

**SUMMARY OF SIGNIFICANT CHANGES TO SHORT TERM OPERATING RESERVE STANDARD  
CONTRACT TERMS ISSUE #3**

*NOTE: this document has been prepared in good faith for the aid of prospective STOR tenderers as a high level guide to the changes made in the Standard Contract Terms Issue #3. However, it is not intended and should not be relied upon as an exhaustive or complete summary of those changes or of the Standard Contract Terms themselves, and reference should be made to the Standard Contract Terms Issues #2 and #3 published by National Grid.*

Document Reference	Summary of Change
<b>Section 1 - Agreements and Tender Rules</b>	
1.2	<p><u>Changes to the Standard Contract Terms</u></p> <p>Under Standard Contract Terms (SCTs) Issue #2 National Grid has sole discretion to amend the SCTs with effect from the start of any financial year, provided that such amendments are notified to all Reserve Providers with or prior to the last ITT Pack before the amendments are to take effect. Under sub-paragraph 4.4.1 a Reserve Provider has until the Market Day prior to the date that the amendments are to take effect to serve written notice on National Grid to terminate any STOR Contract that will be in force at the time that the amended SCTs come into effect.</p> <p>SCTs Issue#3 contain new governance provisions which provide for a more structured, and consultative, process by which the SCTs are amended. Under the new provisions, National Grid can propose amendments to the SCTs at any time by means of an Outline Change Proposal. Any amendments that are required as a result of change in law (that has or is expected to occur) are raised under a separate Outline Change Proposal. Each Outline Change Proposal will contain the rationale for the amendment (including whether or not required as a result of a change in law and details thereof), and the date that the amendment is expected to take effect from, which will (other than in the case of changes required as a result of a change in law) usually be the start of the next STOR Year (or where the Outline Change Proposal is raised less than 6 months prior to this, that start of the STOR Year that follows).</p> <p>Each Outline Change Proposal is circulated to all Reserve Providers for comment. Reserve Providers have a period of at least 10 Business Days to submit written comments on the Outline Change Proposal to National Grid.</p> <p>Following such comments National Grid may decide either (1) to give notice to withdraw the Outline Change Proposal, or (2) to modify the Outline Change Proposal (whereupon Reserve Providers will have a further opportunity to submit comments), or (3) to implement the Outline Change Proposal.</p> <p>In order to implement the Outline Change Proposal National Grid must formulate a Detailed Change Proposal setting out the actual date that the amendments are to take effect (“Final Implementation Date”). This proposal shall be accompanied by an amended draft of the SCTs showing the changes. Each Detailed Change Proposal is to be circulated to all Reserve</p>

Providers within 20 Business Days of National Grid's notification of its intention to implement. Except in the case of changes required as a result of change in law, the Detailed Change Proposal shall be notified no later than the date the final ITT Pack is issued prior to the Final Implementation Date.

Changes that are set out in a Detailed Change Proposal will become effective on the Final Implementation Date and the amended version of the SCTs will be automatically incorporated into each STOR Framework Agreement so as to apply to all future STOR Tenders and existing STOR Contracts. National Grid shall publish the amended version of the SCTs on its website prior to the Final Implementation Date.

Within 15 Business Days of a Detailed Change Proposal being notified by National Grid, any Reserve Provider who at that time is party to a STOR Contract whose term extends beyond the Final Implementation Date, and who reasonably considers that (1) its ability to provide STOR or comply with such STOR Contract is materially prejudiced by the amendments set out in the Detailed Change Proposal, and/or (2) that the net cost of providing STOR or complying with such STOR Contract is materially increased as a result of such amendments ("Affected Reserve Provider"), may elect to either:

- reject the application of the amendments to such STOR Contracts, or
- increase the contract prices under such STOR Contracts.

Any such election is to be accompanied by a full and detailed justification.

Reserve Provider's who are not party to a STOR Contract that will be in force at the Final Implementation Date of the changes referred to in the Detailed Change Proposal shall not be entitled to elect.

