

This response to the STOR Outline Change Proposals Document (OCP-02) is provided on behalf of the RWE group of companies.

**Question 1** – Do you consider that the response time permitted for Reserve Providers to respond to an OCP should be increased from the current 10 Business Days, to 20 Business Days? If not, could you recommend a more appropriate timescale?

Yes, we agree that the current permitted time should be extended and believe that 20 days is a reasonable period.

**Question 2** – Do you consider that a period of 20 Business Days following receipt of responses to an OCP from Reserve Providers is an appropriate timescale for National Grid to give due consideration to these responses and notify of its intention to either withdraw or modify the proposals, or implement them via the publication of a DCP? If not, could you recommend a more appropriate timescale?

It is necessary for National Grid to be able to consider and respond to comments and as such an extension of the time available is reasonable.

**Question 3** – Do you consider that an increased period of 20 Business Days would be more appropriate than the current timescales in the interests of arriving at a mutually beneficial negotiation of Special Condition(s) or contract prices? If not, could you recommend a more suitable timescale?

It is appropriate that the time available for negotiation should be extended and 20 Business Days is more reasonable.

**Question 4** - Do you consider that a period of 60 Business Days is appropriate when considering the timescales within which National Grid should notify a Reserve Provider that a contract will be terminated following circumstances of multiple Events of Default which could lead to that termination?

It is appropriate that the right to terminate a contract that arises from a provider having incurred a certain number of EoDs in a season or year should be time limited. A period of 60 days seems a reasonable maximum period by which time the right to terminate should have been exercised. However, until such notice is received, the provider is not in a position to respond. We therefore suggest that any termination notice should be preceded (perhaps no later than 40 days after the event leading to the right to terminate) by notifying the provider of the intention to serve notice of termination. This period would allow discussions to take place where for example an EoD is disputed or where there are mitigating circumstances surrounding one or more EoDs. This could avoid a formal termination notice where National Grid is satisfied that corrective action has been taken or that it is not necessary.

**Question 5** - Would you consider a Remedial Plan to be a welcome introduction to the Standard Contract Terms?

The ability to instigate corrective action rather than face termination is welcome. However, we would be concerned if this process became a standard response to a provider reaching a number of EoDs. This should be exercised only when other avenues of discussion and negotiation have taken place. We would also question whether the

number of EoDs that can currently trigger termination are set at the right level since a single failure can trigger multiple EoDs.

**Question 6** - Do you have any comments with regards to the proposed Remedial Plan process, particularly with regard to the timescales?

The proposed timescales appear reasonable.

**Question 7** - Would you consider the introduction of Cure Plan to be a welcome introduction to the STOR contractual framework?

A process for dealing with delays is beneficial to both National Grid and providers and allows for the realities of developing a new project.

**Question 8** - Do you have any comments with regards to the proposed Cure Plan process, particularly with regard to the timescales?

The proposed timescales appear reasonable.

**Question 9** - Do you consider that long-term Reserve Providers should have the opportunity to 'opt out' of the provision of STOR during the extended period(s) of Availability Windows?

The ability to opt out of an extended window is reasonable and allows providers to optimise their output outside windows without then being caught by provisions of the STOR contract. It is not clear from the consultation document how National Grid propose that such an opt-out would affect payments. If, for example both the start and end times of a window were brought forward by an hour and a provider opted out of the first hour, then the window would become shorter and there could then be an interaction with the provisions in 1.6.2.

**Question 10** - Do you consider a period of 15 Business Days following publication of a relevant ITT Pack appropriate for Reserve Providers to notify National Grid of their intention to 'opt out' of expanded Availability Windows?

If the reason for opting out of an expanded window is because of an existing conflicting arrangement, then it should be a relatively quick process to notify National Grid. However, 15 Business Days does not seem unreasonable, but a shorter time might be considered.

**Question 11** - Do you consider that it would be appropriate for National Grid to amend the SCTs such that a BM Provider is required to submit an Offer Price identical to the Contract Bid-Offer Price, with an Event of Default to be incurred for failure?

