

SHORT TERM OPERATING RESERVE STANDARD CONTRACT TERMS

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

Website: www.nationalgrid.com/uk

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NATIONAL GRID ELECTRICITY TRANSMISSION plc

SHORT TERM OPERATING RESERVE
STANDARD CONTRACT TERMS

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INTRODUCTION

Introduction

1. This is a general introduction to this **Document**. It includes a description of how this **Document** interacts with the **STOR Framework Agreement** and each **STOR Tender** to form a **STOR Contract** between **National Grid** and a **Reserve Provider**.

Status of this Introduction

2. This introduction does not form part of this **Document** and therefore has no legally binding effect. This introduction may be updated by **National Grid** from time to time to reflect any amendments to this **Document**, or the **STOR Framework Agreement** or to correct any errors or inaccuracies which may be discovered.

Background

3. At certain times of the day **National Grid** needs extra power in the form of either generation or demand reduction to be able to deal with actual demand being greater than forecast demand and plant breakdowns. This requirement is met from synchronised and non-synchronised sources. **National Grid** procures the non-synchronised requirement primarily by contracting for **Short Term Operating Reserve**, provided by a range of service providers by means of standby generation and demand reduction.
4. The need for **Short Term Operating Reserve** varies across the year, the time of week and time of day, being a function of the system demand profile at that time. To reflect this, **National Grid** splits the year into a number of Seasons, for both Working Days (including Saturdays) and Non-Working Days (Sundays and most Bank Holidays), and specifies the periods in each day that **Short Term Operating Reserve** is required. These periods are referred to as **Availability Windows**.

Overview of Structure

5. The structure of **this Document**, the **STOR Framework Agreement** and the **STOR Tender** is as follows:
 - a) **This Document**

This **Document** is a single document incorporating terms of general application to all **Reserve Providers**, as well as sections dealing specifically with **Balancing Mechanism**

(BM) participants and non-BM participants and schedules for use where a **Reserve Provider** delegates certain of its obligations to a **Reserve Provider's Agent**. This **Document** may be varied or re-issued by **National Grid** annually with effect from the start of a financial year, and, unless the **Reserve Provider** issues a notice of termination in the prescribed form, any variation or re-issue of this **Document** shall supersede this **Document** and shall be incorporated in the existing **STOR Contract(s)** as between **National Grid** and a **Reserve Provider**.

b) **STOR Framework Agreement**

The **STOR Framework Agreement** gives contractual effect to the relevant provisions of this **Document** as between **National Grid** and the **Reserve Provider** and also contains any adaptations to the provisions of this **Document** agreed between **National Grid** and the **Reserve Provider**. Before a potential **Reserve Provider** may submit a **STOR Tender** for the provision of **Short Term Operating Reserve** to **National Grid** it shall first accede to the terms of this **Document** by entering into the **STOR Framework Agreement**.

This **Document** and the **STOR Framework Agreement** have been designed to apply to both **Reserve** provided via an increase in generation and **Reserve** provided via a reduction in **Demand**.

c) **STOR Tender**

If the **Reserve Provider** tenders to provide **Short Term Operating Reserve** to **National Grid** it will do so by submitting a tender ("**STOR Tender**") to **National Grid** in the approved form as set out in the **ITT Pack**. This **STOR Tender** will set out the **BM Unit** specific or site specific terms of the **Reserve Provider** and will confirm its acceptance to the terms of this **Document** and the **STOR Framework Agreement**.

d) **Acceptance/Rejection of STOR Tender**

After receipt of a **STOR Tender** and following the appropriate assessment period **National Grid** shall either accept or reject that **STOR Tender** by issuing a **STOR Tender Acceptance** and/or **STOR Tender Rejection**. A **STOR Tender Acceptance** shall specify (inter alia) the **Seasons**, the **Commencement Date** and the **Expiry Date**, and a **STOR Tender Rejection** shall specify those tendered seasons which **National Grid** rejects. The issuing of a **STOR Tender Acceptance** will constitute a legally binding contract between the **Reserve Provider** and **National Grid** for provision by the **Reserve Provider** of **Short Term Operating Reserve** (the "**STOR Contract**").

SECTION 1

AGREEMENTS AND TENDER RULES

1.1 INTRODUCTION

- 1.1.1 As between **National Grid** and any potential **Reserve Provider**, this **Document** shall take effect upon the later of 05.00 hours on 1 April 2008 and the coming into force of a **STOR Framework Agreement** and shall apply (as varied and/or reissued from time to time pursuant to sub-paragraph 1.2) to all **STOR Contract(s)** made from time to time hereunder until termination of the **STOR Framework Agreement**.
- 1.1.2 This **Document** is divided into different sections, including sections dealing specifically with **Balancing Mechanism** participants, non-**Balancing Mechanism** participants and other sections of more general application.
- 1.1.3 Paragraph 1.4 sets out the basis upon which **National Grid** will invite interested parties to submit **STOR Tender(s)** for the provision of **Short Term Operating Reserve**, and the issue by **National Grid** of a **STOR Tender Acceptance** will create a **STOR Contract** for the provision of **Short Term Operating Reserve** upon the terms set out in the applicable sections of this **Document**, the **STOR Framework Agreement**, the relevant **STOR Tender** and the **STOR Tender Acceptance**.
- 1.1.4 Section 2 sets out the terms for provision of **Short Term Operating Reserve** where the **Reserve Provider** provides **Short Term Operating Reserve** from **Generating Unit(s)** comprised within a **Production BM Unit** which it has established and registered as such under and in accordance with the **Balancing and Settlement Code**.
- 1.1.5 Section 2A is currently left blank, but terms may be included in due course to apply in respect of the provision of **Short Term Operating Reserve** from **Plant** and **Apparatus** comprised within a **Consumption BM Unit** which a **Reserve Provider** has established and registered as such under and in accordance with the **Balancing and Settlement Code**, if that **Reserve Provider** wishes to tender on that basis.
- 1.1.6 Section 3 sets out the terms for provision of **Short Term Operating Reserve** where the **Reserve Provider** provides **Short Term Operating Reserve** from either **Generating Unit(s)** and/or other **Plant** and **Apparatus** which the **Reserve Provider** has not established and registered as **BM Unit(s)** under and in accordance with the **Balancing and Settlement Code** or **Generating Unit(s)** and/or other **Plant** and **Apparatus** which are established and registered as a **BM Unit(s)** under and in accordance with the **Balancing and Settlement**

Code, but which do not, and will not for the term of the **STOR Contract**, actively participate in the **Balancing Mechanism**.

1.1.7 Section 4 contains general provisions applicable to all providers of **Short Term Operating Reserve**.

1.1.8 Section 5 contains defined terms used throughout this **Document**.

1.2 VARIATIONS AND REISSUES OF THIS DOCUMENT

1.2.1 This **Document** shall be reviewed by **National Grid** from time to time and may be varied by **National Grid** at its sole discretion with effect from the commencement of any **Financial Year**, provided always that **National Grid** shall notify all **Reserve Providers** of any such variation on or before the issue of the last **ITT Pack** to be issued by **National Grid** before the date that such variation shall take effect. The latest version of this **Document** shall be published by **National Grid** on its website and shall be identified by an issue number and date of publication. Any variation or re-issue of this **Document** shall supersede this **Document**, and shall be incorporated into any subsisting **STOR Contract(s)** as between **National Grid** and a **Reserve Provider**, with effect from the date such variation or re-issue of this **Document** is expressed to take effect, unless the **Reserve Provider** serves a notice pursuant to sub-paragraph 4.4.1 to terminate such **STOR Contract(s)** with effect from such date.

1.2.2 Termination of any **STOR Contract(s)** shall be without prejudice to the rights and remedies to which a **Party** may be entitled thereunder and shall not affect any accrued rights or liabilities of either **Party** nor the coming into or continuance in force of any provision thereof which is expressly or by implication intended to come into force on or after such termination.

1.3 STOR FRAMEWORK AGREEMENT

1.3.1 If the **Reserve Provider** wishes to provide **Short Term Operating Reserve** to **National Grid** from any **Generating Unit(s)** and/or other **Plant** and **Apparatus**, it may seek to agree the terms of, and enter into, a **STOR Framework Agreement** with **National Grid** in respect of such **Generating Unit(s)** and/or other **Plant** and **Apparatus** in order to accede to the terms of this **Document**. By entering into the **STOR Framework Agreement** the **Reserve Provider** will, subject always to sub-paragraph 1.3.3, be permitted to submit **STOR Tender(s)** with respect to such **Generating Unit(s)** and/or other **Plant** and **Apparatus** for such periods as specified by **National Grid** from time to time. Upon execution, the terms of the **STOR Framework Agreement** shall remain in force until terminated either:-

- (a) by either or both **Parties** in accordance with this **Document**; or
- (b) in accordance with the terms of the **STOR Framework Agreement**.

1.3.2 Pursuant to the terms of a **STOR Framework Agreement** and with respect to any or all of the relevant **Generating Unit(s)** and/or other **Plant** and **Apparatus**, **National Grid** and a **Reserve Provider** may agree to modify, disapply and/or supplement any relevant provision of this **Document** where necessary to accommodate unit specific or site specific technical requirements, and this **Document** shall be read and construed accordingly.

1.3.3 The **Reserve Provider**'s right to submit **STOR Tender(s)** with respect to any **Generating Unit(s)** and/or other **Plant** and **Apparatus** shall be suspended for so long as the **Delivery Method** specified in the **STOR Framework Agreement** in respect of such **Generating Unit(s)** and/or other **Plant** and **Apparatus** is inaccurate.

1.3.4 For the avoidance of doubt, nothing in this **Document** shall create any rights and/or obligations as between two or more **Reserve Providers**.

1.4 **TENDERS**

Pre-condition to participation

1.4.1 It shall be a pre-condition to participating in any tender process referred to in this Section 1.4 that:-

- (a) a **Reserve Provider** shall have entered into a **STOR Framework Agreement** with **National Grid** which relates to the **Generating Unit** and/or other **Plant** and **Apparatus** which shall be the subject of the relevant **STOR Tender**; and
- (b) sub-paragraph 1.3.3 does not apply to the **Generating Unit** and/or other **Plant** and **Apparatus** which shall be the subject of the relevant **STOR Tender**.

Procedures and requirements

1.4.2 The detailed procedures and requirements for tendering and assessing **STOR Tender(s)** shall be more particularly specified within the document entitled "Explanation and Tender Guidance Document" which shall be contained in the **ITT Pack**.

Availability Windows and Seasons

1.4.3 Without limiting sub-paragraph 1.4.2, each **STOR Tender** shall relate to:-

- (a) all **Availability Windows** in one or more of the **Seasons** each as specified in the relevant **ITT Pack**; and
- (b) **Season(s)** falling in **Year A** and/or **Year B**.

1.4.4 Where and to the extent that a **STOR Tender** relates to one or more **Seasons** in **Year B** and a **STOR Contract** is subsequently formed in relation to that **STOR Tender**:-

- (a) the **Availability Windows** and **Seasons** in **Year B** shall be subject to amendment pursuant to sub-paragraph 1.4.5 below; and
- (b) the **Availability Price(s)** for any **Availability Windows** in **Year B** designated in the **STOR Tender** as **Committed Windows** shall be subject to adjustment pursuant to sub-paragraph 1.4.6 below,

and the terms of the **STOR Contract** shall be deemed amended accordingly.

1.4.5 If, in any subsequent **ITT Pack** published after the date of submission of a **STOR Tender National Grid** specifies **Availability Window(s)** and/or **Season(s)** for **Year B** of any **STOR Contract** which is formed upon acceptance of all or part of that **STOR Tender** which differ from the **Availability Window(s)** and/or **Season(s)** for **Year B** previously specified when that **STOR Tender** was submitted, then such **Availability Window(s)** and/or **Season(s)** comprised in such **STOR Contract** shall be amended so as to align with the **Availability Window(s)** and/or **Season(s)** (as the case may be) as so specified in the subsequent **ITT Pack**.

1.4.6 Where any one or more **Availability Window(s)** and/or **Season(s)** for **Year B** are amended pursuant to sub-paragraph 1.4.5 above, **National Grid** shall apply the formulae set out in Annexure 1 to this Section 1 to determine an increase (if any) to the **Availability Price(s)** for any **Availability Windows** in **Year B** designated as **Committed Windows** in the relevant **STOR Contract** to be applied to any **Committed Windows** for **Year B** as more particularly specified therein.

Acceptance and rejection

1.4.7 Following receipt of the **STOR Tender**, **National Grid** may request that the **Reserve Provider** provide or (where applicable) procure that the **Reserve Provider's Agent** provides clarification with regard to any one or more items of technical information contained in the **STOR Tender** for the purpose of enabling **National Grid** to assess that **STOR Tender**.

1.4.8 No later than the relevant date of acceptance specified in the **ITT Pack**, **National Grid** shall issue to each **Reserve Provider** who has submitted a **STOR Tender** a **STOR Tender Acceptance** and/or a **STOR Tender Rejection** indicating whether that **STOR Tender** has (in whole or in part) been accepted or rejected. **National Grid** shall specify in a **STOR Tender Acceptance**:-

- (a) the applicable **Tendered BM Unit** or **Tendered Site**;
- (b) the **Seasons**;
- (c) the **Commencement Date**;
- (d) the **Expiry Date**;
- (e) (where relevant) the **Required Flexible Availability**; and
- (f) where **National Grid** has requested clarification with regard to any one or more items of information contained in the **STOR Tender** in accordance with subparagraph 1.4.7 and, subsequent thereto, a material error or ambiguity in the **STOR Tender** is identified, any amendment agreed by **National Grid** and the **Reserve Provider** to the **STOR Tender** to rectify such error or ambiguity,

and in a **STOR Tender Rejection** the applicable **Tendered BM Unit** or **Tendered Site** and those tendered seasons which **National Grid** rejects. **National Grid**'s decision shall be final and binding. Failing the issue by such date of a **STOR Tender Acceptance**, **National Grid** shall be deemed to have rejected the **STOR Tender** concerned in its entirety.

1.4.9 The issue by **National Grid** of a **STOR Tender Acceptance** shall constitute formation of a **STOR Contract** which shall be personal to the **Reserve Provider** and shall not be assigned otherwise than in accordance with paragraph 4.5 without the prior written consent of **National Grid**.

ANNEXURE 1 TO SECTION 1
ADJUSTMENT TO AVAILABILITY PRICES
(COMMITTED WINDOWS ONLY)

Where any one or more **Availability Window(s)** and/or **Season(s)** for **Year B** are amended pursuant to sub-paragraph 1.4.5, then, with respect to each affected **Contracted BM Unit or Contracted Site, National Grid** shall apply the formulae set out below to determine an increase (if any) to the **Availability Price(s)** for any **Availability Windows** in **Year B** designated as **Committed Windows**:-

$$RAP(S) = \max \left[\left(\frac{AAW(S) \times TAP(S)}{H(S)} \right) \times X \times F, TAP(S) \right]$$

Where:

$RAP(S)$ = the revised **Availability Price** for **Season S** in **Year B** applicable to all **Committed Windows**

$AAW(S)$ = the aggregate number of hours in all **Committed Windows** in **Season S** in **Year B** as specified in the **STOR Contract**

$TAP(S)$ = the **Availability Price** for **Season S** in **Year B** as specified in the **STOR Contract**

$H(S)$ = the aggregate number of hours in all **Committed Windows** in **Season S** in **Year B** as amended pursuant to sub-paragraph 1.4.5

X = 1 where the aggregate number of hours in all **Committed Windows** in **Season S** in **Year B** have been reduced as a result of the amendment pursuant to sub-paragraph 1.4.5, otherwise 0

F = 1 where $RAI < OAI$, otherwise 0

where:

$$RAI = \sum_S H(S) \times TAP(S)$$

$$OAI = \sum_S AAW(S) \times TAP(S)$$

where:

\sum_s = summation over all **Seasons S** in **Year B** in which there are **Committed Windows**

Season S = the **Season** in **Year B** the subject of amendment pursuant to sub-paragraph 1.4.5

SECTION 2

SHORT TERM OPERATING RESERVE - BALANCING MECHANISM PARTICIPANTS - PRODUCTION BM UNITS

2.1 INTRODUCTION

- 2.1.1 Subject to sub-paragraph 2.1.2, this Section 2 sets out the terms for provision of **Short Term Operating Reserve** where the **Reserve Provider** provides **Short Term Operating Reserve** from **Generating Unit(s)** comprised within a **Production BM Unit** which it has established and registered as such under and in accordance with the **Balancing and Settlement Code**.
- 2.1.2 Where a **STOR Contract** provides that the **Reserve Provider** may procure the performance by a **Reserve Provider's Agent** of certain of its obligations in connection with the provision of **Short Term Operating Reserve** pursuant to this Section 2, paragraphs 2.2 to 2.12 and Annexures 1 to 4 to this Section 2 shall not apply and shall be replaced with paragraphs 2.2 to 2.12 and Annexures 1 to 4 to Section 2 set out in Part 1 of Schedule 1.
- 2.1.3 The provisions of this Section 2 shall apply with respect to a **Reserve Provider** who has submitted a **STOR Tender(s)** which has been accepted (in whole or in part) by **National Grid** in respect of the **BM Unit** specified in such **STOR Tender** pursuant to sub-paragraph 1.4.8 so as to form a **STOR Contract**.

2.2 DECLARATIONS OF AVAILABILITY

Declarations Week Ahead

- 2.2.1 By 10.00 hours each Tuesday the **Reserve Provider** shall submit to **National Grid** a notice (a "**Declaration**") in relation to each of the **Contracted BM Units(s)** and in respect of each **Availability Window** in the following **Week**, either:-
- (a) confirming that **Reserve** is available; or
 - (b) indicating that, for reasons related to the technical capability of the **Contracted BM Unit**, **Reserve** is unavailable.

A **Declaration** may be made by the submission of **Grid Code OC 2** data in accordance with the provisions thereof or by facsimile unless otherwise agreed by **National Grid** in writing. Failure to submit a **Declaration** in accordance with this sub-paragraph 2.2.1 shall be deemed to be an indication of unavailability of **Reserve** in the following **Week**, and in respect thereof the **Reserve Provider** shall not be entitled to revise availability of **Reserve** in accordance with sub-paragraph 2.2.2. For the avoidance of doubt, a notice served

pursuant to this sub-paragraph 2.2.1 indicating in relation to a **Contracted BM Unit** that 0 MW of **Reserve** is available in respect of each **Availability Window** in the following **Week** shall constitute a **Declaration**.

Revisions to Declarations pre Gate Closure

2.2.2 Where, at any time prior to **Gate Closure** in respect of the first **Settlement Period** within a **Pre-Window Instruction Period**, the **Reserve Provider** becomes aware of changes in the technical capabilities of a **Contracted BM Unit** previously the subject of a **Declaration**, it shall revise that **Declaration** forthwith by serving a notice on **National Grid** (a "**Redeclaration**") either:-

- (a) confirming that **Reserve** will be available during that **Availability Window**; or
- (b) indicating that, for reasons related to the technical capability of the **Contracted BM Unit**, **Reserve** will not be available during that **Availability Window**,

provided always that, where the **Reserve Provider** issues a **Redeclaration** after 05.00 hours on the **Operational Day** immediately preceding the **Operational Day** in which the relevant **Availability Window** falls, the **Redeclaration** shall be made by way of an appropriate revision to the **Maximum Export Limit** of the relevant **Contracted BM Unit** in accordance with the **Grid Code**.

Contracted Availability Windows

2.2.3 For the purposes of this Section 2, a "**Contracted Availability Window**" in relation to any **Contracted BM Unit** is an **Availability Window** in respect of which the **Declaration** or **Redeclaration** current as at **Gate Closure** in respect of the first **Settlement Period** of the **Pre-Window Instruction Period** indicates that **Reserve** will be available from that **Contracted BM Unit** during that **Availability Window**.

Revisions to Declarations post Gate Closure

2.2.4 Where, during:-

- (a) the **Gate Closure Period** in respect of the first **Settlement Period** within a **Pre-Window Instruction Period**; or
- (b) a **Pre-Window Instruction Period**; or
- (c) a **Contracted Availability Window**,

the **Reserve Provider** becomes aware of a change in the availability of **Reserve** such that, for reasons related to the technical capability of that **Contracted BM Unit**, **Reserve** will be unavailable from that **Contracted BM Unit**, it shall notify **National Grid** forthwith by way of an appropriate revision to the **Maximum Export Limit** of the relevant **Contracted BM Unit** in accordance with the **Grid Code** (“a **Redeclaration**”).

Deemed Unavailability

2.2.5 **Reserve** shall be deemed to be unavailable from a **Contracted BM Unit** from the time at which a **Redeclaration** is given by the **Reserve Provider** pursuant to sub-paragraph 2.2.4 until the commencement of the next **Availability Window** in respect of which the **Reserve Provider** subsequently serves a **Declaration** or **Redeclaration** indicating that **Reserve** will be available from that **Contracted BM Unit**.

Reasons for Unavailability

2.2.6 Each indication of unavailability by the **Reserve Provider** pursuant to any or all of sub-paragraphs 2.2.1(b), 2.2.2(b) or 2.2.4 shall, upon request from **National Grid** and as soon as reasonably practicable thereafter, be followed by an explanation in reasonable detail of the reasons for such unavailability.

Events of Default

2.2.7 In the event that:-

- (a) the **Reserve Provider** serves a **Redeclaration** in respect of any **Contracted Availability Window** pursuant to sub-paragraph 2.2.4; or
- (b) the **Reserve Provider** fails to serve a **Redeclaration** in respect of any **Availability Window** or **Contracted Availability Window** pursuant to sub-paragraphs 2.2.2 or 2.2.4 forthwith upon becoming aware of the unavailability of **Reserve**; or
- (c) no explanation is given by the **Reserve Provider** as required by sub-paragraph 2.2.6 or **National Grid** has reasonable grounds for believing that such unavailability is unrelated to the technical capability of the **Contracted BM Unit** concerned,

then paragraph 2.5 (Events of Default and Consequences) shall apply.

Substitution of Contracted BM Units

2.2.8 If the **Reserve Provider** anticipates that a **Contracted BM Unit** may become unavailable to provide **Reserve** during part of the remaining term of the **STOR Contract**, the **Reserve**

Provider may request, by notice in writing to **National Grid**, that the **Contracted BM Unit** in question be substituted for the period of such unavailability by another **BM Unit** (the “**Substitute BM Unit**”) in respect of which the **Reserve Provider** is **Lead Party**. **National Grid** may at its sole discretion either accede to or decline such request. If **National Grid** accepts such request, the substitution of the **Contracted BM Unit** (the “**Substituted BM Unit**”) by the **Substitute BM Unit** shall not become effective unless the **STOR Contract** is duly amended in accordance with sub-paragraph 2.2.14 to reflect such substitution.

- 2.2.9 In any notification pursuant to sub-paragraph 2.2.8, the **Reserve Provider** shall indicate to **National Grid** the **Availability Window(s)** in respect of which the **Reserve Provider** proposes that such substitution shall apply, provided always that the relevant **Availability Window(s)** shall not be **Availability Window(s)** in respect of the **Substitute BM Unit**.

Replacement of Contracted BM Units

- 2.2.10 Without prejudice to the **Reserve Provider**’s right to request the substitution of a **Contracted BM Unit** in accordance with sub-paragraph 2.2.8, the **Reserve Provider** may also request, by notice in writing to **National Grid**, that any **Contracted BM Unit** be replaced for the remainder of the term of the relevant **STOR Contract** by another **BM Unit** (the “**Replacement BM Unit**”) in respect of which the **Reserve Provider** is **Lead Party**. **National Grid** may at its sole discretion either accede to or decline such request. If **National Grid** accepts such request, the replacement of the **Contracted BM Unit** (the “**Replaced BM Unit**”) by the **Replacement BM Unit** shall not become effective until such time as the **STOR Contract** is duly amended in accordance with sub-paragraph 2.2.14 to reflect such replacement.

Effect of substitution and replacement

- 2.2.11 Subject always to the provisions of sub-paragraphs 2.2.8 to 2.2.10 inclusive, the effect of substitution and replacement in accordance with the provisions thereof shall be to treat the **Substitute BM Unit** or **Replacement BM Unit** (as the case may be) as the **Contracted BM Unit** for all purposes of this Section 2 and the **STOR Contract**, and for the duration of any such substitution or replacement this Section 2 and the **STOR Contract** shall be read and construed accordingly.

Request for reduction in Contracted MW

- 2.2.12 The **Reserve Provider** may, by written notice to **National Grid**, request a reduction in the **Contracted MW** of a **Contracted BM Unit** for one or more **Seasons**, provided that:-
- (a) such reduction is necessitated by a change in the technical capability of the **Contracted BM Unit** which occurred after the submission of the **STOR Tender** by the **Reserve Provider**, and such change could not reasonably have been foreseen by

the **Reserve Provider** as likely to occur at the time that the **STOR Tender** was submitted;

- (b) the **Reserve Provider** provides **National Grid** with evidence which is reasonably satisfactory to **National Grid** of the change in technical capability of the **Contracted BM Unit** and
- (c) the resulting reduced level of **Contracted MW** is not less than 3 MW.

2.2.13 Upon receipt of any request made by the **Reserve Provider** pursuant to sub-paragraph 2.2.12 **National Grid** shall not unreasonably withhold or delay its consent to such request but the reduction in **Contracted MW** of the relevant **Contracted BM Unit** shall not become effective until such time as the **STOR Contract** is duly amended in accordance with sub-paragraph 2.2.14 to reflect such reduction.

Amendment of STOR Contract

2.2.14 For the purposes of sub-paragraphs 2.2.8, 2.2.10 and 2.2.13, the **STOR Contract** may only be amended by agreement in writing signed by or on behalf of **National Grid** and the **Reserve Provider**.

2.3 UTILISATION

BM Unit Data submission

2.3.1 Subject always to sub-paragraph 2.3.8, the **Reserve Provider** shall submit to **National Grid**, in respect of the relevant **Contracted BM Unit** and in accordance with the **Grid Code, BM Unit Data** comprising:

- (a) for the duration of **Pre-Window Instruction Periods** and **Contracted Availability Windows:-**
 - (i) a **Physical Notification** as at **Gate Closure** of less than or equal to zero;
 - (ii) a **Maximum Export Limit** of no less than the **Contracted MW**; and
 - (iii) a **Stable Export Limit** of no greater than the **Maximum Export Limit**,

reflecting a physical position sufficient to enable submission of **Bid-Offer Data** in accordance with paragraph (b) below;

- (b) in respect of each **Settlement Period** comprised in **Pre-Window Ramping Periods, Contracted Availability Windows** and **Post-Window Ramping Periods, Bid-Offer Data** comprising a **Bid-Offer Pair No 1** with:
 - (i) a MW range from 0 MW to (and including) the **Contracted MW**;
 - (ii) an **Offer Price** of not more than the **Contract Bid-Offer Price**; and
 - (iii) a **Bid Price** which is greater than or equal to the **Offer Price**;
- (c) for the duration of **Pre-Window Instruction Periods, Contracted Availability Windows** and **Post-Window Ramping Periods**, associated **Dynamic Parameters** and other relevant **BM Unit Data** consistent with the **Technical Parameters**,

such that **Reserve** is made available to **National Grid** for utilisation pursuant to this Section 2 by the issue of **Bid-Offer Acceptance(s)**.

Events of Default –Submission of BM Unit Data

2.3.2 In the event that the **Reserve Provider** has failed, in respect of any **Settlement Period** contained in a **Contracted Availability Window** and/or associated **Pre-Window Instruction Period** (including the **Pre-Window Ramping Period**) and/or associated **Post-Window Ramping Period**, to submit **BM Unit Data** in respect of the relevant **Contracted BM Unit** in accordance with sub-paragraph 2.3.1, then paragraph 2.5 (Events of Default and Consequences) shall apply unless the failure is in respect of:-

- (a) a **Settlement Period** contained in a **Recovery Period**; and/or
- (b) a **Contracted Availability Window** to which sub-paragraph 2.3.8 applies.

2.3.3 In the event that **Reserve** has been declared or redeclared (or deemed) unavailable pursuant to the provisions of this Section 2 and the **Reserve Provider** submits, in respect of any **Contracted BM Unit**, a **Physical Notification** of greater than zero in respect of any **Settlement Period** contained within any affected **Availability Window** and/or **Pre-Window Instruction Period** then, save where sub-paragraph 2.3.9 applies, paragraph 2.5 (Events of Default and Consequences) shall apply.

2.3.4 In the event that, in respect of any **Settlement Period** contained in a **Contracted Availability Window** and/or associated **Pre-Window Instruction Period** and/or **Post-**

Window Ramping Period, the **Reserve Provider** exports **Active Power** to the **Total System** from the relevant **Contracted BM Unit** otherwise than pursuant to **Bid-Offer Acceptance(s)**, then paragraph 2.5 (Events of Default and Consequences) shall apply.

Instruction to provide Reserve

2.3.5 **National Grid** may utilise **Reserve** made available by the **Reserve Provider** pursuant to sub-paragraph 2.3.1 by the issue of one or more **Bid-Offer Acceptances** in respect of a **Contracted BM Unit** in accordance with the **Grid Code**.

Provision of Reserve

2.3.6 The **Reserve Provider** shall, commencing on or before the expiry of the **Response Time**, provide **Reserve** from a **Contracted BM Unit** in a **Contracted Availability Window** in accordance with **Bid-Offer Acceptance(s)** issued by **National Grid** in accordance with sub-paragraph 2.3.5 continuously until the earlier of:-

- (a) the expiry of the **Maximum Utilisation Period**;
- (b) the time implied in **Bid-Offer Acceptance(s)** issued by **National Grid** in respect of that **Contracted BM Unit** pursuant to sub-paragraph 2.3.5; and
- (c) the end of the relevant **Contracted Availability Window**,

provided that no such obligation shall arise in respect of any **Bid-Offer Acceptance** rejected by the **Reserve Provider** pursuant to **Grid Code BC2.7.3**.

Events of Default – Provision of Reserve

2.3.7 In the event that in respect of any **Contracted BM Unit**:-

- (a) the **Reserve Provider** fails to commence provision of **Reserve** at a level of at least 90% of the **Contracted MW** on or before expiry of the **Response Time**;
- (b) the volume in MWh of **Reserve** provided by the **Reserve Provider** in accordance with one or a series of contiguous **Bid-Offer Acceptance(s)** issued in accordance with sub-paragraph 2.3.5 is less than 90% of the volume implied in such **Bid-Offer Acceptance(s)**; or
- (c) the **Reserve Provider** fails to provide **Reserve** continuously at a level of at least 90% of the **Contracted MW** until the first to occur of the times described in sub-paragraphs 2.3.6(a), (b) and (c),

paragraph 2.5 (Events of Default and Consequences) shall apply in respect of any such failure, and the **Reserve Provider** shall be deemed not to have made **Reserve** available from that **Contracted BM Unit** in respect of subsequent **Contracted Availability Windows** unless and until availability is restored under and in accordance with sub-paragraph 2.12.5.

Recovery Periods

2.3.8 Where following the provision of **Reserve** by a **Contracted BM Unit** during a **Contracted Availability Window** the **Recovery Period** coincides with a **Settlement Period** comprised in the **Pre-Window Instruction Period** for a subsequent **Contracted Availability Window** then:-

- (a) **Reserve** shall be deemed to be unavailable from that **Contracted BM Unit** in respect of all **Settlement Periods** comprised in that subsequent **Contracted Availability Window** and **National Grid** shall be under no liability pursuant to sub-paragraph 2.4.1 to pay a **Reserve Availability Payment** in respect of the **Settlement Periods** comprised in the subsequent **Contracted Availability Window**; and
- (b) the **Reserve Provider** may, in relation to that **Contracted BM Unit**, submit **BM Unit Data** in respect of any **Settlement Period** comprised in that subsequent **Contracted Availability Window** and associated **Pre-Window Instruction Period** and **Post-Window Ramping Period** which is not in accordance with sub-paragraph 2.3.1.

Planned Outages

2.3.9 Sub-paragraph 2.3.3 shall not apply where the **Generator** submits, in respect of any **Contracted BM Unit**, a **Physical Notification** of greater than zero in respect of a **Settlement Period** comprised in a planned outage period relating to such **Contracted BM Unit** which is notified in advance to **National Grid** in accordance with **Grid Code OC 2** and where:-

- (a) the **Reserve Provider** provides evidence reasonably satisfactory to **National Grid** of its requirement for such planned outage and that it is reasonably necessary to test the operation of the **Contracted BM Unit** during the planned outage period; and
- (b) **National Grid** agrees (in writing) to waive its right to enforce the provisions of sub-paragraph 2.3.3 and paragraph 2.5 (Events of Default and Consequences).

2.4 PAYMENT

Reserve Availability Payment

2.4.1 **National Grid** shall pay to the **Reserve Provider**, in accordance with paragraph 4.2, in respect of **Contracted Availability Windows** in each month, an amount (“the **Reserve Availability Payment**”) calculated in accordance with the formula set out in Part I of Annexure 1 to this Section 2.

Seasonal Delivery Reconciliation

2.4.2 At the end of each **Season**, where in respect of any **Contracted BM Unit National Grid** determines that the aggregate MWh of **Reserve** provided by the **Reserve Provider** from that **Contracted BM Unit** in respect of all utilisations during that **Season** was less than 95% of the aggregate MWh instructed by the issue of **Bid-Offer Acceptances** in accordance with sub-paragraph 2.3.5, the **Reserve Provider** shall pay to **National Grid** in accordance with paragraph 4.2 an amount (if any) (“the **Seasonal Delivery Reconciliation Payment**”) calculated in accordance with the formula set out in Part II of Annexure 1 to this Section 2.

Committed Availability Reconciliation

2.4.3 At the end of each **Financial Year** during the term of a **STOR Contract**, the **Reserve Provider** shall pay to **National Grid** in accordance with paragraph 4.2 an amount (if any) (“the **Committed Availability Reconciliation Payment**”) calculated in accordance with the formula set out in Part III of Annexure 1 to this Section 2, in respect of the **Availability Windows** during which the **Reserve Provider** failed to make **Reserve** available to **National Grid** from any of the **Contracted BM Units** during that **Financial Year**.

2.4.4 Where a **STOR Contract** is terminated pursuant to paragraph 2.5 or paragraph 4.4 or the **STOR Contract** expires during a **Financial Year**, then for the purposes of sub-paragraph 2.4.3 the **Reserve Provider** shall pay to **National Grid** in accordance with paragraph 4.2 the amount (if any) calculated in accordance with the formula set out in Part III of Annexure 1 to this Section 2, in respect of **Contracted Availability Windows** during which the **Reserve Provider** failed to make **Reserve** available to **National Grid** from any of the **Contracted BM Units** in respect of the period from either:-

- (a) the commencement of the **Financial Year** in which such termination occurs; or (if later)
- (b) the **Commencement Date** of that **STOR Contract**,

until the date of termination or expiry of that **STOR Contract**.

2.4.5 Where the **Commencement Date** of a **STOR Contract** does not coincide with the commencement of a **Financial Year**, then for the purposes of sub-paragraph 2.4.3 the **Reserve Provider** shall pay to **National Grid** in accordance with paragraph 4.2 the amount (if any) calculated in accordance with the formula set out in Part III of Annexure 1 to this Section 2, in respect of **Contracted Availability Windows** during which the **Reserve Provider** failed to make **Reserve** available to **National Grid** from any of the **Contracted BM Units** in respect of the period from the **Commencement Date** of the **STOR Contract** until either:-

- (a) the end of the **Financial Year** in which the **Commencement Date** falls; or (if earlier)
- (b) the date of termination of that **STOR Contract**.

2.5 EVENTS OF DEFAULT AND CONSEQUENCES

Withholding of Reserve Availability Payments

2.5.1 Upon each occurrence of the following **Events of Default** as more particularly specified in Annexure 2 to this Section 2:-

A, B, C, D, E, F, H, I, J

the **Reserve Availability Payment** otherwise payable by **National Grid** to the **Reserve Provider** shall be reduced as more particularly described in the respective column in the table in Annexure 2 to this Section 2.

Reduction in Availability Prices

2.5.2 Without prejudice to **National Grid's** rights pursuant to this paragraph 2.5, where at the end of a calendar month **National Grid** determines that in respect of one or more **Availability Window(s)** during that calendar month one or more of the following **Events of Default** as more particularly specified in Annexure 2 to this Section 2:

A, B, C, D, E, F, G, H

have occurred (otherwise than as a result of **Force Majeure**) in those **Availability Window(s)** or in any associated **Pre-Window Instruction Period(s)** or **Post Window Run Down Period(s)** in respect of any one **Contracted BM Unit** (including any **Substitute BM Unit** in respect of periods when that **Contracted BM Unit** is a **Substituted BM Unit**, and including any **Replacement BM Unit** in respect of periods when that **Contracted BM Unit** is a **Replaced BM Unit**) then **National Grid** shall be entitled (at its sole discretion) to reduce the **Availability Price** in respect of the relevant **Contracted BM Unit** in respect of

that calendar month by one percent for each **Availability Window** in question, subject always to a maximum reduction of 30% of the **Availability Price**, provided always that **National Grid** shall use reasonable endeavours to notify the **Reserve Provider** of the relevant **Events of Default** and number of relevant **Availability Windows** prior to issuing the relevant **Monthly Statement** in which such reduction in **Availability Price** shall be applied.

Termination of STOR Contract

2.5.3 Without prejudice to paragraph 4.4, **National Grid** may in its absolute discretion terminate a **STOR Contract** forthwith by notice in writing to the **Reserve Provider** in the following circumstances:-

- (a) where the **Reserve Provider** persistently fails to make available and/or provide **Reserve** from the relevant **Contracted BM Unit** (including any **Substitute BM Unit** in respect of periods when that **Contracted BM Unit** is a **Substituted BM Unit**, and any **Replacement BM Unit** in respect of periods when that **Contracted BM Unit** is a **Replaced BM Unit**) and such failure amounts to an intentional or reckless breach or disregard by the **Reserve Provider** of its obligations under this Section 2 and/or the **STOR Contract**; or
- (b) where, for the purposes of the **Balancing and Settlement Code**, the **Reserve Provider** ceases to be the **Lead Party** in respect of any or all of the **Contracted BM Unit, Substitute BM Unit(s) or Replacement BM Unit**; or
- (c) (without prejudice to **National Grid**'s rights under sub-paragraph 2.10.1) where, the **Reserve Provider** has breached the provisions of sub-paragraph 2.10.1 in respect of the **Contracted BM Unit**.

2.5.4 Without prejudice to paragraph 4.4 and subject always to sub-paragraph 2.5.7, where, in respect of any one **Contracted BM Unit** (including any **Substitute BM Unit** in respect of periods when that **Contracted BM Unit** is a **Substituted BM Unit**, and including any **Replacement BM Unit** in respect of periods when that **Contracted BM Unit** is a **Replaced BM Unit**) the number of **Availability Windows** in respect of which one or more of the following **Events of Default** as more particularly specified in Annexure 2 to this Section 2:-

A, B, C, D, E, F, G, H, I, J, K

occurs exceeds either:-

- (a) 3 in any **Season**; or

(b) 8 within a twelve month period during the term of the **STOR Contract**,

National Grid may in its absolute discretion terminate a **STOR Contract** forthwith by notice in writing to the **Reserve Provider**.

2.5.5 For the avoidance of doubt, **National Grid**'s rights pursuant to sub-paragraph 2.5.4 above shall arise upon the occurrence of the fourth (or the ninth, as the case may be) **Availability Window** in respect of which one or more **Events of Default** occurs and each successive such **Availability Window** thereafter.

2.5.6 Where the **Reserve Provider** has, in respect of a **Contracted BM Unit**, failed two or more consecutive **Reproving Tests** conducted in accordance with sub-paragraph 2.12.5, **National Grid** shall (without prejudice to paragraph 4.4) be entitled (at its sole discretion but subject always to sub-paragraph 2.5.7) to terminate the **STOR Contract** in respect of the **Contracted BM Unit** in question by notice in writing to the **Reserve Provider**.

2.5.7 Before deciding (in its sole discretion) whether to exercise its right to terminate pursuant to sub-paragraph 2.5.4 or 2.5.6 above, **National Grid** shall use reasonable endeavours to discuss with the **Reserve Provider** the circumstances giving rise to the relevant **Events of Default** or failed **Reproving Tests** (any such discussion to be confirmed in writing by **National Grid**).

2.5.8 Termination of any **STOR Contract** shall not affect any accrued rights or liability of either **Party** nor the coming into effect or continuance of any provision thereof which is expressly or by implication intended to come into force or effect after such termination.

Recovery of monies from Reserve Provider

2.5.9 Without prejudice to **National Grid**'s rights pursuant to this paragraph 2.5, upon each occurrence of the following **Event of Default** as more particularly described in Annexure 2 to this Section 2:-

G

National Grid reserves the right, where **National Grid** has issued **Bid-Offer Acceptance(s)** in accordance with sub-paragraph 2.3.5 in respect of the relevant **Contracted BM Unit** in order to instruct the **Reserve Provider** not to provide **Reserve** from the relevant **Contracted BM Unit**, to recover from the **Reserve Provider** in respect of each relevant **Settlement Period** an amount equal to the difference between the **Contract**

Bid-Offer Price and the actual **Bid Price** submitted by the **Reserve Provider** multiplied by the MWh deliverable pursuant to the **Bid-Offer Acceptance(s)**.

2.5.10 For the purposes of this paragraph 2.5, it is acknowledged that the same occurrence or failure may constitute more than one **Event of Default**.

2.5.11 For the avoidance of doubt, the consequences of any **Event of Default** specified or referred to in this paragraph 2.5 shall not relieve the **Reserve Provider** from any of its obligations pursuant to the **Grid Code**, nor relieve either of the **Parties** from any of their obligations pursuant to the **Balancing and Settlement Code**.

2.6 GRID CODE AND DISTRIBUTION CODE

The provision by the **Reserve Provider** of **Reserve** shall not relieve it of any of its obligations or affect such obligations (where applicable) set out in the **Grid Code** (including without limitation its obligations (if any) to provide **Demand** control when instructed by **National Grid** pursuant to **Grid Code OC 6**) or in the **Distribution Code** of its host **Public Distribution System Operator**.

2.7 MAINTENANCE OF CONTRACTED BM UNITS

The **Reserve Provider** shall maintain the **Contracted BM Units** and **Substitute BM Units** to such a standard that the **Reserve Provider** can meet its obligations to provide **Reserve** in accordance with the terms of this **Document** and any **STOR Contract(s)**.

2.8 WEEKLY AND ANNUAL LIMITS AND REVISION OF CONTRACT BID-OFFER PRICE

2.8.1 Where, in any **Week** or during any **Financial Year** during the term of the relevant **STOR Contract**, the number of relevant **Utilisations** in relation to a **Contracted BM Unit** has equalled or exceeded, respectively for that **Contracted BM Unit**, the relevant **Weekly Limit** (if any) and/or **Annual Limit** (if any), the **Reserve Provider** may notify **National Grid** by facsimile in the form set out in Part I of Annexure 3 to this Section 2 of a revised **Contract Bid-Offer Price** in respect of that **Contracted BM Unit** to apply for the remainder of the **Week** or **Financial Year** (as the case may be) provided always that such revised **Contract Bid-Offer Price** shall not apply any earlier than the commencement of the first **Operational Day** following the **Operational Day** in which **National Grid** receives such facsimile notification. Upon receipt of such notice **National Grid** shall as soon as reasonably practicable thereafter acknowledge safe receipt by facsimile in the form set out in Part I of Annexure 3 to this Section 2.

2.8.2 Until the commencement of the **Operational Day** referred to in sub-paragraph 2.8.1, the **Contract Bid-Offer Price** which shall apply in respect of that **Contracted BM Unit** shall be the relevant price set out in the **STOR Contract**.

2.8.3 For the avoidance of doubt, where **National Grid** issues one or a series of contiguous **Bid-Offer Acceptance(s)** in respect of a **Contracted BM Unit** during a **Contracted Availability Window** either:-

(a) where the **Reserve Provider** has failed to comply with its obligations pursuant to sub-paragraph 2.3.1(b) in respect of the **Bid Price** and/or **Offer Price**; or

(b) in respect of a **Reproving Test**,

then this shall not, for the purposes of this paragraph 2.8, constitute a relevant **Utilisation**.

2.9 WARRANTY AND INDEMNITY

2.9.1 The **Reserve Provider** hereby warrants to **National Grid** that, where any **Contracted BM Unit** is **Embedded**, the entering into of a **STOR Contract** in respect of such **Contracted BM Unit** and the provision by it of **Reserve** does not and will not cause the **Reserve Provider** to be in breach of or to otherwise be non-compliant with any **Connection Agreement** and/or agreement for the supply of electricity to that **Contracted BM Unit** and/or for the acceptance of electricity into, and its delivery from, a **User System** or any other **System**.