Where a Detailed Change Proposal is necessitated by a change in law, the Affected Reserve Provider may not reject the application of the changes and may only elect to increase contract rates where the amendments are required as a result of a Qualifying Change in Law which principally affects or relates to National Grid in its capacity as GBSO and/or to the procurement of STOR or balancing services generally (i.e. not for a general change in law that the provider would have been subject to in any event). If the Affected Reserve Provider disputes that this is the case it may refer the matter to expert determination within 15 Business Days of notification of the Detailed Change Proposal.

Where the Affected Reserve Provider elects to reject the amendments, National Grid and the Affected Reserve Provider are required to negotiate amendments to its STOR Framework Agreement (by way of special conditions) to negate the affect of the amendments to its subsisting STOR Contracts. The Affected Reserve Provider should be left in no worse and no better position after the Detailed Change Proposal comes into effect.

If National Grid and the Affected Reserve Provider are unable to agree such amendments the matter may (where both parties agree) be referred to expert determination. Until such time as the amendments are agreed or determined, the amended SCT document is deemed to be incorporated into the STOR Framework Agreement but on the basis that the amendments to it do not apply to the STOR Contracts in question.

	<p>Where the Affected Reserve Provider elects to increase contract rates in respect of subsisting STOR contracts that are affected by the Detailed Change Proposal, National Grid and the Affected Reserve Provider are required to negotiate an increase which reflects the increase in the Affected Reserve Provider’s net costs as demonstrated to National Grid. The Affected Reserve Provider has an obligation to minimise any increase in net costs, and any increased contract rates will only take effect from the Final Implementation Date of the Detailed Change Proposal.</p> <p>If National Grid and the Affected Reserve Provider are unable to agree such increase the Reserve Provider may refer the matter to expert determination, or (except where the Detailed Change Proposal is required as a result of a Qualifying Change in Law) the Affected Reserve Provider may elect to reject the application of the changes to its subsisting STOR Contracts. Where the Affected Reserve Provider makes such an election the process relating to the rejection of a Detailed Change Proposal set out above shall be followed.</p> <p>National Grid has the discretion to amend a Detailed Change Proposal that is required as a result of a change in law that has yet to come into effect, where there is a change to the change in law before it becomes effective. Such amendments shall be limited to whatever is necessary to give effect to the change to the change in law and where the Affected Reserve Provider has elected to increase contract rates it shall have a further opportunity to revise those increased rates to take account of the effect of the amendment to the Detailed Change Proposal on its net costs. Such revised contract rates must be agreed with National Grid or, failing which, referred to expert determination.</p> <p>In addition to this right of amendment, National Grid may withdraw any Detailed Change Proposal at any time prior to the latter of either (i) the Final Implementation Date or (ii) the date that is 5 Business Days after the date of the expert’s written decision where a matter has been referred to expert determination. Such withdrawal shall be by written notice to the Reserve Provider, whereupon any special conditions in respect of the Detailed Change Proposal that have been previously agreed or determined will be removed from the Reserve Provider’s STOR Framework Agreement or any increased contract rates agreed or determined as a result of the Detailed Change Proposal shall be of no effect and the existing prices shall continue to apply.</p>
1.3.5 and 1.4.12	<p><u>Mandatory Works Provisions</u></p> <p>Under SCTs Issue#2 a Reserve Provider is not able to enter into a STOR Framework and/or submit STOR Tenders where its ability to provide STOR is dependent on the carrying out of works to a unit or other plant/apparatus.</p> <p>Under SCTs Issue#3 Reserve Providers will be able to submit STOR Tenders in anticipation of completion of such works by entering into a STOR Framework Agreement/amending an existing STOR Framework Agreement so as to contain certain mandatory works provisions.</p> <p>Where National Grid accepts such a tender, that acceptance is conditional</p>

