

**Transmission Constraint Management Requirement Notice:  
Invitation to Tender Pack, Letter 1**

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To All Service Providers

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Issue 1

Dear Service Provider

**TRANSMISSION CONSTRAINT MANAGEMENT REQUIREMENT NOTICE - [TCMRN/01/15]**

The following Transmission Constraint Management Requirement has been identified by National Grid Electricity Transmission ("National Grid") to manage forecast constraint costs and volumes, arising from asset health, planned outages and forecast system conditions. National Grid is therefore, seeking to procure constraint management services in order to economically and efficiently manage a potential constraint.

**Constraint Requirement**

<b>Zonal Requirement:</b>	South East
<b>Potential Service Providers:</b>	Coryton, Damhead Creek, Grain and Medway
<b>Additional Notes:</b>	More than one price structure or service may be offered The default mechanism will continue to be used for the payment of MVarh The standard payment methodology will be used for the response energy payment Under the combined voltage and frequency response service response holding payments will not be due in addition to the contract fee
<b>Estimated volume required:</b>	April – one Unit May – two Units <sup>1</sup>

Service providers are requested to provide prices for the following services:

**Service 1a – Spread Index Linked – Two Months (April & May)**

<b>Service description:</b>	Voltage & Frequency Response
<b>Service Type:</b>	Firm (Generation at part-load point) <sup>2</sup>
<b>Term:</b>	From: 23:00 31 March 2015 To: 23:00 31 May 2015
<b>Period:</b>	Whole of Term
<b>Payment Rate:</b>	Availability Fee( £/SP) Contract Fee based on tendered strike price based on formula in Appendix 1

<sup>1</sup> The estimate volume required is indicative and does not provide any guarantee that this volume will be procured via constraint contracts.

<sup>2</sup> Full reactive capability is required equivalent to SEL position

**Service 1b – Spread Index Linked – Single Month (April)**

<b>Service description:</b>	Voltage & Frequency Response
<b>Service Type:</b>	Firm (Generation at part-load point)
<b>Term:</b>	From: 23:00 31 March 2015 To: 23:00 30 April 2015
<b>Period:</b>	Whole of term
<b>Payment Rate:</b>	Availability Fee( £/SP) Contract Fee based on tendered strike price based on formula in Appendix 1

**Service 1c – Spread Index Linked – Single Month (May)**

<b>Service description:</b>	Voltage & Frequency Response
<b>Service Type:</b>	Firm (Generation at part-load point)
<b>Term:</b>	From: 23:00 30 April 2015 To: 23:00 31 May 2015
<b>Period:</b>	Whole of term
<b>Payment Rate:</b>	Availability Fee( £/SP) Contract Fee based on tendered strike price based on formula in Appendix 1

**Service 2a – Fixed Price – Two Months (April & May)**

<b>Service description:</b>	Voltage & Frequency Response
<b>Service Type:</b>	Firm (Generation at part-load point)
<b>Term:</b>	From: 23:00 31 March 2015 To: 23:00 31 May 2015
<b>Period:</b>	Whole of Term
<b>Pricing:</b>	Availability Fee (£/SP)

**Service 2b – Fixed Price – Single Month (April)**

<b>Service description:</b>	Voltage & Frequency Response
<b>Service Type:</b>	Firm (Generation at part-load point)
<b>Term:</b>	From: 23:00 31 March 2015 To: 23:00 30 April 2015
<b>Period:</b>	Whole of Term
<b>Pricing:</b>	Availability Fee (£/SP)

### Service 2c – Fixed Price – Single Month (May)

<b>Service description:</b>	Voltage & Frequency Response
<b>Service Type:</b>	Firm (Generation at part-load point)
<b>Term:</b>	From: 23:00 30 April 2015 To: 23:00 31 May 2015
<b>Period:</b>	Whole of Term
<b>Pricing:</b>	Availability Fee (£/SP)

Please note that the above services are based on historic information and any service provider may offer an alternative if it is felt it may meet the requirement. Any new service offer, including prices, will be published as detailed below.