2.9.2 The **Reserve Provider** agrees that it will not make available and provide **Reserve** from the relevant **Contracted BM Unit** to **National Grid** hereunder if such availability and/or provision would cause the **Reserve Provider** to be in breach or non-compliance as described in sub-paragraph 2.9.1, and if it fails to make available and/or provide **Reserve** on such grounds the **Reserve Provider** will:-

(a) notify **National Grid** in accordance with sub-paragraph 2.2.4; and

(b) provide to **National Grid** to **National Grid**'s reasonable satisfaction such written statement and all such supporting evidence as shall be necessary to demonstrate how compliance would cause such breach or non-compliance.

2.9.3 In the event that the **Reserve Provider** makes available and/or provides **Reserve** to **National Grid** which causes the **Reserve Provider** to be in breach or non-compliance as described in sub-paragraph 2.9.1 above, the **Reserve Provider** shall indemnify **National**

Grid against all and any claims made against **National Grid** by the **Reserve Provider**'s host **Public Distribution System Operator** or any other person connected to or using the **Public Distribution System Operator**'s **User System** or any other **User System** or the owner or operator of any **User System** or any other person arising out of or resulting from such breach or non-compliance. Such indemnity shall include any legal costs and expenses reasonably incurred in the contesting of such claims including court costs and reasonable attorney's fees and other professional advisors' fees. The **Parties** agree and accept that, for the purposes of sub-paragraph 4.3.3, all such legal costs and expenses expressed to be the subject of such indemnity shall be treated as direct losses.

2.9.4 In the event of any such claim referred to in sub-paragraph 2.9.3 above or any third party claim under sub-paragraph 2.9.5 being made against **National Grid**, **National Grid** shall as soon as reasonably practicable give notice of the claim together with all relevant supporting documentation to the **Reserve Provider**. The **Reserve Provider** shall be entitled, upon written notice to **National Grid** and subject to **National Grid** receiving from the **Reserve Provider** such reasonable undertakings as **National Grid** shall reasonably require to protect **National Grid** against damage to its name, to assume, at its own expense, sole conduct of all proceedings relating to such claim including the right to contest such claim in the name of **National Grid** and **National Grid** shall supply the **Reserve Provider** with all information, assistance and particulars reasonably required by the **Reserve Provider** in connection therewith. **National Grid** shall not accept, settle, pay or compromise any such claim without the prior written approval of the **Reserve Provider** (such approval not to be unreasonably withheld or delayed). The **Reserve Provider** shall reimburse **National Grid**'s reasonable expenses incurred in connection with the provision of any such information, assistance or particulars in the contesting of any such claim.

2.9.5 The **Reserve Provider** warrants to **National Grid** that, on the date of the **STOR Contract** it is not, and it hereby undertakes that at all times throughout the term of each **STOR Contract** it will not be, in breach of the terms of the **Undertaking**, and, subject always to sub-paragraph 2.9.6, the **Reserve Provider** will indemnify **National Grid** against any losses, liabilities, claims, expenses and demands which **National Grid** suffers as a direct result of the **Reserve Provider** being in breach of the warranty set out in this sub-paragraph 2.9.5.

2.9.6 The amount or amounts for which the **Reserve Provider** may be liable to **National Grid** pursuant to sub-paragraph 2.9.5 shall not exceed the sum of £250,000 per **STOR Contract**.

2.10 PROVISION OF OTHER SERVICES

2.10.1 The **Reserve Provider** hereby warrants to **National Grid** that, on the **Commencement Date**, it is not a party to an agreement or arrangement with its host **Public Distribution**

System Operator or electricity supplier or other person to provide any service from any **Contracted BM Unit** the provision of which impairs the **Reserve Provider's** ability to provide **Reserve** and/or perform its obligations under a **STOR Contract** and that, subject always to sub-paragraph 2.10.2, it will indemnify **National Grid** against any losses, liabilities, claims, expenses and demands which **National Grid** suffers as a direct result of a breach by the **Reserve Provider** of the provisions of this sub-paragraph 2.10.1. Notwithstanding such warranty, where any agreement or arrangement results during the term of a **STOR Contract** in the impairment of the ability of the **Reserve Provider** to provide **Reserve** and/or perform its obligations under such **STOR Contract**, then the **Reserve Provider** undertakes to reimburse to **National Grid** all and any losses, liabilities, claims, expenses and demands reasonably incurred or suffered by **National Grid** as a result of the **Reserve Provider's** ability to provide **Reserve** and/or perform its obligations under such **STOR Contract** being thereby impaired.

- 2.10.2 The amount or amounts for which the **Reserve Provider** may be liable to **National Grid** pursuant to sub-paragraph 2.10.1 shall not exceed the sum of £250,000 per **STOR Contract**.
- 2.10.3 Where during the term of a **STOR Contract** the **Reserve Provider** intends to enter into an agreement or arrangement with its host **Public Distribution System Operator** or electricity supplier or other person to provide any service from the relevant **Contracted BM Unit** the provision of which impairs the **Reserve Provider's** ability to provide **Reserve** and/or perform its obligations under the **STOR Contract**, the **Reserve Provider** shall notify **National Grid**, in accordance with paragraph 4.8, as soon as reasonably practicable before entering into such agreement or arrangement. Upon and with effect from the entering into of any such agreement or arrangement, **National Grid** shall have the right to terminate the **STOR Contract** forthwith and serve a notice to that effect in accordance with paragraph 4.8.
- 2.10.4 For the avoidance of doubt, the availability in any **Settlement Period** comprised in an **Availability Window** of an increase in **Generation** from any **Contracted BM Unit** or any part thereof for the benefit of any third party (including without limitation the **Reserve Provider's** host **Public Distribution System Operator** or electricity supplier) shall be deemed for the purposes of sub-paragraphs 2.10.1, 2.10.2 and 2.10.3 to impair the **Reserve Provider's** ability to provide **Reserve** from that **Contracted BM Unit**.

2.11 COMMUNICATIONS

- 2.11.1 Subject to sub-paragraph 2.11.2, all communications between the **Parties** pursuant to this Section 2 (including without limitation **Declarations** and **Redeclarations**) shall be given via **EDL** save as may be otherwise agreed by the **Parties**. If, for whatever reason, **EDL** shall at

any time during the term of the **STOR Contract** become unavailable, then to that extent all **Declarations** and **Redeclarations** and other communications of whatever nature which concern the availability and utilisation of **Reserve** shall be given by such other means as may be agreed between the **Parties**.

2.11.2 Any communications required by this Section 2 to be given in writing shall be made and deemed to have been received in accordance with paragraph 4.8 save as may be otherwise agreed by the **Parties**.

2.12 MONITORING, METERING AND TESTING

Monitoring and Metering

- 2.12.1 The volume of **Reserve** delivered and the time of delivery of **Reserve** pursuant to **Bid-Offer Acceptance(s)** shall be monitored by **National Grid** from time to time.
- 2.12.2 The relationship between the **Parties** with respect to **Energy Metering Equipment** shall be regulated by Section L of the **Balancing and Settlement Code**.
- 2.12.3 The relationship between the **Parties** with respect to **Operational Metering Equipment** shall be regulated by Paragraph 6.7.3 of the **Connection and Use of System Code**.
- 2.12.4 The availability and delivery of **Reserve** from a **Contracted BM Unit** shall be verified by **National Grid** by (inter alia) monitoring certain **BM Unit Data** and the carrying out of certain checks as described in Annexure 4 to this Section 2.

Testing

- 2.12.5 Where the **Reserve Provider** is determined by **National Grid** to have failed to provide **Reserve** from a **Contracted BM Unit** in accordance with sub-paragraph 2.3.6, **National Grid** shall notify the **Reserve Provider** of such failure (hereinafter referred to as a “**Delivery Failure**”) as soon as reasonably practicable thereafter and, save as provided in sub-paragraph 2.12.6, the **Reserve Provider** shall, for the purposes of sub-paragraph 2.4.1, be deemed not to have made **Reserve** available from the **Contracted BM Unit** with effect from the time at which the **Delivery Failure** occurred until such time as the **Reserve Provider** shall be deemed to have restored the availability of **Reserve** from the **Contracted BM Unit** in accordance with the following provisions:-
- (a) The **Reserve Provider** shall, during the period commencing at the time of **National Grid**'s notification and ending either:-

- (i) when a successful **Reproving Test** is carried out in accordance with this sub-paragraph 2.12.5; or
- (ii) at the time of expiry of the **Permitted Test Period** if no **Reproving Test** is carried out by **National Grid**,

continue, in respect of the relevant **Contracted BM Unit**, to comply with its obligation to make **Declarations** and/or **Redeclarations** in accordance with paragraph 2.2 and (where appropriate) to comply with the requirements of sub-paragraph 2.3.1.

- (b) At any time during the period of fourteen **Operational Days** after the time of notification by **National Grid** referred to in sub-paragraph 2.12.5(a) (“the **Permitted Test Period**”), **National Grid** may in any **Contracted Availability Window** issue **Bid-Offer Acceptance(s)** in respect of the **Contracted BM Unit** in accordance with sub-paragraph 2.3.5 (“a **Reproving Test**”) in order to verify the availability of **Reserve** from the **Contracted BM Unit**.

- (c) If either:-

- (i) **National Grid** fails to carry out a **Reproving Test** during the **Permitted Test Period** in accordance with sub-paragraph 2.12.5(b) above; or
- (ii) the **Reserve Provider** passes a **Reproving Test** carried out during the **Permitted Test Period** in accordance with sub-paragraph 2.12.5(b) above,

then for the purposes of sub-paragraph 2.4.1 the availability of **Reserve** from the **Contracted BM Unit** shall be deemed to have been restored with effect from the commencement of the first **Contracted Availability Window** after the **Contracted Availability Window** in which the **Delivery Failure** occurred.

- (d) If the **Reserve Provider** fails a **Reproving Test** carried out during the **Permitted Test Period** in accordance with sub-paragraph 2.12.5(b) above, then:-

- (i) **National Grid** shall notify the **Reserve Provider** thereof as soon as reasonably practicable thereafter; and
- (ii) sub-paragraphs 2.12.5(a) to (c) (inclusive) shall apply (except that, for the purposes of sub-paragraph 2.12.5(b) above, the **Permitted Test Period** shall constitute the period of fourteen **Operational Days** after the date of

the failed **Reproving Test** and for the purposes of sub-paragraph 2.12.5(c) above availability of **Reserve** shall be deemed to have been restored with effect from the commencement of the first **Contracted Availability Window** after the **Contracted Availability Window** in which the failed **Reproving Test** took place); and

(iii) sub-paragraph 2.5.6 shall apply.

- (e) For the purposes of sub-paragraphs 2.12.5(b), (c) and (d) above, the **Permitted Test Period** shall be extended by an **Operational Day** for each **Operational Day** falling within the **Permitted Test Period**, in respect of which the **Reserve Provider** fails (in respect of all or part of one or more **Availability Windows** falling within that **Operational Day**) to confirm that **Reserve** is available from the relevant **Contracted BM Unit** in accordance with sub-paragraph 2.2.1 or 2.2.2 or to comply with its obligations pursuant to sub-paragraph 2.3.1 in respect of the relevant **Contracted BM Unit**.
- (f) For the purposes of this sub-paragraph 2.12.5, a **Reproving Test** shall be passed if, in respect of the relevant **Contracted BM Unit**, the **Reserve Provider** complies in all respects with sub-paragraph 2.3.6 and failure of a **Reproving Test** shall be construed accordingly.
- (g) For the purposes of paragraph 2.8, where **National Grid** issues one or a series of contiguous **Bid-Offer Acceptance(s)** in respect of a **Contracted BM Unit** during a **Contracted Availability Window** by way of a **Reproving Test** pursuant to sub-paragraph 2.12.5(b) above, then this shall not constitute a relevant **Utilisation**.

2.12.6 Notwithstanding sub-paragraph 2.12.5 above, where in respect of a **Delivery Failure** the first **Reproving Test** is failed and the number of **Operational Days** in the period between the **Operational Day** when that **Delivery Failure** occurred and the **Operational Day** when the first **Reproving Test** is conducted exceeds fourteen **Operational Days**, **National Grid** may, in respect of such period, only withhold the **Reserve Availability Payment** in respect of:-

- (a) the **Contracted Availability Window** in which the **Delivery Failure** occurs; and
- (b) all subsequent **Contracted Availability Windows** on the same **Operational Day** and in the immediately following fourteen **Operational Days**,

provided always that the period of fourteen **Operational Days** described in paragraph (b) above shall be extended by an **Operational Day** for each **Operational Day** falling within such period, in respect of which the **Reserve Provider** fails (in respect of all or part of one or more **Availability Windows** falling within that **Operational Day**) to confirm that **Reserve** is available from the relevant **Contracted BM Unit** in accordance with sub-paragraph 2.2.1 or 2.2.2 or to comply with its obligations pursuant to sub-paragraph 2.3.1 in respect of the relevant **Contracted BM Unit**.

ANNEXURE 1 TO SECTION 2
PAYMENT FORMULAE
(BALANCING MECHANISM PARTICIPANTS - PRODUCTION BM UNITS)

Part I

Reserve Availability Payment

The payment to be made by **National Grid** to the **Reserve Provider** referred to in sub-paragraph 2.4.1 in respect of the **Contracted Availability Windows** in calendar month m for **Unit** i (AF_{im}) shall be calculated in accordance with the following formula (using notation as defined in Part IV of this Annexure):-

$$AF_{im} = \sum_{C \in M_m} \left(\text{Max} \left[\begin{array}{l} \sum_{j \in C_m} (AP_{ij} \times 0.5 \times CM_{ij} \times FF_{ij} \times FM_{ij}) - \\ \sum_{j \in C(P)_m} (AP_{ij} \times 0.5 \times CM_{ij} \times (\text{Max}[XF_{ij}, XM_{ij}]), 0 \end{array} \right] \right)$$

Part II

Seasonal Delivery Reconciliation Payment

The payment to be made by the **Reserve Provider** to **National Grid** referred to in sub-paragraph 2.4.2 in respect of **Season** n for **Unit** i (SDR_{in}) shall be calculated in accordance with the following formula (using notation as defined in Part IV of this Annexure):-

$$SDR_{in} = M \times \frac{\min(P_n, N_{in})}{P_n} \times (1 - ADMW_{in}) \times \sum_{C \in S_n} \left(\text{Max} \left[\begin{array}{l} \sum_{j \in C_m} (AP_{ij} \times 0.5 \times CM_{ij} \times FF_{ij} \times FM_{ij}) - \\ \sum_{j \in C(P)_m} (AP_{ij} \times 0.5 \times CM_{ij} \times (\text{Max}[XF_{ij}, XM_{ij}]), 0 \end{array} \right] \right)$$

Where:

$M = 0$, if $ADMW_{in} \geq 0.95$

$M = 1$, if $ADMW_{in} < 0.95$

And

$$ADMW_m = \frac{\sum_{j \in B_m} QMS_j}{\sum_{j \in B_m} QMES_j}$$

Part III

Committed Availability Reconciliation Payment

The payment to be made by the **Reserve Provider** to **National Grid** referred to in sub-paragraph 2.4.3 in respect of **Financial Year** y for **Unit** i ($ACAR_{iy}$), shall be calculated in accordance with the following formula (using notation as defined in Part IV of this Annexure):-

$$ACAR_{iy} = \max \left[0, 1 - \frac{\sum_{j \in C_y} CF_{ij}}{\sum_{j \in A_y} MA_{ij}} \right] \times \left(\sum_{m \in Y_y} AF_{im} - \sum_{n \in Y_y} SDR_{in} \right)$$

Part IV

Notation

In Parts I to III (inclusive) of this Annexure:-

$$\sum_{C \in M_m}$$

is the summation over all **Contracted Availability Windows** in month m

$$\sum_{j \in C_m}$$

is the summation over all **Settlement Periods** j , in **Contracted Availability Window** C , in month m

$$\sum_{j \in C(P)_m}$$

is the summation over all **Settlement Periods** j , in **Pre-Window Instruction Periods** and **Post-Window Instruction Periods** associated with **Contracted Availability Window** C , in month m

$$\sum_{C \in S_n}$$

is the summation over all **Contracted Availability Windows** in **Season** n

$\sum_{j \in C_y}$	is the summation over all Settlement Periods j , in the set C_y of Settlement Periods in Contracted Availability Windows in Financial Year y
$\sum_{j \in A_y}$	is the summation over all Settlement Periods j , in the set A_y of Settlement Periods in Availability Windows in Financial Year y but excluding those Availability Windows where sub-paragraph 4.12.2 (Force Majeure) applies
$\sum_{m \in Y_y}$	is the summation over all months m , in Financial Year y
$\sum_{n \in Y_y}$	is the summation over all Seasons n , in Financial Year y
AP_{ij}	is the Availability Price in respect of Unit i , applicable in each Settlement Period j (as the same may be reduced in respect of the calendar month in question in accordance with sub-paragraph 2.5.2 or varied in accordance with sub-paragraph 1.4.6)
CM_{ij}	is the Contracted MW in respect of Unit i , applicable in each Settlement Period j
FF_{ij}	is 0 in respect of each Settlement Period j , contained in a Contracted Availability Window where Reserve is declared or redeclared unavailable or deemed unavailable from Unit i or where Annexure 2 to Section 2 provides that, in respect of Settlement Period j and Unit i , the Reserve Provider will not be entitled to receive a Reserve Availability Payment , otherwise 1
FM_{ij}	is 0 in respect of each Settlement Period j , contained in a Contracted Availability Window where sub-paragraph 4.12.2 (Force Majeure) applies in respect of Unit i , otherwise 1
XF_{ij}	is 1 in respect of each Settlement Period j , contained in either a Pre-Window Instruction Period or Post-Window Instruction Period associated with a Contracted Availability Window where the Reserve Provider has failed to comply in any respect with sub-paragraph 2.3.1 in respect of Unit i , otherwise 0
XM_{ij}	is 1 in respect of each Settlement Period j , contained in either a Pre-Window Instruction Period or Post-Window Instruction Period associated with a

Contracted Availability Window where sub-paragraph 4.12.2 (**Force Majeure**) applies in respect of **Unit *i***, otherwise 0

QMS_{ij} is the volume of energy (MWh) delivered from **Unit *i***, in **Settlement Period *j***, in accordance with **Bid-Offer Acceptance(s)** issued by **National Grid** pursuant to sub-paragraph 2.3.5 (being a volume not greater than the volume implied in such **Bid-Offer Acceptance(s)**), as determined by metering pursuant to paragraph 2.12

$QMES_{ij}$ is the volume of energy (MWh) instructed to be delivered from **Unit *i***, in **Settlement Period *j***, in accordance with **Bid-Offer Acceptance(s)** issued by **National Grid** pursuant to sub-paragraph 2.3.5

$\sum_{j \in B_{in}}$ is the summation over all **Settlement Periods *j***, in the set B_{in} of **Settlement Periods** in **Season *n*** in respect of which **Bid-Offer Acceptance(s)** have been issued by **National Grid** pursuant to sub-paragraph 2.3.5 in respect of **Unit *i***

CF_{ij} is 0 in respect of each **Settlement Period *j***, contained in a **Contracted Availability Window** where **Reserve** is declared or redeclared unavailable or (save in the case of sub-paragraph 2.3.8) deemed unavailable from **Unit *i*** or where Annexure 2 to Section 2 provides that, in respect of **Settlement Period *j*** and **Unit *i***, the **Reserve Provider** will not be entitled to receive a **Reserve Availability Payment**, otherwise 1

MA_{ij} is the required minimum availability, taking a value of 0.85, in respect of **Settlement Period *j*** and **Unit *i***

Unit *i* or *i* is the relevant **Contracted BM Unit** (or, as applicable, any **Substitute BM Unit** or **Replacement BM Unit**)

Financial Year *y* or *y* is either:-

- (i) the relevant **Financial Year**; or
- (ii) (where sub-paragraph 2.4.4 applies) the period from either the commencement of the relevant **Financial Year** or (if later) the **Commencement Date** of the **STOR Contract** until the date of termination or expiry of the **STOR Contract**; or
- (iii) (where sub-paragraph 2.4.5 applies) the period from the **Commencement Date** of the **STOR Contract** until either the end of the relevant **Financial Year** in which the **Commencement Date** falls or (if earlier) the date of termination of the **STOR Contract**

Season n or n is the relevant **Season**

Contracted Availability Window C or C is the relevant **Contracted Availability Window**

N_{in} is the number of occasions in **Season n** where **Unit i** is instructed to provide **Reserve** in **Contracted Availability Windows** in accordance with sub-paragraph 2.3.5

P_n is the threshold for **Season n** as determined in accordance with the table below:-

Length of Season n	Threshold, P_n
< 4 weeks	3
4 - 10 weeks	4
> 10 weeks	5

ANNEXURE 2 TO SECTION 2
EVENTS OF DEFAULT AND CONSEQUENCES
(BALANCING MECHANISM PARTICIPANTS - PRODUCTION BM UNITS)

Events of Default – Redeclarations of Availability	Effect on Reserve Availability Payments
<p>A. A Redeclaration in the circumstances specified in sub-paragraph 2.2.7(a).</p>	<p>The Reserve Provider shall not be entitled:-</p> <p>(a) where notice is given prior to commencement of a Contracted Availability Window, to receive a Reserve Availability Payment in relation to that Contracted BM Unit in respect of the whole of the Contracted Availability Window(s) to which the notice relates or (as the case may be) in respect of that Contracted Availability Window and all subsequent Contracted Availability Window(s) until the next Contracted Availability Window in respect of which the Reserve Provider notifies availability of Reserve from that Contracted BM Unit; and</p> <p>(b) where notice is given during a Contracted Availability Window, to receive a Reserve Availability Payment in relation to that Contracted BM Unit in respect of the remainder of such Contracted Availability Window and any subsequent Contracted Availability Window(s) to which the notice relates or (as the case may be) in respect of all subsequent Contracted Availability Window(s) until the next Contracted Availability Window in respect of which the Reserve Provider notifies availability of Reserve from that Contracted BM Unit.</p>
<p>B. Failure to serve a Redeclaration forthwith upon becoming aware of unavailability of Reserve as specified in sub-paragraph 2.2.7(b).</p> <p>C. Failure, upon request from National Grid, to provide an explanation in reasonable detail for unavailability or National Grid has reasonable grounds to believe that unavailability is unrelated to technical capability as specified in sub-paragraph 2.2.7(c).</p> <p>D. Declaration or redeclaration of unavailability in the circumstances specified in sub-paragraph 2.3.3.</p> <p>E. The export of Active Power by the Reserve Provider otherwise than pursuant to Bid-Offer Acceptance(s) in the circumstances specified in sub-paragraph 2.3.4.</p>	<p>The Reserve Provider shall not be entitled to receive a Reserve Availability Payment in respect of that Contracted BM Unit in relation to the whole of the Contracted Availability Window to which such Event of Default relates.</p>

EVENTS OF DEFAULT AND CONSEQUENCES (CONT.)
(BALANCING MECHANISM PARTICIPANTS - PRODUCTION BM UNITS)

Event of Default – Utilisation of Reserve	Effect on Reserve Availability Payments
<p>F. Failure to submit BM Unit Data in accordance with sub-paragraph 2.3.1(a), sub-paragraph 2.3.1(b)(i), sub-paragraph 2.3.1(b)(ii) or sub-paragraph 2.3.1(c) in the circumstances specified in sub-paragraph 2.3.2.</p>	<p>The Reserve Provider shall not be entitled to receive an Availability Payment in relation to that Contracted BM Unit in respect of:-</p> <p>(a) where such failure relates in whole or in part to the submission in respect of one or more Settlement Periods comprised in a Pre-Window Instruction Period or Contracted Availability Window of a Physical Notification of greater than zero, the whole of the Contracted Availability Window concerned or (where relevant) to which such Pre-Window Instruction Period relates; or</p> <p>(b) (in respect of all other items of BM Unit Data (with the exception of the Maximum Export Limit to which Event of Default A shall apply):</p> <p style="margin-left: 40px;">(i) where such failure occurred in a Settlement Period(s) comprised in a Contracted Availability Window those Settlement Periods in which such failure occurred; and</p> <p style="margin-left: 40px;">(ii) where such failure occurred in a Settlement Period(s) comprised in a Pre-Window Instruction Period, Pre-Window Ramping Period and/or Post Window Ramping Period, the number of Settlement Periods comprised in the related Contracted Availability Window which is equivalent to the number of Settlement Periods during which such failure occurred.</p>
<p>G: Failure to submit BM Unit Data in accordance with sub-paragraph 2.3.1(b)(iii) in the circumstances specified in sub-paragraph 2.3.2.</p>	N/A
<p>H. Failure to comply with sub-paragraph 2.3.6 in the circumstances specified in sub-paragraph 2.3.7(a).</p>	<p>The Reserve Provider shall not be entitled to receive a Reserve Availability Payment in relation to that Contracted BM Unit in respect of: each Settlement Period comprised (wholly or partly) in the period commencing on the expiry of the Response Time and ending at the time from which the Reserve Provider provides Reserve.</p>
<p>I. Failure to comply with sub-paragraph 2.3.6 in the circumstances specified in sub-paragraph 2.3.7(b).</p> <p>J. Failure to comply with sub-paragraph 2.3.6 in the circumstances specified in sub-paragraph 2.3.7(c).</p>	<p>The Reserve Provider shall not be entitled to receive a Reserve Availability Payment in relation to that Contracted BM Unit in respect of the remainder of that Contracted Availability Window commencing at the time at which such Event of Default occurred.</p>
Event of Default - Miscellaneous	Effect on Reserve Availability Payments
<p>K A failure by the Reserve Provider to comply with any other provision of Section 2 not the subject of Events of Default A to J above.</p>	N/A

ANNEXURE 3 TO SECTION 2
FACSIMILE FORMS
(BALANCING MECHANISM PARTICIPANTS - PRODUCTION BM UNITS)

Part I

**SHORT TERM OPERATING RESERVE FAX -
NOTIFICATION OF A REVISED CONTRACT BID-OFFER PRICE
UPON REACHING UTILISATION LIMIT**

RESERVE PROVIDER'S DETAILS				
Contracted BM Unit:			Tel:	
Contract Number:			Standby Tel:	
Company Name:			Fax:	
Contracted MW:			Standby Fax:	

We hereby serve notice of a new Contract Bid-Offer Price following the Utilisation Limit being reached at the above Contracted BM Unit, as follows:

Limit Type Exceeded (Weekly/ Annual)	Date Limit Exceeded	New Contract Bid- Offer Price (£/MWh)	Date new Contract Bid-Offer Price effective from*

* Date may not be earlier than the Operational Day after receipt by National Grid of this facsimile notification.

Fax Sent By (Print name): Date: Time:

Signature:

Fax acknowledged by National Grid:

Signature: Date: Time:

National Grid Control

Fax number: 0870 602 4805
Telephone: 0870 240 6961

Standby Fax: 0870 602 4802
Standby Telephone: 0844 892 0360

ANNEXURE 4 TO SECTION 2
VERIFICATION OF AVAILABILITY AND DELIVERY OF RESERVE
(BALANCING MECHANISM PARTICIPANTS - PRODUCTION BM UNITS)

Set out below are items of **BM Unit Data** which shall be monitored by **National Grid** from time to time to verify the availability of **Reserve** from **Contracted BM Unit(s)**, **Substitute BM Unit(s)** or **Replacement BM Unit(s)**:-

Service Criteria	Parameter(s)
Availability of Reserve from Contracted BM Unit , Substitute BM Unit or Replacement BM Unit	MEL ≥ Contracted MW Physical Notification ≤ zero
Response Time	$NDZ + \frac{ContractedMW}{AverageRunUpRate} \leq ResponseTime$
Bid-Offer Data	(i) First Offer Price ≤ Contracted Bid-Offer Price , in respect of the range from zero MW to Contracted MW (ii) Bid Price ≥ Offer Price This check will be made in respect of Settlement Periods comprised in Contracted Availability Windows , Pre-Window Ramping Periods and Post-Window Ramping Periods . In each Settlement Period during the Pre-Window Instruction Period , National Grid shall monitor whether ramping is necessary to achieve the Contracted MW by the commencement of the Contracted Availability Window . Where:- $\frac{ContractedMW}{AverageRunUpRate} \leq \text{time to } \mathbf{Contracted \ Availability \ Window}$ Window then the Settlement Period shall be determined to contain the Pre-Window Ramping Period National Grid shall, therefore, undertake the above Bid-Offer Data check.
Cease Time	$\frac{ContractedMW}{AverageRunDownRate} \leq \mathbf{Cease \ Time}$ specified in STOR Contract
Minimum Utilisation Period	MNZT ≤ Minimum Utilisation Period specified in STOR Contract
Recovery Period	MZT ≤ Recovery Period specified in STOR Contract
Stable Export Limit	SEL ≤ Maximum Export Limit

Set out below are the checks which will be made by **National Grid** from time to time to verify the delivery of **Reserve** from **Contracted BM Unit(s)**, **Substitute BM Unit(s)** or **Replacement BM Unit(s)**:-

Service Criteria	Check(s)
Delivery of Reserve within the Response Time	Metering data for the Settlement Period in which the Contracted BM Unit , Substitute BM Unit or Replacement BM Unit is instructed to commence delivery of the Contracted MW in accordance with a Bid-Offer Acceptance
Total energy (volume) delivered as Reserve for each utilisation	Metering data for the Contracted BM Unit , Substitute BM Unit or Replacement BM Unit in respect of the instructed period of delivery of Reserve in accordance with Bid-Offer Acceptance(s)

SECTION 2A

**SHORT TERM OPERATING RESERVE - BALANCING MECHANISM PARTICIPANTS -
CONSUMPTION BM UNITS**

SECTION 3

SHORT TERM OPERATING RESERVE - NON-BALANCING MECHANISM PARTICIPANTS

3.1 INTRODUCTION

3.1.1 Subject to sub-paragraph 3.1.2, this Section 3 sets out the terms for provision of **Short Term Operating Reserve** where the **Reserve Provider** provides **Short Term Operating Reserve** from either:-

- (a) **Generating Unit(s)** and/or other **Plant** and **Apparatus** which the **Reserve Provider** has not established and registered as a **BM Unit(s)** under and in accordance with the **Balancing and Settlement Code**; or
- (b) **Generating Unit(s)** and/or other **Plant** and **Apparatus** which are established and registered as a **BM Unit(s)** under and in accordance with the **Balancing and Settlement Code**, but which do not, and will not for any part of the term of the **STOR Contract**, actively participate in the **Balancing Mechanism**.

3.1.2 Where a **STOR Contract** confirms that the **Reserve Provider** may procure the performance by a **Reserve Provider's Agent** of certain of its obligations in connection with the provision of **Short Term Operating Reserve** pursuant to this Section 3, paragraphs 3.2 to 3.13 and Annexures 1 to 3 to this Section 3 shall not apply and shall be replaced with paragraphs 3.2 to 3.13 and Annexures 1 to 3 to Section 3 set out in Part 2 of Schedule 1.

3.1.3 The provisions of this Section 3 shall apply with respect to a **Reserve Provider** who has submitted a **STOR Tender(s)** which has been accepted by **National Grid** (in whole or in part) in respect of such **Generating Units(s)** and/or other **Plant** and **Apparatus** specified in such **STOR Tender** pursuant to sub-paragraph 1.4.8 so as to form a **STOR Contract**.

3.2 DECLARATIONS OF AVAILABILITY

Declarations Week Ahead

3.2.1 By 10.00 hours each Tuesday the **Reserve Provider** shall submit to **National Grid** a notice (a "**Declaration**") in relation to each of the **Contracted Sites**:-

- (a) confirming in respect of each **Committed Window** (if any) in the following **Week**, either that **Reserve** is available or that **Reserve** is unavailable for reasons related to the technical capability of the **Contracted Site**; and

- (b) indicating, for each **Flexible Window** (if any) in the following **Week**, whether or not **Reserve** is available; and
- (c) (where relevant) indicating, for each **Operational Day** in the following **Week**, whether or not **Reserve** will be available during all the **Optional Windows** in such **Operational Day**.

Failure to submit a **Declaration** in accordance with this sub-paragraph 3.2.1 shall be deemed to constitute unavailability of **Reserve** in the following **Week** or relevant **Operational Day** in the following **Week** (as the case may be) and in respect thereof the **Reserve Provider** shall not be entitled to revise availability of **Reserve** in accordance with sub-paragraph 3.2.4. For the avoidance of doubt, a notice served pursuant to this sub-paragraph 3.2.1 indicating in relation to a **Contracted Site** that 0 MW of **Reserve** is available in respect of each **Availability Window** in the following **Week** or relevant **Operational Day** in the following **Week** (as the case may be) shall constitute a **Declaration**.

Flexible Windows - Revisions to Declarations

3.2.2 The **Reserve Provider** may revise a **Declaration** in relation to a **Contracted Site** in respect of any **Flexible Window** in the following **Week** as follows:-

- (a) at any time up to and including 10.00 hours on the Friday preceding the **Week** in question, the **Reserve Provider** may serve a notice on **National Grid** (a “**Redeclaration**”) either:-
 - (i) advising **National Grid** that **Reserve** will be available from that **Contracted Site** during that **Flexible Window**; or
 - (ii) advising **National Grid** that **Reserve** will not be available from that **Contracted Site** during that **Flexible Window**;
- (b) where, at 10.00 hours on the Friday preceding the **Week** in question, the **Declaration** or any subsequent **Redeclaration** made by the **Reserve Provider** in accordance with sub-paragraph 3.2.1 or 3.2.2(a)(ii) (as the case may be) indicates unavailability of **Reserve** during that **Flexible Window** the **Reserve Provider** may serve a notice on **National Grid** (a “**Redeclaration**”) at any time prior to **Gate Closure** (in respect of the first **Settlement Period** within the associated **Pre-Window Instruction Period**) advising **National Grid** that **Reserve** will be available from that **Contracted Site** during that **Flexible Window**;

- (c) where, at 10.00 hours on the Friday preceding the **Week** in question any **Declaration** or subsequent **Redeclaration** made by the **Reserve Provider** in accordance with sub-paragraph 3.2.1 or 3.2.2(a)(i) (as the case may be) indicates availability of **Reserve** in **Flexible Window(s)** in the following **Week**, the **Reserve Provider** shall not be permitted to issue a **Redeclaration** to withdraw such availability, save:-
- (i) as permitted by sub-paragraph 3.2.4(b) (following acceptance of such availability by **National Grid** and the relevant **Availability Window(s)** thereby being deemed to constitute **Committed Window(s)** in accordance with sub-paragraph 3.2.3); or
- (ii) where **National Grid** has rejected such availability in accordance with sub-paragraph 3.2.3.

Flexible Windows - Acceptance and Rejection of Declarations

3.2.3 By 16.00 hours each Friday **National Grid** shall notify to the **Reserve Provider** who has submitted a **Declaration** and/or **Redeclaration** prior to 10.00 hours on that Friday indicating availability of the **Contracted Site** in respect of one or more **Flexible Windows** whether such availability as indicated in that **Declaration** and/or **Redeclaration** has been accepted or rejected. **National Grid's** decision shall be final and binding. Such notification shall be made either by **STOR Despatch** or by facsimile in the form set out in Part II of Annexure 3 to this Section 3 to the operational facsimile number specified in the **STOR Framework Agreement**. Where, for technical reasons, **National Grid** is unable to make such notification by **STOR Despatch** or facsimile then it shall use reasonable endeavours to make such notification by telephone to the operational contact telephone number specified in the **STOR Framework Agreement**. Failing such notification by such time and day **National Grid** shall be deemed to have accepted the **Declaration** and/or **Redeclaration** concerned. If **National Grid** accepts a **Declaration** or **Redeclaration** relating to a **Flexible Window** then such **Flexible Window** shall automatically be deemed to constitute a **Committed Window** for the purposes of sub-paragraphs 3.2.4(b), 3.2.6 and 3.2.8 to 3.2.12 (inclusive). If either:

- (a) **National Grid** rejects a **Declaration** or **Redeclaration** in relation to a **Flexible Window**; or
- (b) the **Reserve Provider** submits a **Redeclaration** in accordance with sub-paragraph 3.2.2(b) in relation to a **Flexible Window** after 10.00 hours on a Friday,

then such **Flexible Window** shall constitute a **Deemed Optional Window** for the purposes of sub-paragraphs 3.2.7, 3.2.8, 3.2.9 and 3.2.11(b).

Committed Windows - Revisions to Declarations pre Gate Closure

3.2.4 Where, prior to **Gate Closure** in respect of the first **Settlement Period** within a **Pre-Window Instruction Period** associated with a **Committed Window**, the **Reserve Provider** becomes aware of changes in the technical capabilities of a **Contracted Site** previously the subject of a **Declaration**, it shall revise that **Declaration** forthwith by serving a notice on **National Grid** (a "**Redeclaration**") either:-

- (a) confirming that **Reserve** will be available during that **Committed Window**; or
- (b) indicating that, for reasons related to the technical capability of the **Contracted Site**, **Reserve** will not be available during that **Committed Window**.

Optional Windows - Revisions to Declarations Day Ahead

3.2.5 At any time up to 24.00 hours on an **Operational Day**, the **Reserve Provider** may revise a **Declaration** in relation to any **Contracted Site** in respect of all **Optional Windows** on the following **Operational Day**, by serving a notice on **National Grid** (a "**Redeclaration**") either:-

- (a) advising **National Grid** that **Reserve** will be available from that **Contracted Site** during all of the **Optional Windows** on the following **Operational Day**; or
- (b) advising **National Grid** that **Reserve** will not be available from the **Contracted Site** during all of the **Optional Windows** on the following **Operational Day**.

Contracted Availability Windows

3.2.6 For the purposes of this Section 3, a "**Contracted Availability Window**" in relation to any **Contracted Site** is a **Committed Window** in respect of which the **Declaration** or **Redeclaration** current as at **Gate Closure** (immediately prior to the commencement of the first **Settlement Period** within the **Pre-Window Instruction Period**) indicates that **Reserve** will be available from that **Contracted Site** during that **Availability Window**.

Contracted Optional Windows

3.2.7 For the purposes of this Section 3, a "**Contracted Optional Window**" in relation to any **Contracted Site** is either:-

- (a) an **Optional Window** in an **Operational Day** in respect of which the **Declaration** or **Redeclaration** current, as at 24.00 hours on the preceding

Operational Day, indicates that **Reserve** is available from that **Contracted Site** during all the **Optional Windows** in that **Operational Day**; or

- (b) a **Deemed Optional Window** in respect of which the **Declaration** or **Redeclaration** current as at **Gate Closure** (immediately prior to the commencement of the first **Settlement Period** within the **Pre-Window Instruction Period**) indicates that **Reserve** will be available from that **Contracted Site** during that **Deemed Optional Window**.

Late Revisions to Declarations

3.2.8 If:-

- (a) during a **Pre-Window Instruction Period** associated with a **Contracted Availability Window** or during a **Contracted Availability Window**; or
- (b) later than 24.00 hours on the **Operational Day** preceding the **Operational Day** containing the **Contracted Optional Windows** (to which sub-paragraph 3.2.7(a) applies) in respect of which **Reserve** has been declared available from a **Contracted Site**; or
- (c) during a **Pre-Window Instruction Period** associated with a **Contracted Optional Window** (to which sub-paragraph 3.2.7(b) applies) or during a **Contracted Optional Window** (to which sub-paragraph 3.2.7(b) applies),

the **Reserve Provider** becomes aware of a change in the availability of **Reserve** such that, for reasons related to the technical capability of that **Contracted Site**, **Reserve** will be unavailable from that **Contracted Site** during all or any part of such **Contracted Availability Window** or **Contracted Optional Window**, it shall notify **National Grid** forthwith by way of a **Redeclaration**.

Deemed Unavailability

3.2.9 **Reserve** shall be deemed to be unavailable from a **Contracted Site** from the time at which a **Redeclaration** is given by the **Reserve Provider** pursuant to sub-paragraph 3.2.8 until the commencement of the next **Window** in respect of which the **Reserve Provider** subsequently serves a **Declaration** or **Redeclaration** indicating that **Reserve** will be available from that **Contracted Site**.

Reasons for Unavailability

3.2.10 Each indication of unavailability by the **Reserve Provider** pursuant to sub-paragraphs 3.2.1(a) 3.2.4(b) and 3.2.8(a) shall, upon request from **National Grid** and as soon as

reasonably practicable thereafter, be followed by an explanation in reasonable detail of the reasons for such unavailability.

Events of Default

3.2.11 In the event that:-

- (a) the **Reserve Provider** serves a **Redeclaration** in respect of any **Contracted Availability Window** pursuant to sub-paragraph 3.2.8(a); or
- (b) the **Reserve Provider** fails to serve a notification in respect of any **Availability Window** or **Contracted Availability Window** pursuant to sub-paragraphs 3.2.4 or 3.2.8(a) or **Contracted Optional Window** pursuant to sub-paragraphs 3.2.8(b) or 3.2.8(c) forthwith upon becoming aware of its inability to provide **Reserve** for reasons related to the technical capability of that **Contracted Site**; or
- (c) no explanation is given by the **Reserve Provider** as required by sub-paragraph 3.2.10 or **National Grid** has reasonable grounds for believing that such unavailability is unrelated to the technical capability of the **Contracted Site** concerned,

then paragraph 3.5 (Events of Default and Consequences) shall apply.

3.2.12 In the event that **Reserve** has been declared or redeclared (or deemed) unavailable pursuant to the provisions of this Section 3 in respect of an **Availability Window** and the **Reserve Provider** either provides **Active Power** or reduces **Demand** (as the case may be) from the relevant **Contracted Site** during such **Availability Window** in the circumstances where such **Availability Window** is, or is deemed in accordance with sub-paragraph 3.2.3 to constitute, a **Committed Window** then paragraph 3.5 (Events of Default and Consequences) shall apply.

Other Contractual Arrangements

3.2.13 **Reserve** shall be deemed to be unavailable during a **Window** and the **Reserve Provider** shall (as appropriate) serve a **Redeclaration** in accordance with the foregoing provisions of this Section 3 if, pursuant to any other agreement or arrangement with any other person, the **Reserve Provider** has, notwithstanding sub-paragraph 3.10, granted to such other person the right to require an increase in **Generation** or reduction in **Demand** from any site comprising the whole or part of the **Contracted Site** for any period which coincides in whole or in part with that **Window**.

Substitution of Contracted Sites

- 3.2.14 If the **Reserve Provider** anticipates that a **Contracted Site** may become unavailable to provide **Reserve** during part of the remaining term of a **STOR Contract**, the **Reserve Provider** may request, by notice in writing to **National Grid**, that the **Contracted Site** in question be substituted by another **Site** (the “**Substitute Site**”) owned or operated by the **Reserve Provider**. **National Grid** may at its sole discretion either accede to or decline such request. If **National Grid** accepts such request, the substitution of the **Contracted Site** (the “**Substituted Site**”) by the **Substitute Site** shall not become effective unless the **STOR Contract** is duly amended in accordance with sub-paragraph 3.2.21 to reflect such substitution.
- 3.2.15 In any notification pursuant to sub-paragraph 3.2.14, the **Reserve Provider** shall indicate to **National Grid** the **Availability Windows** and **Optional Windows** in respect of which the **Reserve Provider** proposes that such substitution shall apply, provided always that the relevant **Availability Windows** and **Optional Windows** shall not be **Availability Windows** and **Optional Windows** in respect of the **Substitute Site**.

Replacement of Contracted Sites

- 3.2.16 Without prejudice to the **Reserve Provider**’s right to request the substitution of a **Contracted Site** in accordance with sub-paragraph 3.2.14, the **Reserve Provider** may also request, by notice in writing to **National Grid**, that any **Contracted Site** be replaced for the remainder of the term of the relevant **STOR Contract** by another site (the “**Replacement Site**”) owned or operated by the **Reserve Provider**. **National Grid** may at its sole discretion either accede to or decline such request. If **National Grid** accepts such request, the replacement of the **Contracted Site** (the “**Replaced Site**”) by the **Replacement Site** shall not become effective until such time as the **STOR Contract** is duly amended in accordance with sub-paragraph 3.2.21 to reflect such replacement.

Effect of substitution and replacement

- 3.2.17 Subject always to the provisions of sub-paragraphs 3.2.14 to 3.2.16 inclusive, the effect of substitution and replacement in accordance with the provisions thereof shall be to treat the **Substitute Site** or **Replacement Site** (as the case may be) as the **Contracted Site** for all purposes of this Section 3 and the **STOR Contract**, and for the duration of any such substitution or replacement this Section 3 and the **STOR Contract** shall be read and construed accordingly.