	upon the unit or site successfully completing and commissioning in accordance with the mandatory works provisions set out in the STOR Framework Agreement no later than the date that the provision of STOR is to commence under the STOR Contract.
1.3.6	<p><u>Indexation Methodology</u></p> <p>SCTs Issue#2 does not permit a Reserve Provider to link its tendered prices to indexation. However, under SCTs Issue#3, where a Reserve Provider submits a STOR Tender in respect of one or more Subsequent Years (i.e. any of the nine consecutive STOR Years following the First Year) it may elect for the Availability Price and Contract Bid-Offer Price (BM Providers) or the Availability Price, Energy Utilisation Price and Optional Energy utilisation Price (Non-BM Providers) to be subject to indexation provided that an indexation methodology has been agreed with National Grid and that methodology has been included or referred to in the Reserve Provider's STOR Framework Agreement.</p>
1.4.3	<p><u>First Year and Subsequent Year Tenders</u></p> <p>Previously, Reserve Providers were limited to tendering for only Years A and/or B. The SCTs Issue#3 enable Reserve Providers to submit First Year Tenders, being either the STOR Year in which the ITT pack was issued or in the case of the last ITT Pack in any STOR Year, the year that commences immediately after the date of that ITT Pack, as well as Subsequent Year Tenders, being tenders for any or all of the nine consecutive STOR Years that follow the First Year.</p>
1.5	<p><u>Changes to Seasons</u></p> <p>Under SCTs Issue#2 National Grid has the ability to alter the Seasons in respect of Year B in a later ITT Pack. Where a STOR Contract that has been formed pursuant to an earlier ITT Pack contains different Seasons, those Seasons are automatically amended to align with the more recent ITT Pack. There is a corresponding adjustment to the Reserve Provider's Availability Price to take account of any financial consequence of the change to the Seasons in respect of Year B.</p> <p>SCTs Issue#3 only permits National Grid to change the Seasons in respect of any Subsequent Year in a later ITT Pack where this is necessitated by a legislative change to the UK's time zone and to the extent that is necessary in light of National Grid's transmission Licence and Electricity Act 1989 obligations.</p> <p>Where possible National Grid will publish a methodology for dealing with such time zone change, including any changes to the STOR SCTs by means of special conditions in the STOR Framework Agreement to apply to all subsisting STOR Contracts. The methodology will be designed to ensure that for the remainder of subsisting STOR Contracts that are affected by the change in Seasons that is necessitated by the UK time zone change, the Reserve Provider is in no more or less favourable position than if the Season change had not occurred.</p>

1.6	<p><u>Changes to Availability Windows</u></p> <p>Under SCTs Issue#2, National Grid is able to alter the Availability Windows in respect of any Season in Year B in a later ITT Pack. Where a STOR Contract that has been formed pursuant to an earlier ITT Pack contains different Availability Windows, those Availability Windows are automatically amended to align with the more recent ITT Pack. There is a corresponding adjustment to the Reserve Provider's Availability Price to take account of any financial consequence of the change to the Availability Windows in respect of Year B.</p> <p>Under SCTs Issue#3, National Grid may still vary Availability Windows in a Subsequent Year in a later ITT Pack, but only so as to bring forward the start time of an Availability Window by up to one hour or to put back the end time by up to 1 hour.</p> <p>Where an Availability Window that has been changed is designated under a Reserve Provider's STOR Contract as a Committed Window which falls in a Subsequent Year, National Grid will apply the formula in Annexure 1 to Section 1 to determine whether there should be an increase to the Reserve Provider's Availability Price as a result of the change to such Availability Windows.</p>
1.7	<p><u>New Availability Windows</u></p> <p>Under SCTs Issue#2 there was no explicit right for National Grid to introduce new Availability Windows. Under SCTs Issue#3, and in line with the ability for Reserve Providers to submit long term tenders for period up to 10 years, National Grid will have the ability to introduce new Availability Windows in any Season in an ITT Pack, provided that the Seasons in which the new Availability Windows are introduced fall in a Subsequent Year (i.e. years 2 - 10) and do not overlap with an existing Availability Window.</p> <p>Where a Reserve Provider has a subsisting STOR Contract that applies to any new Availability Window, the Reserve Provider may elect to reject the new Availability Window or re-tender the STOR Contract.</p> <p>Where the Reserve Provider retenders and National Grid accepts the new tender, the STOR Contract that is formed will replace the existing STOR Contract (which shall automatically terminate). If National Grid rejects the new tender then the existing STOR Contract will continue to apply (but not to the new Availability Windows).</p>
<b>Section 2 - STOR - Balancing Mechanism Participants - Production BM Units</b>	
2.3.7	<p><u>Events of Default - Provision of Reserve</u></p> <p>A new event of default has been introduced into SCTs Issue#3 where the Reserve Provider rejects a Bid-Offer Acceptance issued by National Grid as an instruction to provide Reserve otherwise than in accordance with Grid Code BC2.7.3(b) (i.e. the BOA was not consistent with the Import/Export Limits, QPNs etc).</p>
2.4.2	<p><u>Seasonal Delivery Reconciliation</u></p>

