

**CONSTRAINT MANAGEMENT SERVICE
EXPLANATION AND TENDER GUIDANCE
DOCUMENT**

For Tender Round 7

19th April 2010

**Network Operations
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Website:

<http://www.nationalgrid.com/uk/Electricity/Balancing/services/systemsecurity/constraint/index.htm>

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Important - Please Read

Introduction

This Explanation and Tender Guidance Document is to be read in conjunction with the following documentation which is available on National Grid's website:

<http://www.nationalgrid.com/uk/Electricity/Balancing/services/systemsecurity/constraint/index.htm>

- Invitation to Tender Letter
- Constraint Management Service Terms (version 3)
- Constraint Management Service Description
- Tender Sheets
- Tenderer's Contact Details pro-forma
- Tender Assessment Principles

together with this Explanation and Tender Guidance Document referred to as "the Documentation".

Disclaimer and Tenderer's Responsibility

The information supplied with, contained in, or referred to in the Documentation, and all other information relating to the Constraint Management service, and any contract whereby the Constraint Management service may be made available to, and provided to National Grid Electricity Transmission plc ("National Grid"), which is provided by National Grid at any time, whether before or after the date hereof, is given in good faith. However, no warranty or representation or other obligation or commitment of any kind is given by National Grid, its employees or advisors as to the accuracy or completeness of any such information or that there are not matters material to the arrangements and matters referred to therein other than is contained or referred to in such information. Neither National Grid nor its employees or advisors shall be under any liability for any error or misstatement or as a result of any failure to comment on any information provided by National Grid or the recipient of the Documentation or any other person or any answers to any questions or for any omission and none of such information shall constitute a contract or part of a contract.

Tenderers for the Constraint Management service shall satisfy themselves of the accuracy and completeness of any information they may use in preparing their tenders whether such information is provided by National Grid or comes from any other source. National Grid, its advisors and any other person responsible for production of any information to a tenderer do not accept any duty of care to the tenderer. It is the duty and responsibility of a tenderer to ensure that it takes into account all considerations relating to the tender and the entering into of an agreement for the Constraint Management service.

National Grid reserves the right not to proceed with any tenders or proposals made in response to the Documentation.

Terminology and Interpretation

The Documentation makes reference to various technical and industry-related terms and phrases. Save where otherwise expressly defined, these shall have the meanings set out in the Constraint Management Service Terms version 3 (“Standard Contract Terms”). In the event of any conflict between the Standard Contract Terms and any other information supplied with, contained in or referred to in the Documentation (and any other information supplied at any time by National Grid with respect to the Constraint Management service), tenderers and prospective tenderers should rely solely on the terms and conditions set out or referred to in the Standard Contract Terms.

The information contained in this Explanation and Tender Guidance Document is, to the best of National Grid’s belief, accurate and has been given in good faith. However, no warranty or representation or other obligation or commitment of any kind is given by National Grid, its employees or advisers as to the accuracy and completeness of any information contained in this Explanation and Tender Guidance Document, or that there are not other matters material to the matters referred to herein other than is contained or referred to in such information.

Neither National Grid nor its employees or advisers shall be under any liability for any error, misstatement or omission in this Explanation and Tender Guidance Document; and none of such information shall constitute a contract or part of a contract.

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1. OVERVIEW OF TENDER AND CONTRACTING PROCESS

1.1. Standard Contract Terms

Any potential provider of the Constraint Management service **must** enter into Standard Contract Terms with National Grid in respect of the Power Station(s) or Site(s) which it intends will provide the Constraint Management service.

The Standard Contract Terms contain additional information in the form of BMU fuel efficiency factors that are required to enable assessment of tenders for index-linked price caps/collars. Fuel Efficiency Factors will need to be available to National Grid when such a tender is received.

1.2. Tender

All tenders in respect of this tender round must be submitted not later than **17:00 hours on Tuesday 4th May 2010 (“Market Day”)**.

Detailed requirements and guidance in respect of the completion and submission of tenders can be found in Section 4 of this Explanation and Tender Guidance Document.

Where any potential provider wishes to submit a tender for the provision of the Constraint Management service from a non-BM generation or demand source it will be required to agree with National Grid revisions to the Standard Contract Terms to allow provision of the service from that source. Such revised terms will need to set out mechanisms for instructing and settling provision of the Constraint Management service and may also require the inclusion of warranties regarding the provider's ability, whilst providing Constraint Management, to comply with its statutory obligations, industry codes and any other agreements to which it may be party.