Required Flexible Availability

- 3.2.18 Where, during any **Season**, the aggregate duration in respect of any **Contracted Site** of **Availability Windows** being **Flexible Windows** (in respect of which, at 10.00 hours on the Friday preceding the **Week** in which each such **Flexible Window** falls, a **Declaration** or

subsequent **Redeclaration** made by the **Reserve Provider** in accordance with sub-paragraph 3.2.1 or 3.2.2(b) indicates availability of **Reserve** in such **Flexible Window**) does not at the end of such **Season** equal or exceed the **Required Flexible Availability** in respect of that **Contracted Site**, or where it becomes apparent to **National Grid** that such aggregate duration cannot at the end of such **Season** equal or exceed such **Required Flexible Availability**, then:-

- (a) **National Grid** may by written notice to the **Reserve Provider** terminate the **Reserve Provider's** entitlement to declare or re-declare **Reserve** available in respect of that **Contracted Site** in all subsequent **Flexible Windows** during the term of the **STOR Contract**; and
- (b) for the avoidance of doubt, no payments shall accrue due to the **Reserve Provider** pursuant to sub-paragraph 3.4 in respect thereof.

Request for reduction in Contracted MW and Optional MW

3.2.19 The **Reserve Provider** may, by written notice to **National Grid**, request a reduction in the **Contracted MW** and (where relevant) the **Optional MW** of a **Contracted Site** for one or more **Seasons**, provided that:-

- (a) such reduction is necessitated by a change in the technical capability of the **Contracted Site** which occurred after the submission of the **STOR Tender** by the **Reserve Provider**, and such change could not reasonably have been foreseen by the **Reserve Provider** as likely to occur at the time that the **STOR Tender** was submitted;
- (b) the **Reserve Provider** provides **National Grid** with evidence which is reasonably satisfactory to **National Grid** of the change in technical capability of the **Contracted Site**; and
- (c) the resulting reduced level of **Contracted MW** and (where relevant) **Optional MW** is not less than 3 MW.

3.2.20 Upon receipt of any request made by the **Reserve Provider** pursuant to sub-paragraph 3.2.19 **National Grid** shall not unreasonably withhold or delay its consent to such request, but the reduction in **Contracted MW** and (where relevant) **Optional MW** of the relevant **Contracted Site** shall not become effective until such time as the **STOR Contract** is duly amended in accordance with paragraph 3.2.21 to reflect such reduction.

Amendment of STOR Contract

3.2.21 For the purposes of sub-paragraphs 3.2.14, 3.2.16 and 3.2.20, the **STOR Contract** may only be amended by agreement in writing signed by or on behalf of **National Grid** and the **Reserve Provider**.

3.3 UTILISATION

Instruction to provide Reserve

3.3.1 **National Grid** may in any:-

- (a) **Contracted Availability Window**; or
- (b) **Pre-Window Instruction Period**; or
- (c) **Contracted Optional Window**,

serve the **Reserve Provider** with a notice (an “**Instruction**”) requiring the **Reserve Provider** to provide **Reserve** from the **Contracted Site**.

3.3.2 Within 5 minutes of receipt of any **Instruction** the **Reserve Provider** shall notify **National Grid** of acceptance or rejection of such **Instruction**. The **Reserve Provider** may only reject an **Instruction** for safety reasons or reasons relating to the technical capability of the **Contracted Site** or where the **Instruction** is issued in either:-

- (a) a **Recovery Period**; and/or
- (b) a **Contracted Availability Window** to which sub-paragraph 3.3.12 applies.

3.3.3 Paragraph 3.5 (Events of Default and Consequences) shall apply in respect of any failure by the **Reserve Provider** to comply with sub-paragraph 3.3.2.

Instruction to cease provision of Reserve

3.3.4 **National Grid** may instruct the **Reserve Provider** to cease the provision of **Reserve** from a **Contracted Site** with effect from any time on or after expiry of the **Minimum Utilisation Period**.

3.3.5 The **Reserve Provider** shall acknowledge receipt of any instruction given by **National Grid** pursuant to sub-paragraph 3.3.4 within 5 minutes of receipt.

3.3.6 Paragraph 3.5 (Events of Default and Consequences) shall apply in respect of any failure by the **Reserve Provider** to comply with sub-paragraph 3.3.5.

Provision of Reserve

3.3.7 On receipt of an **Instruction** in respect of a **Contracted Site**, the **Reserve Provider** shall, commencing on or before the expiry of the **Response Time**, provide **Reserve** from that **Contracted Site** continuously until the earlier of:-

- (a) the expiry of the **Maximum Utilisation Period**;
- (b) the time specified by **National Grid** in an instruction issued pursuant to sub-paragraph 3.3.4; or
- (c) (where such **Contracted Availability Window** is not immediately followed by a **Contracted Optional Window**) the end of the relevant **Contracted Availability Window** in which **Reserve** is being provided.

3.3.8 In the event that in respect of any **Contracted Site**:-

- (a) the **Reserve Provider** fails to commence provision of **Reserve** at a level of at least 90% of the **Contracted MW** or **Optional MW** (as the case may be) on or before expiry of the **Response Time**;
- (b) the volume in MWh of **Reserve** provided by the **Reserve Provider** following receipt of an **Instruction** issued in accordance with sub-paragraph 3.3.1 is less than 90% of the **Contracted MW** or the **Optional MW** (as the case may be) multiplied by the number of hours (including parts thereof) comprised in the period from the expiry of the **Response Time** until the first to occur of the times described in sub-paragraphs 3.3.7(a), (b) and (c); or
- (c) the **Reserve Provider** fails to provide **Reserve** continuously at a level of at least 90% of the **Contracted MW** or **Optional MW** (as the case may be) until the first to occur of the times described in sub-paragraphs 3.3.7(a), (b) and (c),

paragraph 3.5 (Events of Default and Consequences) shall apply in respect of any such failure, and the **Reserve Provider** shall be deemed not to have made **Reserve** available from that **Contracted Site** in respect of subsequent **Contracted Availability Windows** unless and until availability is restored under and in accordance with sub-paragraph 3.11.1.

- 3.3.9 If any continuous period during which the **Reserve Provider** is obliged to provide **Reserve** falls within both a **Contracted Availability Window** and a **Contracted Optional Window**, the **Reserve Provider's** obligation in respect of the provision of **Reserve** shall be to increase **Generation** and/or reduce **Demand** from the **Contracted Site** by:-
- (a) the **Contracted MW** during that part of such **Contracted Availability Window** when it is obliged to provide **Reserve**; and
 - (b) the **Optional MW** during that part of such **Contracted Optional Window** when it is obliged to provide **Reserve**.
- 3.3.10 Paragraph 3.5 (Events of Default and Consequences) shall apply in respect of any failure by the **Reserve Provider** to comply with sub-paragraph 3.3.9.
- 3.3.11 In the event that, in respect of any **Settlement Period** contained in a **Contracted Availability Window** and/or associated **Pre-Window Instruction Period** and/or **Post-Window Ramping Period** and/or **Contracted Optional Window**, the **Reserve Provider** provides **Active Power** or reduces **Demand** from the relevant **Contracted Site** otherwise than pursuant to an **Instruction**, then paragraph 3.5 (Events of Default and Consequences) shall apply.

Recovery Periods

- 3.3.12 Where following the provision of **Reserve** by a **Contracted Site** during a **Contracted Availability Window** the **Recovery Period** coincides with a **Settlement Period** comprised in the **Pre-Window Instruction Period** for a subsequent **Contracted Availability Window** then **Reserve** shall be deemed to be unavailable from that **Contracted Site** in respect of all **Settlement Periods** comprised in that subsequent **Contracted Availability Window**, and **National Grid** shall be under no liability pursuant to sub-paragraph 3.4.1 to pay a **Reserve Availability Payment** in respect of the **Settlement Periods** comprised in the subsequent **Contracted Availability Window**.
- 3.3.13 Where sub-paragraph 3.3.12 applies in respect of a **Contracted Site** and a **Contracted Availability Window** and **National Grid** issues an **Instruction** in that **Contracted Availability Window** which is not subsequently rejected by the **Reserve Provider** in accordance with sub-paragraph 3.3.2, then that **Contracted Availability Window** shall be deemed to be a **Contracted Optional Window** for the purposes of sub-paragraph 3.4.3.

3.4 PAYMENT

Reserve Availability Payment

3.4.1 Subject to sub-paragraph 3.12.4, **National Grid** shall pay to the **Reserve Provider** in accordance with paragraph 4.2, in respect of **Contracted Availability Windows** in each month, an amount (the “**Reserve Availability Payment**”) calculated in accordance with the formula set out in Part I of Annexure 1 to this Section 3.

Reserve Utilisation Payments

3.4.2 **National Grid** shall pay to the **Reserve Provider** in accordance with paragraph 4.2, in respect of:-

- (a) the increase in **Generation** or reduction in **Demand** (as the case may be) during **Pre-Window Ramping Periods** and **Post-Window Ramping Periods** in each month; and
- (b) the provision of **Reserve** during **Contracted Availability Windows** in each month,

an amount (the “**Energy Utilisation Payment**”) calculated in accordance with the formula set out in Part II of Annexure 1 to this Section 3.

3.4.3 **National Grid** shall also pay to the **Reserve Provider** in accordance with paragraph 4.2, in respect of the provision of **Reserve** during **Contracted Optional Windows** in each month an amount (the “**Optional Energy Utilisation Payment**”) calculated in accordance with the formula set out in Part II of Annexure 1 to this Section 3.

3.4.4 Payments to be made by **National Grid** to the **Reserve Provider** pursuant to sub-paragraphs 3.4.2 and 3.4.3 are hereafter referred to as the “**Reserve Utilisation Payments**”.

Seasonal Delivery Reconciliation

3.4.5 At the end of each **Season**, where in respect of any **Contracted Site National Grid** determines that the aggregate MWh of **Reserve** provided by the **Reserve Provider** from that **Contracted Site** in respect of all **Instructions** issued during that **Season** was less than 95% of the aggregate MWh instructed, the **Reserve Provider** shall pay to **National Grid** in accordance with paragraph 4.2, an amount (if any) (“the **Seasonal Delivery Reconciliation Payment**”) calculated in accordance with the formula set out in Part III of Annexure 1 to this Section 3.

Committed Availability Reconciliation

3.4.6 At the end of each **Financial Year** during the term of a **STOR Contract**, the **Reserve Provider** shall pay to **National Grid** in accordance with paragraph 4.2, an amount (if any) (“the **Committed Availability Reconciliation Payment**”) calculated in accordance with the formula set out in Part IV of Annexure 1 to this Section 3, in respect of those **Availability Windows** designated in the **STOR Contract** as **Committed Windows** during which the **Reserve Provider** failed to make **Reserve** available to **National Grid** from any **Contracted Site** during that **Financial Year**.

Flexible Availability Reconciliation

3.4.7 At the end of each **Financial Year** during the term of a **STOR Contract**, the **Reserve Provider** shall pay to **National Grid** in accordance with paragraph 4.2, an amount (if any) (“the **Flexible Availability Reconciliation Payment**”) calculated in accordance with the formula set out in Part V of Annexure 1 to this Section 3, in respect of the **Flexible Windows** which are deemed to constitute **Committed Window(s)** in accordance with sub-paragraph 3.2.3 and during which the **Reserve Provider** failed to make **Reserve** available from any **Contracted Site** during that **Financial Year**.

3.4.8 Where a **STOR Contract** is terminated pursuant to paragraph 3.5 or paragraph 4.4 or the **STOR Contract** expires during a **Financial Year** then, for the purposes of sub-paragraph 3.4.6 and/or sub-paragraph 3.4.7, the **Reserve Provider** shall pay to **National Grid**, in accordance with paragraph 4.2, the amount(s) (if any) calculated in accordance with the formula set out in Part IV and/or Part V (as the case may be) of Annexure 1 to this Section 3, in respect of **Committed Windows** and/or **Flexible Windows** which are deemed to constitute **Committed Window(s)** in accordance with sub-paragraph 3.2.3 (as applicable) during which the **Reserve Provider** failed to make **Reserve** available to **National Grid** from any **Contracted Site** in respect of the period from either:-

- (a) the commencement of the **Financial Year** in which such termination occurs; or (if later);
- (b) the **Commencement Date** of the **STOR Contract**,

until the date of termination or expiry of the **STOR Contract**.

3.4.9 Where the **Commencement Date** of a **STOR Contract** does not coincide with the commencement of a **Financial Year**, then, for the purposes of sub-paragraph 3.4.6 and/or sub-paragraph 3.4.7, the **Reserve Provider** shall pay to **National Grid** in accordance with paragraph 4.2 the amount(s) (if any) calculated in accordance with the formula set out in Part IV and/or Part V (as the case may be) of Annexure 1 to this Section 3, in respect of

Committed Windows and/or **Flexible Windows** which are deemed to constitute **Committed Window(s)** in accordance with sub-paragraph 3.2.3 (as applicable) during which the **Reserve Provider** failed to make **Reserve** available to **National Grid** from any **Contracted Site** in respect of the period from the **Commencement Date** of the **STOR Contract** until either:-

- (a) the end of the **Financial Year** in which the **Commencement Date** falls; or (if earlier)
- (b) the date of termination of the **STOR Contract**.

3.5 EVENTS OF DEFAULT AND CONSEQUENCES

Withholding of Reserve Availability Payments

3.5.1 Upon each occurrence of the following **Events of Default** as more particularly specified in Annexure 2 to this Section 3:-

A, B, C, E, F, G, H, I, J, K, L

the **Reserve Availability Payment** otherwise payable by **National Grid** to the **Reserve Provider** shall be reduced as more particularly described in the respective column in the table in Annexure 2 to this Section 3.

Reduction in Availability Prices

3.5.2 Without prejudice to **National Grid**'s rights pursuant to this paragraph 3.5, where at the end of a calendar month **National Grid** determines that in respect of one or more **Availability Window(s)** during that calendar month one or more of the following **Events of Default** as more particularly specified in Annexure 2 to this Section 3:

A, B, C, E, G, K, L

have occurred (otherwise than as a result of **Force Majeure**) in those **Availability Window(s)** or in any associated **Pre-Window Instruction Period(s)** or **Post Window Run Down Period(s)** in respect of any one **Contracted Site** (including any **Substitute Site** in respect of periods when that **Contracted Site** is a **Substituted Site**, and including any **Replacement Site** in respect of periods when that **Contracted Site** is a **Replaced Site**) then **National Grid** shall be entitled (at its sole discretion) to reduce the **Availability Price** in respect of the relevant **Contracted Site** in respect of that calendar month by one percent for each **Availability Window** in question, subject always to a maximum reduction of 30% of the **Availability Price**, provided always that **National Grid** shall use reasonable endeavours

to notify the **Reserve Provider** of the relevant **Events of Default** and number of relevant **Availability Windows** prior to issuing the relevant **Monthly Statement** in which such reduction in **Availability Price** shall be applied.

Termination of STOR Contract

3.5.3 Without prejudice to paragraph 4.4, **National Grid** may in its absolute discretion terminate a **STOR Contract** forthwith by notice in writing to the **Reserve Provider** in the following circumstances:-

(a) where the **Reserve Provider** persistently fails to make available and/or provide **Reserve** from the relevant **Contracted Site** (including any **Substitute Site** in respect of periods when that **Contracted Site** is a **Substituted Site**, and any **Replacement Site** in respect of periods when that **Contracted Site** is a **Replaced Site**) and/or comply with the provisions of the **STOR Despatch Procedure** in respect thereof and such failure amounts to an intentional or reckless breach or disregard by the **Reserve Provider** of its obligations under this Section 3 and/or the **STOR Contract**; or

(b) the **Contracted Site**, **Substitute Site** or **Replacement Site** or any part thereof either:-

(i) becomes a **BM Unit** (or part of a **BM Unit**); or

(ii) is already a **BM Unit**,

and actively participates in the **Balancing Mechanism** during the term of the relevant **STOR Contract**; or

(c) (without prejudice to **National Grid**'s rights under sub-paragraph 3.10.1) where, the **Reserve Provider** has breached the provisions of sub-paragraph 3.10.1 in respect of the **Contracted Site**.

3.5.4 Without prejudice to paragraph 4.4 and subject always to sub-paragraph 3.5.7, where, in respect of any one **Contracted Site** (including any **Substitute Site** in respect of periods when that **Contracted Site** is a **Substituted Site**, and including any **Replacement Site** in respect of periods when that **Contracted Site** is a **Replaced Site**) the number of **Windows** in respect of which one or more of the following **Events of Default** as more particularly specified in Annexure 2 to this Section 3:-

A, B, C, D, E, F, G, H, I, J, K, L, M, N

occurs exceeds either:-

- (a) 3 in any **Season**; or
- (b) 8 within a twelve month period during the term of the **STOR Contract**,

National Grid may in its absolute discretion terminate a **STOR Contract** forthwith by notice in writing to the **Reserve Provider**.

- 3.5.5 For the avoidance of doubt, **National Grid**'s rights pursuant to sub-paragraph 3.5.4 above shall arise upon the occurrence of the fourth (or the ninth, as the case may be) **Window** in respect of which one or more **Events of Default** occurs and each such successive **Window** thereafter.
- 3.5.6 Where the **Reserve Provider** has, in respect of a **Contracted Site**, failed two or more consecutive **Reproving Tests** conducted in accordance with sub-paragraph 3.11.1, **National Grid** shall (without prejudice to paragraph 4.4) be entitled (at its sole discretion but subject always to sub-paragraph 3.5.7) to terminate the **STOR Contract** in respect of the **Contracted Site** in question by notice in writing to the **Reserve Provider**.
- 3.5.7 Before deciding (in its sole discretion) whether to exercise its right to terminate pursuant to sub-paragraph 3.5.4 or 3.5.6 above, **National Grid** shall use reasonable endeavours to discuss with the **Reserve Provider** the circumstances giving rise to the relevant **Events of Default** or failed **Reproving Tests** (any such discussion to be confirmed in writing by **National Grid**).
- 3.5.8 Termination of any **STOR Contract** shall not affect any accrued rights or liability of either **Party** nor the coming into effect or continuance of any provision thereof which is expressly or by implication intended to come into force or effect after such termination.
- 3.5.9 For the purposes of this paragraph 3.5, it is acknowledged that the same occurrence or failure may constitute more than one **Event of Default**.
- 3.5.10 For the avoidance of doubt, the consequences of any **Event of Default** specified or referred to in this paragraph 3.5 shall not relieve the **Reserve Provider** from any of its obligations pursuant to the **Grid Code**, nor relieve either of the **Parties** from any of their obligations pursuant to the **Balancing and Settlement Code**.

3.6 GRID CODE AND DISTRIBUTION CODE

The provision by the **Reserve Provider** of **Reserve** shall not relieve it of any of its obligations or affect such obligations (where applicable) set out in the **Grid Code** (including without limitation its obligations (if any) to provide **Demand** control when instructed by **National Grid** under **Grid Code OC 6**) or in the **Distribution Code** of its host **Public Distribution System Operator**.

3.7 MAINTENANCE OF CONTRACTED SITES

The **Reserve Provider** shall maintain the **Plant** and **Apparatus** comprising each **Contracted Site** and **Substitute Site** to such a standard that the **Reserve Provider** can meet its obligations to provide **Reserve** in accordance with the terms of the **STOR Contract**.

3.8 WEEKLY AND ANNUAL LIMITS AND REVISION OF ENERGY UTILISATION PRICE

3.8.1 Where, in any **Week** or during any **Financial Year** during the term of the relevant **STOR Contract**, the number of relevant **Utilisations** in relation to a **Contracted Site** has equalled or exceeded, respectively for that **Contracted Site**, the relevant **Weekly Limit** (if any) and/or **Annual Limit** (if any), the **Reserve Provider** may notify **National Grid** by facsimile in the form set out in Part I of Annexure 3 to this Section 3 of a revised **Energy Utilisation Price** in respect of that **Contracted Site** to apply for the remainder of that **Week** or the **Financial Year** (as the case may be), provided always that such revised **Energy Utilisation Price** shall not any apply earlier than the commencement of the first **Operational Day** following the **Operational Day** in which **National Grid** receives such facsimile notification. Upon receipt of such notice **National Grid** shall as soon as reasonably practicable thereafter acknowledge safe receipt by facsimile in the form set out in Part I of Annexure 3 to this Section 2.

3.8.2 Until the commencement of the **Operational Day** referred to in sub-paragraph 3.8.1, the **Energy Utilisation Price** which shall apply in respect of that **Contracted Site** shall be the relevant price set out in the **STOR Contract**.

3.8.3 For the avoidance of doubt, where **National Grid** issues an **Instruction** in respect of a **Contracted Site** during a **Contracted Availability Window** or a **Contracted Optional Window** in respect of a **Reproving Test**, then this shall not, for the purposes of this paragraph 3.8, constitute a relevant **Utilisation**.

3.9 WARRANTY AND INDEMNITY

3.9.1 The **Reserve Provider** hereby warrants to **National Grid** that the entering into of a **STOR Contract** and the provision by it of **Reserve** does not and will not cause the **Reserve Provider**:-

- (a) to be in breach of its duties (if any) under Section 9 of the **Act**;
- (b) to be in breach of the Electricity Safety, Quality and Continuity Regulations 2002 (as amended from time to time) or of any regulations made under Section 29 of the **Act** or of any other enactment relating to safety or standards applicable in respect of the business of the **Reserve Provider**;
- (c) to be in breach of any provisions of the **Grid Code** or (where applicable) the **Distribution Code** of its host **Public Distribution System Operator** or make its compliance with any provision of either of these **Codes** impossible;
- (d) (where any **Contracted Site** is **Embedded**) to be in breach of or to otherwise be non-compliant with any **Connection Agreement** and/or any agreement for the supply of electricity to the **Plant** or for the acceptance of electricity into, and its delivery from, a **User System** or any other **System**;
- (e) to be in breach of any provision of its **Licence** (if any);
- (f) to be in breach of any restrictions and conditions attaching to relevant authorisations of the Environment Agency; or
- (g) to be in breach of any other agreement or arrangement of whatever nature with any other person.

3.9.2 The **Reserve Provider** agrees that it will not accept an **Instruction** from **National Grid** hereunder if compliance with such **Instruction** would cause the **Reserve Provider** to be in breach or non-compliance as described in sub-paragraph 3.9.1, and if it declines to accept an **Instruction** on such grounds the **Reserve Provider** will:-

- (a) notify **National Grid** in accordance with sub-paragraph 3.3.2; and
- (b) provide to **National Grid** to **National Grid**'s reasonable satisfaction such written statement and all such supporting evidence as shall be necessary to demonstrate how compliance would cause such breach or non-compliance.

- 3.9.3 In the event that the **Reserve Provider** complies with an **Instruction** from **National Grid** which causes the **Reserve Provider** to be in breach or non-compliance as described in sub-paragraph 3.9.1 above, the **Reserve Provider** shall indemnify **National Grid** against all and any claims made against **National Grid** by the **Reserve Provider's** host **Public Distribution System Operator** or any other person connected to or using the **Public Distribution System Operator's User System** or any other **User System** or the owner or operator of any **User System** or any other person arising out of or resulting from such breach or non-compliance. Such indemnity shall include any legal costs and expenses reasonably incurred in the contesting of such claims including court costs and reasonable attorney's fees and other professional advisors' fees. The **Parties** agree and accept that, for the purposes of sub-paragraph 4.3.3, all such legal costs and expenses expressed to be the subject of such indemnity shall be treated as direct losses.
- 3.9.4 In the event of any such claim referred to in sub-paragraph 3.9.3 above or any third party claim under sub-paragraph 3.9.5 being made against **National Grid**, **National Grid** shall as soon as reasonably practicable give notice of the claim together with all relevant supporting documentation to the **Reserve Provider**. The **Reserve Provider** shall be entitled, upon written notice to **National Grid** and subject to **National Grid** receiving from the **Reserve Provider** such reasonable undertakings as **National Grid** shall reasonably require to protect **National Grid** against damage to its name, to assume, at its own expense, sole conduct of all proceedings relating to such claim including the right to contest such claim in the name of **National Grid** and **National Grid** shall supply the **Reserve Provider** with all information, assistance and particulars reasonably required by the **Reserve Provider** in connection therewith. **National Grid** shall not accept, settle, pay or compromise any such claim without the prior written approval of the **Reserve Provider** (such approval not to be unreasonably withheld or delayed). The **Reserve Provider** shall reimburse **National Grid's** reasonable expenses incurred in connection with the provision of any such information, assistance or particulars in the contesting of any such claim.
- 3.9.5 The **Reserve Provider** hereby warrants to **National Grid** that, on the date of entering into each **STOR Contract** it is not, and it hereby undertakes that at all times throughout the term of the **STOR Contract** it will not be, in breach of the terms of the **Undertaking** and that, subject always to sub-paragraph 3.9.6, it will indemnify **National Grid** against any losses, liabilities, claims, expenses and demands which **National Grid** suffers as a direct result of a breach by the **Reserve Provider** of the provisions of this sub-paragraph 3.9.5.
- 3.9.6 The amount or amounts for which the **Reserve Provider** may be liable to **National Grid** pursuant to sub-paragraph 3.9.5 shall not exceed the sum of £250,000 per **STOR Contract**.

3.10 PROVISION OF OTHER SERVICES

- 3.10.1 The **Reserve Provider** hereby warrants to **National Grid** that, on the date of entering into the **STOR Contract**, it is not a party to an agreement or arrangement with its host **Public Distribution System Operator** or electricity supplier or other person to provide any service from the **Contracted Site(s)** the provision of which impairs the **Reserve Provider's** ability to make available and/or provide **Reserve** during any **Availability Window** (including, for the avoidance of doubt, any **Flexible Window**) and/or to perform its obligations under a **STOR Contract** and that, subject always to sub-paragraph 3.10.2, it will indemnify **National Grid** against any losses, liabilities, claims, expenses and demands which **National Grid** suffers as a direct result of a breach by the **Reserve Provider** of the provisions of this sub-paragraph 3.10.1. Notwithstanding such warranty where any agreement or arrangement results during the term of a **STOR Contract** in the impairment of the ability of the **Reserve Provider** to provide **Reserve** and/or perform its obligations under such **STOR Contract**, then the **Reserve Provider** undertakes to reimburse to **National Grid** all and any losses, liabilities, claims, expenses and demands reasonably incurred or suffered by **National Grid** as a result of the **Reserve Provider's** ability to provide **Reserve** and/or perform its obligations under such **STOR Contract** being thereby impaired.
- 3.10.2 The amount or amounts for which the **Reserve Provider** may be liable to **National Grid** pursuant to sub-paragraph 3.10.1 shall not exceed the sum of £250,000 per **STOR Contract**.
- 3.10.3 Where during the term of a **STOR Contract** the **Reserve Provider** intends to enter into an agreement or arrangement with its host **Public Distribution System Operator** or electricity supplier or other person to provide any service from the **Contracted Site(s)** the provision of which impairs the **Reserve Provider's** ability to provide **Reserve** and/or perform its obligations under the **STOR Contract**, the **Reserve Provider** shall notify **National Grid**, in accordance with paragraph 4.8, as soon as reasonably practicable before entering into such agreement or arrangement. Upon and with effect from the entering into of any such agreement or arrangement, **National Grid** shall have the right to terminate the **STOR Contract** forthwith and serve a notice to that effect in accordance with paragraph 4.8.
- 3.10.4 For the avoidance of doubt, the availability in any **Settlement Period** of an increase in **Generation** and/or reduction in **Demand** from the **Contracted Site** or any part thereof for the benefit of any third party (including without limitation the **Reserve Provider's** host **Public Distribution System Operator** or electricity supplier) shall be deemed for the purposes of sub-paragraphs 3.10.1 and 3.10.2 to impair the **Reserve Provider's** ability to provide **Reserve**.

3.11 INSPECTION AND TESTING

Testing

3.11.1 Where the **Reserve Provider** is determined by **National Grid** to have failed to provide **Reserve** from a **Contracted Site** in accordance with sub-paragraph 3.3.7 and/or sub-paragraph 3.3.9, **National Grid** shall notify the **Reserve Provider** of such failure (hereinafter referred to as a “**Delivery Failure**”) as soon as reasonably practicable thereafter and, save as provided in sub-paragraph 3.11.2, the **Reserve Provider** shall, for the purposes of sub-paragraph 3.4.1, be deemed not to have made **Reserve** available from the **Contracted Site** with effect from the time at which the **Delivery Failure** occurred until such time as the **Reserve Provider** shall be deemed to have restored the availability of **Reserve** from the **Contracted Site** in accordance with the following provisions:-

- (a) The **Reserve Provider** shall, during the period commencing at the time of **National Grid**'s notification and ending either:-
 - (i) when a successful **Reproving Test** is carried out in accordance with this sub-paragraph 3.11.1; or
 - (ii) at the time of expiry of the **Permitted Test Period** if no **Reproving Test** is carried out by **National Grid**,

continue, in respect of the relevant **Contracted Site**, to comply with its obligation to make **Declarations** and/or **Redeclarations** in accordance with paragraph 3.2.

- (b) At any time during the period of fourteen **Operational Days** after the notification by **National Grid** referred to in sub-paragraph 3.11.1(a) (“the **Permitted Test Period**”), **National Grid** may in any **Contracted Availability Window** or **Contracted Optional Window** issue an **Instruction** in respect of the **Contracted Site** in accordance with sub-paragraph 3.3.1 (“a **Reproving Test**”) in order to verify the availability of **Reserve** from the **Contracted Site**.

- (c) If either:-
 - (i) **National Grid** fails to carry out a **Reproving Test** during the **Permitted Test Period** in accordance with sub-paragraph 3.11.1(b) above; or
 - (ii) the **Reserve Provider** passes a **Reproving Test** carried out during the **Permitted Test Period** in accordance with sub-paragraph 3.11.1(b) above,

then for the purposes of sub-paragraph 3.4.1 the availability of **Reserve** from the **Contracted Site** shall be deemed to have been restored with effect from the commencement of the first **Contracted Availability Window** after the **Contracted Availability Window** or **Contracted Optional Window** (as the case may be) in which the **Delivery Failure** occurred.

- (d) If the **Reserve Provider** fails a **Reproving Test** carried out during the **Permitted Test Period** in accordance with sub-paragraph 3.11.1(b) above, then:-
 - (i) **National Grid** shall notify the **Reserve Provider** thereof as soon as reasonably practicable thereafter; and
 - (ii) sub-paragraphs 3.11.1(a) to (c) (inclusive) shall apply (except that, for the purposes of sub-paragraph 3.11.1(b) above, the **Permitted Test Period** shall constitute the period of fourteen **Operational Days** after the date of the failed **Reproving Test** and for the purposes of sub-paragraph 3.11.1(c) above availability of **Reserve** shall be deemed to have been restored with effect from the commencement of the first **Contracted Availability Window** after the **Contracted Availability Window** or **Contracted Optional Window** (as the case may be) in which the failed **Reproving Test** took place); and
 - (iii) sub-paragraph 3.5.6 shall apply.
- (e) For the purposes of sub-paragraphs 3.11.1(b), (c) and (d) above, the **Permitted Test Period** shall be extended by an **Operational Day** for each **Operational Day** falling within the **Permitted Test Period**, in respect of which the **Reserve Provider** fails (in respect of all or part of one or more **Availability Windows** falling within that **Operational Day**) to confirm that **Reserve** is available from the relevant **Contracted Site** in accordance with sub-paragraph 3.2.1, 3.2.2 or 3.2.4.
- (f) For the purposes of this sub-paragraph 3.11.1, a **Reproving Test** shall be passed if, in respect of the relevant **Contracted Site**, the **Reserve Provider** complies in all respects with sub-paragraphs 3.3.7 and 3.3.9 and failure of a **Reproving Test** shall be construed accordingly.
- (g) For the purposes of paragraph 3.8, where **National Grid** issues an **Instruction** in respect of a **Contracted Site** during a **Contracted Availability Window** or a

Contracted Optional Window by way of a **Reproving Test** pursuant to sub-paragraph 3.11.1(b) above, then this shall not constitute a relevant **Utilisation**.

3.11.2 Notwithstanding sub-paragraph 3.11.1 above, where in respect of a **Delivery Failure** the first **Reproving Test** is failed and the number of **Operational Days** in the period between the **Operational Day** when that **Delivery Failure** occurred and the **Operational Day** when the first **Reproving Test** is conducted exceeds fourteen **Operational Days**, **National Grid** may, in respect of such period, only withhold the **Reserve Availability Payment** in respect of:-

- (a) (where the **Delivery Failure** occurs in a **Contracted Availability Window**) the remainder of such **Contracted Availability Window**; and
- (b) all subsequent **Contracted Availability Windows** on the same **Operational Day** in which the **Delivery Failure** occurs and in the immediately following fourteen **Operational Days**,

provided always that the period of fourteen **Operational Days** described in paragraph (b) above shall be extended by an **Operational Day** for each **Operational Day** falling within such period, in respect of which the **Reserve Provider** fails (in respect of all or part of one or more **Availability Windows** falling within that **Operational Day**) to confirm that **Reserve** is available from the relevant **Contracted Site** in accordance with sub-paragraph 3.2.1, 3.2.2 or 3.2.4.

3.11.3 Notwithstanding sub-paragraph 3.11.1 above, **National Grid** may at its sole discretion, upon 48 hours written notice to the **Reserve Provider**, conduct such inspections and tests of the **Generating Unit(s)** and/or **Plant** and **Apparatus** comprising the **Contracted Site(s)** as it deems necessary during any **Availability Window** in respect of which the **Reserve Provider** has indicated in the relevant **Declaration** that **Reserve** is available.

3.11.4 In conducting a test pursuant to sub-paragraph 3.11.3 **National Grid** may issue an **Instruction** in accordance with sub-paragraph 3.3.1.

3.11.5 **National Grid** may carry out an inspection and test of the **Generating Unit(s)** and/or **Plant** and **Apparatus** comprising the **Contracted Site(s)** at the request of the **Reserve Provider**, provided that the **Reserve Provider**:-

- (a) gives **National Grid** reasonable notice in writing of the date on which the inspection and test is to be conducted;
- (b) notifies **National Grid** in writing of the reason for such request; and

- (c) pays all **National Grid**'s reasonable costs incurred in connection with such inspection and test.
- 3.11.6 No **Reserve Utilisation Payment**, nor any part thereof, shall be paid by **National Grid** in respect of any **Reserve** provided by the **Reserve Provider** during a test conducted pursuant to sub-paragraph 3.11.5.
- 3.11.7 While on the **Contracted Site** in pursuance of its rights and obligations pursuant to this paragraph 3.11, **National Grid** shall ensure that its employees, agents, suppliers, contractors and sub-contractors are aware of the **Reserve Provider**'s site and general corporate rules and procedures in relation to health, safety and working standards (insofar as the same have been made known by the **Reserve Provider** to **National Grid** in writing in advance) and shall use its reasonable endeavours to ensure that all such persons comply with such rules and procedures while on the **Contracted Site** in pursuance of **National Grid**'s rights and obligations pursuant to this paragraph 3.11. Further, **National Grid** shall use all reasonable endeavours to ensure that all such persons carrying out such tests and inspections on its behalf are provided with all protective and safety clothing, tools and equipment reasonably necessary for their protection.

3.12 COMMUNICATIONS

- 3.12.1 Subject to sub-paragraphs 3.12.2 to 3.12.4, all communications between the **Parties** pursuant to this Section 3 (including without limitation **Declarations**, **Redeclarations** and **Instructions**) shall be given by **STOR Despatch** or, where **STOR Despatch** is unavailable at the **Commencement Date**, such alternative method of communication as may be agreed by **National Grid** in accordance with sub-paragraph 3.12.2. If, for whatever reason, **STOR Despatch** shall at any time during the term of the relevant **STOR Contract** become unavailable, then to that extent all **Declarations** and **Redeclarations** and other communications of whatever nature which concern the availability and utilisation of **Reserve** shall be given by such other means as may be agreed between the **Parties**.
- 3.12.2 Where **STOR Despatch** is unavailable at the **Commencement Date**, **National Grid** may, in its sole discretion, agree in writing with the **Reserve Provider** an alternative method of communication provided always that **National Grid** may at any time withdraw its agreement to the use of such alternative method of communication by serving notice in writing on the **Reserve Provider**.
- 3.12.3 Any communications required by this Section 3 to be given in writing shall be made and deemed to have been made in accordance with paragraph 4.8 save as may be otherwise agreed between the **Parties**.

3.12.4 Where **STOR Despatch** is for whatever reason unavailable at the **Commencement Date** and either:-

- (a) **National Grid** shall not have agreed pursuant to sub-paragraphs 3.12.1 and 3.12.2 that communications between the **Parties** pursuant to this Section 3 (including without limitation **Declarations, Redclarations** and **Instructions**) may be given otherwise than by **STOR Despatch**; or
- (b) **National Grid** shall have withdrawn its agreement to the use of an alternative method of communication in accordance with sub-paragraph 3.12.2,

then:-

- (i) no **Reserve Availability Payments** shall be paid to the **Reserve Provider** in respect of the period during which such communications are not being given either by **STOR Despatch** or (where relevant) an alternative means agreed by **National Grid** and the **Reserve Provider** pursuant to sub-paragraphs 3.12.1 and 3.12.2, and sub-paragraph 3.4.1 shall be read and construed accordingly; and
- (ii) the **Reserve Provider** shall use its best endeavours to install **STOR Despatch** within a timescale agreed by **National Grid** (acting reasonably).

3.13 MONITORING AND METERING

3.13.1 The **Reserve Provider's** provision of **Reserve** and the amount of **Reserve** provided shall be monitored, metered and determined by the **STOR Despatch** and, where **STOR Despatch** is unavailable for the purposes of monitoring and metering of the **Reserve Provider's** provision of **Reserve**, **National Grid** may (where alternative metering data which is satisfactory to **National Grid** is not available) at its discretion withhold **Reserve Availability Payments** and/or **Reserve Utilisation Payments** in respect of the period during which **STOR Despatch** is unavailable for the purposes of such monitoring and metering.

3.13.2 The **Parties** hereby agree to be bound with respect to each other by the terms of the **STOR Despatch Procedure** as if the same were set out in full in this **Document**.

3.13.3 In the event of a conflict between the provisions of this **Document** and the provisions of the **STOR Despatch Procedure**, the provisions of this **Document** shall prevail.

ANNEXURE 1 TO SECTION 3
PAYMENT FORMULAE
(NON-BALANCING MECHANISM PARTICIPANTS)

Part I

Reserve Availability Payment (Contracted Availability Windows only - there is no availability payment for Contracted Optional Windows)

The payment to be made by **National Grid** to the **Reserve Provider** referred to in sub-paragraph 3.4.1 in respect of the **Contracted Availability Windows** in calendar month m , for **Site** s (AF_{sm}) shall be calculated in accordance with the following formula (using notation as defined in Part VI of this Annexure):-

$$AF_{sm} = \sum_{j \in M_m} (AP_{sj} \times 0.5 \times CM_{sj} \times FF_{sj} \times FM_{sj})$$

Part II

Reserve Utilisation Payment

The payments to be made by **National Grid** to the **Reserve Provider** referred to in sub-paragraphs 3.4.2 and 3.4.3 for the provision of **Reserve** energy from **Site** s in **Contracted Availability Windows** and/or **Contracted Optional Windows** in calendar month m (UF_{sm}) shall be calculated in accordance with the following formula (using notation as defined in Part VI of this Annexure):-

$$UF_{sm} = \sum_{j \in M_m} (R_{sj} \times EP_{sj})$$

Part III

Seasonal Delivery Reconciliation Payment

The payment to be made by the **Reserve Provider** to **National Grid** referred to in sub-paragraph 3.4.5 in respect of **Season** n for **Site** s (SDR_{sn}) shall be calculated in accordance with the following formula (using notation as defined in Part VI of this Annexure):-

$$SDR_{sn} = M \times \frac{\min(P_n, N_{sn})}{P_n} \times (1 - ADMW_{sn}) \times \sum_{j \in C_n} (AP_{sj} \times 0.5 \times CM_{sj} \times FF_{sj} \times FM_{sj})$$

Where:

$$M = 0, \text{ if } ADMW_{sn} \geq 0.95$$

$$M = 1, \text{ if } ADMW_{sn} < 0.95$$

And

$$ADMW_{sn} = \frac{\sum_{j \in C_n} R_{sj}}{CM_{sj} \times \sum_{j \in C_n} T_{sj}}$$

Part IV

Committed Availability Reconciliation Payment

The payment to be made by the **Reserve Provider** to **National Grid** referred to in sub-paragraph 3.4.6 in respect of **Financial Year** y for **Site** s ($ACAR_{sy}$) shall be calculated in accordance with the following formula (using notation as defined in Part VI of this Annexure):-

$$ACAR_{sy} = \max \left[0, 1 - \frac{\sum_{j \in C_y} CF_{sj}}{\sum_{j \in A_y} MA_{sj}} \right] \times \left(\sum_{m \in Yy} AF_{sm} - \sum_{n \in Yy} SDR_{sn} \right)$$

Part V

Flexible Availability Reconciliation Payment

The payment to be made by the **Reserve Provider** to **National Grid** referred to in sub-paragraph 3.4.7 in respect of **Financial Year** y for **Site** s ($AFAR_{sy}$) shall be calculated in accordance with the following formula (using notation as defined in Part VI of this Annexure):-

$$AFAR_{sy} = \max \left[0, 1 - \frac{\sum_{j \in C_y} FA_{sj}}{0.85 \sum_{j \in A_y} FW_{sj}} \right] \times \left(\sum_{m \in Yy} AF_{sm} - \sum_{n \in Yy} SDR_{sn} \right)$$

Part VI
Notation

In Parts I to V (inclusive) of this Annexure:-

$$\sum_{j \in M_m}$$

is the summation over all **Settlement Periods** j , in the set M_m of **Settlement Periods** in:-

- (i) for the purposes of Part I, **Contracted Availability Windows**; and
- (ii) for the purposes of Part II, **Contracted Availability Windows, Pre-Window Instruction Periods, Post-Window Ramping Periods** and (where relevant) **Contracted Optional Windows** in month m

$$\sum_{m \in Y_y}$$

is the summation over all months m , in **Financial Year** y

$$\sum_{n \in Y_y}$$

is the summation over all **Seasons** n , in **Financial Year** y

$$AP_{sj}$$

is the **Availability Price** in respect of **Site** s , applicable in each **Settlement Period** j (as the same may be reduced in respect of the calendar month in question in accordance with sub-paragraph 3.5.2 or varied in accordance with sub-paragraph 1.4.6)

$$CM_{sj}$$

is the **Contracted MW** in respect of **Site** s , applicable in each **Settlement Period** j

$$FF_{sj}$$

is 0 in respect of each **Settlement Period** j , contained in a **Contracted Availability Window** where **Reserve** is declared or redeclared unavailable or deemed unavailable from **Site** s or where Annexure 2 to Section 3 provides that, in respect of **Settlement Period** j and **Site** s the **Reserve Provider** will not be entitled to receive a **Reserve Availability Payment**, otherwise 1

$$FM_{sj}$$

is 0 in respect of each **Settlement Period** j , contained in a **Contracted Availability Window** where sub-paragraph 4.12.2 (**Force Majeure**) applies in respect of **Site** s , otherwise 1

R_{sj} is the volume of **Reserve** energy (MWh) delivered (being a volume not greater than the **Contracted MW** or the **Optional MW** (as the case may be) multiplied by the number of hours comprised in the instructed period of delivery of **Reserve**), by either the increase in **Generation** or reduction in **Demand**, from **Site** s , in **Settlement Period** j , in accordance with an **Instruction**, as determined by metering pursuant to sub-paragraph 3.13.1 which shall, for the purposes of Part II only, include **Reserve** energy (MWh) delivered during the **Response Time** and **Cease Time**

EP_{sj} is the **Energy Utilisation Price** or (if applicable) the **Optional Energy Utilisation Price** (£/MWh), applicable in **Settlement Period** j , for **Site** s

$\sum_{j \in C_n}$ is the summation over all **Settlement Periods** j , in the set C_n of **Settlement Periods in Contracted Availability Windows in Season** n

T_{sj} is the period in hours of provision of **Reserve** energy for **Site** s following the issue of an **Instruction** during **Settlement Period** j commencing at the time of expiry of the **Response Time** and ending on the earlier of:-

- (i) the expiry of the **Maximum Utilisation Period**;
- (ii) the time specified by **National Grid** in an instruction issued pursuant to sub-paragraph 3.3.4; and
- (iii) (where the **Instruction** relates to the provision of **Reserve** during a **Contracted Availability Window** and such **Contracted Availability Window** is not immediately followed by a **Contracted Optional Window**) the end of the relevant **Contracted Availability Window** in which **Reserve** is being provided

$\sum_{j \in C_y}$ is the summation over all **Settlement Periods** j , in the set C_t of **Settlement Periods in Contracted Availability Windows (being Committed Windows) in Financial Year** y

$\sum_{j \in A_y}$ is the summation over all **Settlement Periods** j , in the set A_t of **Settlement Periods in Availability Windows (being Committed Windows) in Financial Year** y but excluding those **Availability Windows (being Committed Windows)** where sub-paragraph 4.12.2 (**Force Majeure**) applies

