincerely

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