

Short-term Operating Reserve (STOR) Day Ahead Procurement

ESO Update to Industry

27 November 2020



Executive Summary

On 11 September 2020 we [published](#) our initial requirements for moving to day ahead STOR procurement and followed up with a more detailed [industry webinar](#) on 29 September. The move to closer to real time procurement aligns with our strategy and gives Providers greater flexibility in service provision.

Since September we have worked through the outstanding requirements and considered feedback and questions raised by providers - see [FAQs](#). This document provides further details of the minimum requirements necessary to achieve day ahead STOR procurement and covers the following areas;

1. Contracting and pre-qualification requirements
2. Key performance measures and monitoring
3. Tender windows
4. Availability declarations
5. Tender rules for curtailable bids
6. EBGL consultation timeline

As before, we welcome feedback from STOR providers on these proposals in order to ensure we have an agreed solution in place to meet the 1 April 2021 timeline.

If you do have any feedback or questions, then please direct them to vicci.page@nationalgrideso.com in the first instance or alternatively commercial.Operation@nationalgrideso.com

1. Contracting and pre-qualification requirements

Whilst delivery of the STOR service itself remains unchanged by the requirements of the Clean Energy Package (CEP), there are changes necessary to the existing Standard Contract Terms (SCT) as we move away from the historical season/s long contracts and facilitate day ahead procurement. We also have a number of long term STOR contracts which we need to retain under the existing SCT.

As part of the recent roll-out of new balancing services including Optional Downward Flexibility Management (ODFM) and Dynamic Containment (DC) we have developed new contract frameworks. These new contract frameworks follow a simplified structure aligned with wider ESO and industry work for Reserve Reform and the ENA (Electricity Networks Association Workstream) WS1A P4 - Flexibility Services.

We therefore intend to adopt the new contract framework for the STOR day ahead service.

Background and current Contracting Framework

Historically, each service provider has been required to sign a Framework Agreement with NGESO, which contains the essential base parameters of their relevant STOR units, and gives contractual effect to the STOR service terms. Those service terms comprise a set of SCTs, with service and payment obligations, contractual “boilerplate” and defined terms. Those SCTs are supplemented by tender guidance notes published by NGESO at each tender round.

The Framework Agreements contain or refer to the process of registration of new assets and the allocation of assets to STOR Units for service delivery purposes. This structure has

been in place for several years and supported the previous STOR procurement process (3 tender rounds each year).

Once the Framework Agreement has been signed and the required comms systems in place (e.g. PAS for NBM) then the STOR provider and all registered STOR units are Pre-Qualified.

Proposed Contracting Framework

The new contract framework moves away from the Framework Agreement and SCT, following a more simplified and slimmed down structure, stripping out terms from the SCT that are not required for new single day contracts. There will no longer be a Framework Agreement. Registration for service providers will be completed via a new registration form, Form A and new prequalification application form, Form B and submission of a STOR Data Template. The SCT have been simplified from the current 126 pages and broken out into shorter documents which include general and service specific terms.

We are currently finalising the new suite of documents which will shortly be issued for formal consultation as required by Article 18 of the Electricity Balancing Guidelines (EBGL). The suite consists of the following documents and will be supported by a participation guidance document;

- General Terms and Conditions – essentially mirror section 4 of the SCT
- Service Terms – standard terms for STOR service which mirror the clauses of the existing SCT where appropriate
- Glossary of terms – lifted from the SCT section 5
- Tender Rules – Clarification on the rules for tender submission and assessment of tenders
- Onboarding Registration and pre-qualification forms;
 - Form A – New provider registration form
 - Form B – Provider applying to become pre-qualified to participate in the STOR service
 - Form C – Completed by NGESO and provides confirmation that the provider is fully pre-qualified. On receipt of form C providers are then free to submit tenders for the day ahead STOR service (from 1 April)

How will the new terms be introduced?

We will need to work with existing and new providers over the coming months to transfer to the new contracting framework and support any new STOR providers through the onboarding process. The following outline requirements will apply;

- **Existing pre-qualified STOR providers*** will need to submit the new form A and B to register for the new service along with a STOR Data Template (which is a separate Excel spreadsheet) setting out the details for each STOR Unit and/or Eligible Assets (aggregated) and the base parameters. On receipt of form C from NGESO providers will then be pre-qualified and eligible to submit tenders for the day ahead STOR service once tenders open.