CF _{sj}	is 0 in respect of each Settlement Period <i>j</i> , contained in a Contracted Availability Window where Reserve is declared or redeclared unavailable or (save in the case of sub-paragraph 3.3.12) deemed unavailable from Site <i>s</i> or where Annexure 2 to Section 3 provides that, in respect of Settlement Period <i>j</i> and Site <i>s</i> the Reserve Provider will not be entitled to receive a Reserve Availability Payment , otherwise 1
MA _{sj}	is the required minimum availability, taking a value of 0.85, in respect of Settlement Period <i>j</i> and Site <i>s</i>
FA _{sj}	is 1 in respect of each Settlement Period <i>j</i> , contained in an Availability Window designated a Flexible Window in the relevant STOR Contract which is declared available at 10.00 hours on the Friday preceding the Week in which such Flexible Window falls and during which Reserve is made available from Site <i>s</i> or deemed unavailable in accordance with sub-paragraph 3.3.12, otherwise 0
FW _{sj}	is 0 in respect of each Settlement Period <i>j</i> , contained in an Availability Window designated a Flexible Window in the relevant STOR Contract where by 10.00 hours on the Friday preceding the Week in which such Flexible Window falls Reserve is declared or redeclared unavailable or deemed unavailable from Site <i>s</i> , otherwise 1
Site <i>s</i> or <i>s</i>	is the relevant Contracted Site (or, as applicable, any Substitute Site or Replacement Site)
Financial Year <i>y</i> or <i>y</i>	is either:- <ul style="list-style-type: none"> (i) the relevant Financial Year; or (ii) (where sub-paragraph 3.4.8 applies) the period from either the commencement of the relevant Financial Year or (if later) the Commencement Date of the STOR Contract until the date of termination or expiry of the STOR Contract; or (iii) (where sub-paragraph 3.4.9 applies) the period from the Commencement Date of the STOR Contract until the end of the relevant Financial Year in which the Commencement Date falls or (if earlier) the date of termination of the STOR Contract
Season <i>n</i> or <i>n</i>	is the relevant Season

N_{sn}

is the number of occasions in **Season** n where **Site** s is instructed to provide **Reserve** in **Contracted Availability Windows** in accordance with subparagraph 3.3.1

P_n

is the threshold for **Season** n as determined in accordance with the table below:-

Length of Season s	Threshold, P_n
< 4 weeks	3
4 - 10 weeks	4
> 10 weeks	5

ANNEXURE 2 TO SECTION 3
EVENTS OF DEFAULT AND CONSEQUENCES
(NON-BALANCING MECHANISM PARTICIPANTS)

Part I

Event of Default – Redeclarations of Availability	Effect on Reserve Availability Payments
<p>A. A Redeclaration in the circumstances specified in sub-paragraph 3.2.11(a).</p>	<p>The Reserve Provider shall not be entitled:-</p> <p>(a) where notice is given prior to commencement of a Contracted Availability Window, to receive a Reserve Availability Payment in relation to that Contracted Site in respect of the whole of the Contracted Availability Window(s) to which the notice relates or (as the case may be) in respect of that Contracted Availability Window and all subsequent Contracted Availability Window(s) until the next Contracted Availability Window in respect of which the Reserve Provider notifies availability of Reserve from that Contracted Site; and</p> <p>(b) where notice is given during a Contracted Availability Window, to receive a Reserve Availability Payment in relation to that Contracted Site in respect of the remainder of such Contracted Availability Window and any subsequent Contracted Availability Window(s) to which the notice relates or (as the case may be) in respect of all subsequent Contracted Availability Window(s) until the next Contracted Availability Window in respect of which the Reserve Provider notifies availability of Reserve from that Contracted Site.</p>
<p>B. Failure to serve a Redeclaration forthwith upon becoming aware of unavailability of Reserve in Availability Window(s) or Contracted Availability Window(s) as specified in sub-paragraph 3.2.11(b).</p> <p>C. Failure, upon request from National Grid, to provide an explanation in reasonable detail for unavailability or National Grid has reasonable grounds to believe that unavailability is unrelated to technical capability as specified in sub-paragraph 3.2.11(c).</p>	<p>The Reserve Provider shall not be entitled to receive a Reserve Availability Payment in respect of that Contracted Site in respect of the whole of the Contracted Availability Window(s) in relation to which such event of default occurred.</p>
<p>D. Failure to serve a Redeclaration forthwith upon becoming aware of unavailability of Reserve in Optional Window(s), Deemed Optional Window(s) or Contracted Optional Window(s) as specified in sub-paragraph 3.2.11(b).</p>	<p>N/A</p>

EVENTS OF DEFAULT AND CONSEQUENCES (CONT.)
(NON-BALANCING MECHANISM PARTICIPANTS)

Event of Default – Utilisation of Reserve	Effect on Reserve Availability Payments
<p>E. Any failure by the Reserve Provider to notify National Grid within the period of time specified in sub-paragraph 3.3.2.</p> <p>F. Any failure by the Reserve Provider to acknowledge receipt of any instruction given by National Grid pursuant to sub-paragraph 3.3.4 within the period of time specified in sub-paragraph 3.3.5.</p>	<p>The Reserve Provider shall not be entitled to receive a Reserve Availability Payment in relation to that Contracted Site in respect of the remainder of such Contracted Availability Window commencing at the time at which such event of default occurred.</p>
<p>G. Failure to comply with sub-paragraph 3.3.7 in respect of the provision of Contracted MW in the circumstances specified in sub-paragraph 3.3.8(a).</p>	<p>The Reserve Provider shall not be entitled to receive a Reserve Availability Payment in relation to that Contracted Site in respect of each Settlement Period comprised (wholly or partly) in the period commencing on the expiry of the Response Time and ending at the time from which the Reserve Provider provides Reserve.</p>
<p>H. Failure to comply with sub-paragraph 3.3.7 in respect of the provision of Contracted MW in the circumstances specified in sub-paragraph 3.3.8(b).</p> <p>I. Failure to comply with sub-paragraph 3.3.7 in respect of the provision of Contracted MW in the circumstances specified in sub-paragraph 3.3.8(c).</p> <p>J. Failure to comply with sub-paragraph 3.3.9 in respect of the provision of Contracted MW in the circumstances specified in sub-paragraph 3.3.10.</p>	<p>The Reserve Provider shall not be entitled to receive a Reserve Availability Payment in relation to that Contracted Site in respect of the remainder of that Contracted Availability Window commencing at the time at which such Event of Default occurred.</p>
<p>K. Rejection of an Instruction by the Reserve Provider where this is not for safety reasons or reasons related to the technical capability of the Contracted Site.</p> <p>L. The provision of Active Power or the reduction in Demand by the Reserve Provider from a Contracted Site otherwise than pursuant to an Instruction in the circumstances specified in sub-paragraph 3.3.11.</p>	<p>The Reserve Provider shall not be entitled to receive a Reserve Availability Payment in respect of that Contracted Site in respect of the whole of the Contracted Availability Window(s) in relation to which such event of default occurred.</p>
<p>M. Failure to comply with sub-paragraph 3.3.7 and/or 3.3.9 in respect of the provision of Optional MW as specified in sub-paragraph 3.3.7 and/or 3.3.10.</p>	N/A
Event of Default – Miscellaneous	Effect on Reserve Availability Payments
<p>N. A failure by the Reserve Provider to comply with any other provision of Section 3 not the subject of Events of Default A to M above.</p>	N/A

ANNEXURE 3 TO SECTION 3
FACSIMILE FORMS
(NON-BALANCING MECHANISM PARTICIPANTS)

Part I
SHORT TERM OPERATING RESERVE -
NOTIFICATION OF A REVISED ENERGY UTILISATION PRICE
UPON REACHING UTILISATION LIMIT

RESERVE PROVIDER'S DETAILS			
Contracted Site:		Tel:	
Contract Number:		Standby Tel:	
Company Name:		Fax:	
Contracted MW:		Standby Fax:	

We hereby serve notice of a new Energy Utilisation Price following the Utilisation Limit being reached at the above Contracted Site, as follows:

Limit Type Exceeded (Weekly/ Annual)	Date Limit Exceeded	New Energy Utilisation Price (£/MWh)	Date new Energy Utilisation Price effective from*

* Date may not be earlier than the Operational Day after receipt by National Grid of this facsimile notification.

Fax Sent By (Print name): Date: Time:

Signature:

 Fax acknowledged by National Grid:

Signature: Date: Time:

National Grid Control

Fax number: 0870 602 4805

Telephone: 0870 240 6961

Standby Fax:

Standby Telephone:

0870 602 4802

0844 892 0360

Part II
SHORT TERM OPERATING RESERVE -
NOTIFICATION OF ACCEPTANCE OR REJECTION OF
FLEXIBLE WINDOWS

To:		Fax:	
		Standby Fax:	

We hereby notify you of acceptance/rejection of the availability of Short Term Operating Reserve from Contracted Site(s) during Flexible Window(s), as follows:

Contracted Site	Contract Number	Flexible Window (I, II, III)	Operational Day (DD:MM:YY)	Accepted/ Rejected

Fax Sent By (Print name): **Date:** **Time:**

Signature:

For and on behalf of National Grid Electricity Transmission plc

National Grid Control

Fax number: 0870 602 4805

Telephone: 0870 240 6961

Standby Fax:

Standby Telephone:

0870 602 4802

0844 892 0360

SECTION 4

GENERAL PROVISIONS

4.1 INTRODUCTION

- 4.1.1 Subject to sub-paragraph 4.1.2, this General Provisions Section contains those provisions which are generic, but which do not relate directly to the specific areas dealt with in other Sections.
- 4.1.2 Paragraphs 4.2, 4.6 and 4.8 shall not apply and shall be replaced with paragraphs 4.2, 4.6 and 4.8 set out in Schedule 2 where a **STOR Contract** provides that the **Reserve Provider** may procure the performance by a **Reserve Provider's Agent** of certain of its obligations in connection with the provision of **Short Term Operating Reserve** pursuant to either Section 2 or Section 3.

4.2 PAYMENTS

- 4.2.1 On the eighteenth **Business Day** of each calendar month **National Grid** shall send to the **Reserve Provider** a statement ("the **Monthly Statement**") setting out details of the following (to the extent applicable) in respect of the preceding calendar month:-
- 4.2.1.1 the **Contracted Availability Windows** and **Contracted Optional Windows**;
 - 4.2.1.2 the hours of provision of **Reserve** for each **Contracted BM Unit** and/or **Contracted Site** (as the case may be);
 - 4.2.1.3 the **Reserve Availability Payments** and **Reserve Utilisation Payments**;
 - 4.2.1.4 each occurrence of an event of default specified in Annexure 2 to Sections 2 or 3 (as the case may be).
- 4.2.2 **National Grid** shall set out the details of the reconciliation payment(s) (if any) due from the **Reserve Provider** to **National Grid** pursuant to sub-paragraphs 2.4.2 to 2.4.5 (inclusive) and/or 3.4.5 to 3.4.9 (inclusive) (as the case may be) in **Monthly Statements** as follows:-
- 4.2.2.1 where at the end of a **Season** a **Seasonal Delivery Reconciliation Payment** shall fall due from the **Reserve Provider** to **National Grid** in accordance with sub-paragraph 2.4.2 or 3.4.5 (as the case may be) then details of such payment shall be included in the first practicable **Monthly Statement** issued thereafter, save that in respect of the final **Season** of the term of a **STOR Contract**,

National Grid shall include an estimate of the **Seasonal Delivery Reconciliation Payment** due from the **Reserve Provider** to **National Grid** in the **Monthly Statement** in respect of the calendar month in which such **Season** ends and shall in the first practicable **Monthly Statement** thereafter include details of:-

- (a) its determination of the final **Seasonal Delivery Reconciliation Payment**; and
- (b) the adjustment (if any) to be made to the account between the **Reserve Provider** and **National Grid** in relation to any difference between the estimated and final **Seasonal Delivery Reconciliation Payments**; and

4.2.2.2 where at the end of a **Financial Year** during the term of a **STOR Contract** or where either a **STOR Contract** expires or is terminated and a **Committed Availability Reconciliation Payment** and/or a **Flexible Availability Reconciliation Payment** shall fall due from the **Reserve Provider** to **National Grid** in accordance with sub-paragraphs 2.4.3 to 2.4.5 (inclusive) or 3.4.6 to 3.4.9 (inclusive) (as the case may be) then:-

- (a) where any such payment(s) falls due at the end of a **Financial Year** during the term of a **STOR Contract** in accordance with any of sub-paragraphs 2.4.3, 2.4.5, 3.4.6, 3.4.7 or 3.4.9 then details of such payments shall be included in the first practicable **Monthly Statement** issued thereafter; or
- (b) where any such payment(s) falls due upon the expiry or termination of a **STOR Contract**, **National Grid** shall include an estimate of the **Committed Availability Reconciliation Payment** and/or **Flexible Availability Reconciliation Payment** in the **Monthly Statement** in respect of the calendar month in which such **STOR Contract** expires or is terminated and shall in the first practicable **Monthly Statement** thereafter include details of:-
 - (i) its determination of the final **Committed Availability Reconciliation Payment** and/or **Flexible Availability Reconciliation Payment**; and
 - (ii) any adjustment to be made to the account between the **Reserve Provider** and **National Grid** in relation to any

difference between the estimated and final **Committed Availability Reconciliation Payment** and/or **Flexible Availability Reconciliation Payment**.

4.2.3 If the **Reserve Provider** disagrees with any dates, times, facts or calculations set out in the **Monthly Statement**, it shall produce to **National Grid** the evidence upon which it relies in support of such disagreement. The **Parties** shall discuss and endeavour to resolve the matter and any revisions to the **Monthly Statement** agreed as a result thereof shall appear in the **Monthly Statement** next following the date of resolution of the dispute. The dates, times, facts and calculations set out in the **Monthly Statement** shall be binding upon the **Parties** until such time as they are reversed or revised by agreement between the **Parties** or by an arbitrator appointed pursuant to sub-paragraph 4.9.

4.2.4 Where:-

4.2.4.1 **National Grid** discovers that any previous **Monthly Statement** contains an arithmetic error or omission; or

4.2.4.2 **National Grid** becomes aware of any facts (other than facts falling within sub-paragraph 4.2.4.1) which show that the **Reserve Provider** was not entitled to receive a payment already made (including, for the avoidance of doubt, where sub-paragraph 2.5.6 or 3.5.6 applies),

National Grid shall adjust the account between itself and the **Reserve Provider** accordingly in the next **Monthly Statement** which it issues, setting out the reason why the adjustment has been made, and the provisions of sub-paragraph 4.2.3 shall apply mutatis mutandis to such adjustments.

4.2.5 The due date of payment for the purposes of sub-paragraph 4.2.8 in respect of any disputed amount subsequently determined or agreed to be payable to the **Reserve Provider** shall be the date for payment of the relevant **Monthly Statement** from which the dispute arises.

4.2.6 **National Grid** shall pay to the **Reserve Provider** the amount shown as due from **National Grid** in a **Monthly Statement** within three **Business Days** of the date on which the **Monthly Statement** is or should be received. The **Reserve Provider** shall pay to **National Grid** the amount shown as due from the **Reserve Provider** in a **Monthly Statement** within three **Business Days** of the date on which the **Monthly Statement** is issued.

4.2.7 If either **Party** ("the **Defaulting Party**") in good faith and/or with reasonable cause fails to pay under sub-paragraph 4.2.6 any amount properly due under this **Document**, such

Defaulting Party shall pay to the other **Party** interest on such overdue amount from and including the due date of such payment to (but excluding) the date of actual payment (as well after as before judgement) at the **Base Rate** provided that should the **Defaulting Party** otherwise fail to pay any amount properly due under this **Document** on the due date then the **Defaulting Party** shall pay to the other **Party** interest on such overdue amount at the **Enhanced Rate** from the due date on which such payment was properly due to (but excluding) the date of actual payment. Interest shall accrue from day to day.

- 4.2.8 If, following a dispute or by virtue of sub-paragraphs 4.2.3 or 4.2.4, it is determined or agreed that the **Reserve Provider** was entitled to a further payment from **National Grid**, the **Reserve Provider** shall be entitled to interest at the **Base Rate** on the amount of such further payment from the due date calculated in accordance with sub-paragraph 4.2.5 until the date of actual payment.
- 4.2.9 If following a dispute or by virtue of the provisions of sub-paragraphs 4.2.3 or 4.2.4 it is determined or agreed that the **Reserve Provider** was not entitled to any payment it has received, **National Grid** shall be entitled to interest at the **Base Rate** on the amount so paid from the date of payment until the date of repayment or the date when **National Grid** makes a payment to the **Reserve Provider** which takes such payment into account.
- 4.2.10 Notwithstanding any other provision of this **Document**, the **Parties** shall not be limited in any way as to the evidence upon which they may rely in any proceedings arising out of or in connection with payment for making available or providing **Reserve** under this **Document**, the **STOR Framework Agreement** and/or the **STOR Contract** and the **Parties** agree that, in the event and to the extent that either **Party** succeeds in proving in any such proceedings that **Reserve** was or was not made available or provided, the successful **Party** shall be entitled to repayment of the sums already paid or payment of sums not paid as the case may be in respect of **Reserve** or its availability.
- 4.2.11 Save as otherwise expressly provided in this **Document** or the **STOR Framework Agreement**, sums payable by one **Party** to the other pursuant to this **Document** or the **STOR Framework Agreement** whether by way of charges, interest or otherwise, shall (except to the extent otherwise required by law) be paid in full, free and clear of and without deduction, set-off or deferment in respect of any disputes or claims whatsoever provided that either **Party** shall be entitled to set off any payment due and payable by the other **Party** under this **Document** or the **STOR Framework Agreement** against any payment it makes to that **Party**.

- 4.2.12 **National Grid** represents and warrants to the **Reserve Provider** that it enters into the **STOR Framework Agreement** and each **STOR Contract** as principal and not as agent for any other person.
- 4.2.13 All amounts specified in the **STOR Contract** shall be exclusive of any **Value Added Tax** or other similar tax and **National Grid** shall pay to the **Reserve Provider Value Added Tax** at the rate for the time being and from time to time properly chargeable in respect of the making available and/or provision of **Reserve** under this **Document**, the **STOR Framework Agreement** and all **STOR Contracts**.
- 4.2.14 The **Reserve Provider** hereby warrants and represents to **National Grid** that it consents to the operation of a self-billing system by **National Grid** with regard to the payment for **Reserve** to be provided and made available pursuant to this **Document**, the **STOR Framework Agreement** and all **STOR Contracts** and will at all times throughout the terms of each **STOR Contract** maintain such consent. The **Reserve Provider** hereby undertakes to do (at **National Grid** 's cost) all acts and things reasonably necessary to enable **National Grid** to comply with the regulations of HM Customs and Excise as regards such self billing.
- 4.2.15 The submission of all **Monthly Statements** and facts and other evidence in support thereof and any questions in connection therewith from **National Grid** to the **Reserve Provider** and vice versa in accordance with this paragraph 4.2 must be made, in the absence of agreement to the contrary between the **Parties**, by 19.00 hours on the **Business Day** concerned.
- 4.2.16 All payments to be made by **National Grid** to the **Reserve Provider** under this **Document** will be made by payment to the **Reserve Provider's** bank account details of which are notified by the **Reserve Provider** from time to time in accordance with paragraph 4.8.
- 4.2.17 The provisions of this sub-paragraph 4.2 shall survive the termination of any **STOR Contract** and/or **STOR Framework Agreement**.

4.3 LIMITATION OF LIABILITY

- 4.3.1 Subject to sub-paragraph 4.3.2, and save where any provision of this **Document**, the **STOR Framework Agreement** or any **STOR Contract** (including where applicable the **Short Term Operating Reserve Despatch Procedure**) provides for an indemnity or the payment of liquidated damages, the **Parties** agree and acknowledge that neither **Party** (the "**Party Liable**") nor any of its officers, employees or agents shall be liable to the other **Party** for loss arising from any breach of this **Document**, the **STOR Framework Agreement** or the **STOR Contract** other than for loss directly resulting from such breach and which at the date of the **STOR Framework Agreement** or the **STOR Contract** concerned was reasonably

foreseeable as not unlikely to occur in the ordinary course of events from such breach in respect of:

4.3.1.1 physical damage to the property of the other **Party**, its officers, employees or agents; and/or

4.3.1.2 the liability of such other **Party** to any other person for loss in respect of physical damage to the property of any person subject, for the avoidance of doubt, to the requirement that the amount of such liability claimed by such other **Party** should be mitigated in accordance with general law,

provided further that the liability of any **Party** in respect of all claims for such loss shall not exceed five million pounds sterling (£5,000,000) per incident or series of related incidents.

4.3.2 Nothing in this **Document** or in the **STOR Framework Agreement** or any **STOR Contract** shall exclude or limit the liability of the **Party Liable** for death or personal injury resulting from the negligence of the **Party Liable** or any of its officers, employees or agents and the **Party Liable** shall indemnify and keep indemnified the other **Party**, its officers, employees or agents, from and against all such and any loss or liability which such other **Party** may suffer or incur by reason of any claim on account of death or personal injury resulting from the negligence of the **Party Liable** or any of its officers, employees or agents.

4.3.3 Subject to sub-paragraph 4.3.2, and save where any provision of this **Document**, the **STOR Framework Agreement** or any **STOR Contract** provides for an indemnity or the payment of liquidated damages, neither the **Party Liable** nor any of its officers, employees or agents shall in any circumstances whatsoever be liable to the other **Party** for:-

4.3.3.1 any loss of profit, loss of revenue, loss of use, loss of contract or loss of goodwill; or

4.3.3.2 any indirect or consequential loss; or

4.3.3.3 loss resulting from the liability of the other **Party** to any other person howsoever and whensoever arising save as provided in sub-paragraph 4.3.1.2 and sub-paragraph 4.3.2.

4.3.4 Each **Party** acknowledges and agrees that the other **Party** holds the benefit of sub-paragraphs 4.3.1 and 4.3.2 and 4.3.3 for itself and as trustee and agent for its officers, employees and agents.

- 4.3.5 The rights and remedies provided by this **Document**, the **STOR Framework Agreement** and any **STOR Contract** to the **Parties** are exclusive and not cumulative and exclude and are in place of all substantive (but not procedural) rights or remedies express or implied and provided by common law or statute in respect of the subject matter of this **Document**, the **STOR Framework Agreement** and any **STOR Contract**, including (without limitation) any rights either **Party** may possess in tort which shall include actions brought in negligence and/or nuisance. Accordingly, each of the **Parties** hereby waives to the fullest extent possible such rights and remedies provided by common law or statute and releases the other **Party**, its officers, employees and agents to the same extent from all duties, liabilities, responsibilities or obligations provided by common law or statute in respect of the matters dealt with in this **Document**, the **STOR Framework Agreement** and any **STOR Contract** and undertakes not to enforce any of the same except as expressly provided herein.
- 4.3.6 For the avoidance of doubt, the **Parties** acknowledge and agree that nothing in this **Document** or in the **STOR Framework Agreement** or any **STOR Contract** shall exclude or restrict or otherwise prejudice or affect any of the rights, powers, privileges, remedies, duties and obligations of the **Secretary of State** or the **Authority** under the **Act**, any **Licence** or otherwise howsoever.
- 4.3.7 Each of sub-paragraphs 4.3.1, 4.3.2, 4.3.3 and 4.3.4 shall:-
- 4.3.7.1 be construed as a separate and severable contract term, and if one or more of such sub-paragraphs is held to be invalid, unlawful or otherwise unenforceable the other or others of such sub-paragraphs shall remain in full force and effect and shall continue to bind the **Parties**; and
- 4.3.7.2 survive termination of the **STOR Framework Agreement** or the **STOR Contract** concerned.
- 4.3.8 For the avoidance of doubt, nothing in this paragraph 4.3 shall prevent or restrict any **Party** enforcing any obligation (including suing for a debt) owed to it under or pursuant to this **Document**, the **STOR Framework Agreement** or any **STOR Contract**.
- 4.3.9 Each **Party** acknowledges and agrees that the provisions of this sub-paragraph 4.3 have been the subject of discussion and negotiation and are fair and reasonable having regard to the circumstances as at the date of submission of the relevant **STOR Tender**.

4.4 TERMINATION

Termination by the Reserve Provider

4.4.1 In the event that **National Grid** varies or re-issues this **Document** in accordance with paragraph 1.2.1, the **Reserve Provider** may by notice in writing terminate any **STOR Contract** which is in force at the date from which any variation or re-issue of this **Document** is expressed to take effect, provided always that any such notice of termination is received by **National Grid** by the **Market Day** prior to the date from which any variation or re-issue of this **Document** is expressed to take effect.

4.4.2 In the event that:-

4.4.2.1 **National Grid** shall fail to pay (other than by inadvertent error in funds transmission which is discovered by the **Reserve Provider**, notified to **National Grid** and corrected within five **Business Days** following such notification) any amount properly due or owing from it pursuant to this **Document**, the **STOR Framework Agreement** or any **STOR Contract** according to its terms, and such non-payment continues unremedied and not disputed in good faith and upon reasonable grounds at the expiry of seven **Business Days** immediately following receipt by **National Grid** of written notice from the **Reserve Provider** of such non-payment; or

4.4.2.2 in respect of **National Grid**:-

- (a) an order of the High Court is made or an effective resolution passed for its insolvent winding-up or dissolution; or
- (b) a receiver (which expression shall include (where relevant) an administrative receiver within the meaning of Section 29 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking is appointed; or
- (c) an administration order under Section 8 of the Insolvency Act 1986 is made or any other steps are taken to appoint an administrator or a voluntary arrangement is proposed under Section 1 of that Act; or
- (d) it enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the **Authority**); or

- (e) it is unable to pay its debts within the meaning of Section 123 (1) or (2) of the Insolvency Act 1986 save that such section shall have effect as if for £750.00 there was inserted £250,000 (and **National Grid** shall not be deemed to be unable to pay its debts if any demand for payment is being contested in good faith by it with recourse to all appropriate measures and procedures),

and in any of the cases specified in this sub-paragraph 4.4.2.2, within 28 days of appointment of the liquidator, receiver, administrative receiver, administrator, nominee or other similar officer, such person has not provided to the **Reserve Provider** a guarantee of future performance by **National Grid** of the **STOR Framework Agreement** and all **STOR Contracts** in such form and amount as the **Reserve Provider** may reasonably require,

the **Reserve Provider** may declare by notice in writing to **National Grid** that such event or events has become a termination event. Once the **Reserve Provider** has given notice of a termination event, the **STOR Contract(s)** shall terminate.

Termination by National Grid

4.4.3 In the event that the **Reserve Provider** at any time ceases to be a party to an agreement for connection to and (where required) use of a **System** in respect of any **Contracted BM Unit** or **Contracted Site**, **National Grid** may in its absolute discretion terminate the **STOR Contract** related to such **Contracted BM Unit** or **Contracted Site** by notice in writing to the **Reserve Provider** provided always that such right of termination shall not arise where the **Reserve Provider** shall have assigned or transferred the benefit or burden of the **STOR Contract** concerned in accordance with sub-paragraph 4.5.1.

4.4.4 In the event that:-

4.4.4.1 the **Reserve Provider** shall fail to pay (other than by inadvertent error in funds transmission which is discovered by **National Grid**, notified to the **Reserve Provider** and corrected within five **Business Days** thereafter) any amount properly due or owing from the **Reserve Provider** to **National Grid** pursuant to this **Document**, the **STOR Framework Agreement** or any **STOR Contract** according to its terms, and such non-payment continues unremedied and not disputed in good faith and upon reasonable grounds at the expiry of seven **Business Days** immediately following receipt by the **Reserve Provider** of written notice from **National Grid** of such non-payment; or

4.4.4.2 in respect of the **Reserve Provider**:-

- (a) an order of the High Court is made or an effective resolution passed for its insolvent winding up or dissolution; or
- (b) a receiver (which expression shall include (where relevant) an administrative receiver within the meaning of Section 29 Insolvency Act 1986) of the whole or any material part of its assets or undertaking is appointed; or
- (c) an administration order under Section 8 of the Insolvency Act 1986 is made or any other steps are taken to appoint an administrator or a voluntary arrangement is proposed under Section 1 of that Act; or
- (d) it enters into any scheme of arrangement (other than for the purpose of a reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the **Authority**); or
- (e) it is unable to pay its debts (within the meaning of Section 123(1) or (2) of the Insolvency Act 1986 save that such sections shall have effect as if for £750.00 there was inserted £250,000 and the **Reserve Provider** shall not be deemed to be unable to pay its debts if any demand for payment is being contested in good faith by the **Reserve Provider** with recourse to all appropriate measures and procedures),

and, in any of the cases specified in this sub-paragraph 4.4.4.2, within 28 days of appointment of the liquidator, receiver, administrative receiver, administrator, nominee or other similar officer, such person has not provided to **National Grid** a guarantee of future performance by the **Reserve Provider** of the **STOR Framework Agreement** and all **STOR Contracts** in such form and amount as **National Grid** may reasonably require,

National Grid may declare by notice in writing to the **Reserve Provider** that such event or events has become a termination event in respect of the **STOR Contract(s)** and (in **National Grid's** discretion) the **STOR Framework Agreement**. Once **National Grid** has given notice of a termination event the **STOR Contract(s)** and (where applicable) the **STOR Framework Agreement** shall terminate.

4.4.5 **National Grid** may, at its option, declare by notice in writing that a **STOR Contract** shall terminate where:-

4.4.5.1 **National Grid** receives notification from the **Reserve Provider** pursuant to the terms of the **STOR Framework Agreement** advising that the **Delivery Method** for the relevant **Contracted BM Unit** or **Contracted Site** (as the case may be) shall be altered; or

4.4.5.2 **National Grid** becomes aware that the **Delivery Method** for the relevant **Contracted BM Unit** or **Contracted Site** has altered,

and any such termination shall take effect with effect from the later of the date of **National Grid's** written notice or the date from which the **Delivery Method** is altered.

4.4.6 Termination of the **STOR Framework Agreement** and any **STOR Contract** shall be without prejudice to the rights and remedies to which a **Party** may be entitled thereunder and shall not affect any accrued rights or liabilities of either **Party** nor the coming into or continuance in force of any provision thereof which is expressly or by implication intended to come into force on or after such termination.

4.5 ASSIGNMENT

4.5.1 The **Reserve Provider** shall not assign or transfer nor purport to assign or transfer the benefit or burden of the **STOR Framework Agreement** and/or any **STOR Contract** save in the following circumstances:-

4.5.1.1 the **Reserve Provider** may assign or charge its benefit under the **STOR Framework Agreement** and/or a **STOR Contract** in whole or in part by way of security;

4.5.1.2 upon the disposal of the whole or any part of the **Reserve Provider's** business or undertaking of which the **Contracted Site** or **Contracted BM Unit** forms part, the **Reserve Provider** may transfer all or some of its rights and obligations under the **STOR Framework Agreement** to the purchaser thereof with the prior written consent of **National Grid** (which shall not be unreasonably withheld or delayed), and all extant **STOR Contracts** with respect to that **Contracted Site** or **Contracted BM Unit** forms part, shall thereupon be deemed to be transferred to such purchaser.

4.5.2 **National Grid** shall not assign or transfer nor purport to assign or transfer the benefit or burden of the **STOR Framework Agreement** and any **STOR Contract** save to a person required by a licence granted under Section 6(1)(b) of the **Act** to contract for **Balancing Services**.

4.6 CONFIDENTIALITY AND ANNOUNCEMENTS

4.6.1 *General Restrictions*

4.6.1.1 Subject to the exceptions provided in sub-paragraph 4.6.2, and to the extent otherwise expressly permitted by this **Document**, the **STOR Framework Agreement** and/or any **STOR Contract** (including the **Short Term Operating Reserve Despatch Procedure**), neither **Party** shall, at any time, whether before or after the expiry or sooner termination of the **STOR Framework Agreement** and/or any **STOR Contract**, without the prior consent of the other **Party** in writing, divulge or suffer or permit its officers, employees, agents or contractors to divulge to any person or permit use by any person (other than disclosure to or use by any of its or their respective officers or employees to the extent that such disclosure and use is required to enable such persons properly to carry out their duties in connection with the **STOR Framework Agreement** and/or any **STOR Contract**) of:-

- (a) any of the contents of the **STOR Framework Agreement** and/or any **STOR Tender** and/or any **STOR Tender Acceptance** and/or any **STOR Tender Rejection**;
- (b) any commercially confidential information relating to the negotiations concerning the entering into of the **STOR Framework Agreement**;
- (c) any commercially confidential information which may come to a **Party's** knowledge in the course of such negotiations; or
- (d) any commercially confidential information concerning the operations, contracts, commercial or financial arrangements or affairs of the other **Party**.

4.6.1.2 Each **Party** undertakes to use information referred to in sub-paragraph 4.6.1.1 and disclosed to it by the other **Party** solely for the purposes of the **STOR Framework Agreement** and/or any **STOR Contract** and shall not use it for any other purpose or for the purposes of any third party.

4.6.2 *Exceptions*

4.6.2.1 The restrictions imposed by sub-paragraph 4.6.1 shall not apply to the disclosure of any information:-

- (a) which now or hereafter comes into the public domain otherwise than as a result of a breach of a confidentiality obligation or which either **Party** can show was in its written records prior to the date of disclosure of the same by the other **Party** or which it received from a third party independently entitled to disclose it;
- (b) which is required by law or pursuant to the rules of the **Electricity Supply Industry Arbitration Association in Great Britain** or pursuant to the rules or regulations of the Financial Services Authority to be disclosed to any person who is authorised by law or pursuant to the rules of the **Electricity Supply Industry Arbitration Association in Great Britain** or pursuant to the rules or regulations of the Financial Services Authority to receive the same;
- (c) which is required to be disclosed by the regulations of any recognised exchange upon which the share capital of the **Party** making the disclosure (or its parent undertaking) is or is proposed to be from time to time listed or dealt in, or is required to be disclosed by the Panel on Takeovers and Mergers;
- (d) to a court, arbitrator or administrative tribunal in the course of proceedings before it to which the disclosing **Party** is a party;
- (e) in accordance with the provisions of the **Balancing and Settlement Code** or pursuant to any **Licence** of the **Party** concerned;
- (f) to any parent, subsidiary or fellow subsidiary undertaking on a "need to know" basis only;
- (g) to any authorised consultants, banks, financiers, insurers or professional advisers to the disclosing **Party**;
- (h) required or expressly permitted to be disclosed under the terms of any agreement or arrangement (including this **Document**, the **Grid Code**, the **Connection and Use of System Code**, the **Distribution Code** and the **Fuel Security Code** (if any)) to which the **Parties** have agreed to be bound.

4.6.2.2 In this sub-paragraph 4.6.2, the words "parent", "subsidiary" and "undertaking" shall have the meanings as provided in Sections 258 and 259 of the Companies Act 1985.

4.6.3 *Third parties*

Before either **Party** discloses any information in any of the circumstances described in sub-paragraph 4.6.2.1 (f) and (g) (other than to its authorised professional advisers), it shall notify the other **Party** of its intention to make such disclosure and procure the execution and delivery to that **Party** of an undertaking executed by the person to whom the disclosure is proposed to be made being in the same terms mutatis mutandis as the undertakings contained in this paragraph 4.6.

4.6.4 *Public announcements*

(a) Subject to sub-paragraph 4.6.4(b), no public announcement or statement regarding the signature, performance or termination of the **STOR Framework Agreement** and/or any **STOR Contract** shall be issued or made unless before it is issued or made both the **Parties** have been furnished with a copy of it and have approved it (such approval not to be unreasonably withheld or delayed).

(b) Neither **Party** shall be prohibited from issuing or making any such public announcement or statement to the extent expressly permitted or otherwise contemplated by this **Document**, the **STOR Framework Agreement** and/or any **STOR Contract** or if it is necessary to do so in order to comply with any applicable law or the regulations of any recognised stock exchange upon which the share capital of such **Party** is from time to time listed or dealt in.

4.6.5 *Procedures*

With respect to the information referred to in sub-paragraph 4.6.1.1, both **Parties** shall ensure that:-

(a) such information is disseminated within their respective organisations on a "need to know" basis only;

(b) employees, directors, agents, consultants and professional advisers who are in receipt of such information are made fully aware of the **Party's** obligations of confidence in relation thereto; and

(c) any copies of such information, whether in hard copy or computerised form, will clearly identify the information as confidential.

4.6.6 *Termination*

Notwithstanding any other provision of this **Document**, the **STOR Framework Agreement** and/or any **STOR Contract**, the provisions of this paragraph 4.6 shall continue to bind a person after termination of the **STOR Framework Agreement** and/or any **STOR Contract**, in whole or in part, for whatever reason.

4.7 WAIVER

No delay by or omission of any **Party** in exercising any right, power, privilege or remedy under this **Document**, the **STOR Framework Agreement** or any **STOR Contract** shall operate to impair such right, power, privilege or remedy or be construed as a waiver thereof. Any single or partial exercise of any such right, power, privilege or remedy shall not preclude any other or further exercise thereof or the exercise of any other right, power, privilege or remedy. Payment of any sum or the submission of any **Monthly Statement** by **National Grid** to the **Reserve Provider** under this **Document**, the **STOR Framework Agreement** or any **STOR Contract** shall not operate to impair or be construed as a waiver of any right, power, privilege or remedy **National Grid** may have against the **Reserve Provider** under this **Document**, the **STOR Framework Agreement** and/or any **STOR Contract** or otherwise whatsoever and howsoever arising or arisen.

4.8 NOTICES

4.8.1 Any notice or other communication to be given by one **Party** to the other under, or in connection with the matters contemplated by this **Document**, the **STOR Framework Agreement** or any **STOR Contract**, shall unless otherwise expressly agreed herein be addressed to the recipient and sent to the address or facsimile number of such other **Party** set out in the **STOR Framework Agreement** for the purpose and marked for the attention of the person so given or to such other address or facsimile number and/or marked for such other attention as such other **Party** may from time to time specify by notice given in accordance with this paragraph 4.8 to the **Party** giving the relevant notice or other communication to it.

4.8.2 Any notice or other communication to be given by one **Party** to the other **Party** under, or in connection with the matters contemplated by, this **Document**, the **STOR Framework Agreement** or any **STOR Contract** shall unless otherwise expressly agreed herein be in writing and shall be given by letter delivered by hand or sent by first class prepaid post (airmail if overseas) or facsimile, and shall be deemed to have been received:-

4.8.2.1 in the case of delivery by hand, when delivered; or

4.8.2.2 in the case of first class prepaid post, on the second day following the day of posting or (if sent airmail from overseas) on the fifth day following the day of posting; or

4.8.2.3 in the case of facsimile, on acknowledgement by the addressee's facsimile receiving equipment (where such acknowledgement occurs before 1700 hours on the day of acknowledgement) and in any other case on the day following the day of acknowledgement.

4.9 DISPUTE RESOLUTION

4.9.1 Save where expressly stated in this **Document** or in the **STOR Framework Agreement** or any **STOR Contract** to the contrary and subject to any contrary provision of the **Act** or any **Licence**, any dispute or difference of whatever nature howsoever arising under, out of or in connection with this **Document**, the **STOR Framework Agreement** or any **STOR Contract** between the **Parties** shall be and is hereby referred to arbitration pursuant to the arbitration rules of the **Electricity Supply Industry Arbitration Association** in force from time to time.

4.9.2 Whatever the nationality, residence or domicile of either **Party** and wherever the dispute or difference or any part thereof arose, the laws of England and Wales shall be the proper law of any reference to arbitration hereunder and in particular (but not so as to derogate from the generality of the foregoing) the provisions of the Arbitration Act 1996 (notwithstanding anything in Section 108 thereof) shall apply to any such arbitration wherever the same or any part of it shall be conducted.

4.10 JURISDICTION

4.10.1 Subject to paragraph 4.9 and to sub-paragraph 4.10.4, both **Parties** irrevocably agree that the courts of England and Wales and the courts of Scotland are to have jurisdiction to settle any disputes which may arise out of or in connection with this **Document**, the **STOR Framework Agreement** and/or any **STOR Contract** and that accordingly any suit, action or proceeding (together in this paragraph 4.10 referred to as "**Proceedings**") arising out of or in connection with this **Document**, the **STOR Framework Agreement** and/or any **STOR Contract** may be brought to such courts.

4.10.2 Each **Party** irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any **Proceedings** in any such court as is referred to in this paragraph 4.10 and any claim that any such **Proceedings** have been brought in an inconvenient forum and further irrevocably agrees that judgment in any proceedings brought in the courts of

England and Wales or the courts of Scotland shall be conclusive and binding upon such **Party** and may be enforced in the courts of any other jurisdiction.

4.10.3 Each **Party** which is not incorporated in any part of **Great Britain** agrees that if it does not have, or shall cease to have, a place of business in **Great Britain** it will promptly appoint, and shall at all times maintain, a person in **Great Britain** to accept service of process on its behalf in any **Proceedings** in **Great Britain**.

4.10.4 For the avoidance of doubt nothing contained in the foregoing provisions of this paragraph 4.10 shall be taken as permitting a party to commence **Proceedings** in the courts where this **Document**, the **STOR Framework Agreement** or any **STOR Contract** otherwise provides for **Proceedings** to be referred to arbitration.

4.11 GOVERNING LAW

This **Document**, the **STOR Framework Agreement** and each **STOR Contract** shall be governed by and construed in all respects in accordance with English law.

4.12 FORCE MAJEURE

4.12.1 In so far as either **Party** is prevented from performing any of its obligations under this **Document**, the **STOR Framework Agreement** and/or any **STOR Contract** due to an event or circumstance of **Force Majeure**, then neither the **Reserve Provider** nor **National Grid** (as the case may be) shall be deemed to be in breach of such obligations for so long as the circumstance of **Force Majeure** continues to prevent such performance.

4.12.2 If **National Grid** is unable to accept the provision of **Reserve** and/or issue a **Bid-Offer Acceptance** or an **Instruction** (as the case may be) due to an event or circumstance of **Force Majeure**, it shall not be obliged to pay a **Reserve Availability Payment** and/or a **Reserve Utilisation Payment** (as the case may be) to the **Reserve Provider** pursuant to subparagraphs 2.4 or 3.4 (as the case may be) in respect of the period during which the event or circumstance of **Force Majeure** continues to prevent such acceptance and/or ability to issue a **Bid-Offer Acceptance** or **Instruction**.

4.12.3 The **Party** affected by the **Force Majeure** shall give to the other **Party** immediately upon becoming aware of an event or circumstance of **Force Majeure**, a written communication describing the **Force Majeure** (including, without limitation, the nature of the occurrence and its expected duration) and the obligations which it is prevented from performing and shall continue to furnish regular reports with respect thereto to the other **Party** during the period of **Force Majeure**.

- 4.12.4 As soon as is reasonably practicable, following an event or circumstance of **Force Majeure**, the **Parties** shall meet to discuss how best to continue their respective obligations as set out in this **Document**, the **STOR Framework Agreement** and the relevant **STOR Contract**.
- 4.12.5 For the avoidance of doubt the non-performance of either **Party's** obligations pursuant to this **Document**, the **STOR Framework Agreement** and any **STOR Contract** arising prior to the event or circumstance of **Force Majeure**, shall not be excused as a result of the event or circumstance of **Force Majeure**.
- 4.12.6 Either **Party** shall have a right to terminate the provisions of the **STOR Framework Agreement** and/or the relevant **STOR Contract** if a **Party** has been prevented from performing its obligations under this **Document**, the **STOR Framework Agreement** and such **STOR Contract** due to an event or circumstance of **Force Majeure** for a continuous period of two calendar months.

4.13 SEVERANCE OF TERMS

If any provision of this **Document**, the **STOR Framework Agreement** or any **STOR Contract** is or becomes or is declared invalid, unenforceable or illegal by the courts of any jurisdiction to which it is subject or by order of the Commission of the European Communities or by order of the **Secretary of State**, such invalidity, unenforceability or illegality shall not prejudice or affect the remaining provisions of this **Document**, the **STOR Framework Agreement** and such **STOR Contract** which shall continue in full force and effect notwithstanding such invalidity, unenforceability or illegality.

4.14 ENTIRE AGREEMENT

This **Document**, the **STOR Framework Agreement** and the relevant **STOR Contract** contain or expressly refer to the entire agreement between the **Parties** with respect to the subject matter of such agreements, and expressly excludes any warranty, condition or other undertaking implied at law or by custom, and supersedes all previous agreements and understandings between the **Parties** with respect thereto and each of the **Parties** acknowledges and confirms that it is not aware of any representation, warranty or other undertaking not fully reflected in the terms of this **Document**, the **STOR Framework Agreement** and the relevant **STOR Contract** upon which it has relied in entering into this **Document**, the **STOR Framework Agreement** and the relevant **STOR Contract**. To the extent that any such representation, warranty or other undertaking exists, each **Party** irrevocably and unconditionally waives any right it may have to claim damages for breach of warranty and/or to rescind the **STOR Framework Agreement** and/or any **STOR Contract** unless such warranty or misrepresentation was made or given fraudulently.