These requirements are National Grid's current best view based on OC2 generation availability, demand estimates, asset condition and forecast market conditions. However, if in National Grid's view the drivers change significantly then National Grid reserves the right to amend or withdraw these requirements. Where appropriate National Grid may republish the tender requirements and revise the relevant timescales accordingly.

### Timescales

The timescales for this particular process are as follows:

Business Day 1, 14:00	Thursday 19 February 2015	Requirement published
Business Day 8, 17:00	Monday 2 March 2015	Submission of prices & services
Business Day 19, 17:00	Tuesday 17 March 2015	Outcome published
Business Day 27, 17:00	Friday 27 March 2015	Contract in place

### Submission of Service and Price Offers

Should a service provider wish to submit service and price offers for these constraint management requirements, these should be submitted to your Balancing Services Account Manager **and** the email address: [commercial.operation@nationalgrid.com](mailto:commercial.operation@nationalgrid.com) in accordance with the timescales above.

This process is not governed by National Grid standard contract terms, therefore the electronic submission of such offers are acceptable providing the above timescales are complied with.

**A template for submissions is provided in Excel format on the constraint management website. Please use this Tender Sheet for your offer submission.**

If there are any technical limitations on your stations ability to deliver this service, please ensure these are included in the tender for consideration in the assessment.

**Publication of Information**

National Grid shall publish and / or announce details of the information submitted for the provision of constraint management from any service provider, and the service provider is required to consent to the disclosure by National Grid of any such information. To this end, National Grid cannot accept an offer from any potential service provider unless they consent to the disclosure of such information.

**Further Information**

For further information and a more detailed explanation of the procurement process for the above or similar requirements, please contact your Balancing Services Account Manager.

Yours faithfully

Laura Brock  
Account Manager

## APPENDIX 1

### Contract Fee

The sum of all **Contract Fees** and **Availability Fees** cannot exceed a cap of the following over the relevant **Service Term**:

- (i) £4,270,000 – Service 1a April & May or;
- (ii) £2,100,000 – Service 1b April or;
- (iii) £2,170,000 – Service 1c May.

The **Contract Fee** for each **Service Period** shall be determined as follows:-

$$\text{Contract Fee (CF)} = (\text{Max } (0, \text{SP} - \text{CSS}_d)) * \text{SEL} * H_d$$

Where:

CF = the **Contract Fee** for the relevant **Service Period**.

SP = the Strike Price, being [ ] £/MWh

CSS<sub>d</sub> = for **Service Periods** expiring in calendar day d, the day ahead **Clean Spark Spread**

**Clean Spark Spread** = GBPP – Gas Cost – Carbon Cost

Where:

Gas Cost = (Day Ahead NBP/ Gas Conversion Factor \* 10)/ Gas Efficiency Constant

Carbon Cost = (Dec 2015EUA + CPS) \* Gas Carbon Intensity

And where:

GBPP = UK Power Price Base published by APX following the day ahead auction on calendar day d-1, quoted as £/MWh

Day Ahead NBP = the Day Ahead Gas Index as published by Heren on calendar day d-1 (or, where this is not a **Working Day**, on the immediately preceding **Working Day**) or, where the **Working Day** immediately preceding calendar day d is a Friday, the Heren Weekend Gas Index published on that day, quoted as pence/therm

Dec 2015EUA = the December 2015 European Union Allowance price published by Bloomberg on calendar day d-1, converted to £/tonne.

CPS = UK carbon price support being £9.55/tonne until 31<sup>st</sup> March 2015 and £18.08/tonne from 1<sup>st</sup> April 2015

Gas Carbon Intensity = 0.41

Gas Efficiency Constant = 0.49

Gas Conversion Factor = 29.3071

SEL = the **Contracted SEL**

H<sub>d</sub> = the number of hours comprised in the relevant **Service Period** excluding periods of deemed unavailability pursuant to Sub-Clause 3.3.3 and any **Settlement Periods** in respect of which the **Generator** fails to comply with any of its obligations hereunder as referred to in Sub-Clause 3.5.2.