- **New STOR providers already in the BM** will be required to submit forms A and B to register for the new service along with a STOR Data Template (which is a separate Excel spreadsheet) setting out the details for each STOR Unit and/or Eligible Assets (aggregated) and the base parameters. On receipt of form C from NGESO providers will then be pre-qualified and eligible to submit tenders for the day ahead STOR service once tenders open.
- **New STOR providers (Non-BM)** will need to liaise with NGESO to commence the process for establishing the required web-based PAS platform before or in parallel with submitting forms A and B to register for the new service along with a STOR Data Template (which is a separate Excel spreadsheet) setting out the details for each STOR Unit and/or Eligible Assets (aggregated) and the base parameters. Form C will not be issued until a successful “end to end” test of the PAS interface has been completed. On receipt of form C from NGESO providers will then be pre-qualified and eligible to submit tenders for the day ahead STOR service once tenders open.
- **Any existing STOR provider (NBM) with a Framework Agreement, but not PAS/ADSP compliant**, will be required to commence the process for establishing the required web-based PAS platform before or in parallel with submitting form A and B to register for the new service along with a STOR Data Template setting out the details for each STOR Unit and/or Eligible Assets (aggregated) and the base parameters. Form C will not be issued until a successful “end to end” test of the PAS interface has been completed. On receipt of form C from NGESO providers will then be pre-qualified and eligible to submit tenders for the day ahead STOR service once tenders open,

* Please note that part of the current pre-qualification process requires providers and all STOR units to have the appropriate communication systems in place.

- For BM providers this is through the existing BM Grid Code OC2 data.
- NBM providers are required to have the necessary web-based solution in place (and tested) for communications with ESO via the Platform for Ancillary Services (PAS). Please refer to [PAS specifications](#) on our website for more information or contact the team box.support.pas@nationalgrid.com

For new STOR providers, the EBGL minimum timescales will apply for the pre-qualification process. For clarity submission of the form A and B constitutes formal application, with Form C confirming the unit is prequalified;

- within eight (8) weeks of a formal application, NGESO shall confirm that the application is complete (from the perspective of information required). If the application is incomplete, the applicant shall provide the missing information within four (4) weeks of a report from NGESO or it will be presumed that the application has been withdrawn; and
- within three (3) months of confirming that all information has been provided, NGESO shall confirm if the applicant and their STOR units are Registered as pre-qualified – this will be subject to the required communications (as mentioned above) being in place.

Existing Long-Term STOR contracts

For the avoidance of doubt. We currently hold a small number of firm long-term STOR contracts for approximately 400MW which endure out until 2025. These contracts are governed by the existing STOR SCTs and these will not migrate to the new contract structure but will continue with their existing terms.

2. Key performance measures and monitoring

NGESO will conduct regular performance monitoring of the STOR service to ensure Providers are delivering in accordance with the service requirements.

Performance measures for service delivery

Under the existing STOR service delivery requirements, the performance measure for the continuous delivery of contracted MW (the dispatched MW value) across each Availability Window is set at 90%. If delivery drops below this level, then certain event of default (EOD) penalties are applied which impact availability payments for that Availability Window. A further seasonal performance measure for the aggregated delivery at 95% is also applied and subsequently additional financial penalties applied.

As we move away from the longer duration seasonal STOR contracts procured well ahead of time, to single day contracts procured at day ahead, we believe that providers are better placed to commit their capability with much more certainty. **We therefore intend to increase the performance measure for delivery during each Availability Window to 95%.** This change will be included in the EBGL consultation.

The impact of this change has been modelled by Settlements and based on previous performance the impacts were limited, with most Providers already delivering at this level.

Currently STOR Providers are tendering out up to two years whereas from 1 April it will be day ahead and so we understand Providers will have more certainty in terms of MW delivery.

We believe this gives additional incentives for providers, with single day contracts, to meet their contracted performance level and aligns with our wider focus on performance across all of our balancing services contracts.

For the avoidance of doubt, we do not intend to change the event of default penalties that would be applied to under delivery below 95%, other than to ensure they only apply for a single day contract.

Performance monitoring

Under the existing STOR SCT there are a number of performance measures and associated actions to incentivise providers to deliver against their contracted service delivery obligations, ultimately allowing suspension, reprocuring and termination of contracts. As contracts will be for a single day in duration, we intend to develop performance monitoring that can be applied to service delivery over a greater period than a single operational day of service delivery. This will allow us to monitor performance and by linking

under performance to pre-qualification, we can ensure we do not award contracts to STOR units with continued poor performance.

