

SCHEDULE 2 - EXHIBIT 2

DATED []

NATIONAL GRID ELECTRICITY TRANSMISSION PLC (1)

and

[] (2)

THE CONNECTION AND USE OF SYSTEM CODE

BILATERAL EMBEDDED GENERATION AGREEMENT

[USE OF SYSTEM FOR AN EMBEDDED POWER STATION]

[USE OF SYSTEM FOR A SMALL POWER STATION TRADING PARTY]

[DISTRIBUTION INTERCONNECTOR OWNER]

At []

Reference: []

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THIS **BILATERAL EMBEDDED GENERATION AGREEMENT** is made on the [] day of [] 200[].

BETWEEN

- (1) **National Grid Electricity Transmission plc** a company registered in England with number 2366977 whose registered office is at 1-3 Strand, London, WC2N 5EH (“**The Company**”, which expression shall include its successors and/or permitted assigns); and
- (2) [] a company registered in [] with number [] whose registered office is at [] (“**User**”, which expression shall include its successors and/or permitted assigns).

Each a “Party” and together the “Parties”.

WHEREAS

- (A) Pursuant to the **Transmission Licence**, **The Company** is required to prepare a Connection and Use of System Code (**CUSC**) setting out the terms of the arrangements for connection to and use of the **GB Transmission System** and the provision of certain **Balancing Services**.
- (B) The **User** has applied for use of the **GB Transmission System** and pursuant to the **Transmission Licence** **The Company** is required to offer terms for use of system.
- (C) The **User** has applied for use of the **GB Transmission System** in the capacity of [] as set out in Paragraph 1.2.4 of the **CUSC**.
- (D) As at the date hereof, **The Company** and the **User** are parties to the **CUSC Framework Agreement** (being an agreement by which the **CUSC** is made contractually binding between the parties). This **Bilateral Embedded Generation Agreement** is entered into pursuant to the **CUSC** and shall be read as being governed by it.

NOW IT IS HEREBY AGREED as follows:

1. DEFINITIONS, INTERPRETATION AND CONSTRUCTION

1.1 Unless the subject matter or context otherwise requires or is inconsistent therewith, terms and expressions defined in Section 119 of the **CUSC** have the same meanings, interpretations or constructions in this **Bilateral Embedded Generation Agreement** and the following terms and expressions shall have the meaning set out below:-

“Circuit []” [insert detailed description of circuit] (power stations with TEC-lite only);

“Outage Conditions []” the unavailability of Circuit [] as a result of

(a) a [planned]/[unplanned]/[planned or unplanned] incident occurring directly on Circuit [];
or

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(b) **Circuit []** requiring to be **Deenergised** for health and safety reasons to allow for the planned or unplanned availability of a circuit in the immediate vicinity of **Circuit []** (power stations with *TEC-lite only*);

“Outage Period” the period of time during which the **Outage Conditions** apply (power stations with *TEC-lite only*);

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1.2 Subject to the provisions of the **CUSC**, this **Bilateral Embedded Generation Agreement** and the **Grid Code**, the **User** has the right to use the **GB Transmission System** for the duration of this **Bilateral Embedded Generation Agreement**.

2. COMMENCEMENT

This **Bilateral Embedded Generation Agreement** shall commence on [].

3. THE SITE OF CONNECTION TO THE DISTRIBUTION SYSTEM

The site of **Connection** of the **Embedded Power Station [Distribution Interconnector]** to the **Distribution System** to which this **Bilateral Embedded Generation Agreement** relates is more particularly described in Appendix A.

[The sites of **Connection** of the **Embedded Power Stations [Distribution Interconnector]** to the relevant **Distribution Systems** to which this **Bilateral Embedded Generation Agreement** relates are more particularly described in Appendix A.]

4. CHARGING DATE

The date from which **Use of System Charges** shall be payable by the **User** (including **One-Off Charges** where applicable) shall be [].

5. USE OF SYSTEM

The right to use the **GB Transmission System** shall commence on and **Use of System Charges** shall be payable by the **User** from the date hereof.

6. CREDIT REQUIREMENTS

[The amount to be secured by the **User** from [date] is set out in the **Secured Amount Statement** issued from time to time and as varied from time to time in accordance with Section 3 of the **CUSC**.]

7. ~~ENTRY ACCESS CAPACITY~~**TRANSMISSION ENTRY CAPACITY**

7.1 The ~~**Entry Access Capacity**~~**Transmission Entry Capacity** of [each of the] site[s] of **Connection** is [are] and the[ir] value[s] for the purposes of Paragraph 3.2 of the **CUSC** are specified in Appendix C.

