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Dear Service Provider

## **Reactive Power Invitation to Tender for Tender Round 29**

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 April 2012 (Tender Round 29).

The following documents have been published on our website and comprise the Invitation to Tender for Reactive Power Market Agreements commencing 1 April 2012:

- 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 29 is 17:00 hours on Friday, 20 January 2012. The Reactive Power Market Report for Tender Round 28 for contracts effective 1 October 2011 was published on the National Grid Industry Information website on 14 November 2011. 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. Specific guidance and methodology documents for tendering Power Park Modules and DC Converters will be developed in 2012. Therefore, potential Service Providers wishing to submit tenders for Power Park Modules and DC Converters in this current Tender Round 29 should contact their National Grid Account Manager for guidance before doing so.

Further information on ERPS can also be found on National Grid's industry website (<http://www.nationalgrid.com/uk/Electricity/Balancing/services/ReactivePower/enhanced/>)

Please note that anyone wishing to offer a service in respect of a non-BM Unit should contact me or their National Grid Account Manager for guidance before submitting a tender. The documents can be viewed via the following web address:

<http://www.nationalgrid.com/uk/Electricity/Balancing/services/ReactivePower/markettender/>

If you require a paper copy of any of the documents mentioned in this letter please contact Bea Ennim on 01926 65 3448.

Yours sincerely

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