4.15 THIRD PARTY RIGHTS

The **Parties** acknowledge and agree for the purposes of the Contracts (Rights of Third Parties) Act 1999 that no rights, powers or benefits are or shall be conferred on any person pursuant to this **Document**, the **STOR Framework Agreement** or any **STOR Contract** save as expressly provided in this **Document**, the **STOR Framework Agreement** or such **STOR Contract**.

SECTION 5

INTERPRETATION AND DEFINITIONS

5.1 INTRODUCTION

This Section sets out general rules to be applied in interpreting this **Document**, the **STOR Framework Agreement** and **STOR Contracts**. A **STOR Framework Agreement** and/or **STOR Contract** may, in accordance with paragraph 5.2.2, have its own further interpretation rules and defined terms which apply only to that **STOR Framework Agreement** and/or **STOR Contract**.

5.2 INTERPRETATION AND CONSTRUCTION

5.2.1 In this **Document** and in the **STOR Framework Agreement** and each **STOR Contract**:-

- (a) the interpretation rules in this paragraph 5.2; and
- (b) the words and expressions defined in paragraph 5.3,

shall, unless the subject matter or context otherwise requires or is inconsistent therewith, apply.

5.2.2 Save as otherwise expressly provided in this **Document**, in the event of any inconsistency between the provisions of the **STOR Framework Agreement** or any **STOR Contract** (as the case may be) and this **Document**, the provisions of the **STOR Framework Agreement** or **STOR Contract** (as the case may be) shall prevail in relation to the subject matter thereof.

5.2.3 In this **Document** and in the **STOR Framework Agreement** and each **STOR Contract**:

- (a) unless the context otherwise requires, all references to a particular paragraph, Section, Schedule or Annexure shall be a reference to that paragraph, Section, Schedule or Annexure in or to this **Document**, and all references to a particular Clause or Appendix shall be a reference to that Clause or Appendix in or to a **STOR Contract**;
- (b) a table of contents and headings are inserted for convenience only and shall be ignored in construing this **Document**, the **STOR Framework Agreement** and each **STOR Contract**;

- (c) references to the words “include” or “including” are to be construed without limitation to the generality of the preceding words;
- (d) unless the context otherwise requires any reference to an Act of Parliament or any part or section or other provision of or schedule to an Act of Parliament shall be construed, at the particular time, as including a reference to any modification, extension or re-enactment thereof then in force and to all instruments, order or regulations then in force and made under or deriving validity from the relevant Act of Parliament; and
- (e) references to the masculine shall include the feminine and references in the singular shall include the plural and vice versa and words denoting persons shall include any individual, partnership, firm, company, corporation, joint venture, trust, association, organisation or other entity, in each case whether or not having separate legal personality.

5.3 DEFINITIONS

The following terms shall have the following meanings:-

"the Act"	means the Electricity Act 1989;
“Active Power”	means the product of voltage and the in-phase component of alternating current measured in units of Watts and standard multiples thereof i.e. 1000 Watts = 1kW 1000 kW = 1MW 1000 MW = 1GW 1000 GW = 1TW;
"Ancillary Services"	means System Ancillary Services and/or Commercial Ancillary Services , as the case may be;
“Annual Limit”	means, in respect of any STOR Contract , the limit in relation to a Financial Year specified as such in the relevant STOR Tender ;
“Apparatus”	means all equipment in which electrical conductors are used, supported or of which they may form a part;

“ Authorised Electricity Operator ”	means any person (other than National Grid in its capacity as operator of the GB Transmission System) who is authorised under the Act to generate, transmit, distribute or supply electricity;
“ Authority ”	means the Gas and Electricity Markets Authority established by section 1 of the Utilities Act 2000;
“ Availability Price ”	in respect of each Contracted BM Unit or Contracted Site , means the price specified as such in the relevant STOR Contract as adjusted from time to time in accordance with this Document ;
" Availability Window "	in respect of each Contracted BM Unit or Contracted Site , means those periods specified as such (in respect of Working Days and Non-Working Days and in respect of each Season) in the relevant STOR Contract (as the same may be amended from time to time in accordance with sub-paragraph 1.4.5);
“ Balancing and Settlement Code (BSC) ”	the meaning attributed to it in the Transmission Licence ;
“ Balancing Mechanism ”	the meaning attributed to it in the Transmission Licence ;
“ Base Rate ”	in respect of any day, means the rate per annum which is equal to the base lending rate from time to time of Barclays Bank plc as at the close of business on the immediately preceding Business Day ;
“ Bid-Offer Acceptance ”	the meaning attributed to it in the Grid Code ;
“ Bid-Offer Data ”	the meaning attributed to it in the BSC ;
“ Bid-Offer Pair ”	the meaning attributed to it in the BSC ;
“ Bid-Offer Pair No 1 ”	means a Bid-Offer Pair with the Bid-Offer Pair Number n of “1”;

“ Bid Offer Pair Number n ”	the meaning attributed to it in the BSC ;
“ Bid Price ”	the meaning attributed to it in the BSC ;
“ BM Unit ”	the meaning attributed to it in the BSC , except for the purposes of this Document the reference to “a Party” in the BSC shall be a reference to the Reserve Provider ;
“ BM Unit Data ”	the meaning attributed to it in the Grid Code ;
“ Business Day ”	means a week-day other than a Saturday on which banks are open for domestic business in the City of London;
“ Cease Time ”	means the period (in minutes) which corresponds to the time required for a Contracted BM Unit or Contracted Site to either reduce Generation from the Contracted MW to zero MW or increase Demand from zero MW to the Contracted MW following the provision of Reserve , set out for the relevant Contracted BM Unit or Contracted Site in the relevant STOR Contract , commencing on the earliest of the times described (in the case of a Contracted BM Unit) in sub-paragraphs 2.3.6(a), (b) and (c) or (in the case of a Contracted Site) in sub-paragraphs 3.3.7(a), (b) and (c);
“ Combined Cycle Gas Turbine Module ” or “ CCGT Module ”	means a collection of Generating Units (registered as a CCGT Module under the Grid Code PC) comprising one or more Gas Turbine Units (or other gas based engine units) and one or more Steam Units where, in normal operation, the waste heat from the Gas Turbine Units is passed to the water/steam system of the associated Steam Unit or Steam Units and where the component units within the CCGT Module are directly connected by steam or hot gas lines which enable those units to contribute to the efficiency of the combined cycle operation of the CCGT Module ;

“Combined Cycle Gas Turbine Unit” or “CCGT Unit”	means a Generating Unit within a CCGT Module ;
“Commencement Date”	means the date specified in a STOR Tender Acceptance from which the STOR Contract shall come into effect;
“Commercial Ancillary Services”	Means Ancillary Services other than System Ancillary Services ;
“Committed Availability Reconciliation Payment”	the meaning attributed to it in sub-paragraph 2.4.3 or 3.4.6 (as the case may be);
"Committed Window"	means either:- <ul style="list-style-type: none"> (i) a Working Day Availability Window or a Non-Working Day Availability Window designated as such in the relevant STOR Contract, during which the Reserve Provider shall be obliged to notify availability of Reserve from the Contracted BM Unit or Contracted Site (as the case may be) unless for reasons related to the technical capability of the Contracted BM Unit or Contracted Site, Reserve is unavailable; or (where relevant) (ii) a Flexible Window which, in accordance with the sub-paragraph 3.2.3, is deemed to be a Committed Window;
"Connection Agreement"	means any agreement in respect of the connection (including the maintenance and modification of that connection) of Plant and Apparatus to a Distribution System ;
“Connection and Use of System Code (CUSC)”	means the Connection and Use of System Code designated by the Secretary of State as from time to time modified;
“Consumption BM Unit”	the meaning attributed to it in the BSC ;
“Contract Bid-Offer Price”	in respect of any Contracted BM Unit , means the price specified as such in the relevant STOR Contract

as amended from time to time in respect of the remainder of a **Week** or the **Financial Year** in accordance with paragraph 2.8;

“Contract Prices”

in respect of any **Contracted BM Unit** means the **Availability Price** and **Contract Bid-Offer Price**, and in respect of any **Contracted Site** means the **Availability Price**, the **Energy Utilisation Price** and the **Optional Energy Utilisation Price**, all as specified as such in the relevant **STOR Contract**;

“Contracted Availability Window”

the meaning attributed to it in sub-paragraph 2.2.3 or 3.2.6 (as the case may be);

“Contracted BM Unit”

means, in respect of the provision of **Short Term Operating Reserve** in accordance with Section 2 or 2A (as applicable), each **BM Unit** the subject of the relevant **STOR Contract**;

“Contracted MW”

in relation to any **Season**, means the level of MW set out in respect thereof in the relevant **STOR Contract**;

“Contracted Optional Window”

the meaning attributed to it in sub-paragraph 3.2.7;

“Contracted Site”

means, in respect of the provision of **Short Term Operating Reserve** in accordance with Section 3, each **Generating Unit** and/or other **Plant** and **Apparatus** the subject of the relevant **STOR Contract**;

“CUSC Framework Agreement”

the meaning attributed to it in the **Transmission Licence**;

“Customer”

means a person to whom electrical power is provided (whether or not he is the same person as the person who provides the electrical power);

“Declaration”

the meaning attributed to it in sub-paragraph 2.2.1 or 3.2.1 (as the case may be);

“Deemed Optional Window”

means, in respect of any **Contracted Site**, any

Flexible Window either:-

- (i) rejected by **National Grid** pursuant to sub-paragraph 3.2.3; or
- (ii) the subject of a **Redeclaration** indicating availability of the **Contracted Site** during such **Flexible Window** and issued by the **Reserve Provider** after 10.00 hours on a Friday pursuant to sub-paragraph 3.2.2(b);

“Defaulting Party”

the meaning attributed to it in sub-paragraph 4.2.7;

“Delivery Failure”

the meaning attributed to it in sub-paragraph 2.12.5 or 3.11.1 (as the case may be);

“Delivery Method”

the meaning attributed to it in the **STOR Framework Agreement**;

“Demand”

the demand of MW and Mvar of **Electricity**;

“Distribution Code(s)”

means the **Distribution Code(s)** drawn up by **Public Distribution System Operators** pursuant to the terms of their respective **Licence(s)** as from time to time revised in accordance with those **Licences**;

“Distribution System”

means the system consisting (wholly or mainly) of electric lines owned or operated by any **Authorised Electricity Operator** and used for the distribution of electricity from **Grid Supply Points** or generation sets or other entry points to the point of delivery to **Customers** or **Authorised Electricity Operators**, and includes any **Remote Transmission Assets** operated by such **Authorised Electricity Operator** and any electrical plant and meters owned or operated by the **Authorised Electricity Operator** in connection with the distribution of electricity, but shall not include any part of the **GB Transmission System**;

“Document”

means this issue of the **Short Term Operating Reserve** Standard Contract Terms as varied and/or reissued from time to time in accordance with sub-

	paragraph 1.2.1;
“Dynamic Parameters”	the meaning attributed to it in the Grid Code ;
“EDL”	means the electronic despatch logging mechanism by which National Grid communicates with the Reserve Provider and the Reserve Provider communicates with National Grid in respect of the Contracted BM Units for the purposes of operation of the Balancing Mechanism and the utilisation of Ancillary Services ;
“Electricity Supply Industry Arbitration Association”	the meaning attributed to it in the Grid Code ;
“Embedded”	the meaning attributed to it in the Grid Code ;
“Energy Metering Equipment”	the meaning attributed to the phrase “Metering Equipment” in the Balancing and Settlement Code ;
“Energy Utilisation Payment”	the meaning attributed to it in sub-paragraph 3.4.2;
“Energy Utilisation Price”	in respect of any Contracted Site , means the price specified as such in the relevant STOR Contract as amended from time to time in respect of the remainder of a Week or the Financial Year in accordance with paragraph 3.8 which shall apply in respect of Settlement Periods comprised in Contracted Availability Windows and all Pre-Window Ramping Periods and Post-Window Ramping Periods ;
“Enhanced Rate”	in respect of any day, means the rate per annum which is 4% above the base lending rate from time to time of Barclays Bank plc as at the close of business on the immediately preceding Business Day ;
“Event of Default”	means an event of default as more particularly specified in Annexure 2 to Section 2 or in Annexure 2 to Section 3 (as the case may be);
“Expiry Date”	means the date specified in a STOR Tender Acceptance from which the STOR Contract shall

cease to have effect;

“External Interconnection”

the meaning attributed to it in the **Grid Code**;

“Financial Year”

means each 12 month period commencing at 05.00 hours on 1st April and ending at 05.00 hours on the following 1st April;

**“Flexible Availability
Reconciliation Payment”**

the meaning attributed to it in sub-paragraph 3.4.7;

"Flexible Window"

means a **Working Day Availability Window** or a **Non-Working Day Availability Window** which shall be designated as such in the relevant **STOR Contract**, in respect of which the **Reserve Provider** may indicate availability of the **Contracted Site**;

"Force Majeure"

means, in relation to either **Party**, any event or circumstance which is beyond the reasonable control of such **Party** (not being, without limitation an event or circumstance caused by the negligence or lack of care and attention of that **Party** or its officers or employees) but subject thereto including act of God, strike lockout or other industrial disturbance, act of the public enemy, war declared or undeclared, threat of war, terrorist act, blockade, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, lightning, fire, storm, flood, earthquake, accumulation of snow or ice, lack of water arising from weather or environmental problems, explosion, governmental restraint, Act of Parliament, other legislation, bye law and Directive (not being any order, regulation or direction under Section 32, 33, 34 and 35 of the **Act**);

“Fuel Security Code”

means the document of that title designated as such by the **Secretary of State** as from time to time amended;

“Gas Turbine Unit”

means a **Generating Unit** driven by a gas turbine, (for instance by an aero-engine);

“Gate Closure”	means, in relation to a Settlement Period , the spot time one hour before the spot time at the start of that Settlement Period , or otherwise as may be defined from time to time in the BSC ;
“Gate Closure Period”	means the period between Gate Closure and the spot time at the start of the associated Settlement Period ;
“GB Transmission System”	the meaning attributed to it in the CUSC ;
“Generating Unit”	unless otherwise provided in any STOR Contract , means any Apparatus which produces electricity including for the avoidance of doubt a CCGT Unit ;
"Generation"	means the electrical output (in MW) of a Generating Unit ;
“Great Britain”	the meaning attributed to it in Schedule 1 of the Transmission Licence ;
"Grid Code"	means the Grid Code drawn up pursuant to the Transmission Licence as from time to time revised in accordance with the Transmission Licence (and references in this Document , the STOR Framework Agreement or any STOR Contract to any specific provision or part of the Grid Code shall be construed as references to such provision or part as from time to time amended);
“Grid Code BC”	means the Balancing Codes of the Grid Code ;
“Grid Code CC”	means the Connection Conditions of the Grid Code ;
“Grid Code DRC”	means the Data Registration Code of the Grid Code ;
“Grid Code OC”	means the Operating Codes of the Grid Code ;
“Grid Code PC”	means the Planning Code of the Grid Code ;

“Grid Entry Point”	means a point at which a Generating Unit or a CCGT Module or a CCGT Unit , as the case may be, which is directly connected to the GB Transmission System , connects to the GB Transmission System ;
“Grid Supply Point”	means a point of supply from the GB Transmission System to a Distribution System or a Non-Embedded Customer ;
"Instruction"	the meaning attributed to it in sub-paragraph 3.3.1;
“ITT Pack”	the pack of documents entitled “Short Term Operating Reserve - Invitation to Tender” issued from time to time by National Grid which shall include, inter alia, the document entitled “Explanation and Tender Guidance Document”;
“Lead Party”	the meaning attributed to it in the BSC ;
"Licence"	means any one or more as appropriate of the Licences granted pursuant to section 6 of the Act ;
“Market Day”	the date specified as such in an ITT Pack ;
“Maximum Export Limit” or “MEL”	the meaning attributed to it in the Grid Code ;
"Maximum Utilisation Period"	means, in relation to any Bid-Offer Acceptance or Instruction , the period set out in the relevant STOR Contract in respect of a Contracted BM Unit or Contracted Site , beginning at the time at which, in the case of a Contracted BM Unit the output of that Contracted BM Unit is greater than zero MW or, in the case of a Contracted Site , either the output of that Contracted Site is greater than zero MW ;or the Demand of that Contracted Site is less than the Contracted MW or Optional MW (as the case may be);
“Minimum Non-Zero Time” or “MNZT”	the meaning attributed to it in the Grid Code ;

"Minimum Utilisation Period"	means, in relation to any Bid-Offer Acceptance or Instruction , the period set out in the relevant STOR Contract in respect of a Contracted Site , beginning at the time at which, in the case of a Contracted BM Unit , the output of that Contracted BM Unit is greater than zero MW or, in the case of a Contracted Site , either the output of that Contracted Site is greater than zero MW or the Demand of that Contracted Site is less than the Contracted MW or Optional MW (as the case may be);
"Minimum Zero Time" or "MZT"	the meaning attributed to it in the Grid Code ;
"Monthly Statement"	the meaning attributed to it in sub-paragraph 4.2.1;
"National Grid"	means National Grid Electricity Transmission plc, a company registered with number 2366977 and whose registered office is situated at 1-3 Strand, London, WC2N 5EH, which expression shall include its permitted successors and/or assigns;
"Non-Embedded Customer"	means a Customer , except for a Public Distribution System Operator , receiving electricity directly from the GB Transmission System irrespective of from whom it is supplied;
"Non-Working Day"	means an Operational Day commencing at 05.00 hours on a Sunday or each of the Operational Days commencing at 05.00 hours on statutory bank holidays (but excluding Good Friday) in England and Wales;
"Notice to Deviate from Zero" or "NDZ"	the meaning attributed to it in the Grid Code ;
"Offer Price"	the meaning attributed to it in the BSC ;
"Operational Day"	means the period from 05.00 hours on one day to 05.00 hours on the following day;

“Operational Metering Equipment”	means meters, instrument transformers (both voltage and current), transducers metering protection equipment including alarms circuitry and their associated outstations as may be necessary for the purposes of the Grid Code CC6.5.6 and the corresponding provision of the relevant Distribution Code ;
“Optional Energy Utilisation Payment”	the meaning attributed to it in sub-paragraph 3.4.3;
“Optional Energy Utilisation Price”	in respect of any Contracted Site , means the price specified as such in the relevant STOR Contract which shall apply in respect of Settlement Periods comprised in Contracted Optional Windows ;
"Optional MW"	means a level of MW equivalent to the Contracted MW set out in respect of that Season in the relevant STOR Contract ;
"Optional Window"	means, in respect of any Contracted Site , any period during an Operational Day not being an Availability Window or an associated Pre-Window Instruction Period or Post-Window Ramping Period ;
“Part 1 System Ancillary Services”	the meaning attributed to it in the Grid Code ;
“Part 2 System Ancillary Services”	the meaning attributed to it in the Grid Code ;
"Party"	means each person for the time being and from time to time a party to the STOR Framework Agreement , and any successor(s) in title to, or permitted assign(s) of, such person;
“Party Liable”	the meaning attributed to it in sub-paragraph 4.3.1;
“Permitted Test Period”	the meaning attributed to it in sub-paragraph 2.12.5(b) or 3.11.1(b) (as the case may be);
“Physical Notification”	the meaning attributed to it in the Grid Code ;

"Plant"	means fixed and movable items used in the generation and/or supply and/or transmission and/or distribution of electricity other than Apparatus ;
"Post-Window Ramping Period"	means the period equal to the Cease Time commencing at the end of an Availability Window ;
"Power Station"	means an installation comprising one or more Generating Units (even where separately sited) owned and/or controlled by the same Reserve Provider which may reasonably be considered as being managed as one Power Station ;
"Pre-Window Instruction Period"	means the period equal to the Response Time which ends at the commencement of an Availability Window ;
"Pre-Window Ramping Period"	means the period determined by reference to:- <ul style="list-style-type: none"> (i) (in the case of a Contracted BM Unit) the Run-Up Rate(s) submitted by the Reserve Provider in accordance with sub-paragraph 2.3.1(c); or (ii) (in the case of a Contracted Site) the run up rates and run down rates specified in the relevant STOR Contract, during which the Contracted BM Unit or Contracted Site (as the case may be) either increases Generation or decreases Demand so as to provide Reserve on or shortly after the start of a Contracted Availability Window and within the Response Time ;
"Production BM Unit"	the meaning attributed to it in the BSC ;
"Proceedings"	the meaning attributed to it in sub-paragraph 4.10.1;
"Public Distribution System Operator"	the meaning attributed to it in the CUSC ;
"Recovery Period"	means a period in any Season in respect of a Contracted BM Unit or Contracted Site , beginning at the time when, following the cessation of the

provision of **Reserve**, either:-

- (i) the output of the **Contracted BM Unit** or the **Contracted Site** (as the case may be) returns to zero MW; or
- (ii) (in the case of a **Contracted Site** only) the **Demand** of the **Contracted Site** returns to a level of not less than the **Contracted MW**, and specified in the relevant **STOR Contract**;

“Redeclaration”

means a notice served on **National Grid** pursuant to sub-paragraph 2.2.2, 2.2.4, 3.2.2(a), 3.2.2(b), 3.2.4 or 3.2.5 (as the case may be);

“Remote Transmission Assets”

means any **Plant** and **Apparatus** or meters owned by **National Grid** which (a) are embedded in a **Distribution System** or a **User System** and which are not directly connected by **Plant** and/or **Apparatus** owned by **National Grid** to a sub-station owned by **National Grid** and (b) are by agreement between **National Grid** and such **Public Distribution System Operator** or **User** under the direction and control of such **Public Distribution System Operator** or **User**;

“Replaced BM Unit”

the meaning attributed to it in sub-paragraph 2.2.10;

“Replaced Site”

the meaning attributed to it in sub-paragraph 3.2.16;

“Replacement BM Unit”

the meaning attributed to it in sub-paragraph 2.2.10;

“Replacement Site”

the meaning attributed to it in sub-paragraph 3.2.16;

“Reproving Test”

the meaning attributed to it in sub-paragraph 2.12.5(b) or 3.11.1(b) (as the case may be);

“Required Flexible Availability”

means, in relation to any **Season** and for each **Contracted Site**, the number of hours specified as the **Required Flexible Availability** in respect of that **Season** and for that **Contracted Site** in the relevant **STOR Acceptance**, being the number of hours equal to 85 percent of the indicative number of hours of

availability of **Short Term Operating Reserve** for that **Season** and **Contracted Site** specified in the relevant **STOR Tender**;

"Reserve"

Means the delivery of the **Contracted MW** or **Optional MW** (as the case may be) from the **Contracted BM Unit(s)** or **Contracted Site(s)** by means of the relevant **Delivery Method**, within a **Contracted Availability Window** or **Contracted Optional Window**, provided in the manner more particularly described in Sections 2 and 3, which contributes towards **National Grid's** requirement for **Short Term Operating Reserve**;

"Reserve Availability Payment"

the meaning attributed to it in sub-paragraph 2.4.1 or 3.4.1 (as the case may be);

"Reserve Provider"

means each person (other than **National Grid**) for the time being and from time to time a party to a **Framework Agreement** and any successor(s) in title to, or permitted assign(s) of, such person;

"Reserve Provider's Agent"

means the person (if any) specified as such in the **STOR Contract**;

"Reserve Utilisation Payment"

the meaning attributed to it in sub-paragraph 3.4.4;

"Response Time"

means, in relation to any **Bid-Offer Acceptance** or **Instruction**, the period (in minutes), which corresponds to the time required following the issue of such **Bid-Offer Acceptance** or **Instruction** for the **Contracted BM Unit** or **Contracted Site** to increase **Generation** from zero MW to the **Contracted MW** or reduce **Demand** from the **Contracted MW** to zero MW, as set out for the relevant **Contracted BM Unit** or **Contracted Site** in the relevant **STOR Contract**;

"Run-Up Rate" or "RUR"

the meaning attributed to it in the **Grid Code**;

"Season"

means those periods specified as such and accepted in the relevant **STOR Tender Acceptance** commencing

	at 05.00 hours on the first calendar day of such period and ending at 05.00 on the last calendar day of such period (as the same may be amended from time to time in accordance with sub-paragraph 1.4.5);
“Seasonal Delivery Reconciliation Payment”	the meaning attributed to it in sub-paragraph 2.4.2 or 3.4.5 (as the case may be);
“Secretary of State”	the meaning attributed to it in the Act ;
"Settlement Period"	means a period of 30 minutes ending on the hour or half hour in each hour during an Operational Day ;
"Short Term Operating Reserve"	means the additional Active Power and/or the reduction in Demand from non-synchronised generating plant or demand sites which must be capable of being provided within 240 minutes of instruction by National Grid and capable of being sustained for up to 2 hours for the purposes of balancing Active Power and Demand on the GB Transmission System ;
" Short Term Operating Reserve Despatch Procedure"	means version 1.2 (prepared December 2007) of the document entitled “Short Term Operating Reserve Despatch Procedure “STOR Despatch Procedure” for Non-Balancing Mechanism Participants”, as published by National Grid as the same may be amended from time to time in accordance with its terms;
“Stable Export Limit” or “SEL”	the meaning attributed to it in the Grid Code ;
“Station Demand”	the meaning attributed to it in the CUSC ;
“Steam Unit”	means a Generating Unit whose prime mover converts the heat-energy in steam to mechanical energy;
“STOR Contract”	each contract made between National Grid and the Reserve Provider for the provision of Short Term Operating Reserve upon and subject to the terms of a

STOR Tender, the **STOR Tender Acceptance**, this **Document** and the **STOR Framework Agreement**, formed upon the issue by **National Grid** of that **STOR Tender Acceptance** and ending upon the **Expiry Date** or earlier termination pursuant to any of paragraphs 2.5, 2.10.3, 3.5, 3.10.3 or 4.4;

“STOR Despatch”

means, in relation to each **Contracted Site**, a series of inter-linked electronic equipment which, as a whole, is capable of relaying and storing instructions and confirmations between **National Grid** and the **Reserve Provider** and of providing an on-line monitoring capability of the **Reserve Provider’s** provision of **Reserve**;

“STOR Framework Agreement”

means the agreement to which **National Grid** and the **Reserve Provider** are each a party more particularly referred to in paragraph 1.3;

“STOR Tender”

means a tender submitted by the **Reserve Provider** to **National Grid** for the provision by a **Tendered BM Unit** or **Tendered Site** (as the case may be) of **Short Term Operating Reserve** in the form set out in the **ITT Pack**;

“STOR Tender Acceptance”

means, in respect of a **STOR Tender**, the notification issued by **National Grid** in accordance with sub-paragraph specifying (inter alia) the **Tendered BM Unit** or **Tendered Site** (as the case may be) and those **Seasons** tendered by the **Reserve Provider** which are accepted in respect of that **STOR Tender**;

“STOR Tender Rejection”

means, in respect of a **STOR Tender**, the notification issued by **National Grid** in accordance with sub-paragraph specifying (inter alia) the **Tendered BM Unit** or **Tendered Site** (as the case may be) and those **Seasons** tendered by the **Reserve Provider** which are rejected in respect of that **STOR Tender**;

“Substitute BM Unit”

the meaning attributed to it in sub-paragraph 2.2.8;

“Substitute Site”	the meaning attributed to it in sub-paragraph 3.2.14;
“Substituted BM Unit”	the meaning attributed to it in sub-paragraph 2.2.8;
“Substituted Contracted Site”	the meaning attributed to it in sub-paragraph 3.2.14;
“Supplier BM Unit”	the meaning attributed to it in the BSC ;
“System”	means any User System or the GB Transmission System as the case may be;
“System Ancillary Services”	means Part 1 System Ancillary Services and Part 2 System Ancillary Services ;
“Technical Parameters”	means, in respect of any Contracted BM Unit or Contracted Site , those parameters specified as such in the relevant STOR Contract ;
“Tendered BM Unit”	means the Generating Unit(s) comprised within a Production BM Unit or the Plant and Apparatus comprised in a Consumption BM Unit (as applicable) which is the subject of a STOR Tender ;
“Tendered Site”	means the Generating Unit(s) and/or other Plant and Apparatus (being either:- <ul style="list-style-type: none"> (i) not comprised in a BM Unit; or (ii) established and registered as a BM Unit(s) under and in accordance with the Balancing and Settlement Code, but which do not, and will not for any part of the term of the STOR Contract, actively participate in the Balancing Mechanism), which are the subject of a STOR Tender
“Total System”	means the GB Transmission System and all User Systems in Great Britain ;
“Transmission Licence”	means the licence granted to National Grid under section 6(1)(b) of the Act ;

"Undertaking"	means the Undertaking of Bona Fide Tender and Non-Canvassing contained in the STOR Framework Agreement ;
"User"	means a person who is party to the CUSC Framework Agreement other than National Grid ;
"User System"	<p>means any System owned or operated by a User comprising:-</p> <ul style="list-style-type: none"> (a) Generating Units; and/or (b) Distribution Systems (and/or other systems consisting (wholly or mainly) of electric lines which are owned or operated by a person other than a Public Distribution System Operator); <p>and Plant and/or Apparatus connecting:</p> <ul style="list-style-type: none"> (c) Generating Units and/or Distribution Systems (and/or other systems consisting (wholly or mainly) of electric lines which are owned or operated by a person other than a Public Distribution System Operator); or (d) Non-Embedded Customers; <p>to the GB Transmission System or to the relevant other User System, as the case may be, including any Remote Transmission Assets operated by such User or other person and any Plant and/or Apparatus and meters owned or operated by the User or other person in connection with the distribution of electricity but does not include any part of the GB Transmission System;</p>
"Utilisation"	<p>means, in respect of any Contracted BM Unit (where sub-paragraphs 2.8.3 and 2.12.5(g) do not apply) or Contracted Site (where sub-paragraph 3.11.1(g) does not apply), either:-</p> <ul style="list-style-type: none"> (i) a Bid-Offer Acceptance or series of contiguous Bid-Offer Acceptances; or (ii) an Instruction, <p>which is issued in respect of a Contracted Availability Window or Contracted Optional Window and, in response to which, Reserve is</p>

provided continuously (in accordance with this **Document**, the **STOR Framework Agreement** and the relevant **STOR Contract**) until the earlier of (i) the issue of an instruction or deemed instruction to cease provision of **Reserve** pursuant to either of subparagraphs 2.3.6(b) or 3.3.4; (ii) the expiry of the **Maximum Utilisation Period**; or (iii) (where subparagraph 2.3.6(c) or 3.3.7(c) applies) the end of the **Contracted Availability Window**;

“Value Added Tax”

means Value Added Tax as defined by the Value Added Tax Act 1994 and any modification or re-enactment thereof and any new tax of a similar nature;

“Week”

means a period of seven **Operational Days** commencing at 05.00 hours on a Monday and terminating at 05.00 hours on the next following Monday;

“Weekly Limit”

means, in relation to any **Week** in any **Season** and in respect of any **Contracted BM Unit** or **Contracted Site**, the limit specified as the **Weekly Limit** in respect of that **Season** and that **Contracted BM Unit** or **Contracted Site** in the relevant **STOR Contract**;

“Window”

means an **Optional Window** or an **Availability Window** (as the case may be);

“Working Day”

means an **Operational Day** commencing at 05.00 hours on either a Monday, Tuesday, Wednesday, Thursday, Friday or Saturday but excluding statutory bank holidays (except Good Friday) in England and Wales;

“Year A”

means the **Financial Year** identified as such in the relevant **ITT Pack** and being the **Financial Year** immediately preceding **Year B**;

“Year B”

means the **Financial Year** identified as such in the relevant **ITT Pack** and being the **Financial Year**

immediately following **Year A**;

SCHEDULE 1

PART 1

SHORT TERM OPERATING RESERVE - BALANCING MECHANISM PARTICIPANTS -
PRODUCTION BM UNITS

(RESERVE PROVIDER'S AGENT)

Where sub-paragraph 2.1.2 of Section 2 applies, the following paragraphs 2.2. to 2.12 and Annexures 1 to 4 shall replace paragraphs 2.2 to 2.12 of Section 2 and Annexures 1 to 4 to Section 2:-

2.2 DECLARATIONS OF AVAILABILITY

Declarations Week Ahead

2.2.1 By 10.00 hours each Tuesday the **Reserve Provider** shall submit or procure that the **Reserve Provider's Agent** submits to **National Grid** a notice (a "**Declaration**") in relation to each of the **Contracted BM Units(s)** and in respect of each **Availability Window** in the following **Week**, either:-

- (a) confirming that **Reserve** is available; or
- (b) indicating that, for reasons related to the technical capability of the **Contracted BM Unit**, **Reserve** is unavailable.

A **Declaration** may be made by the submission of **Grid Code OC 2** data in accordance with the provisions thereof or by facsimile unless otherwise agreed by **National Grid** in writing. Failure to submit a **Declaration** in accordance with this sub-paragraph 2.2.1 shall be deemed to be an indication of unavailability of **Reserve** in the following **Week**, and in respect thereof the **Reserve Provider** shall not be entitled to revise availability of **Reserve** in accordance with sub-paragraph 2.2.2. For the avoidance of doubt, a notice served pursuant to this sub-paragraph 2.2.1 indicating in relation to a **Contracted BM Unit** that 0 MW of **Reserve** is available in respect of each **Availability Window** in the following **Week** shall constitute a **Declaration**.

Revisions to Declarations pre Gate Closure

2.2.2 Where, at any time prior to **Gate Closure** in respect of the first **Settlement Period** within a **Pre-Window Instruction Period**, the **Reserve Provider** becomes aware of changes in the technical capabilities of a **Contracted BM Unit** previously the subject of a **Declaration**, it shall revise or procure that the **Reserve Provider's Agent** revises that **Declaration** forthwith by serving a notice on **National Grid** (a "**Redeclaration**") either:-

- (a) confirming that **Reserve** will be available during that **Availability Window**; or
- (b) indicating that, for reasons related to the technical capability of the **Contracted BM Unit**, **Reserve** will not be available during that **Availability Window**.

provided always that, where the **Reserve Provider** issues a **Redeclaration** after 05.00 hours on the **Operational Day** immediately preceding the **Operational Day** in which the relevant **Availability Window** falls, the **Redeclaration** shall be made by way of an appropriate revision to the **Maximum Export Limit** of the relevant **Contracted BM Unit** in accordance with the **Grid Code**.

Contracted Availability Windows

2.2.3 For the purposes of this Section 2, a “**Contracted Availability Window**” in relation to any **Contracted BM Unit** is an **Availability Window** in respect of which the **Declaration** or **Redeclaration** current as at **Gate Closure** in respect of the first **Settlement Period** of the **Pre-Window Instruction Period** indicates that **Reserve** will be available from that **Contracted BM Unit** during that **Availability Window**.

Revisions to Declarations post Gate Closure

2.2.4 Where, during:-

- (a) the **Gate Closure Period** in respect of the first **Settlement Period** within a **Pre-Window Instruction Period**; or
- (b) a **Pre-Window Instruction Period**; or
- (c) a **Contracted Availability Window**,

the **Reserve Provider** becomes aware of a change in the availability of **Reserve** such that, for reasons related to the technical capability of that **Contracted BM Unit**, **Reserve** will be unavailable from that **Contracted BM Unit**, it shall notify **National Grid** forthwith by way of an appropriate revision to the **Maximum Export Limit** of the relevant **Contracted BM Unit** in accordance with the **Grid Code** (“a **Redeclaration**”).

Deemed Unavailability

2.2.5 **Reserve** shall be deemed to be unavailable from a **Contracted BM Unit** from the time at which a **Redeclaration** is given by the **Reserve Provider** pursuant to sub-paragraph 2.2.4 until the commencement of the next **Availability Window** in respect of which the **Reserve Provider** subsequently serves or procures that the **Reserve Provider’s Agent** serves a

Declaration or **Redeclaration** indicating that **Reserve** will be available from that **Contracted BM Unit**.

Reasons for Unavailability

2.2.6 Each indication of unavailability by the **Reserve Provider** or the **Reserve Provider's Agent** (as the case may be) pursuant to any or all of sub-paragraphs 2.2.1(b), 2.2.2(b) or 2.2.4 shall, upon request from **National Grid** and as soon as reasonably practicable thereafter, be followed by an explanation in reasonable detail of the reasons for such unavailability.

Events of Default

2.2.7 In the event that:-

- (d) the **Reserve Provider** serves a **Redeclaration** in respect of any **Contracted Availability Window** pursuant to sub-paragraph 2.2.4; or
- (e) the **Reserve Provider** fails to serve a **Redeclaration** in respect of any **Availability Window** or **Contracted Availability Window** pursuant to sub-paragraphs 2.2.2 or 2.2.4 forthwith upon becoming aware of the unavailability of **Reserve**; or
- (f) no explanation is given by the **Reserve Provider** or the **Reserve Provider's Agent** (as the case may be) as required by sub-paragraph 2.2.6 or **National Grid** has reasonable grounds for believing that such unavailability is unrelated to the technical capability of the **Contracted BM Unit** concerned,

then paragraph 2.5 (Events of Default and Consequences) shall apply.

Substitution of Contracted BM Units

2.2.8 If the **Reserve Provider** anticipates that a **Contracted BM Unit** may become unavailable to provide **Reserve** during all or part of the remaining term of the **STOR Contract**, the **Reserve Provider** may request, or procure that the **Reserve Provider's Agent** requests, by notice in writing to **National Grid**, that the **Contracted BM Unit** in question be substituted for the period of such unavailability by another **BM Unit** (the "**Substitute BM Unit**") in respect of which the **Reserve Provider** is the **Lead Party**. . If **National Grid** accepts such request, the substitution of the **Contracted BM Unit** (the "**Substituted BM Unit**") by the **Substitute BM Unit** shall not become effective unless the **STOR Contract** is duly amended in accordance with sub-paragraph 2.2.14 to reflect such substitution.

2.2.9 In any notification pursuant to sub-paragraph 2.2.8, the **Reserve Provider** shall indicate or procure that the **Reserve Provider's Agent** indicates to **National Grid** the **Availability**

Window(s) in respect of which the **Reserve Provider** proposes that such substitution shall apply, provided always that the relevant **Availability Window(s)** shall not be **Availability Window(s)** in respect of the **Substitute BM Unit**.

Replacement of Contracted BM Units

2.2.10 Without prejudice to the **Reserve Provider's** right to request or procure that the **Reserve Provider's Agent** requests the substitution of a **Contracted BM Unit** in accordance with sub-paragraph 2.2.8, the **Reserve Provider** may also request or procure that the **Reserve Provider's Agent** requests, by notice in writing to **National Grid**, that any **Contracted BM Unit** be replaced for the remainder of the term of the relevant **STOR Contract** by another **BM Unit** (the "**Replacement BM Unit**") in respect of which the **Reserve Provider** is **Lead Party**. **National Grid** may at its sole discretion either accede to or decline such request. If **National Grid** accepts such request, the replacement of the **Contracted BM Unit** (the "**Replaced BM Unit**") by the **Replacement BM Unit** shall not become effective until such time as the **STOR Contract** is duly amended in accordance with sub-paragraph 2.2.14 to reflect such replacement.

Effect of substitution and replacement

2.2.11 Subject always to the provisions of sub-paragraphs 2.2.8 to 2.2.10 inclusive, the effect of substitution and replacement in accordance with the provisions thereof shall be to treat the **Substitute BM Unit** or **Replacement BM Unit** (as the case may be) as the **Contracted BM Unit** for all purposes of this Section 2 and the **STOR Contract**, and for the duration of any such substitution or replacement this Section 2 and the **STOR Contract** shall be read and construed accordingly.

Request for reduction in Contracted MW

2.2.12 The **Reserve Provider** may request, or procure that the **Reserve Provider's Agent** requests, by written notice to **National Grid**, a reduction in the **Contracted MW** of a **Contracted BM Unit** for one or more **Seasons**, provided that:-

- (a) such reduction is necessitated by a change in the technical capability of the **Contracted BM Unit** which occurred after the submission of the **STOR Tender** by the **Reserve Provider**, and such change could not reasonably have been foreseen by the **Reserve Provider** as likely to occur at the time that the **STOR Tender** was submitted;
- (b) the **Reserve Provider** provides, or procures that the **Reserve Provider's Agent** provides, **National Grid** with evidence which is reasonably satisfactory to **National Grid** of the change in technical capability of the **Contracted BM Unit**; and

(c) the resulting reduced level of **Contracted MW** is not less than 3 MW.

2.2.13 Upon receipt of any request made by the **Reserve Provider** or the **Reserve Provider's Agent** (as the case may be) pursuant to sub-paragraph 2.2.12 **National Grid** shall not unreasonably withhold or delay its consent to such request, but the reduction in **Contracted MW** of the relevant **Contracted BM Unit** shall not become effective until such time as the **STOR Contract** is duly amended in accordance with sub-paragraph 2.2.14 to reflect such reduction.

Amendment of STOR Contract

2.2.14 For the purposes of sub-paragraphs 2.2.8, 2.2.10 and 2.2.13, the **STOR Contract** may only be amended by agreement in writing signed by or on behalf of **National Grid** and the **Reserve Provider**.

2.3 UTILISATION

BM Unit Data submission

2.3.1 Subject always to sub-paragraph 2.3.8, the **Reserve Provider** shall submit to **National Grid**, in respect of the relevant **Contracted BM Unit** and in accordance with the **Grid Code**, **BM Unit Data** comprising:

(a) for the duration of **Pre-Window Instruction Periods** and **Contracted Availability Windows**:-

- (i) a **Physical Notification** as at **Gate Closure** of less than or equal to zero;
- (ii) a **Maximum Export Limit** of no less than the **Contracted MW**; and
- (iii) a **Stable Export Limit** of no greater than the **Maximum Export Limit**,

reflecting a physical position sufficient to enable submission of **Bid-Offer Data** in accordance with paragraph (b) below;

(b) in respect of each **Settlement Period** comprised in **Pre-Window Ramping Periods**, **Contracted Availability Windows** and **Post-Window Ramping Periods**, **Bid-Offer Data** comprising a **Bid-Offer Pair No 1** with:

- (i) a MW range from 0 MW to (and including) the **Contracted MW**;
 - (ii) an **Offer Price** of not more than the **Contract Bid-Offer Price**; and
 - (iii) a **Bid Price** which is greater than or equal to the **Offer Price**;
- (c) for the duration of **Pre-Window Instruction Periods**, **Contracted Availability Windows** and **Post-Window Ramping Periods**, associated **Dynamic Parameters** and other relevant **BM Unit Data** consistent with the **Technical Parameters**,

such that **Reserve** is made available to **National Grid** for utilisation pursuant to this Section 2 by the issue of **Bid-Offer Acceptance(s)**.

Events of Default –Submission of BM Unit Data

2.3.2 In the event that the **Reserve Provider** has failed, in respect of any **Settlement Period** contained in a **Contracted Availability Window** and/or associated **Pre-Window Instruction Period** (including the **Pre-Window Ramping Period**) and/or associated **Post-Window Ramping Period**, to submit **BM Unit Data** in respect of the relevant **Contracted BM Unit** in accordance with sub-paragraph 2.3.1, then paragraph 2.5 (Events of Default and Consequences) shall apply unless the failure is in respect of:-

- (a) a **Settlement Period** contained in a **Recovery Period**; and/or
- (b) a **Contracted Availability Window** to which sub-paragraph 2.3.8 applies.

2.3.3 In the event that **Reserve** has been declared or redeclared (or deemed) unavailable pursuant to the provisions of this Section 2 and the **Reserve Provider** submits, in respect of any **Contracted BM Unit**, a **Physical Notification** of greater than zero in respect of any **Settlement Period** contained within any affected **Availability Window** and/or **Pre-Window Instruction Period** then, save where sub-paragraph 2.3.9 applies, paragraph 2.5 (Events of Default and Consequences) shall apply.

2.3.4 In the event that, in respect of any **Settlement Period** contained in a **Contracted Availability Window** and/or associated **Pre-Window Instruction Period** and/or **Post-Window Ramping Period**, the **Reserve Provider** exports **Active Power** to the **Total System** from the relevant **Contracted BM Unit** otherwise than pursuant to **Bid-Offer Acceptance(s)**, then paragraph 2.5 (Events of Default and Consequences) shall apply.

Instruction to provide Reserve

2.3.5 **National Grid** may utilise **Reserve** made available by the **Reserve Provider** pursuant to sub-paragraph 2.3.1 by the issue of one or more **Bid-Offer Acceptances** in respect of a **Contracted BM Unit** in accordance with the **Grid Code**.

Provision of Reserve

2.3.6 The **Reserve Provider** shall, commencing on or before the expiry of the **Response Time**, provide **Reserve** from a **Contracted BM Unit** in a **Contracted Availability Window** in accordance with **Bid-Offer Acceptance(s)** issued by **National Grid** in accordance with sub-paragraph 2.3.5 continuously until the earlier of:-

- (a) the expiry of the **Maximum Utilisation Period**;
- (b) the time implied in **Bid-Offer Acceptance(s)** issued by **National Grid** in respect of that **Contracted BM Unit** pursuant to sub-paragraph 2.3.5; and
- (c) the end of the relevant **Contracted Availability Window**,

provided that no such obligation shall arise in respect of any **Bid-Offer Acceptance** rejected by the **Reserve Provider** pursuant to **Grid Code BC2.7.3**.

