

Craig Maloney
National Grid

11 October 2010

Dear Craig

Short term Operating Reserve (STOR) Development - Outline change proposals document

Thank you for providing us with an opportunity to respond to this Outline Change Document.

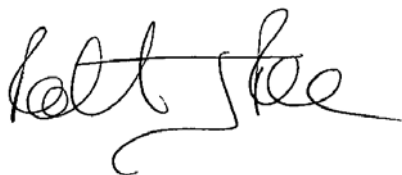
The need for Short-term Operating Reserve will increase going forward as a result of the change in the UK energy mix to meet the low carbon and renewable targets. It is in this therefore important that these contracts are:

- Flexible to adapt for changes that may be needed in the future
- Clear and effective as possible to allow for flexibility in services provided, specifically in respect of this consultation, any change to availability windows needs to be clarified
- Transparent as possible to ensure that the market has visibility over contracted volumes and prices.
- Fully understood so that the impacts can be identified

These changes will ensure that contracts are structured as efficiently as possible to encourage greater participation in the future.

Our detailed responses are set out in the attachment to this letter and are not confidential. Please contact my colleague John Costa on 020 3126 2324, or myself should you wish to discuss any of the issues raised in our response or have any queries.

Yours sincerely,



Rob Rome
Head of Transmission and Trading Arrangements
Corporate Policy and Regulation

Attachment

Short term Operating Reserve (STOR) Development - Outline change proposals document

EDF Energy's response to your questions

Question 1 – Do you consider that the response time permitted for Reserve Providers to respond to an OCP should be increased from the current 10 Business Days, to 20 Business Days? If not, could you recommend a more appropriate timescale?

Yes, it is clear that 20 business days is a better consultation period to evaluate and respond to Outline Change Proposals.

Question 2 – Do you consider that a period of 20 Business Days following receipt of responses to an OCP from Reserve Providers is an appropriate timescale for National Grid to give due consideration to these responses and notify of its intention to either withdraw or modify the proposals, or implement them via the publication of a DCP? If not, could you recommend a more appropriate timescale?

Yes, a reciprocal 20 business day period seems appropriate.

Question 3 – Do you consider that an increased period of 20 Business Days would be more appropriate than the current timescales in the interests of arriving at a mutually beneficial negotiation of Special Condition(s) or contract prices? If not, could you recommend a more suitable timescale?

Yes, although if there is no major disagreement following NG's review of responses then a shorter timescale of 10 business days could be more efficient.

Question 4 - Do you consider that a period of 60 Business Days is appropriate when considering the timescales within which National Grid should notify a Reserve Provider that a contract will be terminated following circumstances of multiple Events of Default which could lead to that termination?

Yes, we support the introduction of a long-stop date and feel that 60 business days would be an appropriate timescale. This would provide Reserve Providers with 30 business days instead of the 10 business days currently to respond.

Question 5 - Would you consider a Remedial Plan to be a welcome introduction to the Standard Contract Terms?

Yes, the introduction of a remedial plan would help resolve any issues with non-compliance rather than leading to NG having the discretion to terminate a contract. Should STOR contracts become longer term then simply terminating a contract without a

remedial plan would create a problem for providers that have secured long-term funds to support the contract. The inclusion of a remedial plan might also facilitate more participation in long-term STOR contracts.

Question 6 - Do you have any comments with regards to the proposed Remedial Plan process, particularly with regard to the timescales?

The remedial plan and timescales seem acceptable.

Question 7 - Would you consider the introduction of Cure Plan to be a welcome introduction to the STOR contractual framework?

Yes, we agree a cure plan is needed to facilitate the suspension of a STOR contract from the Target Completion Date where for example delays to commissioning or maintenance works might have resulted in termination unnecessarily.

Question 8 - Do you have any comments with regards to the proposed Cure Plan process, particularly with regard to the timescales?

The cure plan and timescales seem acceptable.

Question 9 - Do you consider that long-term Reserve Providers should have the opportunity to 'opt out' of the provision of STOR during the extended period(s) of Availability Windows?

We feel that more clarity is needed regarding to what extent NG intend to adjust availability windows. Would NG like the flexibility to move both the start and end times of each availability window by up to an hour? For example, how far in advance do they intend to notify providers, and how often would they like the flexibility to amend the availability windows? Would adjustments be made to individual days or all days within a defined period? More clarity is required in order to understand the impact of the proposals on the contractual structure.

We feel that allowing providers to opt out of any extension of the STOR window to be a positive development. Further, depending upon NG's thoughts to the above comments, if a window becomes significantly narrowed then service providers may also be given the opportunity to opt out of that window altogether as it would no longer represent the service for which they had tendered.

Question 10 - Do you consider a period of 15 Business Days following publication of a relevant ITT Pack appropriate for Reserve Providers to notify National Grid of their intention to 'opt out' of expanded Availability Windows?

We believe that 20 business days would seem appropriate to tie in with above timescales.

Question 11 - Do you consider that it would be appropriate for National Grid to amend the SCTs such that a BM Provider is required to submit an Offer Price identical to the Contract Bid-Offer Price, with an Event of Default to be incurred for failure?

Yes, we believe they should be consistent, however more analysis should be made to understand the impact if any.

Question 12 - Do you consider it appropriate that National Grid should be giving consideration to developing the non-BM despatch systems to facilitate a STOR market whereby all Reserve Provider can reduce their utilisation prices within day?

This would seem appropriate in principle in order to create a level playing field. We would appreciate more information regarding proposed contract structures and mechanisms in order to understand how this would work in practice. It would also be important to understand what impact this would have, if any, on the way NG plans to assess future tenders under this model.

Question 13 - Do you have any comments with regards to National Grid's proposals to introduce a tri-partite Direct Agreement in the interests of facilitating the necessary funding for new STOR plant and apparatus?

No comment.

Question 14 – Would you welcome the publication of a draft set of 'standard' Aggregator terms on the National Grid website?

Yes.

Question 15 – Do you consider that Aggregator terms should be developed as part of Workstream 1A of the wider reserve review?

Yes.

Question 16 – Would you welcome further detail of the Assessment Principles applied to the week-ahead assessment of flexible STOR tenders?

Yes.

Question 17 – Would you consider the inclusion of an annual utilisation limit based on the number of running hours to be a useful development?

Yes, it would provide more flexibility to providers and would assist those operating under running constraints, especially under greater environmental legislation. However,

providers should have the flexibility to choose whether an annual limit is based upon either the number of start-ups or on the running hours.

Question 18 – Do you have any comments with regards to the housekeeping amendments proposed?

Please refer to our previous comment to Q9 regarding sub para. 1.6.1. Also, within Annex 1 to section 1 it is not clear which index NG refers to and we would welcome clarification of this.

Question 19 – Do you have any comments regarding the proposed Tender Round dates for 2011 and the Seasons/Years that are proposed to be available for tender in each?

It is not clear why there are no long term tenders for tender round 14 specified in the proposed dates.

**EDF Energy
October 2010**