Any such potential providers are requested to contact National Grid for guidance before submitting a tender.

1.3. Acceptance and Rejection of Tenders

After Market Day, National Grid will assess all tenders which it receives, applying the assessment principles set out in the Tender Assessment Principles document.

National Grid may either accept or reject a tender for the provision of the Constraint Management service by notification in writing; and will issue such notifications in respect of this tender round by close of play on **Friday 7th May 2010**.

1.4. Obligation to provide Constraint Management

The issuing by National Grid of a notification of acceptance of a tender will oblige the tenderer to provide the Constraint Management service during the Constraint Management Period in accordance with the Standard Contract Terms within the Commercial Services Agreement for the Power Station/Site in question. The prices and data contained in the accepted tender will apply to the provision of the Constraint

Management service during the Constraint Management Period.

2. MANDATORY REQUIREMENTS OF THE TENDER PROCESS

2.1. Site-Specific Requirements

Each tender must be for a Power Station/Site in respect of which the tenderer has agreed in writing that the Standard Contract Terms will apply. This agreement will take the form of incorporation of the Standard Contract Terms within a Commercial Services Agreement between National Grid and the tenderer.

National Grid does not wish to be overly prescriptive regarding the minimum amount of MW it expects from a Power Station/Site in order to provide the service. The amount of MW will, however, be an important factor in assessing the value of tenders received. Constraint Management often requires the increase or decrease in active energy of hundreds, rather than tens of MW, so the magnitude of instructable blocks of MW will be an important consideration in tender assessment.

Constraint duration can vary between a few hours to whole days at a time. National Grid seeks tenders that are capable of delivering increases or decreases in MW that are sustainable for at least four hours at a time.

2.2. General Tender Requirements

Tenderers must complete all mandatory fields on the tender sheets, and must enter only 1 item of data per field.

A Power Station/Site may only be contracted against one Constraint Management Period at a time (unless that contract has been terminated in accordance with the Standard Contract Terms). Where National Grid indicates more than one duration (e.g. base load, extended peak) in an Invitation to Tender, a Power Station/Site may submit one tender for each duration within the Contract Period.

3. COMPLETION AND SUBMISSION OF TENDERS

Tenderers must submit a tender which is:-

- Fully compliant (without any qualification) with the mandatory requirements of the Constraint Management service set out in Section 2 of this Explanation and Tender Guidance Document;
- Not accompanied by statements that could be construed by National Grid as rendering the tender equivocal and/or prevent its evaluation on an equal basis with other tenders;
- Set out on the tender sheets as broadly defined within the Standard Contract Terms (and available on our website) in accordance with Section 5 of this Explanation and Tender Guidance Document;
- Accompanied (in all cases) by the pro forma containing the tenderer's contact details;
- Returned by post or by hand (not facsimile or email) to:

Katharine Clench
Network Operations
National Grid plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

To be received not later than 17:00 hours on Market Day. Envelopes containing tenders must be clearly marked on the top left hand corner '**CMS TR7**'.

If, in the sole judgement of National Grid, a tenderer has failed to submit a compliant tender, National Grid reserves the right to:-

- accept the tender in question; or
- disqualify the tender in question; and/or
- take any other action it deems appropriate in the circumstances including requesting the tenderer to amend any parameters other than prices or resubmit a non-compliant tender, so that it is made compliant.

National Grid's decision as to whether or not a tender is compliant shall be final, and the tenderer concerned may be notified of such decision without prior consultation or explanation.

No costs or expenses incurred in the course of preparing and/or submitting a tender will be paid for by National Grid.

If any further information is required to assist with the preparation of a tender, the tenderer should request this information from National Grid. National Grid may consider it necessary to copy any further information given in response to specific enquiries to all other tenderers. No further information will be issued by National Grid after 23rd April 2010.

Tenders will be opened by an evaluation panel no earlier than **09:00 hours** on **Wednesday 5th May 2010**.

Prior to Market Day, the tender documentation will be treated as private and confidential. Until Market Day, tenderers must not divulge or release details of the tender documentation to any third party, other than on an 'In Confidence' basis to those parties having a legitimate need to know, or whom they need to consult for the purpose of preparing the tender.

4. **GUIDANCE NOTES FOR COMPLETION OF THE TENDER SHEET**

4.1. **Constraint Management Period**

National Grid may request tenders for one or more Constraint Management Periods. A Power Station/Site may submit only one tender for each requested Constraint Management Period. Please enter the start and end dates for the Constraint Management Period to which the tender relates in the boxes provided. In addition to the start and end dates, National Grid will indicate its requirement within the Constraint Management Period, for example Peak, Extended Peak or Base Load.

