

Constraint Management Service

Tender Assessment Principles (Issue 1, 22nd February 2008)

This note sets out the principles that National Grid considers in assessing tenders for the Constraint Management Service.

Background

National Grid procures services to manage constraints through a number of Balancing Services to enable it to manage congestion on its high voltage transmission network. These services include bids and offers in the Balancing Mechanism, traded products and commercial intertrip services.

The Constraint Management Service was developed in an attempt to manage cost risk by setting limits on BM prices in exchange for an availability payment.

Main Economic Assessment

National Grid will look to secure a proportion of its constraint management requirement via Constraint Management Service tenders, in an economic and efficient manner. The accepted tenders will be selected with the aim of ensuring the total costs of managing system constraints are lower than without the selection of those tenders.

In assessing the benefit of acceptance of a Constraint Management Service tender, the value and costs of that tender is considered.

The forecast cost of an accepted Constraint Management Service tender will reflect:

- Expected Availability Fees = Availability Price * MW * Expected Hours of availability (availability price as per tendered by tender, expected hours available as forecast by NGET influenced by historic performance of provider)
- Utilisation Payments = tendered/index-linked capped/collared prices * forecast MWh of utilisation

The costs of alternatives to accepting a Constraint Management Service tender may comprise (but not be limited to):

- BM offers and bids
- PGBTs
- Forward Energy Trading
- Market-delivered generation changes (zero cost)
- Planned generation outages (zero cost)

Further Assessment Principles

In addition National Grid will take into account other factors in the appraisal of tenders. The order in which these factors are listed is not an indication of the relative importance of each to the others:

- The interaction of any other Balancing Service provided by the tenderer to NGET from the Unit or Site(s) in question
- The extent of planned outages and limitations on the transmission or distribution system of any host Public Distribution System Operator affecting the Sites(s).
- Any other factors that, in NGET's reasonable opinion, are relevant in appraising the viability of any Constraint Management Service tender submitted.