Events of Default – Provision of Reserve

2.3.7 In the event that in respect of any **Contracted BM Unit**:-

- (a) the **Reserve Provider** fails to commence provision of **Reserve** at a level of at least 90% of the **Contracted MW** on or before expiry of the **Response Time**;
- (b) the volume in MWh of **Reserve** provided by the **Reserve Provider** in accordance with one or a series of contiguous **Bid-Offer Acceptance(s)** issued in accordance with sub-paragraph 2.3.5 is less than 90% of the volume implied in such **Bid-Offer Acceptance(s)**; or
- (c) the **Reserve Provider** fails to provide **Reserve** continuously at a level of at least 90% of the **Contracted MW** until the first to occur of the times described in sub-paragraphs 2.3.6(a), (b) and (c),

paragraph 2.5 (Events of Default and Consequences) shall apply in respect of any such failure, and the **Reserve Provider** shall be deemed not to have made **Reserve** available from that **Contracted BM Unit** in respect of subsequent **Contracted Availability Windows** unless and until availability is restored under and in accordance with sub-paragraph 2.12.5.

Recovery Periods

2.3.8 Where following the provision of **Reserve** by a **Contracted BM Unit** during a **Contracted Availability Window** the **Recovery Period** coincides with a **Settlement Period** comprised in the **Pre-Window Instruction Period** for a subsequent **Contracted Availability Window** then:-

- (a) **Reserve** shall be deemed to be unavailable from that **Contracted BM Unit** in respect of all **Settlement Periods** comprised in that subsequent **Contracted Availability Window** and **National Grid** shall be under no liability pursuant to sub-paragraph 2.4.1 to pay a **Reserve Availability Payment** in respect of the **Settlement Periods** comprised in the subsequent **Contracted Availability Window**; and
- (b) the **Reserve Provider** may, in relation to that **Contracted BM Unit**, submit **BM Unit Data** in respect of any **Settlement Period** comprised in that subsequent **Contracted Availability Window** and associated **Pre-Window Instruction Period** and **Post-Window Ramping Period** which is not in accordance with sub-paragraph 2.3.1.

Planned Outages

2.3.9 Sub-paragraph 2.3.3 shall not apply where the **Generator** submits, in respect of any **Contracted BM Unit**, a **Physical Notification** of greater than zero in respect of a **Settlement Period** comprised in a planned outage period relating to such **Contracted BM Unit** which is notified in advance to **National Grid** in accordance with **Grid Code OC 2** and where:-

- (a) the **Reserve Provider** provides, or procures that the **Reserve Provider's Agent** provides, evidence reasonably satisfactory to **National Grid** of its requirement for such planned outage and that it is reasonably necessary to test the operation of the **Contracted BM Unit** during the planned outage period; and
- (b) **National Grid** agrees (in writing) to waive its right to enforce the provisions of sub-paragraph 2.3.3 and paragraph 2.5 (Events of Default and Consequences).

2.4 PAYMENT

Reserve Availability Payment

2.4.1 **National Grid** shall pay to the **Reserve Provider's Agent**, in accordance with paragraph 4.2, in respect of **Contracted Availability Windows** in each month, an amount ("the

Reserve Availability Payment”) calculated in accordance with the formula set out in Part I of Annexure 1 to this Section 2.

Seasonal Delivery Reconciliation

2.4.2 At the end of each **Season**, where in respect of any **Contracted BM Unit National Grid** determines that the aggregate MWh of **Reserve** provided by the **Reserve Provider** from that **Contracted BM Unit** in respect of all utilisations during that **Season** was less than 95% of the aggregate MWh instructed by the issue of **Bid-Offer Acceptances** in accordance with sub-paragraph 2.3.5, the **Reserve Provider’s Agent** shall pay to **National Grid** in accordance with paragraph 4.2 an amount (if any) (“the **Seasonal Delivery Reconciliation Payment**”) calculated in accordance with the formula set out in Part II of Annexure 1 to this Section 2.

Committed Availability Reconciliation

2.4.3 At the end of each **Financial Year** during the term of a **STOR Contract**, the **Reserve Provider’s Agent** shall pay to **National Grid** in accordance with paragraph 4.2 an amount (if any) (“the **Committed Availability Reconciliation Payment**”) calculated in accordance with the formula set out in Part III of Annexure 1 to this Section 2, in respect of the **Availability Windows** during which the **Reserve Provider** failed to make **Reserve** available to **National Grid** from any of the **Contracted BM Units** during that **Financial Year**.

2.4.4 Where a **STOR Contract** is terminated pursuant to paragraph 2.5 or paragraph 4.4 or the **STOR Contract** expires during a **Financial Year**, then for the purposes of sub-paragraph 2.4.3 the **Reserve Provider’s Agent** shall pay to **National Grid** in accordance with paragraph 4.2 the amount (if any) calculated in accordance with the formula set out in Part III of Annexure 1 to this Section 2, in respect of **Contracted Availability Windows** during which the **Reserve Provider** failed to make **Reserve** available to **National Grid** from any of the **Contracted BM Units** in respect of the period from either:-

(a) the commencement of the **Financial Year** in which such termination occurs; or (if later)

(b) the **Commencement Date** of that **STOR Contract**,

until the date of termination or expiry of that **STOR Contract**.

2.4.5 Where the **Commencement Date** of a **STOR Contract** does not coincide with the commencement of a **Financial Year**, then for the purposes of sub-paragraph 2.4.3 the **Reserve Provider’s Agent** shall pay to **National Grid** in accordance with paragraph 4.2 the amount (if any) calculated in accordance with the formula set out in Part III of Annexure 1 to

this Section 2, in respect of **Contracted Availability Windows** during which the **Reserve Provider** failed to make **Reserve** available to **National Grid** from any of the **Contracted BM Units** in respect of the period from the **Commencement Date** of the **STOR Contract** until either:-

- (a) the end of the **Financial Year** in which the **Commencement Date** falls; or (if earlier)
- (b) the date of termination of that **STOR Contract**.

2.5 EVENTS OF DEFAULT AND CONSEQUENCES

Withholding of Reserve Availability Payments

2.5.1 Upon each occurrence of the following **Events of Default** as more particularly specified in Annexure 2 to this Section 2:-

A, B, C, D, E, F, H, I, J

the **Reserve Availability Payment** otherwise payable by **National Grid** to the **Reserve Provider's Agent** shall be reduced as more particularly described in the respective column in the table in Annexure 2 to this Section 2.

Reduction in Availability Prices

2.5.2 Without prejudice to **National Grid's** rights pursuant to this paragraph 2.5, where at the end of a calendar month **National Grid** determines that in respect of one or more **Availability Window(s)** during that calendar month one or more of the following **Events of Default** as more particularly specified in Annexure 2 to this Section 2:

A, B, C, D, E, F, G, H

have occurred (otherwise than as a result of **Force Majeure**) in those **Availability Window(s)** or in any associated **Pre-Window Instruction Period(s)** or **Post Window Run Down Period(s)** in respect of any one **Contracted BM Unit** (including any **Substitute BM Unit** in respect of periods when that **Contracted BM Unit** is a **Substituted BM Unit**, and including any **Replacement BM Unit** in respect of periods when that **Contracted BM Unit** is a **Replaced BM Unit**) then **National Grid** shall be entitled (at its sole discretion) to reduce the **Availability Price** in respect of the relevant **Contracted BM Unit** in respect of that calendar month by one percent for each **Availability Window** in question, subject always to a maximum reduction of 30% of the **Availability Price**, provided always that **National Grid** shall use reasonable endeavours to notify the **Reserve Provider** of the

relevant **Events of Default** and number of relevant **Availability Windows** prior to issuing the relevant **Monthly Statement** in which such reduction in **Availability Price** shall be applied.

Termination of STOR Contract

2.5.3 Without prejudice to paragraph 4.4, **National Grid** may in its absolute discretion terminate a **STOR Contract** forthwith by notice in writing to the **Reserve Provider** in the following circumstances:-

- (a) where the **Reserve Provider** persistently fails to make available and/or provide **Reserve** from the relevant **Contracted BM Unit** (including any **Substitute BM Unit** in respect of periods when that **Contracted BM Unit** is a **Substituted BM Unit**, and any **Replacement BM Unit** in respect of periods when that **Contracted BM Unit** is a **Replaced BM Unit**) and such failure amounts to an intentional or reckless breach or disregard by the **Reserve Provider** of its obligations under this Section 2 and/or the **STOR Contract**; or
- (b) where, for the purposes of the **Balancing and Settlement Code**, the **Reserve Provider** ceases to be the **Lead Party** in respect of any or all of the **Contracted BM Unit, Substitute BM Unit(s) or Replacement BM Unit**; or
- (c) (without prejudice to **National Grid**'s rights under sub-paragraph 2.10.1) where, the **Reserve Provider** has breached the provisions of sub-paragraph 2.10.1 in respect of the **Contracted BM Unit**.

2.5.4 Without prejudice to paragraph 4.4 and subject always to sub-paragraph 2.5.7, where, in respect of any one **Contracted BM Unit** (including any **Substitute BM Unit** in respect of periods when that **Contracted BM Unit** is a **Substituted BM Unit**, and including any **Replacement BM Unit** in respect of periods when that **Contracted BM Unit** is a **Replaced BM Unit**) the number of **Availability Windows** in respect of which one or more of the following **Events of Default** as more particularly specified in Annexure 2 to this Section 2:-

A, B, C, D, E, F, G, H, I, J, K

occurs exceeds either:-

- (a) 3 in any **Season**; or
- (b) 8 within a twelve month period during the term of the **STOR Contract**,

National Grid may in its absolute discretion terminate a **STOR Contract** forthwith by notice in writing to the **Reserve Provider**.

- 2.5.5 For the avoidance of doubt, **National Grid**'s rights pursuant to sub-paragraph 2.5.4 above shall arise upon the occurrence of the fourth (or the ninth, as the case may be) **Availability Window** in respect of which one or more **Events of Default** occurs and each such successive **Availability Window** thereafter.
- 2.5.6 Where the **Reserve Provider** has, in respect of a **Contracted BM Unit**, failed two or more consecutive **Reproving Tests** conducted in accordance with sub-paragraph 2.12.5, **National Grid** shall (without prejudice to paragraph 4.4) be entitled (at its sole discretion but subject always to sub-paragraph 2.5.7) to terminate the **STOR Contract** in respect of the **Contracted BM Unit** in question by notice in writing to the **Reserve Provider**.
- 2.5.7 Before deciding (in its sole discretion) whether to exercise its right to terminate pursuant to sub-paragraph 2.5.4 or 2.5.6 above, **National Grid** shall use reasonable endeavours to discuss with the **Reserve Provider** the circumstances giving rise to the relevant **Events of Default** or failed **Reproving Tests** (any such discussion to be confirmed in writing by **National Grid**).
- 2.5.8 Termination of any **STOR Contract** shall not affect any accrued rights or liability of either **Party** nor the coming into effect or continuance of any provision thereof which is expressly or by implication intended to come into force or effect after such termination.

Recovery of monies from Reserve Provider

- 2.5.9 Without prejudice to **National Grid**'s rights pursuant to this paragraph 2.5, upon each occurrence of the following **Event of Default** as more particularly described in Annexure 2 to this Section 2:-

G

National Grid reserves the right, where **National Grid** has issued **Bid-Offer Acceptance(s)** in accordance with sub-paragraph 2.3.5 in respect of the relevant **Contracted BM Unit** in order to instruct the **Reserve Provider** not to provide **Reserve** from the relevant **Contracted BM Unit**, to recover from the **Reserve Provider** in respect of each relevant **Settlement Period** an amount equal to the difference between the **Contract Bid-Offer Price** and the actual **Bid Price** submitted by the **Reserve Provider** multiplied by the MWh deliverable pursuant to the **Bid-Offer Acceptance(s)**.

2.5.10 For the purposes of this paragraph 2.5, it is acknowledged that the same occurrence or failure may constitute more than one **Event of Default**.

2.5.11 For the avoidance of doubt, the consequences of any **Event of Default** specified or referred to in this paragraph 2.5 shall not relieve the **Reserve Provider** from any of its obligations pursuant to the **Grid Code**, nor relieve either of the **Parties** from any of their obligations pursuant to the **Balancing and Settlement Code**.

2.6 GRID CODE AND DISTRIBUTION CODE

The provision by the **Reserve Provider** of **Reserve** shall not relieve it of any of its obligations or affect such obligations (where applicable) set out in the **Grid Code** (including without limitation its obligations (if any) to provide **Demand** control when instructed by **National Grid** pursuant to **Grid Code OC 6**) or in the **Distribution Code** of its host **Public Distribution System Operator**.

2.7 MAINTENANCE OF CONTRACTED BM UNITS

The **Reserve Provider** shall maintain the **Contracted BM Units** and **Substitute BM Units** to such a standard that the **Reserve Provider** can meet its obligations to provide **Reserve** in accordance with the terms of this **Document** and any **STOR Contract(s)**.

2.8 WEEKLY AND ANNUAL LIMITS AND REVISION OF CONTRACT BID-OFFER PRICE

2.8.1 Where, in any **Week** or during any **Financial Year** during the term of the relevant **STOR Contract**, the number of relevant **Utilisations** in relation to a **Contracted BM Unit** has equalled or exceeded, respectively for that **Contracted BM Unit**, the relevant **Weekly Limit** (if any) and/or **Annual Limit** (if any), the **Reserve Provider** may notify **National Grid** by facsimile in the form set out in Part I of Annexure 3 to this Section 2 of a revised **Contract Bid-Offer Price** in respect of that **Contracted BM Unit** to apply for the remainder of the **Week** or **Financial Year** (as the case may be) provided always that such revised **Contract Bid-Offer Price** shall not apply any earlier than the commencement of the first **Operational Day** following the **Operational Day** in which **National Grid** receives such facsimile notification. Upon receipt of such notice **National Grid** shall as soon as reasonably practicable thereafter acknowledge safe receipt by facsimile in the form set out in Part I of Annexure 3 to this Section 2.

2.8.2 Until the commencement of the **Operational Day** referred to in sub-paragraph 2.8.1, the **Contract Bid-Offer Price** which shall apply in respect of that **Contracted BM Unit** shall be the relevant price set out in the **STOR Contract**.

2.8.3 For the avoidance of doubt, where **National Grid** issues one or a series of contiguous **Bid-Offer Acceptance(s)** in respect of a **Contracted BM Unit** during a **Contracted Availability Window** either:-

- (a) where the **Reserve Provider** has failed to comply with its obligations pursuant to sub-paragraph 2.3.1(b) in respect of the **Bid Price** and/or **Offer Price**; or
- (b) in respect of a **Reproving Test**,

then this shall not, for the purposes of this paragraph 2.8, constitute a relevant **Utilisation**.

2.9 WARRANTY AND INDEMNITY

2.9.1 The **Reserve Provider** hereby warrants to **National Grid** that, where any **Contracted BM Unit** is **Embedded**, the entering into of a **STOR Contract** in respect of such **Contracted BM Unit** and the provision by it of **Reserve** does not and will not cause the **Reserve Provider** to be in breach of or to otherwise be non-compliant with any **Connection Agreement** and/or agreement for the supply of electricity to that **Contracted BM Unit** and/or for the acceptance of electricity into, and its delivery from, a **User System** or any other **System**.

2.9.2 The **Reserve Provider** agrees that it will not make available and provide **Reserve** from the relevant **Contracted BM Unit** to **National Grid** hereunder if such availability and/or provision would cause the **Reserve Provider** to be in breach or non-compliance as described in sub-paragraph 2.9.1, and if it fails to make available and/or provide **Reserve** on such grounds the **Reserve Provider** will:-

- (a) notify **National Grid** in accordance with sub-paragraph 2.2.4; and
- (b) provide to **National Grid** to **National Grid's** reasonable satisfaction such written statement and all such supporting evidence as shall be necessary to demonstrate how compliance would cause such breach or non-compliance.

2.9.3 In the event that the **Reserve Provider** makes available and/or provides **Reserve** to **National Grid** which causes the **Reserve Provider** to be in breach or non-compliance as described in sub-paragraph 2.9.1 above, the **Reserve Provider** shall indemnify **National Grid** against all and any claims made against **National Grid** by the **Reserve Provider's** host **Public Distribution System Operator** or any other person connected to or using the **Public Distribution System Operator's User System** or any other **User System** or the owner or operator of any **User System** or any other person arising out of or resulting from

such breach or non-compliance. Such indemnity shall include any legal costs and expenses reasonably incurred in the contesting of such claims including court costs and reasonable attorney's fees and other professional advisors' fees. The **Parties** agree and accept that, for the purposes of sub-paragraph 4.3.3, all such legal costs and expenses expressed to be the subject of such indemnity shall be treated as direct losses.

2.9.4 In the event of any such claim referred to in sub-paragraph 2.9.3 above or any third party claim under sub-paragraph 2.9.5 being made against **National Grid**, **National Grid** shall as soon as reasonably practicable give notice of the claim together with all relevant supporting documentation to the **Reserve Provider**. The **Reserve Provider** shall be entitled, upon written notice to **National Grid** and subject to **National Grid** receiving from the **Reserve Provider** such reasonable undertakings as **National Grid** shall reasonably require to protect **National Grid** against damage to its name, to assume, at its own expense, sole conduct of all proceedings relating to such claim including the right to contest such claim in the name of **National Grid** and **National Grid** shall supply the **Reserve Provider** with all information, assistance and particulars reasonably required by the **Reserve Provider** in connection therewith. **National Grid** shall not accept, settle, pay or compromise any such claim without the prior written approval of the **Reserve Provider** (such approval not to be unreasonably withheld or delayed). The **Reserve Provider** shall reimburse **National Grid's** reasonable expenses incurred in connection with the provision of any such information, assistance or particulars in the contesting of any such claim.

2.9.5 The **Reserve Provider** warrants to **National Grid** that, on the date of the **STOR Contract** it is not, and it hereby undertakes that at all times throughout the term of each **STOR Contract** it will not be, in breach of the terms of the **Undertaking**, and that, subject always to sub-paragraph 2.9.6, the **Reserve Provider** will indemnify **National Grid** against any losses, liabilities, claims, expenses and demands which **National Grid** suffers as a direct result of the **Reserve Provider** being in breach of the warranty set out in this sub-paragraph 2.9.5.

2.9.6 The amount or amounts for which the **Reserve Provider** may be liable to **National Grid** pursuant to sub-paragraph 2.9.5 shall not exceed the sum of £250,000 per **STOR Contract**.

2.10 PROVISION OF OTHER SERVICES

2.10.1 The **Reserve Provider** hereby warrants to **National Grid** that, on the **Commencement Date**, it is not a party to an agreement or arrangement with its host **Public Distribution System Operator** or electricity supplier or other person to provide any service from any **Contracted BM Unit** the provision of which impairs the **Reserve Provider's** ability to provide **Reserve** and/or perform its obligations under a **STOR Contract** and that, subject always to sub-paragraph 2.10.2, it will indemnify **National Grid** against any losses,

liabilities, claims, expenses and demands which **National Grid** suffers as a direct result of a breach by the **Reserve Provider** of the provisions of this sub-paragraph 2.10.1. Notwithstanding such warranty, where any agreement or arrangement results during the term of a **STOR Contract** in the impairment of the ability of the **Reserve Provider** to provide **Reserve** and/or perform its obligations under such **STOR Contract**, then the **Reserve Provider** undertakes to reimburse to **National Grid** all and any losses, liabilities, claims, expenses and demands reasonably incurred or suffered by **National Grid** as a result of the **Reserve Provider's** ability to provide **Reserve** and/or perform its obligations under such **STOR Contract** being thereby impaired.

- 2.10.2 The amount or amounts for which the **Reserve Provider** may be liable to **National Grid** pursuant to sub-paragraph 2.10. shall not exceed the sum of £250,000 per **STOR Contract**.
- 2.10.3 Where during the term of a **STOR Contract** the **Reserve Provider** intends to enter into an agreement or arrangement with its host **Public Distribution System Operator** or electricity supplier or other person to provide any service from the relevant **Contracted BM Unit** the provision of which impairs the **Reserve Provider's** ability to provide **Reserve** and/or perform its obligations under the **STOR Contract**, the **Reserve Provider** shall notify or procure that the **Reserve Provider's Agent** notifies **National Grid**, in accordance with paragraph 4.8, as soon as reasonably practicable before entering into such agreement or arrangement. Upon and with effect from the entering into of any such agreement or arrangement, **National Grid** shall have the right to terminate the **STOR Contract** forthwith and serve a notice to that effect in accordance with paragraph 4.8.
- 2.10.4 For the avoidance of doubt, the availability in any **Settlement Period** comprised in an **Availability Window** of an increase in **Generation** from any **Contracted BM Unit** or any part thereof for the benefit of any third party (including without limitation the **Reserve Provider's** host **Public Distribution System Operator** or electricity supplier) shall be deemed for the purposes of sub-paragraphs 2.10.1, 2.10.2 and 2.10.3 to impair the **Reserve Provider's** ability to provide **Reserve** from that **Contracted BM Unit**.

2.11 COMMUNICATIONS

- 2.11.1 Subject to sub-paragraph 2.11.2, all communications between the **Parties** or the **Reserve Provider's Agent** pursuant to this Section 2 (including without limitation **Declarations** and **Redeclarations**) shall be given via **EDL** save as may be otherwise agreed by the **Parties**. If, for whatever reason, **EDL** shall at any time during the term of the **STOR Contract** become unavailable, then to that extent all **Declarations** and **Redeclarations** and other communications of whatever nature which concern the availability and utilisation of **Reserve** shall be given by such other means as may be agreed between the **Parties**.

- 2.11.2 Any communications required by this Section 2 to be given in writing shall be made and deemed to have been received in accordance with paragraph 4.8 save as may be otherwise agreed by the **Parties**.

2.12 MONITORING, METERING AND TESTING

Monitoring and Metering

- 2.12.1 The volume of **Reserve** delivered and the time of delivery of **Reserve** pursuant to **Bid-Offer Acceptance(s)** shall be monitored by **National Grid** from time to time.
- 2.12.2 The relationship between the **Parties** with respect to **Energy Metering Equipment** shall be regulated by Section L of the **Balancing and Settlement Code**.
- 2.12.3 The relationship between the **Parties** with respect to **Operational Metering Equipment** shall be regulated by Paragraph 6.7.3 of the **Connection and Use of System Code**.
- 2.12.4 The availability and delivery of **Reserve** from a **Contracted BM Unit** shall be verified by **National Grid** by (inter alia) monitoring certain **BM Unit Data** and the carrying out of certain checks as described in Annexure 4 to this Section 2.

Testing

- 2.12.5 Where the **Reserve Provider** is determined by **National Grid** to have failed to provide **Reserve** from a **Contracted BM Unit** in accordance with sub-paragraph 2.3.6, **National Grid** shall notify the **Reserve Provider** of such failure (hereinafter referred to as a “**Delivery Failure**”) as soon as reasonably practicable thereafter and, save as provided in sub-paragraph 2.12.6, the **Reserve Provider** shall, for the purposes of sub-paragraph 2.4.1, be deemed not to have made **Reserve** available from the **Contracted BM Unit** with effect from the time at which the **Delivery Failure** occurred until such time as the **Reserve Provider** shall be deemed to have restored the availability of **Reserve** from the **Contracted BM Unit** in accordance with the following provisions:-
- (a) The **Reserve Provider** shall, during the period commencing at the time of **National Grid**'s notification and ending either:-
- (i) when a successful **Reproving Test** is carried out in accordance with this sub-paragraph 2.12.5; or
- (ii) at the time of expiry of the **Permitted Test Period** if no **Reproving Test** is carried out by **National Grid**,

continue, in respect of the relevant **Contracted BM Unit**, to comply with its obligation to make or procure that the **Reserve Provider's Agent** makes **Declarations** and/or **Redeclarations** in accordance with paragraph 2.2 and (where appropriate) to comply with the requirements of sub-paragraph 2.3.1.

(b) At any time during the period of fourteen **Operational Days** after the time of notification by **National Grid** referred to in sub-paragraph 2.12.5(a) (“the **Permitted Test Period**”), **National Grid** may in any **Contracted Availability Window** issue **Bid-Offer Acceptance(s)** in respect of the **Contracted BM Unit** in accordance with sub-paragraph 2.3.5 (“a **Reproving Test**”) in order to verify the availability of **Reserve** from the **Contracted BM Unit**.

(c) If either:-

(i) **National Grid** fails to carry out a **Reproving Test** during the **Permitted Test Period** in accordance with sub-paragraph 2.12.5(b) above; or

(ii) the **Reserve Provider** passes a **Reproving Test** carried out during the **Permitted Test Period** in accordance with sub-paragraph 2.12.5(b) above,

then for the purposes of sub-paragraph 2.4.1 the availability of **Reserve** from the **Contracted BM Unit** shall be deemed to have been restored with effect from the commencement of the first **Contracted Availability Window** after the **Contracted Availability Window** in which the **Delivery Failure** occurred.

(d) If the **Reserve Provider** fails a **Reproving Test** carried out during the **Permitted Test Period** in accordance with sub-paragraph 2.12.5(b) above, then:-

(i) **National Grid** shall notify the **Reserve Provider** thereof as soon as reasonably practicable thereafter; and

(ii) sub-paragraphs 2.12.5(a) to (c) (inclusive) shall apply (except that, for the purposes of sub-paragraph 2.12.5(b) above, the **Permitted Test Period** shall constitute the period of fourteen **Operational Days** after the date of the failed **Reproving Test** and for the purposes of sub-paragraph 2.12.5(c) above availability of **Reserve** shall be deemed to have been restored with effect from the commencement of the first **Contracted Availability Window** after the **Contracted Availability Window** in which the failed **Reproving Test** took place); and

(iii) sub-paragraph 2.5.6 shall apply.

- (e) For the purposes of sub-paragraphs 2.12.5(b), (c) and (d) above, the **Permitted Test Period** shall be extended by an **Operational Day** for each **Operational Day** falling within the **Permitted Test Period**, in respect of which the **Reserve Provider** fails (in respect of all or part of one or more **Availability Windows** falling within that **Operational Day**) to confirm or procure that the **Reserve Provider's Agent** confirms that **Reserve** is available from the relevant **Contracted BM Unit** in accordance with sub-paragraph 2.2.1 or 2.2.2 or to comply with its obligations pursuant to sub-paragraph 2.3.1 in respect of the relevant **Contracted BM Unit**.
- (f) For the purposes of this sub-paragraph 2.12.5, a **Reproving Test** shall be passed if, in respect of the relevant **Contracted BM Unit**, the **Reserve Provider** complies in all respects with sub-paragraph 2.3.6 and failure of a **Reproving Test** shall be construed accordingly.
- (g) For the purposes of paragraph 2.8, where **National Grid** issues one or a series of contiguous **Bid-Offer Acceptance(s)** in respect of a **Contracted BM Unit** during a **Contracted Availability Window** by way of a **Reproving Test** pursuant to sub-paragraph 2.12.5(b) above, then this shall not constitute a relevant **Utilisation**.

2.12.6 Notwithstanding sub-paragraph 2.12.5 above, where in respect of a **Delivery Failure** the first **Reproving Test** is failed and the number of **Operational Days** in the period between the **Operational Day** when that **Delivery Failure** occurred and the **Operational Day** when the first **Reproving Test** is conducted exceeds fourteen **Operational Days**, **National Grid** may, in respect of such period, only withhold the **Reserve Availability Payment** in respect of:-

- (a) the **Contracted Availability Window** in which the **Delivery Failure** occurs; and
- (b) all subsequent **Contracted Availability Windows** on the same **Operational Day** and in the immediately following fourteen **Operational Days**,

provided always that the period of fourteen **Operational Days** described in paragraph (b) above shall be extended by an **Operational Day** for each **Operational Day** falling within such period, in respect of which the **Reserve Provider** fails (in respect of all or part of one or more **Availability Windows** falling within that **Operational Day**) to confirm that **Reserve** is available from the relevant **Contracted BM Unit** in accordance with sub-

paragraph 2.2.1 or 2.2.2 or to comply with its obligations pursuant to sub-paragraph 2.3.1 in respect of the relevant **Contracted BM Unit**.

ANNEXURE 1 TO SECTION 2
PAYMENT FORMULAE
(BALANCING MECHANISM PARTICIPANTS - PRODUCTION BM UNITS - RESERVE
PROVIDER'S AGENT)

Part I

Reserve Availability Payment

The payment to be made by **National Grid** to the **Reserve Provider's Agent** referred to in sub-paragraph 2.4.1 in respect of the **Contracted Availability Windows** in calendar month m for **Unit** i (AF_{im}) shall be calculated in accordance with the following formula (using notation as defined in Part IV of this Annexure):-

$$AF_{im} = \sum_{C \in M_m} \left(\text{Max} \left[\begin{array}{l} \sum_{j \in C_m} (AP_{ij} \times 0.5 \times CM_{ij} \times FF_{ij} \times FM_{ij}) - \\ \sum_{j \in C(P)_m} (AP_{ij} \times 0.5 \times CM_{ij} \times (\text{Max}[XF_{ij}, XM_{ij}]), 0 \end{array} \right] \right)$$

Part II

Seasonal Delivery Reconciliation Payment

The payment to be made by the **Reserve Provider's Agent** to **National Grid** referred to in sub-paragraph 2.4.2 in respect of **Season** n for **Unit** i (SDR_{in}) shall be calculated in accordance with the following formula (using notation as defined in Part IV of this Annexure):-

$$SDR_{in} = M \times \frac{\min(P_n, N_{in})}{P_n} \times (1 - ADMW_{in}) \times \sum_{C \in S_n} \left(\text{Max} \left[\begin{array}{l} \sum_{j \in C_m} (AP_{ij} \times 0.5 \times CM_{ij} \times FF_{ij} \times FM_{ij}) - \\ \sum_{j \in C(P)_m} (AP_{ij} \times 0.5 \times CM_{ij} \times (\text{Max}[XF_{ij}, XM_{ij}]), 0 \end{array} \right] \right)$$

Where:

$$M = 0, \text{ if } ADMW_{in} \geq 0.95$$

$$M = 1, \text{ if } ADMW_{in} < 0.95$$

And

$$ADMW_{in} = \frac{\sum_{j \in B_m} QMS_j}{\sum_{j \in B_m} QMES_j}$$

Part III

Committed Availability Reconciliation Payment

The payment to be made by the **Reserve Provider's Agent** to **National Grid** referred to in sub-paragraph 2.4.3 in respect of **Financial Year** y for **Unit** i ($ACAR_{iy}$), shall be calculated in accordance with the following formula (using notation as defined in Part IV of this Annexure):-

$$ACAR_{iy} = \max \left[0, 1 - \frac{\sum_{j \in C_y} CF_{ij}}{\sum_{j \in A_y} MA_{ij}} \right] \times \left(\sum_{m \in Y_y} AF_{im} - \sum_{n \in Y_y} SDR_{in} \right)$$

Part IV

Notation

In Parts I to III (inclusive) of this Annexure:-

$$\sum_{C \in M_m}$$

is the summation over all **Contracted Availability Windows** in month m

$$\sum_{j \in C_m}$$

is the summation over all **Settlement Periods** j , in **Contracted Availability Window** C , in month m

$$\sum_{j \in C(P)_m}$$

is the summation over all **Settlement Periods** j , in **Pre-Window Instruction Periods** and **Post-Window Instruction Periods** associated with **Contracted Availability Window** C , in month m

$$\sum_{C \in S_n}$$

is the summation over all **Contracted Availability Windows** in **Season** n

$$\sum_{j \in C_y}$$

is the summation over all **Settlement Periods** j , in the set C_y of **Settlement Periods** in **Contracted Availability Windows** in **Financial Year** y

$\sum_{j \in A_y}$ is the summation over all **Settlement Periods** j , in the set A_y of **Settlement Periods** in **Availability Windows** in **Financial Year** y but excluding those **Availability Windows** where sub-paragraph 4.12.2 (**Force Majeure**) applies

$\sum_{m \in Y_y}$ is the summation over all months m , in **Financial Year** y

$\sum_{n \in Y_y}$ is the summation over all **Seasons** n , in **Financial Year** y

AP_{ij} is the **Availability Price** in respect of **Unit** i , applicable in each **Settlement Period** j (as the same may be reduced in respect of the calendar month in question in accordance with sub-paragraph 2.5.2 or varied in accordance with sub-paragraph 1.4.6)

CM_{ij} is the **Contracted MW** in respect of **Unit** i , applicable in each **Settlement Period** j

FF_{ij} is 0 in respect of each **Settlement Period** j , contained in a **Contracted Availability Window** where **Reserve** is declared or redeclared unavailable or deemed unavailable from **Unit** i or where Annexure 2 to Section 2 provides that, in respect of **Settlement Period** j and **Unit** i , the **Reserve Provider's Agent** will not be entitled to receive a **Reserve Availability Payment**, otherwise 1

FM_{ij} is 0 in respect of each **Settlement Period** j , contained in a **Contracted Availability Window** where sub-paragraph 4.12.2 (**Force Majeure**) applies in respect of **Unit** i , otherwise 1

XF_{ij} is 1 in respect of each **Settlement Period** j , contained in either a **Pre-Window Instruction Period** or **Post-Window Instruction Period** associated with a **Contracted Availability Window** where the **Reserve Provider** has failed to comply in any respect with sub-paragraph 2.3.1 in respect of **Unit** i , otherwise 0

XM_{ij} is 1 in respect of each **Settlement Period** j , contained in either a **Pre-Window Instruction Period** or **Post-Window Instruction Period** associated with a **Contracted Availability Window** where sub-paragraph 4.12.2 (**Force Majeure**) applies in respect of **Unit** i , otherwise 0

QMS_{ij} is the volume of energy (MWh) delivered from **Unit** i , in **Settlement Period** j , in accordance with **Bid-Offer Acceptance(s)** issued by **National Grid** pursuant to sub-

paragraph 2.3.5 (being a volume not greater than the volume implied in such **Bid- Offer Acceptance(s)**), as determined by metering pursuant to paragraph 2.12

QMES_{ij} is the volume of energy (MWh) instructed to be delivered from **Unit i**, in **Settlement Period j**, in accordance with **Bid-Offer Acceptance(s)** issued by **National Grid** pursuant to sub-paragraph 2.3.5

$\sum_{j \in B_m}$ is the summation over all **Settlement Periods j**, in the set B_m of **Settlement Periods** in **Season n** in respect of which **Bid-Offer Acceptance(s)** have been issued by **National Grid** pursuant to sub-paragraph 2.3.5 in respect of **Unit i**

CF_{ij} is 0 in respect of each **Settlement Period j**, contained in a **Contracted Availability Window** where **Reserve** is declared or redeclared unavailable or (save in the case of sub-paragraph 2.3.8) deemed unavailable from **Unit i** or where Annexure 2 to Section 2 provides that, in respect of **Settlement Period j** and **Unit i**, the **Reserve Provider** will not be entitled to receive a **Reserve Availability Payment**, otherwise 1

MA_{ij} is the required minimum availability, taking a value of 0.85, in respect of **Settlement Period j** and **Unit i**

Unit i or i is the relevant **Contracted BM Unit** (or, as applicable, any **Substitute BM Unit** or **Replacement BM Unit**)

Financial Year y or y is either:-
(i) the relevant **Financial Year**; or
(ii) (where sub-paragraph 2.4.4 applies) the period from either the commencement of the relevant **Financial Year** or (if later) the **Commencement Date** of the **STOR Contract** until the date of termination or expiry of the **STOR Contract**; or
(iii) (where sub-paragraph 2.4.5 applies) the period from the **Commencement Date** of the **STOR Contract** until either the end of the relevant **Financial Year** in which the **Commencement Date** falls or (if earlier) the date of termination of the **STOR Contract**

Season n or n is the relevant **Season**

Contracted Availability Window C or C is the relevant **Contracted Availability Window**

N_{in} is the number of occasions in **Season n** where **Unit i** is instructed to provide **Reserve** in **Contracted Availability Windows** in accordance with sub-paragraph 2.3.5

P_n is the threshold for **Season n** as determined in accordance with the table below:-

Length of Season n	Threshold, P_n
< 4 weeks	3
4 - 10 weeks	4
> 10 weeks	5

ANNEXURE 2 TO SECTION 2

EVENTS OF DEFAULT AND CONSEQUENCES
(BALANCING MECHANISM PARTICIPANTS - PRODUCTION BM UNITS - RESERVE PROVIDER'S AGENT)

Events of Default – Redeclarations of Availability	Effect on Reserve Availability Payments
<p>A. A Redeclaration in the circumstances specified in sub-paragraph 2.2.7(a).</p>	<p>The Reserve Provider's Agent shall not be entitled:-</p> <p>(a) where notice is given prior to commencement of a Contracted Availability Window, to receive a Reserve Availability Payment in relation to that Contracted BM Unit in respect of the whole of the Contracted Availability Window(s) to which the notice relates or (as the case may be) in respect of that Contracted Availability Window and all subsequent Contracted Availability Window(s) until the next Contracted Availability Window in respect of which the Reserve Provider notifies or procures that the Reserve Provider's Agent notifies availability of Reserve from that Contracted BM Unit; and</p> <p>(b) where notice is given during a Contracted Availability Window, to receive a Reserve Availability Payment in relation to that Contracted BM Unit in respect of the remainder of such Contracted Availability Window and any subsequent Contracted Availability Window(s) to which the notice relates or (as the case may be) in respect of all subsequent Contracted Availability Window(s) until the next Contracted Availability Window in respect of which the Reserve Provider notifies or procures that the Reserve Provider's Agent notifies availability of Reserve from that Contracted BM Unit.</p>
<p>B. Failure to serve a Redeclaration forthwith upon becoming aware of unavailability of Reserve as specified in sub-paragraph 2.2.7(b).</p> <p>C. Failure, upon request from National Grid, to provide an explanation in reasonable detail for unavailability or National Grid has reasonable grounds to believe that unavailability is unrelated to technical capability as specified in sub-paragraph 2.2.7(c).</p> <p>D. Declaration or redeclaration of unavailability in the circumstances specified in sub-paragraph 2.3.3.</p> <p>E. The export of Active Power by the Reserve Provider otherwise than pursuant to Bid-Offer Acceptance(s) in the circumstances specified in sub-paragraph 2.3.4.</p>	<p>The Reserve Provider's Agent shall not be entitled to receive a Reserve Availability Payment in respect of that Contracted BM Unit in relation to the whole of the Contracted Availability Window to which such Event of Default relates.</p>

EVENTS OF DEFAULT AND CONSEQUENCES (CONT.)
(BALANCING MECHANISM PARTICIPANTS - PRODUCTION BM UNITS - RESERVE PROVIDER'S AGENT)

Event of Default – Utilisation of Reserve	Effect on Reserve Availability Payments
<p>F. Failure to submit BM Unit Data in accordance with sub-paragraph 2.3.1(a), sub-paragraph 2.3.1(b)(i), sub-paragraph 2.3.1(b)(ii) or sub-paragraph 2.3.1(c) in the circumstances specified in sub-paragraph 2.3.2.</p>	<p>The Reserve Provider's Agent shall not be entitled to receive an Availability Payment in relation to that Contracted BM Unit in respect of:-</p> <p>(a) where such failure relates in whole or in part to the submission in respect of one or more Settlement Periods comprised in a Pre-Window Instruction Period or Contracted Availability Window of a Physical Notification of greater than zero, the whole of the Contracted Availability Window concerned or (where relevant) to which such Pre-Window Instruction Period relates; or</p> <p>(b) (in respect of all other items of BM Unit Data (with the exception of the Maximum Export Limit to which Event of Default A shall apply):</p> <p style="padding-left: 40px;">(i) where such failure occurred in a Settlement Period(s) comprised in a Contracted Availability Window those Settlement Periods in which such failure occurred; and</p> <p style="padding-left: 40px;">(ii) where such failure occurred in a Settlement Period(s) comprised in a Pre-Window Instruction Period, Pre-Window Ramping Period and/or Post Window Ramping Period, the number of Settlement Periods comprised in the related Contracted Availability Window which is equivalent to the number of Settlement Periods during which such failure occurred.</p>
<p>G: Failure to submit BM Unit Data in accordance with sub-paragraph 2.3.1(b)(iii) in the circumstances specified in sub-paragraph 2.3.2.</p>	N/A
<p>H. Failure to comply with sub-paragraph 2.3.6 in the circumstances specified in sub-paragraph 2.3.7(a).</p>	<p>The Reserve Provider's Agent shall not be entitled to receive a Reserve Availability Payment in relation to that Contracted BM Unit in respect of: each Settlement Period comprised (wholly or partly) in the period commencing on the expiry of the Response Time and ending at the time from which the Reserve Provider provides Reserve.</p>
<p>I. Failure to comply with sub-paragraph 2.3.6 in the circumstances specified in sub-paragraph 2.3.7(b).</p> <p>J. Failure to comply with sub-paragraph 2.3.6 in the circumstances specified in sub-paragraph 2.3.7(c).</p>	<p>The Reserve Provider's Agent shall not be entitled to receive a Reserve Availability Payment in relation to that Contracted BM Unit in respect of the remainder of that Contracted Availability Window commencing at the time at which such Event of Default occurred.</p>
Event of Default - Miscellaneous	Effect on Reserve Availability Payments
<p>K A failure by the Reserve Provider to comply with any other provision of Section 2 not the subject of Events of Default A to J above.</p>	N/A

ANNEXURE 3 TO SECTION 2
FACSIMILE FORMS
**(BALANCING MECHANISM PARTICIPANTS - PRODUCTION BM UNITS - RESERVE
PROVIDER'S AGENT)**

Part I
SHORT TERM OPERATING RESERVE FAX -
NOTIFICATION OF A REVISED CONTRACT BID-OFFER PRICE
UPON REACHING UTILISATION LIMIT

RESERVE PROVIDER'S DETAILS			
Contracted BM Unit:			Tel:
Contract Number:			Standby Tel:
Company Name:			Fax:
Contracted MW:			Standby Fax:

We hereby serve notice of a new Contract Bid-Offer Price following the Utilisation Limit being reached at the above Contracted BM Unit, as follows:

Limit Type Exceeded (Weekly/Annual)	Date Limit Exceeded	New Contract Bid- Offer Price (£/MWh)	Date new Contract Bid-Offer Price effective from*

* Date may not be earlier than the Operational Day after receipt by National Grid of this facsimile notification.

Fax Sent By (Print name): Date: Time:

Signature:

Fax acknowledged by National Grid:

Signature: Date: Time:

National Grid Control

Fax number: 0870 602 4805

Telephone: 0870 240 6961

Standby Fax:

Standby Telephone:

0870 602 4802

0844 892 0360

ANNEXURE 4 TO SECTION 2
VERIFICATION OF AVAILABILITY AND DELIVERY OF RESERVE
(BALANCING MECHANISM PARTICIPANTS - PRODUCTION BM UNITS - RESERVE PROVIDER'S AGENT)

Set out below are items of **BM Unit Data** which shall be monitored by **National Grid** from time to time to verify the availability of **Reserve** from **Contracted BM Unit(s)**, **Substitute BM Unit(s)** or **Replacement BM Unit(s)**:-

Service Criteria	Parameter(s)
Availability of Reserve from Contracted BM Unit, Substitute BM Unit or Replacement BM Unit	MEL ≥ Contracted MW Physical Notification ≤ zero
Response Time	$NDZ + \frac{ContractedMW}{AverageRunUpRate} \leq ResponseTime$
Bid-Offer Data	<p>(i) First Offer Price ≤ Contracted Bid-Offer Price, in respect of the range from zero MW to Contracted MW</p> <p>(ii) Bid Price ≥ Offer Price</p> <p>This check will be made in respect of Settlement Periods comprised in Contracted Availability Windows, Pre-Window Ramping Periods and Post-Window Ramping Periods.</p> <p>In each Settlement Period during the Pre-Window Instruction Period, National Grid shall monitor whether ramping is necessary to achieve the Contracted MW by the commencement of the Contracted Availability Window.</p> <p>Where:-</p> $\frac{ContractedMW}{AverageRunUpRate} \leq \text{time to } \mathbf{Contracted \ Availability \ Window}$ <p>then the Settlement Period shall be determined to contain the Pre-Window Ramping Period and National Grid shall, therefore, undertake the above Bid-Offer Data check.</p>
Cease Time	$\frac{ContractedMW}{AverageRunDownRate} \leq \mathbf{Cease \ Time}$ specified in STOR Contract
Minimum Utilisation Period	MNZT ≤ Minimum Utilisation Period specified in STOR Contract
Recovery Period	MZT ≤ Recovery Period specified in STOR Contract
Stable Export Limit	SEL ≤ Maximum Export Limit

Set out below are the checks which will be made by **National Grid** from time to time to verify the delivery of **Reserve** from **Contracted BM Unit(s)**, **Substitute BM Unit(s)** or **Replacement BM Unit(s)**:-

Service Criteria	Check(s)
Delivery of Reserve within the Response Time	Metering data for the Settlement Period in which the Contracted BM Unit , Substitute BM Unit or Replacement BM Unit is instructed to commence delivery of the Contracted MW in accordance with a Bid-Offer Acceptance
Total energy (volume) delivered as Reserve for each utilisation	Metering data for the Contracted BM Unit , Substitute BM Unit or Replacement BM Unit in respect of the instructed period of delivery of Reserve in accordance with Bid-Offer Acceptance(s)

PART 2

SHORT TERM OPERATING RESERVE - NON-BALANCING MECHANISM PARTICIPANTS

(RESERVE PROVIDER'S AGENT)

Where sub-paragraph 3.1.2 of Section 2 applies, the following paragraphs 3.2. to 3.12 and Annexures 1 to 3 shall replace paragraphs 3.2 to 3.12 of Section 2 and Annexures 1 to 3 to Section 3:-

3.2 DECLARATIONS OF AVAILABILITY

Declarations Week Ahead

3.2.1 By 10.00 hours each Tuesday the **Reserve Provider** shall submit or procure that the **Reserve Provider's Agent** submits to **National Grid** a notice (a "**Declaration**") in relation to each of the **Contracted Sites**:-

- (a) confirming in respect of each **Committed Window** (if any) in the following **Week**, either that **Reserve** is available or that **Reserve** is unavailable for reasons related to the technical capability of the **Contracted Site**; and
- (b) indicating, for each **Flexible Window** (if any) in the following **Week**, whether or not **Reserve** is available; and
- (c) (where relevant) indicating, for each **Operational Day** in the following **Week**, whether or not **Reserve** will be available during all the **Optional Windows** in such **Operational Day**.