We do not believe it to be appropriate to amend the SCTs as described. Whilst we agree that it should be possible for non-BM providers to lower their utilisation prices in the same manner that a BMU can, it does not follow that the ability of BMUs to reduce prices should be removed in the interim.

It can not be economic or efficient for National Grid to actively prevent the reduction of prices for reserve provision. Currently there are a number of differences between the contractual arrangements for BMUs and non-BMUs. Most obviously and fundamentally, BMUs are not able to offer a flexible service and can therefore not benefit from the

flexibility that service could offer. Outside of the contract, non-BMU embedded sites can gain benefits such as spill payments for energy delivered under STOR and other embedded benefits, which BMUs are generally not able to and therefore disadvantage BMU providers when tendering.

Given that these differences exist, it does not seem reasonable to single out one difference and to reduce pricing flexibility from BMU providers who, to participate in the BM, are obliged to invest in significant infrastructure in order to be able to submit data, including prices. Many non-BMU providers could register as BMUs and therefore gain the same flexibility in pricing. However, we would advocate National Grid introducing pricing flexibility for non-BMUs rather than removing it for BMU providers.

**Question 12** - Do you consider it appropriate that National Grid should be giving consideration to developing the non-BM despatch systems to facilitate a STOR market whereby all Reserve Provider can reduce their utilisation prices within day?

A facility for non-BMU providers to reduce utilisation prices should be developed and is the right solution to the issue rather than removing the ability for BMUs. This facility should be introduced at the earliest opportunity.

**Question 13** - Do you have any comments with regards to National Grid's proposals to introduce a tri-partite Direct Agreement in the interests of facilitating the necessary funding for new STOR plant and apparatus?

Our only concern would be that National Grid should ensure that contracts where a Direct Agreement exists are not treated differently from other contracts in order to avoid potential discrimination. This should be a fundamental test of the appropriateness of the Direct Agreement. It is not clear that the cancelling of accrued failures and revocation of termination notices following novation, described in Paragraph 7 pass such a test.

**Question 14** – Would you welcome the publication of a draft set of 'standard' Aggregator terms on the National Grid website?

Where contract requirements exist, they should be published as part of the SCTs.

**Question 15** – Do you consider that Aggregator terms should be developed as part of Workstream 1A of the wider reserve review?

Standard terms should be published at the earliest opportunity and if Special Conditions already exist, then it should be relatively straightforward to introduce and publish standard terms. It is not clear what development would be required. However, if development is required, then Workstream 1A would appear appropriate.

**Question 16** – Would you welcome further detail of the Assessment Principles applied to the week-ahead assessment of flexible STOR tenders?

Any additional information relating to Assessment Principles would be welcome.

**Question 17** – Would you consider the inclusion of an annual utilisation limit based on the number of running hours to be a useful development?

An annual hours limit would be preferable to a number of utilisations limit. Depending on providers' responses, it may be appropriate to have the option of either or both.

**Question 18** – Do you have any comments with regards to the housekeeping amendments proposed?

Reference is made to a change to the definition of "Affected Reserve Provider". We believe that in addition to what is proposed, the test of 'materially prejudiced' should be removed from the definition in line with the change from Issue #3 of the SCTs to Issue #4, where the term was removed from section 1.2.10 (a). It is not clear what 'materially prejudiced' means. If it were to be a financial test, then arguably the right to reject changes could be removed as it does not have a direct financial impact. We suggest that the definition should be limited to 'a Reserve Provider which is a party to one or more Affected STOR Contracts'. The subsequent tests are superfluous as they are dealt with in 1.2.10 (a) and (b).

**Question 19** – Do you have any comments regarding the proposed Tender Round dates for 2011 and the Seasons/Years that are proposed to be available for tender in each?

We believe that National Grid should consider whether TR14 could be held any earlier in order to give a little more time between TR14 and TR15. In this way it might be possible to maintain the ability to submit long term tenders in TR14. In any case, we would support the ability to submit long term tenders in each of the tender rounds.