

Sarah Milmore
Account Manager

Sarah.milmore2@nationalgrid.com

Direct tel +44 (0)1926 65 5386

Direct fax +44 (0)1926 65 6612

www.nationalgrid.com

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Dear Service Provider

Reactive Power Invitation to Tender for Tender Round 42

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 1 October 2018 (Tender Round 42).

The following documents have been published on our website and comprise the Invitation to Tender for Reactive Power Market Agreements commencing 1 October 2018:

- 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 18
- 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 42 is 17:00 hours on 22nd August 2018. The Reactive Power Market Report for Tender Round 42 for contracts effective 1 April 2018 was published on the National Grid Industry Information website on 25th July 2018. Previous Market Reports from earlier tender rounds are also available via the website.

Additionally, National Grid shall potentially 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).

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.

Following the implementation of CAP169, which brought the CUSC up to date with recent changes to the OPRS requirements in the Grid Code, the Default Payment Mechanism has now been extended to Power Park Modules, DC Converters and Large Power Stations with a reactive

capability below 15 Mvars. In consequence, subject to making the necessary amendments to relevant Mandatory Services Agreements to facilitate the Default Payment Mechanism, tenders from such Plant and Apparatus are now eligible to participate in the Reactive Power Market Tender Process.

Further information on ERPS can also be found on National Grid's industry website <http://www2.nationalgrid.com/uk/services/balancing-services/reactive-power-services/enhanced-reactive-power-service/>

If you require a paper copy of any of the documents mentioned in this letter please contact Sarah Milmore on 01926 655386.

Yours sincerely

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