4.2. **Tendered Service Parameters**

- 1 **Constraint Management Period** This section indicates the start and end dates of National Grid's constraint management service requirement.
- 2 **Contract Type** Where National Grid has indicated in its Invitation to Tender Letter that it is interested in receiving tenders for multiple durations (e.g. base load, extended peak), tick the appropriate box to indicate the duration for which the tender applies. Only one tender per duration can be submitted for a Constraint Management Period. Tenders for different durations should be submitted on separate tender sheets.
- 3 **Tender Type** Please indicate whether the tender is for fixed price caps/collars or index-linked price caps/collars by placing a tick in the appropriate box. Only one tender type may be submitted for a Power Station/Site for each Constraint Management Period.
- 4 **Power Station/Site** Please identify the Power Station or Site for which the Constraint Management service is being tendered. The Power Station/Site will need to have signed onto the Standard Contract Terms for a tender to be submitted.
- 5 **Fuel Type** Please insert the primary fuel type applicable to the Power Station, such as gas, coal, oil etc. Where a Power Station has dual fuel capability, the fuel type inserted should be that which is expected to predominate during the Constraint Management Period. If no single fuel is expected to predominate, or if the service is to be provided other than via generation, Providers should get in touch to discuss options.
- 6 **Availability Payment Rates** Please insert the tendered 'per settlement period' availability rate in the appropriate box, depending on whether the tender is for an Offer service, a Bid service, or both. The Availability Payment Rate is multiplied by the volume of bids, offers, or both, which are available to be instructed at the Power Station/Site based on operating conditions at the time.

- 7 Fixed Capped Offer Prices and/or Fixed Collared Bid Prices (for fixed tenders only)** For fixed price tenders only, please insert the tendered Fixed Capped Offer Price and/or Fixed Collared Bid Price in the appropriate box, depending on whether the tender is for an Offer service, a Bid service, or both. These are the limits within which BM prices must be submitted during the Constraint Management Period.
- 8 Offer Index Margin and/or Bid Index Margin (for index-linked tenders only)** For index-linked tenders only, please insert the tendered Offer Index Margin and/or Bid Index Margin in the appropriate box, depending on whether the tender is for an Offer service, a Bid service, or both. The offer and bid index margins are added to the fuel and carbon indices to set dynamic limits within which BM prices must be submitted during the Constraint Management Period.
- 9 Indicative Maximum Tendered MW** Please insert the Indicative Maximum Tendered MW in the box provided. This value should be the expected maximum amount of increase or decrease that could feasibly be made available at the Power Station/Site. For example in a Power Station with four 500 MW BMUs, each having a SEL to MEL range of 250 MW, the indicative maximum would be 1000MW (either for the 'bid' service if all BMUs are operating at MEL, or the 'offer' service if all units are operating at SEL).

5. ASSESSMENT OF TENDERS AND SELECTION FACTORS

After the tender submission deadline (“Market Day”), all Tenders received will be opened, examined for completeness, and logged electronically by an evaluation panel.

National Grid reserves the right to deal with late submissions in a manner which it feels most appropriate taking account of any particular circumstances. In general, any late submissions will not be accepted.

Any submission that is regarded as non-compliant or unclear may be referred by National Grid back to the tenderer for clarification. If necessary, technical parameters may be adjusted by a tenderer to ensure compliance, but price information may not be changed.

The logging process records all information specified on the tender sheets in electronic form.

This electronic data, along with any historic performance data, forms the basis for tender assessment. The assessment methodology is reported in the “the Constraint Management Service Assessment principles” document. The objective of the assessment is to consider the cost and value of the tender against alternative options for constraint mitigation.

A written notification will be sent to each tenderer by the published date informing it whether or not its tender is successful. National Grid will not communicate the full results of the assessment process to all tenderers, but will publish summary details in a Market Information Report which will be made available via its website:

<http://www.nationalgrid.com/uk/Electricity/Balancing/services/systemsecurity/constraint/index.htm>

Only data submitted on the Tender Sheets will be used to compile the Market Information report. Data specified in the Commercial Services Agreement which incorporates the Standard Contract Terms, such as the Fuel Efficiency Factor, will remain confidential.

FURTHER INFORMATION

Any communications with National Grid associated with the Documentation or the tender process should be addressed to:

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