	<p>Under SCTs Issue#2 a Seasonal Delivery Reconciliation Payment is payable by the Reserve Provider where at the end of a Season the aggregate MWh or Reserve provided by the Reserve Provider from a particular Unit or Site is less than 95% of the aggregate MWh instructed by National Grid.</p> <p>Under SCTs Issue#3 the calculation of the aggregate volume of Reserve provided by the Reserve Provider in respect of any unit during a season is calculated on the basis of 95% of the aggregate of the total MWh instructed and the total Deemed Rejected Instruction Volume, with the Deemed Rejected Instruction Volume being incurred in respect of specified events of default. Where the actual Reserve provided is less than 95% of this total the Reserve Provider must pay a Seasonal Delivery Reconciliation Payment.</p> <p>[NB: applies to both BM and Non-BM Providers]</p>
Annex 2 to Section 2	<p><u>Deemed Rejected Instruction Volume &amp; Events of Default</u></p> <p>SCTs Issue#3 specify a new event of default “K” which applies where a Bid-Offer Acceptance is rejected by a Reserve Provider otherwise than in accordance with Grid Code BC2.7.3(b) (see comments re sub-paragraph 2.3.7 above).</p> <p>Where this event of default occurs the Reserve Provider is not entitled to a Reserve Availability Payment for that unit for the whole of the Contracted Availability Window to which the rejection relates.</p> <p>Additionally, each such event of default will attract a Deemed Rejected Instruction Volume of 1 hour. This will be included within the calculation of any Seasonal Delivery Reconciliation Payment that may be due from the Reserve Provider (see comments re sub-paragraph 2.4.2 above).</p>
<b>Section 3 - STOR - Non-Balancing Mechanism Participants</b>	
3.3.8	<p><u>Events of Default</u></p> <p>A new event of default has been introduced into SCTs Issue#3 where the Reserve Provider rejects an Instruction from National Grid to provide Reserve (including where for reasons of safety or relating to the technical capability of the Site), unless the Instruction in question is issued during a Recovery Period or a Contracted Availability Window which is overlapped by the Recovery Period for an earlier Contracted Availability Window during which Reserve was provided.</p>
3.11.1	<p><u>Permitted Test Period</u></p> <p>Under SCTs Issue#3 the existing provisions regarding an extension to the Permitted Test Period where a Reserve Provider has failed to provide Reserve and National Grid has issued an instruction for a Repeating Test to be carried will not apply where on the day in question the Reserve Provider has confirmed that Reserve is available from the site during the whole of at least one flexible window.</p>

Annex 2 to Section 3	<p><u>Events of Default</u></p> <p>New event of default E and F included in SCTs Issue#3. Event of default E applies where the Reserve Provider fails to notify National Grid of its acceptance or rejection of an Instruction within 5 minutes of receipt and event of default F applies where the Reserve Provider rejects an Instruction otherwise than in accordance with Grid Code BC2.7.3(b) (i.e. the BOA was not consistent with the Import/Export Limits, QPNs etc).</p> <p>In both cases the Reserve Provider is not entitled to a Reserve Availability Payment for that site for the whole of the Contracted Availability Window to which the event of default applies and each such event of default shall attract a Deemed Rejected Instruction Volume of 1 hour for the purposes of the calculation of the Seasonal Delivery Reconciliation Payment.</p>
<b>Section 4 - General Provisions</b>	
4.9	<p><u>Expert Determination</u></p> <p>Under SCTs Issue#2 dispute resolution is limited to arbitration under the rules of the Electricity Supply Industry Arbitration Association. SCTs Issue#3 contain a new mechanism for either the Reserve Provider or National Grid to refer matters in dispute to an expert for determination where the SCTs expressly provide for this, for example in relation to changes to the SCTs.</p> <p>Where matters are referred to an expert for determination the issue of who bears the costs of the referral and expert determination are at the expert's discretion.</p>