Failure to submit a **Declaration** in accordance with this sub-paragraph 3.2.1 shall be deemed to constitute unavailability of **Reserve** in the following **Week** or relevant **Operational Day** in the following **Week** (as the case may be) and in respect thereof the **Reserve Provider** shall not be entitled to revise availability of **Reserve** in accordance with sub-paragraph 3.2.4. For the avoidance of doubt, a notice served pursuant to this sub-paragraph 3.2.1 indicating in relation to a **Contracted Site** that 0 MW of **Reserve** is available in respect of each **Availability Window** in the following **Week** or relevant **Operational Day** in the following **Week** (as the case may be) shall constitute a **Declaration**.

Flexible Windows - Revisions to Declarations

3.2.2 The **Reserve Provider** may revise a **Declaration** in relation to a **Contracted Site** in respect of any **Flexible Window** in the following **Week** as follows:-

- (a) at any time up to and including 10.00 hours on the Friday preceding the **Week** in question, the **Reserve Provider** may serve or procure that the **Reserve Provider's Agent** serves a notice on **National Grid** (a "**Redeclaration**") either:-
 - (i) advising **National Grid** that **Reserve** will be available from that **Contracted Site** during that **Flexible Window**; or
 - (ii) advising **National Grid** that **Reserve** will not be available from that **Contracted Site** during that **Flexible Window**;

- (b) where, at 10.00 hours on the Friday preceding the **Week** in question, the **Declaration** or any subsequent **Redeclaration** made by the **Reserve Provider** in accordance with sub-paragraph 3.2.1 or 3.2.2(a)(ii) (as the case may be) indicates unavailability of **Reserve** during that **Flexible Window** the **Reserve Provider** may serve or procure that the **Reserve Provider's Agent** serves a notice on **National Grid** (a "**Redeclaration**") at any time prior to **Gate Closure** (in respect of the first **Settlement Period** within the associated **Pre-Window Instruction Period**) advising **National Grid** that **Reserve** will be available from that **Contracted Site** during that **Flexible Window**;

- (c) where at 10.00 hours on the Friday preceding the **Week** in question any **Declaration** or subsequent **Redeclaration** made by the **Reserve Provider** or the **Reserve Provider's Agent** (as the case may be) in accordance with sub-paragraph 3.2.1 or 3.2.2(a)(i) (as the case may be) indicates availability of **Reserve** in **Flexible Window(s)** in the following **Week**, the **Reserve Provider** shall not be permitted to issue a **Redeclaration** to withdraw such availability, save:-
 - (i) as permitted by sub-paragraph 3.2.4(b) (following acceptance of such availability by **National Grid** and the relevant **Availability Window(s)** thereby being deemed to constitute **Committed Window(s)** in accordance with sub-paragraph 3.2.3); or
 - (ii) where **National Grid** has rejected such availability in accordance with sub-paragraph 3.2.3.

Flexible Windows - Acceptance and Rejection of Declarations

- 3.2.3 By 16.00 hours each Friday **National Grid** shall notify to the **Reserve Provider** or the **Reserve Provider's Agent** (as the case may be) who has submitted a **Declaration** and/or **Redeclaration** prior to 10.00 hours on that Friday indicating availability of the **Contracted Site** in respect of one or more **Flexible Windows** whether such availability as indicated in

that **Declaration** and/or **Redeclaration** has been accepted or rejected. **National Grid's** decision shall be final and binding. Such notification shall be made either by **STOR Despatch** or by facsimile in the form set out in Part II of Annexure 3 to this Section 3 to the operational facsimile number specified in the **STOR Framework Agreement**. Where, for technical reasons, **National Grid** is unable to make such notification by **STOR Despatch** or facsimile then it shall use reasonable endeavours to make such notification by telephone to the operational contact telephone number specified in the **STOR Framework Agreement**. Failing such notification by such time and day **National Grid** shall be deemed to have accepted the **Declaration** and/or **Redeclaration** concerned. If **National Grid** accepts a **Declaration** or **Redeclaration** relating to a **Flexible Window** then such **Flexible Window** shall automatically be deemed to constitute a **Committed Window** for the purposes of sub-paragraphs 3.2.4(b), 3.2.6 and 3.2.8 to 3.2.12 (inclusive). If either:

- (a) **National Grid** rejects a **Declaration** or **Redeclaration** in relation to a **Flexible Window**; or
- (b) the **Reserve Provider** submits or procures that the **Reserve Provider's Agent** submits a **Redeclaration** in accordance with sub-paragraph 3.2.2(b) in relation to a **Flexible Window** after 10.00 hours on a Friday,

then such **Flexible Window** shall constitute a **Deemed Optional Window** for the purposes of sub-paragraphs 3.2.7, 3.2.8, 3.2.9 and 3.2.11(b).

Committed Windows - Revisions to Declarations pre Gate Closure

3.2.4 Where, prior to **Gate Closure** in respect of the first **Settlement Period** within a **Pre-Window Instruction Period** associated with a **Committed Window**, the **Reserve Provider** becomes aware of changes in the technical capabilities of a **Contracted Site** previously the subject of a **Declaration**, it shall revise or procure that the **Reserve Provider's Agent** revises that **Declaration** forthwith by serving a notice on **National Grid** (a "**Redeclaration**") either:-

- (a) confirming that **Reserve** will be available during that **Committed Window**; or
- (b) indicating that, for reasons related to the technical capability of the **Contracted Site**, **Reserve** will not be available during that **Committed Window**.

Optional Windows - Revisions to Declarations Day Ahead

3.2.5 At any time up to 24.00 hours on an **Operational Day**, the **Reserve Provider** may revise a **Declaration** in relation to any **Contracted Site** in respect of all **Optional Windows** on the

following **Operational Day**, by serving or procuring that the **Reserve Provider's Agent** serves a notice on **National Grid** (a "**Redeclaration**") either:-

- (a) advising **National Grid** that **Reserve** will be available from that **Contracted Site** during all of the **Optional Windows** on the following **Operational Day**; or
- (b) advising **National Grid** that **Reserve** will not be available from the **Contracted Site** during all of the **Optional Windows** on the following **Operational Day**.

Contracted Availability Windows

3.2.6 For the purposes of this Section 3, a "**Contracted Availability Window**" in relation to any **Contracted Site** is a **Committed Window** in respect of which the **Declaration** or **Redeclaration** current as at **Gate Closure** (immediately prior to the commencement of the first **Settlement Period** within the **Pre-Window Instruction Period**) indicates that **Reserve** will be available from that **Contracted Site** during that **Availability Window**.

Contracted Optional Windows

3.2.7 For the purposes of this Section 3, a "**Contracted Optional Window**" in relation to any **Contracted Site** is either:-

- (a) an **Optional Window** in an **Operational Day** in respect of which the **Declaration** or **Redeclaration** current, as at 24.00 hours on the preceding **Operational Day**, indicates that **Reserve** is available from that **Contracted Site** during all the **Optional Windows** in that **Operational Day**; or
- (b) a **Deemed Optional Window** in respect of which the **Declaration** or **Redeclaration** current as at **Gate Closure** (immediately prior to the commencement of the first **Settlement Period** within the **Pre-Window Instruction Period**) indicates that **Reserve** will be available from that **Contracted Site** during that **Deemed Optional Window**.

Late Revisions to Declarations

3.2.8 If:-

- (a) during a **Pre-Window Instruction Period** or during a **Contracted Availability Window**; or
- (b) later than 24.00 hours on the **Operational Day** preceding the **Operational Day** containing the **Contracted Optional Windows** (to which sub-paragraph 3.2.7(a)

applies) in respect of which **Reserve** has been declared available from a **Contracted Site**; or

- (c) during a **Pre-Window Instruction Period** associated with a **Contracted Optional Window** (to which sub-paragraph 3.2.7(b) applies) or during a **Contracted Optional Window** (to which sub-paragraph 3.2.7(b) applies),

the **Reserve Provider** becomes aware of a change in the availability of **Reserve** such that, for reasons related to the technical capability of that **Contracted Site**, **Reserve** will be unavailable from that **Contracted Site** during all or any part of such **Contracted Availability Window or Contracted Optional Window**, it shall notify or procure that the **Reserve Provider's Agent** notifies **National Grid** forthwith by way of a **Redeclaration**.

Deemed Unavailability

- 3.2.9 **Reserve** shall be deemed to be unavailable from a **Contracted Site** from the time at which a **Redeclaration** is given by the **Reserve Provider** or the **Reserve Provider's Agent** (as the case may be) pursuant to sub-paragraph 3.2.8 until the commencement of the next **Window** in respect of which the **Reserve Provider** subsequently serves or procures that the **Reserve Provider's Agent** serves a **Declaration** or **Redeclaration** indicating that **Reserve** will be available from that **Contracted Site**.

Reasons for Unavailability

- 3.2.10 Each indication of unavailability by the **Reserve Provider** or the **Reserve Provider's Agent** (as the case may be) pursuant to sub-paragraphs 3.2.1(a) 3.2.4(b) and 3.2.8(a) shall, upon request from **National Grid** and as soon as reasonably practicable thereafter, be followed by an explanation in reasonable detail of the reasons for such unavailability.

Events of Default

- 3.2.11 In the event that:-
 - (a) the **Reserve Provider** serves or procures that the **Reserve Provider's Agent** serves a **Redeclaration** in respect of any **Contracted Availability Window** pursuant to sub-paragraph 3.2.8(a); or
 - (b) the **Reserve Provider** fails to serve a notification in respect of any **Availability Window or Contracted Availability Window** pursuant to sub-paragraphs 3.2.4 or 3.2.8(a) or **Contracted Optional Window** pursuant to sub-paragraphs 3.2.8(b) or 3.2.8(c) forthwith upon becoming aware of its inability to provide **Reserve** for reasons related to the technical capability of that **Contracted Site**; or

- (c) no explanation is given by the **Reserve Provider** or the **Reserve Provider's Agent** (as the case may be) as required by sub-paragraph 3.2.10 or **National Grid** has reasonable grounds for believing that such unavailability is unrelated to the technical capability of the **Contracted Site** concerned,

then paragraph 3.5 (Events of Default and Consequences) shall apply.

- 3.2.12 In the event that **Reserve** has been declared or redeclared (or deemed) unavailable pursuant to the provisions of this Section 3 in respect of an **Availability Window** and the **Reserve Provider** either provides **Active Power** or reduces **Demand** (as the case may be) from the relevant **Contracted Site** during such **Availability Window** in the circumstances where such **Availability Window** is, or is deemed in accordance with sub-paragraph 3.2.3 to constitute, a **Committed Window** then paragraph 3.5 (Events of Default and Consequences) shall apply.

Other Contractual Arrangements

- 3.2.13 **Reserve** shall be deemed to be unavailable during a **Window** and the **Reserve Provider** shall (as appropriate) serve or procure that the **Reserve Provider's Agent** serves a **Redeclaration** in accordance with the foregoing provisions of this Section 3 if, pursuant to any other agreement or arrangement with any other person, the **Reserve Provider** has, notwithstanding sub-paragraph 3.10, granted to such other person the right to require an increase in **Generation** or reduction in **Demand** from any site comprising the whole or part of the **Contracted Site** for any period which coincides in whole or in part with that **Window**.

Substitution of Contracted Sites

- 3.2.14 If the **Reserve Provider** anticipates that a **Contracted Site** may become unavailable to provide **Reserve** during part of the remaining term of a **STOR Contract**, the **Reserve Provider** may request or procure that the **Reserve Provider's Agent** requests, by notice in writing to **National Grid**, that the **Contracted Site** in question be substituted for the period of such unavailability by another **Site** (the "**Substitute Site**") owned or operated by the **Reserve Provider**. **National Grid** may at its sole discretion either accede to or decline such request. If **National Grid** accepts such request, the substitution of the **Contracted Site** (the "**Substituted Site**") by the **Substitute Site** shall not become effective unless the **STOR Contract** is duly amended in accordance with sub-paragraph 3.2.21 to reflect such substitution.

- 3.2.15 In any notification pursuant to sub-paragraph 3.2.14, the **Reserve Provider** shall indicate or procure that the **Reserve Provider's Agent** indicates to **National Grid** the **Availability Windows** and **Optional Windows** in respect of which the **Reserve Provider** proposes that

such substitution shall apply, provided always that the relevant **Availability Windows** and **Optional Windows** shall not be **Availability Windows** and **Optional Windows** in respect of the **Substitute Site**.

Replacement of Contracted Sites

3.2.16 Without prejudice to the **Reserve Provider**'s right to request or procure that the **Reserve Provider's Agent** requests the substitution of a **Contracted Site** in accordance with sub-paragraph 3.2.14, the **Reserve Provider** may also request or procure that the **Reserve Provider's Agent** requests, by notice in writing to **National Grid**, that any **Contracted Site** be replaced for the remainder of the term of the relevant **STOR Contract** by another site (the "**Replacement Site**") owned or operated by the **Reserve Provider**. **National Grid** may at its sole discretion either accede to or decline such request. If **National Grid** accepts such request, the replacement of the **Contracted Site** (the "**Replaced Site**") by the **Replacement Site** shall not become effective until such time as the **STOR Contract** is duly amended in accordance with sub-paragraph 3.2.21 to reflect such replacement.

Effect of substitution and replacement

3.2.17 Subject always to the provisions of sub-paragraphs 3.2.14 to 3.2.16 inclusive, the effect of substitution and replacement in accordance with the provisions thereof shall be to treat the **Substitute Site** or **Replacement Site** (as the case may be) as the **Contracted Site** for all purposes of this Section 3 and the **STOR Contract**, and for the duration of any such substitution or replacement this Section 3 and the **STOR Contract** shall be read and construed accordingly.

Required Flexible Availability

3.2.18 Where, during any **Season**, the aggregate duration in respect of any **Contracted Site** of **Availability Windows** being **Flexible Windows** (in respect of which, at 10.00 hours on the Friday preceding the **Week** in which each such **Flexible Window** falls, a **Declaration** or subsequent **Redeclaration** made by the **Reserve Provider** or the **Reserve Provider's Agent** (as the case may be) in accordance with sub-paragraph 3.2.1 or 3.2.2(b) indicates availability of **Reserve** in such **Flexible Window**) does not at the end of such **Season** equal or exceed the **Required Flexible Availability** in respect of that **Contracted Site**, or where it becomes apparent to **National Grid** that such aggregate duration cannot at the end of such **Season** equal or exceed such **Required Flexible Availability**, then:-

- (a) **National Grid** may by written notice to the **Reserve Provider** terminate the **Reserve Provider's** entitlement to declare or re-declare **Reserve** available in respect of that **Contracted Site** in all subsequent **Flexible Windows** during the term of the **STOR Contract**; and

- (b) for the avoidance of doubt, no payments shall accrue due to the **Reserve Provider** pursuant to sub-paragraph 3.4 in respect thereof.

Request for reduction in Contracted MW and Optional MW

3.2.19 The **Reserve Provider** may request, or procure that the **Reserve Provider's Agent** requests, by written notice to **National Grid**, a reduction in the **Contracted MW** and (where relevant) the **Optional MW** of a **Contracted Site** for one or more **Seasons**, provided that:-

- (a) such reduction is necessitated by a change in the technical capability of the **Contracted Site** which occurred after the submission of the **STOR Tender** by the **Reserve Provider**, and such change could not reasonably have been foreseen by the **Reserve Provider** as likely to occur at the time that the **STOR Tender** was submitted;
- (b) the **Reserve Provider** provides, or procures that the **Reserve Provider's Agent** provides, **National Grid** with evidence which is reasonably satisfactory to **National Grid** of the change in technical capability of the **Contracted Site**; and
- (c) the resulting reduced level of **Contracted MW** and (where relevant) **Optional MW** is not less than 3 MW.

3.2.20 Upon receipt of any request made by the **Reserve Provider** or the **Reserve Provider's Agent** (as the case may be) pursuant to sub-paragraph 3.2.19 **National Grid** shall not unreasonably withhold or delay its consent to such request, but the reduction in **Contracted MW** and (where relevant) **Optional MW** of the relevant **Contracted Site** shall not become effective until such time as the **STOR Contract** is duly amended in accordance with paragraph 3.2.21 to reflect such reduction.

Amendment of STOR Contract

3.2.21 The **STOR Contract** may only be amended in accordance with sub-paragraphs 3.2.14, 3.2.16 and 3.2.20 by agreement in writing signed by or on behalf of **National Grid** and the **Reserve Provider**.

3.3 UTILISATION

Instruction to provide Reserve

3.3.1 **National Grid** may in any:-

- (a) **Contracted Availability Window**; or

(b) **Pre-Window Instruction Period**; or

(c) **Contracted Optional Window**,

serve the **Reserve Provider** with a notice (an “**Instruction**”) requiring the **Reserve Provider** to provide **Reserve** from the **Contracted Site**.

3.3.2 Within 5 minutes of receipt of any **Instruction** the **Reserve Provider** shall notify **National Grid** of acceptance or rejection of such **Instruction**. The **Reserve Provider** may only reject an **Instruction** for safety reasons or reasons relating to the technical capability of the **Contracted Site** or where an **Instruction** is issued in either:-

(a) a **Recovery Period**; and/or

(b) a **Contracted Availability Window** to which sub-paragraph 3.3.12 applies.

3.3.3 Paragraph 3.5 (Events of Default and Consequences) shall apply in respect of any failure by the **Reserve Provider** to comply with sub-paragraph 3.3.2.

Instruction to cease provision of Reserve

3.3.4 **National Grid** may instruct the **Reserve Provider** to cease the provision of **Reserve** from a **Contracted Site** with effect from any time on or after expiry of the **Minimum Utilisation Period**.

3.3.5 The **Reserve Provider** shall acknowledge receipt of any instruction given by **National Grid** pursuant to sub-paragraph 3.3.4 within 5 minutes of receipt.

3.3.6 Paragraph 3.5 (Events of Default and Consequences) shall apply in respect of any failure by the **Reserve Provider** to comply with sub-paragraph 3.3.5.

Provision of Reserve

3.3.7 On receipt of an **Instruction** in respect of a **Contracted Site**, the **Reserve Provider** shall, commencing on or before the expiry of the **Response Time**, provide **Reserve** from that **Contracted Site** continuously until the earlier of:-

(a) the expiry of the **Maximum Utilisation Period**;

(b) the time specified by **National Grid** in an instruction issued pursuant to sub-paragraph 3.3.4; or

- (c) (where such **Contracted Availability Window** is not immediately followed by a **Contracted Optional Window**) the end of the relevant **Contracted Availability Window** in which **Reserve** is being provided.

3.3.8 In the event that in respect of any **Contracted Site**:-

- (a) the **Reserve Provider** fails to commence provision of **Reserve** at a level of at least 90% of the **Contracted MW** or **Optional MW** (as the case may be) on or before expiry of the **Response Time**;
- (b) the volume in MWh of **Reserve** provided by the **Reserve Provider** following receipt of an **Instruction** issued in accordance with sub-paragraph 3.3.1 is less than 90% of the **Contracted MW** or the **Optional MW** (as the case may be) multiplied by the number of hours (including parts thereof) comprised in the period from the expiry of the **Response Time** until the first to occur of the times described in sub-paragraphs 3.3.7(a), (b) and (c); or
- (c) the **Reserve Provider** fails to provide **Reserve** continuously at a level of at least 90% of the **Contracted MW** or **Optional MW** (as the case may be) until the first to occur of the times described in sub-paragraphs 3.3.7(a), (b) and (c),

paragraph 3.5 (Events of Default and Consequences) shall apply in respect of any such failure, and the **Reserve Provider** shall be deemed not to have made **Reserve** available from that **Contracted Site** in respect of subsequent **Contracted Availability Windows** unless and until availability is restored under and in accordance with sub-paragraph 3.11.1.

3.3.9 If any continuous period during which the **Reserve Provider** is obliged to provide **Reserve** falls within both a **Contracted Availability Window** and a **Contracted Optional Window**, the **Reserve Provider's** obligation in respect of the provision of **Reserve** shall be to increase **Generation** and/or reduce **Demand** from the **Contracted Site** by:-

- (a) the **Contracted MW** during that part of such **Contracted Availability Window** when it is obliged to provide **Reserve**; and
- (b) the **Optional MW** during that part of such **Contracted Optional Window** when it is obliged to provide **Reserve**.

3.3.10 Paragraph 3.5 (Events of Default and Consequences) shall apply in respect of any failure by the **Reserve Provider** to comply with sub-paragraph 3.3.9.

3.3.11 In the event that, in respect of any **Settlement Period** contained in a **Contracted Availability Window** and/or associated **Pre-Window Instruction Period** and/or **Post-Window Ramping Period** and/or **Contracted Optional Window**, the **Reserve Provider** provides **Active Power** or reduces **Demand** from the relevant **Contracted Site** otherwise than pursuant to an **Instruction**, then paragraph 3.5 (Events of Default and Consequences) shall apply.

Recovery Periods

3.3.12 Where following the provision of **Reserve** by a **Contracted Site** during a **Contracted Availability Window** the **Recovery Period** coincides with a **Settlement Period** comprised in the **Pre-Window Instruction Period** for a subsequent **Contracted Availability Window** then **Reserve** shall be deemed to be unavailable from that **Contracted Site** in respect of all **Settlement Periods** comprised in that subsequent **Contracted Availability Window**, and **National Grid** shall be under no liability pursuant to sub-paragraph 3.4.1 to pay a **Reserve Availability Payment** in respect of the **Settlement Periods** comprised in the subsequent **Contracted Availability Window**.

3.3.13 Where sub-paragraph 3.3.12 applies in respect of a **Contracted Site** and a **Contracted Availability Window** and **National Grid** issues an **Instruction** in that **Contracted Availability Window** which is not subsequently rejected by the **Reserve Provider** in accordance with sub-paragraph 3.3.2, then that **Contracted Availability Window** shall be deemed to be a **Contracted Optional Window** for the purposes of sub-paragraph 3.4.3.

3.4 PAYMENT

Reserve Availability Payment

3.4.1 Subject to sub-paragraph 3.12.4, **National Grid** shall pay to the **Reserve Provider's Agent** in accordance with paragraph 4.2, in respect of **Contracted Availability Windows** in each month, an amount (the "**Reserve Availability Payment**") calculated in accordance with the formula set out in Part I of Annexure 1 to this Section 3.

Reserve Utilisation Payments

3.4.2 **National Grid** shall pay to the **Reserve Provider's Agent** in accordance with paragraph 4.2, in respect of:-

- (a) the increase in **Generation** or reduction in **Demand** (as the case may be) during **Pre-Window Ramping Periods** and **Post-Window Ramping Periods** in each month; and

(b) the provision of **Reserve** during **Contracted Availability Windows** in each month,

an amount (the “**Energy Utilisation Payment**”) calculated in accordance with the formula set out in Part II of Annexure 1 to this Section 3.

3.4.3 **National Grid** shall also pay to the **Reserve Provider’s Agent** in accordance with paragraph 4.2, in respect of the provision of **Reserve** during **Contracted Optional Windows** in each month an amount (the “**Optional Energy Utilisation Payment**”) calculated in accordance with the formula set out in Part II of Annexure 1 to this Section 3.

3.4.4 Payments to be made by **National Grid** to the **Reserve Provider’s Agent** pursuant to subparagraphs 3.4.2 and 3.4.3 are hereafter referred to as the “**Reserve Utilisation Payments**”.

Seasonal Delivery Reconciliation

3.4.5 At the end of each **Season**, where in respect of any **Contracted Site National Grid** determines that the aggregate MWh of **Reserve** provided by the **Reserve Provider** from that **Contracted Site** in respect of all **Instructions** issued during that **Season** was less than 95% of the aggregate MWh instructed, the **Reserve Provider’s Agent** shall pay to **National Grid** in accordance with paragraph 4.2, an amount (if any) (“the **Seasonal Delivery Reconciliation Payment**”) calculated in accordance with the formula set out in Part III of Annexure 1 to this Section 3.

Committed Availability Reconciliation

3.4.6 At the end of each **Financial Year** during the term of a **STOR Contract**, the **Reserve Provider’s Agent** shall pay to **National Grid** in accordance with paragraph 4.2, an amount (if any) (“the **Committed Availability Reconciliation Payment**”) calculated in accordance with the formula set out in Part IV of Annexure 1 to this Section 3, in respect of those **Availability Windows** designated in the **STOR Contract** as **Committed Windows** during which the **Reserve Provider** failed to make **Reserve** available to **National Grid** from any **Contracted Site** during that **Financial Year**.

Flexible Availability Reconciliation

3.4.7 At the end of each **Financial Year** during the term of a **STOR Contract**, the **Reserve Provider’s Agent** shall pay to **National Grid** in accordance with paragraph 4.2, an amount (if any) (“the **Flexible Availability Reconciliation Payment**”) calculated in accordance with the formula set out in Part V of Annexure 1 to this Section 3, in respect of the **Flexible Windows** which are deemed to constitute **Committed Window(s)** in accordance with subparagraph 3.2.3 and during which the **Reserve Provider** failed to make **Reserve** available from any **Contracted Site** during that **Financial Year**.

3.4.8 Where a **STOR Contract** is terminated pursuant to paragraph 3.5 or paragraph 4.4 or the **STOR Contract** expires during a **Financial Year** then, for the purposes of sub-paragraph 3.4.6 and/or sub-paragraph 3.4.7, the **Reserve Provider's Agent** shall pay to **National Grid**, in accordance with paragraph 4.2, the amount(s) (if any) calculated in accordance with the formula set out in Part IV and/or Part V (as the case may be) of Annexure 1 to this Section 3, in respect of **Committed Windows** and/or **Flexible Windows** which are deemed to constitute **Committed Window(s)** in accordance with sub-paragraph 3.2.3 (as applicable) during which the **Reserve Provider** failed to make **Reserve** available to **National Grid** from any **Contracted Site** in respect of the period from either:-

(a) the commencement of the **Financial Year** in which such termination occurs; or (if later)

(b) the **Commencement Date** of the **STOR Contract**,

until the date of termination or expiry of the **STOR Contract**.

3.4.9 Where the **Commencement Date** of a **STOR Contract** does not coincide with the commencement of a **Financial Year**, then, for the purposes of sub-paragraph 3.4.6 and/or sub-paragraph 3.4.7, the **Reserve Provider's Agent** shall pay to **National Grid** in accordance with paragraph 4.2 the amount(s) (if any) calculated in accordance with the formula set out in Part IV and/or Part V (as the case may be) of Annexure 1 to this Section 3, in respect of **Committed Windows** and/or **Flexible Windows** which are deemed to constitute **Committed Window(s)** in accordance with sub-paragraph 3.2.3 (as applicable) during which the **Reserve Provider** failed to make **Reserve** available to **National Grid** from any **Contracted Site** in respect of the period from the **Commencement Date** of the **STOR Contract** until either:-

(a) the end of the **Financial Year** in which the **Commencement Date** falls; or (if earlier)

(b) the date of termination of the **STOR Contract**.

3.5 EVENTS OF DEFAULT AND CONSEQUENCES

Withholding of Reserve Availability Payments

3.5.1 Upon each occurrence of the following **Events of Default** as more particularly specified in Annexure 2 to this Section 3:-

A, B, C, E, F, G, H, I, J, K, L

the **Reserve Availability Payment** otherwise payable by **National Grid** to the **Reserve Provider's Agent** shall be reduced as more particularly described in the respective column in the table in Annexure 2 to this Section 3.

Reduction in Availability Prices

3.5.2 Without prejudice to **National Grid's** rights pursuant to this paragraph 3.5, where at the end of a calendar month **National Grid** determines that in respect of one or more **Availability Window(s)** during that calendar month one or more of the following **Events of Default** as more particularly specified in Annexure 2 to this Section 3:

A, B, C, E, G, K, L

have occurred (otherwise than as a result of **Force Majeure**) in those **Availability Window(s)** or in any associated **Pre-Window Instruction Period(s)** or **Post Window Run Down Period(s)** in respect of any one **Contracted Site** (including any **Substitute Site** in respect of periods when that **Contracted Site** is a **Substituted Site**, and including any **Replacement Site** in respect of periods when that **Contracted Site** is a **Replaced Site**) then **National Grid** shall be entitled (at its sole discretion) to reduce the **Availability Price** in respect of the relevant **Contracted Site** in respect of that calendar month by one percent for each **Availability Window** in question, subject always to a maximum reduction of 30% of the **Availability Price**, provided always that **National Grid** shall use reasonable endeavours to notify the **Reserve Provider** of the relevant **Events of Default** and number of relevant **Availability Windows** prior to issuing the relevant **Monthly Statement** in which such reduction in **Availability Price** shall be applied.

Termination of STOR Contract

3.5.3 Without prejudice to paragraph 4.4, **National Grid** may in its absolute discretion terminate a **STOR Contract** forthwith by notice in writing to the **Reserve Provider** in the following circumstances:-

- (a) where the **Reserve Provider** persistently fails to make available and/or provide **Reserve** from the relevant **Contracted Site** (including any **Substitute Site** in respect of periods when that **Contracted Site** is a **Substituted Site**, and any **Replacement Site** in respect of periods when that **Contracted Site** is a **Replaced Site**) and/or comply with the provisions of the **STOR Despatch Procedure** in respect thereof and such failure amounts to an intentional or reckless breach or disregard by the **Reserve Provider** of its obligations under this Section 3 and/or the **STOR Contract**; or
- (b) the **Contracted Site**, **Substitute Site** or **Replacement Site** or any part thereof either:-

- (i) becomes a **BM Unit** (or part of a **BM Unit**); or
- (ii) is already a **BM Unit**,

and actively participates in the **Balancing Mechanism** during the term of the relevant **STOR Contract**; or

- (c) (without prejudice to **National Grid**'s rights under sub-paragraph 3.10.1) where, the **Reserve Provider** has breached the provisions of sub-paragraph 3.10.1 in respect of the **Contracted Site**.

3.5.4 Without prejudice to paragraph 4.4 and subject always to sub-paragraph 3.5.7, where, in respect of any one **Contracted Site** (including any **Substitute Site** in respect of periods when that **Contracted Site** is a **Substituted Site**, and including any **Replacement Site** in respect of periods when that **Contracted Site** is a **Replaced Site**) the number of **Windows** in respect of which one or more of the following **Events of Default** as more particularly specified in Annexure 2 to this Section 3:-

A, B, C, D, E, F, G, H, I, J, K, L, M, N

occurs exceeds either:-

- (a) 3 in any **Season**; or
- (b) 8 within a twelve month period during the term of the **STOR Contract**,

National Grid may in its absolute discretion terminate a **STOR Contract** forthwith by notice in writing to the **Reserve Provider**.

3.5.5 For the avoidance of doubt, **National Grid**'s rights pursuant to sub-paragraph 3.5.4 above shall arise upon the occurrence of the fourth (or the ninth, as the case may be) **Window** in respect of which one or more **Events of Default** occurs and each such successive **Window** thereafter.

3.5.6 Where the **Reserve Provider** has, in respect of a **Contracted Site**, failed two or more consecutive **Reproving Tests** conducted in accordance with sub-paragraph 3.11.1, **National Grid** shall (without prejudice to paragraph 4.4) be entitled (at its sole discretion but subject always to sub-paragraph 3.5.7) to terminate the **STOR Contract** in respect of the **Contracted Site** in question by notice in writing to the **Reserve Provider**.

- 3.5.7 Before deciding (in its sole discretion) whether to exercise its right to terminate pursuant to sub-paragraph 3.5.4 or 3.5.6 above, **National Grid** shall use reasonable endeavours to discuss with the **Reserve Provider** the circumstances giving rise to the relevant **Events of Default** or failed **Reproving Tests** (any such discussion to be confirmed in writing by **National Grid**).
- 3.5.8 Termination of any **STOR Contract** shall not affect any accrued rights or liability of either **Party** nor the coming into effect or continuance of any provision thereof which is expressly or by implication intended to come into force or effect after such termination.
- 3.5.9 For the purposes of this paragraph 3.5, it is acknowledged that the same occurrence or failure may constitute more than one **Event of Default**.
- 3.5.10 For the avoidance of doubt, the consequences of any **Event of Default** specified or referred to in this paragraph 3.5 shall not relieve the **Reserve Provider** from any of its obligations pursuant to the **Grid Code**, nor relieve either of the **Parties** from any of their obligations pursuant to the **Balancing and Settlement Code**.

3.6 GRID CODE AND DISTRIBUTION CODE

The provision by the **Reserve Provider** of **Reserve** shall not relieve it of any of its obligations or affect such obligations (where applicable) set out in the **Grid Code** (including without limitation its obligations (if any) to provide **Demand** control when instructed by **National Grid** under **Grid Code OC 6**) or in the **Distribution Code** of its host **Public Distribution System Operator**.

3.7 MAINTENANCE OF CONTRACTED SITES

The **Reserve Provider** shall maintain the **Plant** and **Apparatus** comprising each **Contracted Site** and **Substitute Site** to such a standard that the **Reserve Provider** can meet its obligations to provide **Reserve** in accordance with the terms of the **STOR Contract**.

3.8 WEEKLY AND ANNUAL LIMITS AND REVISION OF ENERGY UTILISATION PRICE

- 3.8.1 Where, in any **Week** or during any **Financial Year** during the term of the relevant **STOR Contract**, the number of relevant **Utilisations** in relation to a **Contracted Site** has equalled or exceeded, respectively for that **Contracted Site**, the relevant **Weekly Limit** (if any) and/or **Annual Limit** (if any), the **Reserve Provider** may notify **National Grid** by facsimile in the form set out in Part I of Annexure 3 to this Section 3 of a revised **Energy Utilisation Price** in respect of that **Contracted Site** to apply for the remainder of that **Week** or the **Financial Year** (as the case may be), provided always that such revised

Energy Utilisation Price shall not any apply earlier than the commencement of the first **Operational Day** following the **Operational Day** in which **National Grid** receives such facsimile notification. Upon receipt of such notice **National Grid** shall as soon as reasonably practicable thereafter acknowledge safe receipt by facsimile in the form set out in Part I of Annexure 3 to this Section 2.

3.8.2 Until the commencement of the **Operational Day** referred to in sub-paragraph 3.8.1, the **Energy Utilisation Price** which shall apply in respect of that **Contracted Site** shall be the relevant price set out in the **STOR Contract**.

3.8.3 For the avoidance of doubt, where **National Grid** issues an **Instruction** in respect of a **Contracted Site** during a **Contracted Availability Window** or a **Contracted Optional Window** in respect of a **Reproving Test**, then this shall not, for the purposes of this paragraph 3.8, constitute a relevant **Utilisation**.

3.9 WARRANTY AND INDEMNITY

3.9.1 The **Reserve Provider** hereby warrants to **National Grid** that the entering into of a **STOR Contract** and the provision by it of **Reserve** does not and will not cause the **Reserve Provider**:-

- (a) to be in breach of its duties (if any) under Section 9 of the **Act**;
- (b) to be in breach of the Electricity Safety, Quality and Continuity Regulations 2002 (as amended from time to time) or of any regulations made under Section 29 of the **Act** or of any other enactment relating to safety or standards applicable in respect of the business of the **Reserve Provider**;
- (c) to be in breach of any provisions of the **Grid Code** or (where applicable) the **Distribution Code** of its host **Public Distribution System Operator** or make its compliance with any provision of either of these **Codes** impossible;
- (d) (where any **Contracted Site** is **Embedded**) to be in breach of or to otherwise be non-compliant with any **Connection Agreement** and/or any agreement for the supply of electricity to the **Plant** or for the acceptance of electricity into, and its delivery from, a **User System** or any other **System**;
- (e) to be in breach of any provision of its **Licence** (if any);
- (f) to be in breach of any restrictions and conditions attaching to relevant authorisations of the Environment Agency; or

- (g) to be in breach of any other agreement or arrangement of whatever nature with any other person.

3.9.2 The **Reserve Provider** agrees that it will not accept an **Instruction** from **National Grid** hereunder if compliance with such **Instruction** would cause the **Reserve Provider** to be in breach or non-compliance as described in sub-paragraph 3.9.1, and if it declines to accept an **Instruction** on such grounds the **Reserve Provider** will:-

- (a) notify **National Grid** in accordance with sub-paragraph 3.3.2; and
- (b) provide to **National Grid** to **National Grid**'s reasonable satisfaction such written statement and all such supporting evidence as shall be necessary to demonstrate how compliance would cause such breach or non-compliance.

3.9.3 In the event that the **Reserve Provider** complies with an **Instruction** from **National Grid** which causes the **Reserve Provider** to be in breach or non-compliance as described in sub-paragraph 3.9.1 above, the **Reserve Provider** shall indemnify **National Grid** against all and any claims made against **National Grid** by the **Reserve Provider**'s host **Public Distribution System Operator** or any other person connected to or using the **Public Distribution System Operator**'s **User System** or any other **User System** or the owner or operator of any **User System** or any other person arising out of or resulting from such breach or non-compliance. Such indemnity shall include any legal costs and expenses reasonably incurred in the contesting of such claims including court costs and reasonable attorney's fees and other professional advisors' fees. The **Parties** agree and accept that, for the purposes of sub-paragraph 4.3.3, all such legal costs and expenses expressed to be the subject of such indemnity shall be treated as direct losses.

3.9.4 In the event of any such claim referred to in sub-paragraph 3.9.3 above or any third party claim under sub-paragraph 3.9.5 being made against **National Grid**, **National Grid** shall as soon as reasonably practicable give notice of the claim together with all relevant supporting documentation to the **Reserve Provider**. The **Reserve Provider** shall be entitled, upon written notice to **National Grid** and subject to **National Grid** receiving from the **Reserve Provider** such reasonable undertakings as **National Grid** shall reasonably require to protect **National Grid** against damage to its name, to assume, at its own expense, sole conduct of all proceedings relating to such claim including the right to contest such claim in the name of **National Grid** and **National Grid** shall supply the **Reserve Provider** with all information, assistance and particulars reasonably required by the **Reserve Provider** in connection therewith. **National Grid** shall not accept, settle, pay or compromise any such claim without the prior written approval of the **Reserve Provider** (such approval not to be unreasonably withheld or delayed). The **Reserve Provider** shall reimburse **National Grid**'s reasonable

expenses incurred in connection with the provision of any such information, assistance or particulars in the contesting of any such claim.

3.9.5 The **Reserve Provider** hereby warrants to **National Grid** that, on the date of entering into each **STOR Contract** it is not, and it hereby undertakes that at all times throughout the term of the **STOR Contract** it will not be, in breach of the terms of the **Undertaking** and that, subject always to sub-paragraph 3.9.6, it will indemnify **National Grid** against any losses, liabilities, claims, expenses and demands which **National Grid** suffers as a direct result of a breach by the **Reserve Provider** of the provisions of this sub-paragraph 3.9.5.

3.9.6 The amount or amounts for which the **Reserve Provider** may be liable to **National Grid** pursuant to sub-paragraph 3.9.5 shall not exceed the sum of £250,000 per **STOR Contract**.

3.10 PROVISION OF OTHER SERVICES

3.10.1 The **Reserve Provider** hereby warrants to **National Grid** that, on the date of entering into the **STOR Contract**, it is not a party to an agreement or arrangement with its host **Public Distribution System Operator** or electricity supplier or other person to provide any service from the **Contracted Site(s)** the provision of which impairs the **Reserve Provider's** ability to make available and/or provide **Reserve** during any **Availability Window** (including, for the avoidance of doubt, any **Flexible Window**) and/or to perform its obligations under a **STOR Contract** and that, subject always to sub-paragraph 3.10.2, it will indemnify **National Grid** against any losses, liabilities, claims, expenses and demands which **National Grid** suffers as a direct result of a breach by the **Reserve Provider** of the provisions of this sub-paragraph 3.10.1. Notwithstanding such warranty where any agreement or arrangement results during the term of a **STOR Contract** in the impairment of the ability of the **Reserve Provider** to provide **Reserve** and/or perform its obligations under such **STOR Contract**, then the **Reserve Provider** undertakes to reimburse to **National Grid** all and any losses, liabilities, claims, expenses and demands reasonably incurred or suffered by **National Grid** as a result of the **Reserve Provider's** ability to provide **Reserve** and/or perform its obligations under such **STOR Contract** being thereby impaired.

3.10.2 The amount or amounts for which the **Reserve Provider** may be liable to **National Grid** pursuant to sub-paragraph 3.10.1 shall not exceed the sum of £250,000 per **STOR Contract**.

3.10.3 Where during the term of a **STOR Contract** the **Reserve Provider** intends to enter into an agreement or arrangement with its host **Public Distribution System Operator** or electricity supplier or other person to provide any service from the **Contracted Site(s)** the provision of which impairs the **Reserve Provider's** ability to provide **Reserve** and/or perform its

obligations under the **STOR Contract**, the **Reserve Provider** shall notify or procure that the **Reserve Provider's Agent** notifies **National Grid**, in accordance with paragraph 4.8, as soon as reasonably practicable before entering into such agreement or arrangement. Upon and with effect from the entering into of any such agreement or arrangement, **National Grid** shall have the right to terminate the **STOR Contract** forthwith and serve a notice to that effect in accordance with paragraph 4.8.

- 3.10.4 For the avoidance of doubt, the availability in any **Settlement Period** of an increase in **Generation** and/or reduction in **Demand** from the **Contracted Site** or any part thereof for the benefit of any third party (including without limitation the **Reserve Provider's** host **Public Distribution System Operator** or electricity supplier) shall be deemed for the purposes of sub-paragraphs 3.10.1 and 3.10.2 to impair the **Reserve Provider's** ability to provide **Reserve**.

3.11 INSPECTION AND TESTING

Testing

- 3.11.1 Where the **Reserve Provider** is determined by **National Grid** to have failed to provide **Reserve** from a **Contracted Site** in accordance with sub-paragraph 3.3.7 and/or sub-paragraph 3.3.9, **National Grid** shall notify the **Reserve Provider** of such failure (hereinafter referred to as a "**Delivery Failure**") as soon as reasonably practicable thereafter and, save as provided in sub-paragraph 3.11.2, the **Reserve Provider** shall, for the purposes of sub-paragraph 3.4.1, be deemed not to have made **Reserve** available from the **Contracted Site** with effect from the time at which the **Delivery Failure** occurred until such time as the **Reserve Provider** shall be deemed to have restored the availability of **Reserve** from the **Contracted Site** in accordance with the following provisions:-

- (a) The **Reserve Provider** shall, during the period commencing at the time of **National Grid's** notification and ending either:-
- (i) when a successful **Reproving Test** is carried out in accordance with this sub-paragraph 3.11.1; or
 - (ii) at the time of expiry of the **Permitted Test Period** if no **Reproving Test** is carried out by **National Grid**,

continue, in respect of the relevant **Contracted Site**, to comply with its obligation to make or procure that the **Reserve Provider's Agent** makes **Declarations** and/or **Redeclarations** in accordance with paragraph 3.2.