7.2 Appendix C Part 3 will set out the **BM Unit Identifiers** of the **BM Units** registered at the **Connection Site** under the **Balancing and Settlement Code**. The **User** will provide **The Company** ~~with~~ the information needed to complete details of these **BM Unit Identifiers** as soon as practicable after the date hereof and thereafter in association with any request to modify the **Transmission Entry Capacity** and **The Company** shall prepare and issue a revised Appendix C incorporating this information. The **User** shall notify **The Company** prior to any alteration in the **BM Unit Identifiers** and **The Company** shall prepare and issue a revised Appendix C incorporating this information.

7.3 **The Company** shall monitor the **Users** compliance with its obligation relating to **Transmission Entry Capacity** against the sum of metered volumes of the **BM Units** set out in Part 3 of Appendix C and submitted by the **User** for each **Settlement Period**.

8. COMPLIANCE WITH SITE SPECIFIC TECHNICAL CONDITIONS

The site specific technical conditions applying to [each of] the site[s] of **Connection** are set out in Appendices F1 to F5 to this **Bilateral Embedded Generation Agreement** as modified from time to time in accordance with Paragraph 6.9 of the **CUSC**.

9. RESTRICTIONS ON AVAILABILITY (power stations with TEC-lite only)

9.1 The design of the connection of the **Distribution System** (to which the **User** is to connect) to the **GB Transmission System** is when studied under Chapter 2 of the GB Security and Quality of Supply Standards (version 1) issued under Standard Condition C17 of the **Transmission Licence** (as amended, varied or replaced from time to time) ("**GB SQSS**") a variation to the connection design as provided for in that chapter. It is a condition of the **GB SQSS** that any variation to the connection design satisfies the criteria set out in paragraphs 2.15 to 2.18 of the **GB SQSS** and on that basis the following provisions shall apply.

9.2 **The Company** shall as soon as reasonably practicable issue to the **User** a **Notification of Circuit Outage** that advises the **User** of the occurrence of the **Outage Conditions** and where practicable the expected **Outage Period**. **The Company** shall promptly notify the **User** when the **Outage Period** will or has ceased.

9.3 Subject to the requirements under Clause 9.9, **The Company** shall be entitled to revise the **Notification of Circuit Outage** given under Clause 9.2 above at any time.

9.4 The **User** will acknowledge receipt of such **Notification of Circuit Outage** and where practicable shall revise its **Output Useable** forecast for the affected **BM Unit** accordingly.

9.5 Following such **Notification of Circuit Outage** in accordance with Clause 9.2:

9.5.1 [In respect of the **Outage Conditions** []], the **User** shall (i) ensure that the **Maximum Export Limit** and **Maximum Import Limit** for the **BM Units** relating to the **Power Station** reflects the

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outage of the **Relevant Circuits** and (ii) operate its **Power Station** to reflect the outage of the **Relevant Circuits** for all **Settlement Periods** or parts thereof falling within the **Outage Period**.]

9.5.2 In the event that the **User** does not comply with Clauses [] above, **The Company** shall issue **Bid-Offer Acceptances** to the **User** to reduce the export from and/or import to the affected **BM Unit** so that the effect is as if the **User** had complied with the relevant Clause, and the provisions of the **Transmission Related Agreement** shall apply.

9.6 Where the **User** becomes aware or is notified by **The Company** of any breach of Clause 9.5 above the **User** shall forthwith take all reasonable steps to comply with the provisions of that Clause.

9.7 Where there is a breach by the **User** of Clause 9.5 above **The Company** may treat such breach as an **Event of Default** for the purposes of Section 5 of the **CUSC**.

9.8 For the avoidance of doubt any **Deenergisation** resulting from the **Outage Conditions** as set out in the relevant **Notification of Restrictions on Availability** constitutes an **Allowed Interruption**.

9.9.1 **The Company** and the **User** shall act in accordance with **Good Industry Practice** to minimise so far as reasonably practicable the occurrence and duration of the **Outage Conditions**. **The Company** and the **User** will, recognising the effect of the **Outage Conditions** on the **User's** operations, coordinate the **Outage Conditions** on the **GB Transmission System** (where they occur as a result of a planned outage) and the **User's Plant and Apparatus** in accordance with **Good Industry Practice** and to the extent practicable. The Parties acknowledge however that even where planned outages are coordinated and agreed that a Party may need to cancel or change such planned outage.