We have yet to finalise the rules for this new performance monitoring process but we will look to monitor providers service delivery performance over a rolling 4-week period to establish overall delivery against the 95% performance measure. Where a provider continues to deliver below 95% across the monitoring period we will ultimately seek to suspend the pre-qualification status of the STOR provider or individual STOR unit. Depending on the root cause, we would expect either a re-proving test or possibly revised base parameters (e.g. reduced maximum MW) before we would reconfirm pre-qualification status and access to the daily tender process.

3. Tender windows

Taking on board feedback from some providers concerned with resourcing implications of the daily tender and contract award over weekends, we intend to open the daily tenders in advance at a week ahead. This will allow providers to submit tenders well ahead of daily tender close and avoid the need for submissions to be made over weekends. Individual tender submissions can be submitted, amended, removed or replaced from a week ahead right up to tender close, providing full flexibility and avoiding the need to log into the system and submit tenders over weekends.

The current intentions with regards to tendering timescales are as follows:

- Tenders open on a rolling 7-day basis: D-7 @ 05:00
- Providers will have the ability to change their availability price or MW offering up to tender close
- Daily tender close will be at 05:00 on D-1
- Contract award emails will be sent at 06:00 on D-1
- Results published on our website/data portal at around 10:00 on D-1

4. Availability Declarations

Under the existing STOR service, providers are required to make a weekly declaration of STOR unit availability for the forthcoming week. This cannot be applied to a day ahead contract, but there is still a requirement for NGENSO to have confirmation declarations/redeclarations for all successful STOR Units of availability and for submission of the utilisation price which is not included in the tender submission.

Once a contract has been awarded (as per timescales above) each successful STOR unit will be required to submit an availability declaration ahead of the contracted service. Availability declarations can be submitted before, during or after tender submission, ahead of time - this removes the need for weekend submissions. The MW's in a provider's tender submission and availability declaration must match. If they don't match and then a provider wins a daily contract, we would expect the provider to resubmit availability to match. Availability declarations will include confirmation of MW available and the utilisation price. This declaration can be submitted/revised anytime but must be finalised by no later than ninety (90) minutes prior to the first STOR operational window, in line with the existing STOR service. Where no declaration/redeclaration has been submitted, the unit will be assumed to be unavailable.

STOR providers with awarded contracts will only be obligated to declare/redeclare availability and utilisation price by no later than ninety (90) minutes ahead of time, however it would be greatly appreciated if these could be submitted by 11am on the day of contract award (day ahead of service delivery) in order to assist our control room with our daily scheduling.

For the avoidance of doubt, these declarations/redeclarations will be submitted into the normal PAS for NBM and BM OC2 for BM.

5. Curtailable Bids

We are in the process of finalising the tender rules for STOR day ahead, and this will be issued as part of the formal EBGL consultation.

We will treat the STOR day ahead tender as an auction rather than assessment and so we will be assessing whether we can accept or reject the marginal STOR unit. In the event of there being multiple units with an identical bid as the marginal unit, it is important that we have the appropriate methodology to decide what action to take in order to ensure we only procure to cover the STOR requirement and not procuring additional volume.

We therefore intend to allow providers to offer curtailable bids for the daily auctions, such that when the marginal unit is curtailable then the MW offering from the bid is reduced to fit into the remaining requirement.

For the avoidance of doubt, as previously communicated, all availability payments for firm STOR procured at day-ahead will be settled using a pay-as-clear mechanism.

6. EBGL Timeline

Please see below our current plan timeline for the Electricity Balancing Guidelines (EBGL) Article 18 consultation process.

Note that due to the consultation falling over Christmas, we are suggesting an extra week to account for time over the holiday period.

| EBGL Article 18 Consultation | W/C. Start Time | W/C. End Time |
|--|--------------------|------------------|
| Launch Article 18 consultation | 14/12/2020 | 18/01/2020 |
| Webinar to cover EBGL consultation | 14/12/2020 | 23/12/2020 |
| Article 18 consultation closes (1month + 1 week over Christmas) | 21/01/2021 | 21/01/2021 |
| Submit updated Article 18 docs to OFGEM | 11/02/2021 | 11/02/2021 |
| Provider onboarding Form A, B and C | February | March |
| OFGEM decision | 11/02/2021 | 25/03/2021 |
| OFGEM approve EBGL Art 18 | 25/03/2021 | 25/03/2021 |
| Ts and Cs go live | 01/04/2021 | 01/04/2021 |

Next Steps

We would welcome any comments and questions on this document and we will facilitate further discussion as required.

If you do have any feedback, suggestions or questions, then please direct them to vicci.page@nationalgrideso.com in the first instance.