

# Fast Reserve

## Assessment Principles for Firm Fast Reserve

This note sets out the principles that National Grid will consider in assessing tenders for Firm Fast Reserve.

### Main Economic Assessment

National Grid's main objective is to secure the system economically. In deciding whether to accept a tender for Firm Fast Reserve for a month, we assess whether the cost of an accepted tender is likely to be less or greater than the cost of alternatives to deliver the equivalent service in that month.

For example:

The cost of an accepted tender may be made up of;

- Availability fee  $\times$  aggregate of hours available (as tendered by the provider)
- Positional fee  $\times$  forecast hours called off by National Grid
- Window Initiation fee  $\times$  forecast windows called off by National Grid
- Contracted utilisation price  $\times$  forecast utilisation

While the cost of alternatives to accepting a tender may be made up of;

- Optional fees  $\times$  forecast hours called off by National Grid
- Expected utilisation prices  $\times$  forecast utilisation

#### *Forecast of "Holding"*

We will forecast the hours likely to be called off (as notified by National Grid to providers) in respect of an accepted tender by considering our alternatives which may be; other accepted tenders, other providers' optional availability, and any other BM and non-BM alternatives. If the combination of Positional fee and Window Initiation fee is modest, we may forecast to call off an accepted tender more often, whereas if the combination of Positional fee and Window Initiation fee is large then forecast call off may reduce.

#### *Forecast of Utilisation*

We will forecast the utilisation of Firm Fast Reserve from a provider based on our extrapolation of historic total utilisation, and the 'merit order' of contracted and expected utilisation prices.

### Further Assessment Principles

In addition we may take account of other relevant factors, such as:

- Any reduction in value we ascribe to restrictions in utilising Fast Reserve.
- Track record and likely improvements in the reliability of delivering Fast Reserve.
- Speed, flexibility and reliability of interface arrangements between National Grid and the provider.