9.9.2 The Parties hereby acknowledge and agree that, where practicable, alternative operating arrangements shall be implemented to minimise the effect of **Outage Conditions**], including, but not limited to [describe potential arrangements]]. In the event that **The Company** and the **User** implement alternative operating arrangements in respect of an **Outage Condition**, the provisions of Clause 9.5 shall not apply to the extent that the alternative operating arrangements mitigate the restrictions (whether in whole or in part) that would otherwise apply to the **User** under this Clause 9 for all **Settlement Periods** or parts thereof falling within the **Outage Period**.

9.10 For so long as this Clause 9 applies, the **User** shall be liable for the **TEC-lite Transmission Network Use of System Charges** in accordance with Paragraph 3.9.2 of the **CUSC**.]

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910. TERM

Subject to the provisions for earlier termination set out in the **CUSC**, this **Bilateral Embedded Generation Agreement** shall continue until all of the **User's** equipment [or **Equipment** for which the **User** is responsible (as defined in Section K of the **Balancing and Settlement Code**] is **Disconnected** from the relevant **Distribution System** at the site[s] of **Connection** as provided in Section 5 of the **CUSC**.

4011. VARIATIONS

4011.1 Subject to **4011.2** and **4011.3**, no variation to this **Bilateral Embedded Generation Agreement** shall be effective unless made in writing and signed by or on behalf of both **The Company** and the **User**.

4011.2 **The Company** and the **User** shall effect any amendment required to be made to this **Bilateral Embedded Generation Agreement** by the **Authority** as a result of a change in the **CUSC** or the **Transmission Licence**, an order or direction made pursuant to the **Act** or a **Licence**, or as a result of settling any of the terms hereof. The **User** hereby authorises and instructs **The Company** to make any such amendment on its behalf and undertakes not to withdraw, qualify or revoke such authority or instruction at any time.

4011.3 **The Company** has the right to vary Appendix B in accordance with this **Bilateral Embedded Generation Agreement** and the **CUSC** including any variation necessary to enable **The Company** to charge in accordance with the **Charging Statements** or upon any change to the **Charging Statements**.

~~11. RESTRICTIVE TRADE PRACTICES ACT~~

~~Any restriction or information provision (as each of those terms are defined or construed in Section 43(1) of the Restrictive Trade Practices Act 1976) contained in this Bilateral Embedded Generation Agreement shall not take effect or shall cease to have effect:~~

~~11.1.1 if a copy of this Bilateral Embedded Generation Agreement is not provided to the Department of Trade and Industry ("DTI") within 28 days of the date of this Bilateral Embedded Generation Agreement; or~~

~~11.1.2 if, within 28 days of the provision of that copy to the DTI, the DTI gives notice of objection to the party providing it.~~

12. GENERAL PROVISIONS

Paragraph 6.10 and Paragraphs 6.12 to 6.26 of the **CUSC** are incorporated into this **Bilateral Embedded Generation Agreement** *mutatis mutandis*.

IN WITNESS WHEREOF the hands of the duly authorised representatives of the parties hereto at the date first above written

SIGNED BY)

[name])

for and on behalf of)

National Grid Electricity Transmission plc)

SIGNED BY)

[name])

for and on behalf of)

[User])

APPENDIX A

THE SITE OF CONNECTION

1. SITE[s] OF CONNECTION

Company :

Site[s] of Connection :

Owner[s] / Operator[s] of Distribution System:

APPENDIX B
CHARGES AND PAYMENT

Company :

Site of Connection:

1. PART 1: ONE-OFF CHARGES

2. PART 2: MISCELLANEOUS CHARGE(S)

APPENDIX C

TRANSMISSION ENTRY CAPACITY

Part 1 Transmission Entry Capacity

Transmission Entry Capacity (TEC) expressed in average MW taken over a half hour settlement period

| | TEC(MW) |
|---------------|---------|
| Power Station | [] |

Part 2 BM Units comprising Power Station

| | |
|------------|--|
| E_BMU 1 | (Associated with Genset 1) |
| E_BMU 2 | (Associated with Genset 2) |
| E_BMU 3 | (Associated with Genset 3) |
| E_BMU 4 | (Associated with Genset 4) |
| E_BMU SD-1 | (Station Demand) if applicable |
| E_BMU AD-1 | (Additional Trading Site Demand) if applicable |

APPENDIX FI

SITE SPECIFIC TECHNICAL CONDITIONS: AGREED BALANCING SERVICES

APPENDIX F2

[NOT USED]

APPENDIX F2

SITE SPECIFIC TECHNICAL CONDITIONS: SPECIAL AUTOMATIC FACILITIES

APPENDIX F3

SITE SPECIFIC TECHNICAL CONDITIONS: PROTECTION AND CONTROL RELAY SETTINGS
FAULT CLEARANCE TIMES

APPENDIX F4

SITE SPECIFIC TECHNICAL CONDITIONS: OTHER