- (b) At any time during the period of fourteen **Operational Days** after the notification by **National Grid** referred to in sub-paragraph 3.11.1(a) (“the **Permitted Test Period**”), **National Grid** may in any **Contracted Availability Window** or **Contracted Optional Window** issue an **Instruction** in respect of the **Contracted Site** in accordance with sub-paragraph 3.3.1 (“a **Reproving Test**”) in order to verify the availability of **Reserve** from the **Contracted Site**.
- (c) If either:-
- (i) **National Grid** fails to carry out a **Reproving Test** during the **Permitted Test Period** in accordance with sub-paragraph 3.11.1(b) above; or
- (ii) the **Reserve Provider** passes a **Reproving Test** carried out during the **Permitted Test Period** in accordance with sub-paragraph 3.11.1(b) above,
- then for the purposes of sub-paragraph 3.4.1 the availability of **Reserve** from the **Contracted Site** shall be deemed to have been restored with effect from the commencement of the first **Contracted Availability Window** after the **Contracted Availability Window** or **Contracted Optional Window** (as the case may be) in which the **Delivery Failure** occurred.
- (d) If the **Reserve Provider** fails a **Reproving Test** carried out during the **Permitted Test Period** in accordance with sub-paragraph 3.11.1(b) above, then:-
- (i) **National Grid** shall notify the **Reserve Provider** thereof as soon as reasonably practicable thereafter; and
- (ii) sub-paragraphs 3.11.1(a) to (c) (inclusive) shall apply (except that, for the purposes of sub-paragraph 3.11.1(b) above, the **Permitted Test Period** shall constitute the period of fourteen **Operational Days** after the date of the failed **Reproving Test** and for the purposes of sub-paragraph 3.11.1(c) above availability of **Reserve** shall be deemed to have been restored with effect from the commencement of the first **Contracted Availability Window** after the **Contracted Availability Window** or **Contracted Optional Window** (as the case may be) in which the failed **Reproving Test** took place); and
- (iii) sub-paragraph 3.5.6 shall apply.

- (e) For the purposes of sub-paragraphs 3.11.1(b), (c) and (d) above, the **Permitted Test Period** shall be extended by an **Operational Day** for each **Operational Day** falling within the **Permitted Test Period**, in respect of which the **Reserve Provider** fails (in respect of all or part of one or more **Availability Windows** falling within that **Operational Day**) to confirm or procure that the **Reserve Provider's Agent** confirms that **Reserve** is available from the relevant **Contracted Site** in accordance with sub-paragraph 3.2.1, 3.2.2 or 3.2.4.
- (f) For the purposes of this sub-paragraph 3.11.1, a **Reproving Test** shall be passed if, in respect of the relevant **Contracted Site**, the **Reserve Provider** complies in all respects with sub-paragraphs 3.3.7 and 3.3.9 and failure of a **Reproving Test** shall be construed accordingly.
- (g) For the purposes of paragraph 3.8, where **National Grid** issues an **Instruction** in respect of a **Contracted Site** during a **Contracted Availability Window** or a **Contracted Optional Window** by way of a **Reproving Test** pursuant to sub-paragraph 3.11.1(b) above, then this shall not constitute a relevant **Utilisation**.

3.11.2 Notwithstanding sub-paragraph 3.11.1 above, where in respect of a **Delivery Failure** the first **Reproving Test** is failed and the number of **Operational Days** in the period between the **Operational Day** when that **Delivery Failure** occurred and the **Operational Day** when the first **Reproving Test** is conducted exceeds fourteen **Operational Days**, **National Grid** may, in respect of such period, only withhold the **Reserve Availability Payment** in respect of:-

- (a) (where the **Delivery Failure** occurs in a **Contracted Availability Window**) the remainder of such **Contracted Availability Window**; and
- (b) all subsequent **Contracted Availability Windows** on the same **Operational Day** in which the **Delivery Failure** occurs and in the immediately following fourteen **Operational Days**,

provided always that the period of fourteen **Operational Days** described in paragraph (b) above shall be extended by an **Operational Day** for each **Operational Day** falling within such period, in respect of which the **Reserve Provider** fails (in respect of all or part of one or more **Availability Windows** falling within that **Operational Day**) to confirm that **Reserve** is available from the relevant **Contracted Site** in accordance with sub-paragraph 3.2.1, 3.2.2 or 3.2.4.

3.11.3 Notwithstanding sub-paragraph 3.11.1 above, **National Grid** may at its sole discretion, upon 48 hours written notice to the **Reserve Provider**, conduct such inspections and tests of the

Generating Unit(s) and/or **Plant** and **Apparatus** comprising the **Contracted Site(s)** as it deems necessary during any **Availability Window** in respect of which the **Reserve Provider** has indicated or procured that the **Reserve Provider's Agent** has indicated in the relevant **Declaration** that **Reserve** is available.

3.11.4 In conducting a test pursuant to sub-paragraph 3.11.3 **National Grid** may issue an **Instruction** in accordance with sub-paragraph 3.3.1.

3.11.5 **National Grid** may carry out an inspection and test of the **Generating Unit(s)** and/or **Plant** and **Apparatus** comprising the **Contracted Site(s)** at the request of the **Reserve Provider**, provided that the **Reserve Provider**:-

- (a) gives **National Grid** reasonable notice in writing of the date on which the inspection and test is to be conducted;
- (b) notifies **National Grid** in writing of the reason for such request; and
- (c) pays all **National Grid's** reasonable costs incurred in connection with such inspection and test.

3.11.6 No **Reserve Utilisation Payment**, nor any part thereof, shall be paid by **National Grid** to the **Reserve Provider's Agent** in respect of any **Reserve** provided by the **Reserve Provider** during a test conducted pursuant to sub-paragraph 3.11.5.

3.11.7 While on the **Contracted Site** in pursuance of its rights and obligations pursuant to this paragraph 3.11, **National Grid** shall ensure that its employees, agents, suppliers, contractors and sub-contractors are aware of the **Reserve Provider's** site and general corporate rules and procedures in relation to health, safety and working standards (insofar as the same have been made known by the **Reserve Provider** to **National Grid** in writing in advance) and shall use its reasonable endeavours to ensure that all such persons comply with such rules and procedures while on the **Contracted Site** in pursuance of **National Grid's** rights and obligations pursuant to this paragraph 3.11. Further, **National Grid** shall use all reasonable endeavours to ensure that all such persons carrying out such tests and inspections on its behalf are provided with all protective and safety clothing, tools and equipment reasonably necessary for their protection.

3.12 COMMUNICATIONS

3.12.1 Subject to sub-paragraphs 3.12.2 to 3.12.4, all communications between the **Parties** and the **Reserve Provider's Agent** pursuant to this Section 3 (including without limitation

Declarations, Redclarations and Instructions) shall be given by **STOR Despatch** or, where **STOR Despatch** is unavailable at the **Commencement Date**, such alternative method of communication as may be agreed by **National Grid** in accordance with sub-paragraph 3.12.2. If, for whatever reason, **STOR Despatch** shall at any time during the term of the relevant **STOR Contract** become unavailable, then to that extent all **Declarations and Redclarations** and other communications of whatever nature which concern the availability and utilisation of **Reserve** shall be given by such other means as may be agreed between the **Parties**.

3.12.2 Where **STOR Despatch** is unavailable at the **Commencement Date**, **National Grid** may, in its sole discretion, agree in writing with the **Reserve Provider** an alternative method of communication provided always that **National Grid** may at any time withdraw its agreement to the use of such alternative method of communication by serving notice in writing on the **Reserve Provider**.

3.12.3 Any communications required by this Section 3 to be given in writing shall be made and deemed to have been made in accordance with paragraph 4.8 save as may be otherwise agreed between the **Parties**.

3.12.4 Where **STOR Despatch** is for whatever reason unavailable at the **Commencement Date** and either:-

(a) **National Grid** shall not have agreed pursuant to sub-paragraphs 3.12.1 and 3.12.2 that communications between the **Parties** and the **Reserve Provider's Agent** pursuant to this Section 3 (including without limitation **Declarations, Redclarations and Instructions**) may be given otherwise than by **STOR Despatch**; or

(b) **National Grid** shall have withdrawn its agreement to the use of an alternative method of communication in accordance with sub-paragraph 3.12.2,

then:-

(i) no **Reserve Availability Payments** shall be paid to the **Reserve Provider's Agent** in respect of the period during which such communications are not being given either by **STOR Despatch** or (where relevant) an alternative means agreed by **National Grid** and the **Reserve Provider** pursuant to sub-paragraphs 3.12.1 and 3.12.2, and sub-paragraph 3.4.1 shall be read and construed accordingly; and

- (ii) the **Reserve Provider** shall use its best endeavours to install **STOR Despatch** within a timescale agreed by **National Grid** (acting reasonably).

3.13 MONITORING AND METERING

- 3.13.1 The **Reserve Provider's** provision of **Reserve** and the amount of **Reserve** provided shall be monitored, metered and determined by the **STOR Despatch** and, where **STOR Despatch** is unavailable for the purposes of monitoring and metering of the **Reserve Provider's** provision of **Reserve**, **National Grid** may (where alternative metering data which is satisfactory to **National Grid** is not available) at its discretion withhold **Reserve Availability Payments** and/or **Reserve Utilisation Payments** in respect of the period during which **STOR Despatch** is unavailable for the purposes of such monitoring and metering.
- 3.13.2 The **Parties** hereby agree to be bound with respect to each other by the terms of the **STOR Despatch Procedure** as if the same were set out in full in this **Document**.
- 3.13.3 In the event of a conflict between the provisions of this **Document** and the provisions of the **STOR Despatch Procedure**, the provisions of this **Document** shall prevail.

ANNEXURE 1 TO SECTION 3

PAYMENT FORMULAE

(NON-BALANCING MECHANISM PARTICIPANTS - RESERVE PROVIDER'S AGENT)

Part I

Reserve Availability Payment (Contracted Availability

Windows only - there is no availability payment for Contracted Optional Windows)

The payment to be made by **National Grid** to the **Reserve Provider's Agent** referred to in sub-paragraph 3.4.1 in respect of the **Contracted Availability Windows** in calendar month m , for **Site** s (AF_{sm}) shall be calculated in accordance with the following formula (using notation as defined in Part VI of this Annexure):-

$$AF_{sm} = \sum_{j \in M_m} (AP_{sj} \times 0.5 \text{hours} \times CM_{sj} \times FF_{sj} \times FM_{sj})$$

Part II

Reserve Utilisation Payment

The payments to be made by **National Grid** to the **Reserve Provider's Agent** referred to in sub-paragraphs 3.4.2 and 3.4.3 for the provision of **Reserve** energy from **Site** s in **Contracted Availability Windows** and/or **Contracted Optional Windows** in calendar month m (UF_{sm}) shall be calculated in accordance with the following formula (using notation as defined in Part VI of this Annexure):-

$$UF_{sm} = \sum_{j \in M_m} (R_{sj} \times EP_{sj})$$

Part III

Seasonal Delivery Reconciliation Payment

The payment to be made by the **Reserve Provider's Agent** to **National Grid** referred to in sub-paragraph 3.4.5 in respect of **Season** n for **Site** s (SDR_{sn}) shall be calculated in accordance with the following formula (using notation as defined in Part VI of this Annexure):-

$$SDR_{sn} = M \times \frac{\min(P_n, N_{sn})}{P_n} \times (1 - ADMW_{sn}) \times \sum_{j \in C_n} (AP_{sj} \times 0.5 \times CM_{sj} \times FF_{sj} \times FM_{sj})$$

Where:

$$M = 0, \text{ if } ADMW_{sn} \geq 0.95$$

$$M = 1, \text{ if } ADMW_s < 0.95$$

And

$$ADMW_{sn} = \frac{\sum_{j \in C_n} R_{sj}}{CM_{sj} \times \sum_{j \in C_n} T_{sj}}$$

Part IV

Committed Availability Reconciliation Payment

The payment to be made by the **Reserve Provider's Agent** to **National Grid** referred to in sub-paragraph 3.4.6 in respect of **Financial Year** y for **Site** s ($ACAR_{sy}$) shall be calculated in accordance with the following formula (using notation as defined in Part VI of this Annexure):-

$$ACAR_{sy} = \max \left[0, 1 - \frac{\sum_{j \in C_y} CF_{sj}}{\sum_{j \in A_y} MA_{y,j}} \right] \times \left(\sum_{m \in Y_y} AF_{sm} - \sum_{n \in Y_y} SDR_{sn} \right)$$

Part V

Flexible Availability Reconciliation Payment

The payment to be made by the **Reserve Provider's Agent** to **National Grid** referred to in sub-paragraph 3.4.7 in respect of **Financial Year** y for **Site** s ($AFAR_{sy}$) shall be calculated in accordance with the following formula (using notation as defined in Part VI of this Annexure):-

$$AFAR_{sy} = \max \left[0, 1 - \frac{\sum_{j \in C_y} FA_{sj}}{0.85 \sum_{j \in A_y} FW_{sj}} \right] \times \left(\sum_{m \in Y_y} AF_{sm} - \sum_{n \in Y_y} SDR_{sn} \right)$$

Part VI
Notation

In Parts I to V (inclusive) of this Annexure:-

$\sum_{j \in M_m}$ is the summation over all **Settlement Periods** j , in the set M_m of **Settlement Periods** in:-

- (i) for the purposes of Part I, **Contracted Availability Windows**; and
- (ii) for the purposes of Part II, **Contracted Availability Windows, Pre-Window Instruction Periods, Post-Window Ramping Periods** and (where relevant) **Contracted Optional Windows** in month m

$\sum_{m \in Y_y}$ is the summation over all months m , in **Financial Year** y

$\sum_{n \in Y_y}$ is the summation over all **Seasons** n , in **Financial Year** y

AP_{sj} is the **Availability Price** in respect of **Site** s , applicable in each **Settlement Period** j (as the same may be reduced in respect of the calendar month in question in accordance with sub-paragraph 3.5.2 or varied in accordance with sub-paragraph 1.4.6)

CM_{sj} is the **Contracted MW** in respect of **Site** s , applicable in each **Settlement Period** j

FF_{sj} is 0 in respect of each **Settlement Period** j , contained in a **Contracted Availability Window** where **Reserve** is declared or redeclared unavailable or deemed unavailable from **Site** s or where Annexure 2 to Section 3 provides that, in respect of **Settlement Period** j and **Site** s the **Reserve Provider's Agent** will not be entitled to receive a **Reserve Availability Payment**, otherwise 1

FM_{sj} is 0 in respect of each **Settlement Period** j , contained in a **Contracted Availability Window** where sub-paragraph 4.12.2 (**Force Majeure**) applies in respect of **Site** s , otherwise 1

R_{sj} is the volume of **Reserve** energy (MWh) delivered (being a volume not greater than the **Contracted MW** or the **Optional MW** (as the case may be) multiplied by the number of hours comprised in the instructed period of delivery of **Reserve**), by either the increase in **Generation** or reduction in **Demand**, from **Site** s , in **Settlement Period** j , in accordance with an **Instruction**, as determined by metering pursuant to sub-paragraph 3.13.1 which shall, for the purposes of Part II only, include **Reserve** energy (MWh) delivered during the **Response Time** and **Cease Time**

EP_{sj} is the **Energy Utilisation Price** or (if applicable) the **Optional Energy Utilisation Price** (£/MWh), applicable in **Settlement Period** j , for **Site** s

$\sum_{j \in C_n}$ is the summation over all **Settlement Periods** j , in the set C_n of **Settlement Periods in Contracted Availability Windows in Season** n

T_{sj} is the period in hours of provision of **Reserve** energy for **Site** s following the issue of an **Instruction** during **Settlement Period** j commencing at the time of expiry of the **Response Time** and ending on the earlier of:-

- (i) the expiry of the **Maximum Utilisation Period**;
- (ii) the time specified by **National Grid** in an instruction issued pursuant to sub-paragraph 3.3.4; and
- (iii) (where the **Instruction** relates to the provision of **Reserve** during a **Contracted Availability Window** and such **Contracted Availability Window** is not immediately followed by a **Contracted Optional Window**) the end of the relevant **Contracted Availability Window** in which **Reserve** is being provided

$\sum_{j \in C_y}$ is the summation over all **Settlement Periods** j , in the set C_t of **Settlement Periods in Contracted Availability Windows** (being **Committed Windows**) in **Financial Year** y

$\sum_{j \in A_y}$ is the summation over all **Settlement Periods** j , in the set A_t of **Settlement Periods in Availability Windows** (being **Committed Windows**) in

Financial Year y but excluding those **Availability Windows** (being **Committed Windows**) where sub-paragraph 4.12.2 (**Force Majeure**) applies

CF_{sj} is 0 in respect of each **Settlement Period** j , contained in a **Contracted Availability Window** where **Reserve** is declared or redeclared unavailable or (save in the case of sub-paragraph 3.3.12) deemed unavailable from **Site** s or where Annexure 2 to Section 3 provides that, in respect of **Settlement Period** j and **Site** s the **Reserve Provider** will not be entitled to receive a **Reserve Availability Payment**, otherwise 1

MA_{sj} is the required minimum availability, taking a value of 0.85, in respect of **Settlement Period** j and **Site** s

FA_{sj} is 1 in respect of each **Settlement Period** j , contained in an **Availability Window** designated a **Flexible Window** in the relevant **STOR Contract** which is declared available at 10.00 hours on the Friday preceding the **Week** in which such **Flexible Window** falls and during which **Reserve** is made available from **Site** s or deemed unavailable in accordance with sub-paragraph 3.3.12, otherwise 0

FW_{sj} is 0 in respect of each **Settlement Period** j , contained in an **Availability Window** designated a **Flexible Window** in the relevant **STOR Contract** where by 10.00 hours on the Friday preceding the **Week** in which such **Flexible Window** falls **Reserve** is declared or redeclared unavailable or deemed unavailable from **Site** s , otherwise 1

Site s or s is the relevant **Contracted Site** (or, as applicable, any **Substitute Site** or **Replacement Site**)

Financial Year y or y is either:-

- (i) the relevant **Financial Year**; or
- (ii) (where sub-paragraph 3.4.8 applies) the period from either the commencement of the relevant **Financial Year** or (if later) the **Commencement Date** of the **STOR Contract** until the date of termination or expiry of the **STOR Contract**; or
- (iii) (where sub-paragraph 3.4.9 applies) the period from the **Commencement Date** of the **STOR Contract** until either the end of the relevant **Financial Year** in which the **Commencement Date** falls or (if earlier) the date of termination of the **STOR Contract**

Season n or n is the relevant **Season**

N_{sn} is the number of occasions in **Season** n where **Site** s is instructed to provide **Reserve** in **Contracted Availability Windows** in accordance with subparagraph 3.3.1

P_n is the threshold for **Season** n as determined in accordance with the table below:-

Length of Season s	Threshold, P_n
< 4 weeks	3
4 - 10 weeks	4
> 10 weeks	5

ANNEXURE 2 TO SECTION 3

EVENTS OF DEFAULT AND CONSEQUENCES

(NON-BALANCING MECHANISM PARTICIPANTS - RESERVE PROVIDER’S AGENT)

Part I

Event of Default – Redeclarations of Availability	Effect on Reserve Availability Payments
<p>A. A Redeclaration in the circumstances specified in sub-paragraph 3.2.11(a).</p>	<p>The Reserve Provider’s Agent shall not be entitled:-</p> <p>(a) where notice is given prior to commencement of a Contracted Availability Window, to receive a Reserve Availability Payment in relation to that Contracted Site in respect of the whole of the Contracted Availability Window(s) to which the notice relates or (as the case may be) in respect of that Contracted Availability Window and all subsequent Contracted Availability Window(s) until the next Contracted Availability Window in respect of which the Reserve Provider notifies or procures that the Reserve Provider’s Agent notifies availability of Reserve from that Contracted Site; and</p> <p>(b) where notice is given during a Contracted Availability Window, to receive a Reserve Availability Payment in relation to that Contracted Site in respect of the remainder of such Contracted Availability Window and any subsequent Contracted Availability Window(s) to which the notice relates or (as the case may be) in respect of all subsequent Contracted Availability Window(s) until the next Contracted Availability Window in respect of which the Reserve Provider notifies or procures that the Reserve Provider’s Agent notifies availability of Reserve from that Contracted Site .</p>
<p>B. Failure to serve a Redeclaration forthwith upon becoming aware of unavailability of Reserve in Availability Window(s) or Contracted Availability Window(s) as specified in sub-paragraph 3.2.11(b).</p> <p>C. Failure, upon request from National Grid, to provide an explanation in reasonable detail for unavailability or National Grid has reasonable grounds to believe that unavailability is unrelated to technical capability as specified in sub-paragraph 3.2.11(c).</p>	<p>The Reserve Provider’s Agent shall not be entitled to receive a Reserve Availability Payment in respect of that Contracted Site in respect of the whole of the Contracted Availability Window(s) in relation to which such event of default occurred.</p>
<p>D. Failure to serve a Redeclaration forthwith upon becoming aware of unavailability of Reserve in Optional Window(s), Deemed Optional Window(s) or Contracted Optional Window(s) as specified in sub-paragraph 3.2.11(b).</p>	<p>N/A</p>

EVENTS OF DEFAULT AND CONSEQUENCES (CONT.)
(NON-BALANCING MECHANISM PARTICIPANTS - RESERVE PROVIDER'S AGENT)

Event of Default – Utilisation of Reserve	Effect on Reserve Availability Payments
<p>E. Any failure by the Reserve Provider to notify National Grid within the period of time specified in sub-paragraph 3.3.2.</p> <p>F. Any failure by the Reserve Provider to acknowledge receipt of any instruction given by National Grid pursuant to sub-paragraph 3.3.4 within the period of time specified in sub-paragraph 3.3.5.</p>	<p>The Reserve Provider's Agent shall not be entitled to receive a Reserve Availability Payment in relation to that Contracted Site in respect of the remainder of such Contracted Availability Window commencing at the time at which such event of default occurred.</p>
<p>G. Failure to comply with sub-paragraph 3.3.7 in respect of the provision of Contracted MW in the circumstances specified in sub-paragraph 3.3.8(a).</p>	<p>The Reserve Provider's Agent shall not be entitled to receive a Reserve Availability Payment in relation to that Contracted Site in respect of each Settlement Period comprised (wholly or partly) in the period commencing on the expiry of the Response Time and ending at the time from which the Reserve Provider provides Reserve.</p>
<p>H. Failure to comply with sub-paragraph 3.3.7 in respect of the provision of Contracted MW in the circumstances specified in sub-paragraph 3.3.8(b).</p> <p>I. Failure to comply with sub-paragraph 3.3.7 in respect of the provision of Contracted MW in the circumstances specified in sub-paragraph 3.3.8(c).</p> <p>J. Failure to comply with sub-paragraph 3.3.9 in respect of the provision of Contracted MW in the circumstances specified in sub-paragraph 3.3.10.</p>	<p>The Reserve Provider's Agent shall not be entitled to receive a Reserve Availability Payment in relation to that Contracted Site in respect of the remainder of that Contracted Availability Window commencing at the time at which such Event of Default occurred.</p>
<p>K. Rejection of an Instruction by the Reserve Provider where this is not for safety reasons or reasons related to the technical capability of the Contracted Site.</p> <p>L. The provision of Active Power or the reduction in Demand by the Reserve Provider from a Contracted Site otherwise than pursuant to an Instruction in the circumstances specified in sub-paragraph 3.3.11.</p>	<p>The Reserve Provider's Agent shall not be entitled to receive a Reserve Availability Payment in respect of that Contracted Site in respect of the whole of the Contracted Availability Window(s) in relation to which such event of default occurred.</p>
<p>M. Failure to comply with sub-paragraph 3.3.7 and/or 3.3.9 in respect of the provision of Optional MW as specified in sub-paragraph 3.3.8 and/or 3.3.10.</p>	N/A
Event of Default – Miscellaneous	Effect on Reserve Availability Payments
<p>N. A failure by the Reserve Provider to comply with any other provision of Section 3 not the subject of Events of Default A to M above.</p>	N/A

ANNEXURE 3 TO SECTION 3
FACSIMILE FORMS

(NON-BALANCING MECHANISM PARTICIPANTS - RESERVE PROVIDER'S AGENT)

Part I
SHORT TERM OPERATING RESERVE -
NOTIFICATION OF A REVISED ENERGY UTILISATION PRICE
UPON REACHING UTILISATION LIMIT

RESERVE PROVIDER'S DETAILS			
Contracted Site:			Tel:
Contract Number:			Standby Tel:
Company Name:			Fax:
Contracted MW:			Standby Fax:

We hereby serve notice of a new Energy Utilisation Price following the Utilisation Limit being reached at the above Contracted Site, as follows:

Limit Type Exceeded (Weekly/ Annual)	Date Limit Exceeded	New Energy Utilisation Price (£/MWh)	Date new Energy Utilisation Price effective from*

* Date may not be earlier than the Operational Day after receipt by National Grid of this facsimile notification.

Fax Sent By (Print name): Date: Time:

Signature:

 Fax acknowledged by National Grid:

Signature: Date: Time:

National Grid Control

Fax number: 0870 602 4805

Telephone: 0870 240 6961

Standby Fax:

Standby Telephone:

0870 602 4802

0844 892 0360

Part II
SHORT TERM OPERATING RESERVE -
NOTIFICATION OF ACCEPTANCE OR REJECTION OF
FLEXIBLE WINDOWS

To:		Fax:	
		Standby Fax:	

We hereby notify you of acceptance/rejection of the availability of Short Term Operating Reserve from Contracted Site(s) during Flexible Window(s), as follows:

Contracted Site	Contract Number	Flexible Window (I, II, III)	Operational Day (DD:MM:YY)	Accepted/ Rejected

Fax Sent By (Print name): **Date:** **Time:**

Signature:

For and on behalf of National Grid Electricity Transmission plc

National Grid Control

Fax number: 0870 602 4805

Telephone: 0870 240 6961

Standby Fax:

Standby Telephone:

0870 602 4802

0844 892 0360

SCHEDULE 2
GENERAL PROVISIONS
(RESERVE PROVIDER'S AGENT)

Where sub-paragraph 4.1.2 of Section 4 applies, the following paragraphs 4.2, 4.6 and 4.8 shall replace paragraphs 4.2, 4.6 and 4.8 of Section 4:-

4.2 PAYMENTS

4.2.1 On the eighteenth **Business Day** of each calendar month **National Grid** shall send to the **Reserve Provider's Agent** a statement ("the **Monthly Statement**") setting out details of the following (to the extent applicable) in respect of the preceding calendar month:-

4.2.1.1 the **Contracted Availability Windows** and **Contracted Optional Windows**;

4.2.1.2 the hours of provision of **Reserve** for each **Contracted BM Unit** and/or **Contracted Site** (as the case may be);

4.2.1.3 the **Reserve Availability Payments** and **Reserve Utilisation Payments**;

4.2.1.4 each occurrence of an event of default specified in Annexure 2 to Sections 2 or 3 (as the case may be).

4.2.2 **National Grid** shall set out the details of the reconciliation payment(s) (if any) due from the **Reserve Provider's Agent** to **National Grid** pursuant to sub-paragraphs 2.4.2 to 2.4.5 (inclusive) and/or 3.4.5 to 3.4.9 (inclusive) (as the case may be) in **Monthly Statements** as follows:-

4.2.2.1 where at the end of a **Season** a **Seasonal Delivery Reconciliation Payment** shall fall due from the **Reserve Provider's Agent** to **National Grid** in accordance with sub-paragraph 2.4.2 or 3.4.5 (as the case may be) then details of such payment shall be included in the first practicable **Monthly Statement** issued thereafter, save that in respect of the final **Season** of the term of a **STOR Contract**, **National Grid** shall include an estimate of the **Seasonal Delivery Reconciliation Payment** due from the **Reserve Provider's Agent** to **National Grid** in the **Monthly Statement** in respect of the calendar month in which such **Season** ends and shall in the first practicable **Monthly Statement** thereafter include details of:-

- (a) its determination of the final **Seasonal Delivery Reconciliation Payment**; and
- (b) the adjustment (if any) to be made to the account between the **Reserve Provider's Agent** and **National Grid** in relation to any difference between the estimated and final **Seasonal Delivery Reconciliation Payments**; and

4.2.2.2 where at the end of a **Financial Year** during the term of a **STOR Contract** or where either a **STOR Contract** expires or is terminated and a **Committed Availability Reconciliation Payment** and/or a **Flexible Availability Reconciliation Payment** shall fall due from the **Reserve Provider's Agent** to **National Grid** in accordance with sub-paragraphs 2.4.3 to 2.4.5 (inclusive) or 3.4.6 to 3.4.9 (inclusive) (as the case may be) then:-

- (a) where any such payment(s) falls due at the end of a **Financial Year** during the term of a **STOR Contract** in accordance with any of sub-paragraphs 2.4.3, 2.4.5, 3.4.6, 3.4.7 or 3.4.9 then details of such payments shall be included in the first practicable **Monthly Statement** issued thereafter; or
- (b) where any such payment(s) falls due upon the expiry or termination of a **STOR Contract**, **National Grid** shall include an estimate of the **Committed Availability Reconciliation Payment** and/or **Flexible Availability Reconciliation Payment** in the **Monthly Statement** in respect of the calendar month in which such **STOR Contract** expires or is terminated and shall in the first practicable **Monthly Statement** thereafter include details of:-
 - (i) its determination of the final **Committed Availability Reconciliation Payment** and/or **Flexible Availability Reconciliation Payment**; and
 - (ii) any adjustment to be made to the account between the **Reserve Provider's Agent** and **National Grid** in relation to any difference between the estimated and final **Committed Availability Reconciliation Payment** and/or **Flexible Availability Reconciliation Payment**.

4.2.3 If the **Reserve Provider** disagrees with any dates, times, facts or calculations set out in the **Monthly Statement**, it shall procure that the **Reserve Provider's Agent** produces to **National Grid** the evidence upon which it relies in support of such disagreement. The **Reserve Provider** shall procure that the **Reserve Provider's Agent** (and not the **Reserve Provider**) shall discuss and endeavour to resolve the matter and any revisions to the **Monthly Statement** agreed as a result thereof shall appear in the **Monthly Statement** next following the date of resolution of the dispute. The dates, times, facts and calculations set out in the **Monthly Statement** shall be binding upon the **Parties** until such time as they are reversed or revised by agreement between **National Grid** and the **Reserve Provider's Agent** or by an arbitrator appointed pursuant to sub-paragraph 4.9.

4.2.4 Where:-

4.2.4.1 **National Grid** discovers that any previous **Monthly Statement** contains an arithmetic error or omission; or

4.2.4.2 **National Grid** becomes aware of any facts (other than facts falling within sub-paragraph 4.2.4.1) which show that the **Reserve Provider's Agent** was not entitled to receive a payment already made (including, for the avoidance of doubt, where sub-paragraph 2.5.6 or 3.5.6 applies),

National Grid shall adjust the account between itself and the **Reserve Provider's Agent** accordingly in the next **Monthly Statement** which it issues, setting out the reason why the adjustment has been made, and the provisions of sub-paragraph 4.2.3 shall apply mutatis mutandis to such adjustments.

4.2.5 The due date of payment for the purposes of sub-paragraph 4.2.8 in respect of any disputed amount subsequently determined or agreed to be payable to the **Reserve Provider's Agent** shall be the date for payment of the relevant **Monthly Statement** from which the dispute arises.

4.2.6 **National Grid** shall pay to the **Reserve Provider's Agent** the amount shown as due from **National Grid** in a **Monthly Statement** within three **Business Days** of the date on which the **Monthly Statement** is or should be received. The **Reserve Provider** shall pay to **National Grid** the amount shown as due from the **Reserve Provider** in a **Monthly Statement** within three **Business Days** of the date on which the **Monthly Statement** is issued.

4.2.7 If either **Party** ("the **Defaulting Party**") in good faith and/or with reasonable cause fails to pay under sub-paragraph 4.2.6 any amount properly due under this **Document**, such **Defaulting Party** shall pay to the other **Party** interest on such overdue amount from and

including the due date of such payment to (but excluding) the date of actual payment (as well after as before judgement) at the **Base Rate** provided that should the **Defaulting Party** otherwise fail to pay any amount properly due under this **Document** on the due date then the **Defaulting Party** shall pay to the other **Party** interest on such overdue amount at the **Enhanced Rate** from the due date on which such payment was properly due to (but excluding) the date of actual payment. Interest shall accrue from day to day.

- 4.2.8 If, following a dispute or by virtue of sub-paragraphs 4.2.3 or 4.2.4, it is determined or agreed that the **Reserve Provider** was entitled to a further payment from **National Grid**, the **Reserve Provider** shall be entitled to interest at the **Base Rate** on the amount of such further payment from the due date calculated in accordance with sub-paragraph 4.2.5 until the date of actual payment.
- 4.2.9 If following a dispute or by virtue of the provisions of sub-paragraphs 4.2.3 or 4.2.4 it is determined or agreed that the **Reserve Provider** was not entitled to any payment it has received, **National Grid** shall be entitled to interest at the **Base Rate** on the amount so paid from the date of payment until the date of repayment or the date when **National Grid** makes a payment to the **Reserve Provider's Agent** which takes such payment into account.
- 4.2.10 Notwithstanding any other provision of this **Document**, the **Parties** shall not be limited in any way as to the evidence upon which they may rely in any proceedings arising out of or in connection with payment for making available or providing **Reserve** under this **Document**, the **STOR Framework Agreement** and/or the **STOR Contract** and the **Parties** agree that, in the event and to the extent that either **Party** succeeds in proving in any such proceedings that **Reserve** was or was not made available or provided, the successful **Party** shall be entitled to repayment of the sums already paid or payment of sums not paid as the case may be in respect of **Reserve** or its availability and in the case of a repayment of a payment to which the **Reserve Provider** is entitled under this sub-paragraph 4.2.10 such payment shall be made by **National Grid** to the **Reserve Provider's Agent**.
- 4.2.11 Save as otherwise expressly provided in this **Document** or the **STOR Framework Agreement**, sums payable by **National Grid** to the **Reserve Provider's Agent** or payable by the **Reserve Provider** pursuant to this **Document** or the **STOR Framework Agreement** whether by way of charges, interest or otherwise, shall (except to the extent otherwise required by law) be paid in full, free and clear of and without deduction, set-off or deferment in respect of any disputes or claims whatsoever provided that either **Party** shall be entitled to set off any payment due and payable by the other **Party** under this **Document** or the **STOR Framework Agreement** against any payment it makes to that **Party** or (in the case of **National Grid**) to the **Reserve Provider's Agent**.

- 4.2.12 **National Grid** represents and warrants to the **Reserve Provider** that it enters into the **STOR Framework Agreement** and each **STOR Contract** as principal and not as agent for any other person.
- 4.2.13 All amounts specified in the **STOR Contract** shall be exclusive of any **Value Added Tax** or other similar tax and **National Grid** shall pay to the **Reserve Provider's Agent Value Added Tax** at the rate for the time being and from time to time properly chargeable in respect of the making available and/or provision of **Reserve** under this **Document**, the **STOR Framework Agreement** and all **STOR Contracts**.
- 4.2.14 The **Reserve Provider** hereby warrants and represents to **National Grid** that it consents to the operation of a self-billing system by **National Grid** with regard to the payment for **Reserve** to be provided and made available pursuant to this **Document**, the **STOR Framework Agreement** and all **STOR Contracts** and will at all times throughout the terms of each **STOR Contract** maintain such consent. The **Reserve Provider** hereby undertakes to do (at **National Grid** 's cost) all acts and things reasonably necessary to enable **National Grid** to comply with the regulations of HM Customs and Excise as regards such self billing.
- 4.2.15 The submission of all **Monthly Statements** and facts and other evidence in support thereof and any questions in connection therewith from **National Grid** to the **Reserve Provider's Agent** and vice versa in accordance with this paragraph 4.2 must be made, in the absence of agreement to the contrary between the **Parties**, by 19.00 hours on the **Business Day** concerned.
- 4.2.16 All payments to be made by **National Grid** to the **Reserve Provider's Agent** under this **Document** will be made by payment to the **Reserve Provider's Agent's** bank account details of which are notified by the **Reserve Provider** from time to time in accordance with paragraph 4.8.
- 4.2.17 The **Reserve Provider** hereby agrees that the receipt by the **Reserve Provider's Agent** of payments to be made by **National Grid** under this **Document** shall be effective as though made to the **Reserve Provider**, and that any entitlement by **National Grid** to withhold payments from the **Reserve Provider's Agent** under this **Document** shall not result in any entitlement on the part of the **Reserve Provider** to receive such withheld payment.
- 4.2.18 All payments to be made to the **Reserve Provider's Agent** by **National Grid** pursuant to the obligations contained in this sub-paragraph 4.2 shall be made to the **Reserve Provider's Agent** as agent for and on behalf of the **Reserve Provider**. If the **Reserve Provider** wishes to appoint an alternative agent to act on its behalf then it shall be entitled to do so by the service of not less than 28 days notice in writing to **National Grid**. With effect from the

expiry of such notice the **Reserve Provider's Agent's** details in the **STOR Contract** shall be deemed to have been amended so as to reflect such change. If the **Reserve Provider** wishes to cease use of the **Reserve Provider's Agent** then it shall be entitled to do so by the service of not less than 28 days notice in writing to **National Grid** and with effect from the expiry of such notice the **Reserve Provider's Agent's** details in the **STOR Contract** shall be deemed to have been deleted and Schedule 1, Part I or Part II (as the case may be) and Schedule 2 of this **Document** shall cease to apply in respect of that **STOR Contract**.

4.2.19 The provisions of this sub-paragraph 4.2 shall survive the termination of any **STOR Contract** and/or **STOR Framework Agreement**.

4.6 CONFIDENTIALITY AND ANNOUNCEMENTS

4.6.1 *General Restrictions*

4.6.1.1 Subject to the exceptions provided in sub-paragraph 4.6.2, and to the extent otherwise expressly permitted by this **Document**, the **STOR Framework Agreement** and/or any **STOR Contract** (including the **Short Term Operating Reserve Despatch Procedure**), neither **Party** shall, at any time, whether before or after the expiry or sooner termination of the **STOR Framework Agreement** and/or any **STOR Contract** , without the prior consent of the other **Party** in writing, divulge or suffer or permit its officers, employees, agents or contractors to divulge to any person or permit use by any person (other than disclosure to or use by any of its or their respective officers or employees to the extent that such disclosure and use is required to enable such persons properly to carry out their duties in connection with the **STOR Framework Agreement** and/or any **STOR Contract**) of:-

- (a) any of the contents of the **STOR Framework Agreement** and/or any **STOR Tender** and/or any **STOR Tender Acceptance** and/or any **STOR Tender Rejection**;
- (b) any commercially confidential information relating to the negotiations concerning the entering into of the **STOR Framework Agreement**;
- (c) any commercially confidential information which may come to a **Party's** knowledge in the course of such negotiations; or
- (d) any commercially confidential information concerning the operations, contracts, commercial or financial arrangements or affairs of the other **Party**.

4.6.1.2 Each **Party** undertakes to use information referred to in sub-paragraph 4.6.1.1 and disclosed to it by the other **Party** solely for the purposes of the **STOR Framework Agreement** and/or any **STOR Contract** and shall not use it for any other purpose or for the purposes of any third party.

4.6.2 *Exceptions*

4.6.2.1 The restrictions imposed by sub-paragraph 4.6.1 shall not apply to the disclosure of any information:-

- (a) which now or hereafter comes into the public domain otherwise than as a result of a breach of a confidentiality obligation or which either **Party** can show was in its written records prior to the date of disclosure of the same by the other **Party** or which it received from a third party independently entitled to disclose it;
- (b) which is required by law or pursuant to the rules of the **Electricity Supply Industry Arbitration Association** in **Great Britain** or pursuant to the rules or regulations of the Financial Services Authority to be disclosed to any person who is authorised by law or pursuant to the rules of the **Electricity Supply Industry Arbitration Association** in **Great Britain** or pursuant to the rules or regulations of the Financial Services Authority to receive the same;
- (c) which is required to be disclosed by the regulations of any recognised exchange upon which the share capital of the **Party** making the disclosure (or its parent undertaking) is or is proposed to be from time to time listed or dealt in, or is required to be disclosed by the Panel on Takeovers and Mergers;
- (d) to a court, arbitrator or administrative tribunal in the course of proceedings before it to which the disclosing **Party** is a party;
- (e) in accordance with the provisions of the **Balancing and Settlement Code** or pursuant to any **Licence** of the **Party** concerned;
- (f) to any parent, subsidiary or fellow subsidiary undertaking on a "need to know" basis only;
- (g) to any authorised consultants, banks, financiers, insurers or professional advisers to the disclosing **Party**;

- (h) required or expressly permitted to be disclosed under the terms of any agreement or arrangement (including this **Document**, the **Grid Code**, the **Connection and Use of System Code**, the **Distribution Code** and the **Fuel Security Code** (if any)) to which the **Parties** have agreed to be bound.

4.6.2.2 In this sub-paragraph 4.6.2, the words "parent", "subsidiary" and "undertaking" shall have the meanings as provided in Sections 258 and 259 of the Companies Act 1985.

4.6.3 *Third parties*

Before either **Party** discloses any information in any of the circumstances described in sub-paragraph 4.6.2.1 (f) and (g) (other than to its authorised professional advisers) or, in the case of the **Reserve Provider**, to the **Reserve Provider's Agent**, it shall notify the other **Party** of its intention to make such disclosure and procure the execution and delivery to that **Party** of an undertaking executed by the person to whom the disclosure is proposed to be made being in the same terms mutatis mutandis as the undertakings contained in this paragraph 4.6.

4.6.4 *Public announcements*

- (a) Subject to sub-paragraph 4.6.4(b), no public announcement or statement regarding the signature, performance or termination of the **STOR Framework Agreement** and/or any **STOR Contract** shall be issued or made unless before it is issued or made both the **Parties** have been furnished with a copy of it and have approved it (such approval not to be unreasonably withheld or delayed).
- (b) Neither **Party** shall be prohibited from issuing or making any such public announcement or statement to the extent expressly permitted or otherwise contemplated by this **Document**, the **STOR Framework Agreement** and/or any **STOR Contract** or if it is necessary to do so in order to comply with any applicable law or the regulations of any recognised stock exchange upon which the share capital of such **Party** is from time to time listed or dealt in.

4.6.5 *Procedures*

With respect to the information referred to in sub-paragraph 4.6.1.1, both **Parties** shall ensure that:-

- (a) such information is disseminated within their respective organisations on a "need to know" basis only;

- (b) employees, directors, agents, consultants and professional advisers who are in receipt of such information are made fully aware of the **Party's** obligations of confidence in relation thereto; and
- (c) any copies of such information, whether in hard copy or computerised form, will clearly identify the information as confidential.

4.6.6 *Termination*

Notwithstanding any other provision of this **Document**, the **STOR Framework Agreement** and/or any **STOR Contract**, the provisions of this paragraph 4.6 shall continue to bind a person after termination of the **STOR Framework Agreement** and/or any **STOR Contract**, in whole or in part, for whatever reason.

4.8 NOTICES

4.8.1 Any notice or other communication to be given by one **Party** to the other under, or in connection with the matters contemplated by this **Document**, the **STOR Framework Agreement** or any **STOR Contract**, shall unless otherwise expressly agreed herein be addressed to the recipient and sent to the address or facsimile number of such other **Party** set out in the **STOR Framework Agreement** for the purpose and marked for the attention of the person so given or to such other address or facsimile number and/or marked for such other attention as such other **Party** may from time to time specify by notice given in accordance with this paragraph 4.8 to the **Party** giving the relevant notice or other communication to it.

4.8.2 Any notice or other communication to be given by one **Party** to the other **Party** under, or in connection with the matters contemplated by, this **Document**, the **STOR Framework Agreement** or any **STOR Contract** shall unless otherwise expressly agreed herein be in writing and shall be given by letter delivered by hand or sent by first class prepaid post (airmail if overseas) or facsimile, and shall be deemed to have been received:-

4.8.2.1 in the case of delivery by hand, when delivered; or

4.8.2.2 in the case of first class prepaid post, on the second day following the day of posting or (if sent airmail from overseas) on the fifth day following the day of posting; or

4.8.2.3 in the case of facsimile, on acknowledgement by the addressee's facsimile receiving equipment (where such acknowledgement occurs before 1700 hours on

the day of acknowledgement) and in any other case on the day following the day of acknowledgement.

- 4.8.3 **National Grid** agrees that in the event of its serving any notice or other communication on the **Reserve Provider** under or in connection with the matters contemplated by this **Document**, the **STOR Framework Agreement** or any **STOR Contract**, it will contemporaneously with service of such notice or other communication on the **Reserve Provider**, serve a copy for information purposes on the **Reserve Provider's Agent**. Service of any such copy of a notice or other communication on the **Reserve Provider's Agent** shall not under any circumstances be deemed to constitute or satisfy any requirement for service of any notices or other communications on the **Reserve Provider** nor shall the non-service of any such copy of a notice or other communication on the **Reserve Provider's Agent** invalidate or otherwise affect any notice or other communication properly served on the **Reserve Provider**. Similarly, non-service of any copy of a notice or other communication by the **Reserve Provider** on the Contracts and Trading Manager of **National Grid** shall not invalidate or otherwise affect any notice or other communication properly served on **National Grid** and marked for the attention of the Company Secretary.