

The background of the slide is white and features several decorative yellow lines. In the top-left corner, there are several thin, curved lines that sweep upwards and to the right. In the bottom-left corner, there are several thin, curved lines that sweep downwards and to the right. On the right side of the slide, there are several thick, parallel diagonal lines that run from the bottom-left towards the top-right.

# Stability Phase 2 – Contract Terms Summary

# Background

- These slides have been prepared to summarise some of the key terms of the Stability Phase 2 contract terms.
- Tenderers should refer to the full set of contract terms which is included as part of the ITT pack to understand their obligations under the service.
- Two rounds of industry consultation have been carried out for Phase 2 from which feedback has been incorporated into the contract terms.
- Further to the terms published with the launch of the Phase 2 tender, revisions have been made which can be found in the ITT pack.
- Any clarifications that are required to the contract terms will be notified to all tenderers.

# Key Topics

## Post Tender Milestones - *Contract Form – Part 4*

- As part of the tender submission, providers will be required to include dates and details on their plan to complete key activities should they be successful, e.g. connection agreement, land rights, manufacturing agreements, funding etc.
  - The list of PTMs included in the draft terms, may be revised ahead of the contract terms being finalised
- These will be entered into the contract at the point of signature and will be monitored from post contract award to service delivery.
- 12 months prior to the tendered start date, the provider will need to demonstrate that it has met all the milestones or be able to do so after a further 2 months.
- Failure to complete all the milestones by the PTM date, or the revised date, would result in the contract being terminated and the provider being liable for the termination sum.

# Key Topics

## Project Plan – 3.2.1

- Alongside details of the Post Tender Milestones, providers will have to submit a detailed project plan outlining the steps they will take to achieve go-live
- This plan will be monitored post contract award as part of a monthly report on progress

## Termination Sum – 3.3.2 & 3.4.2

- Where a contract is terminated prior to go-live, providers will have to pay a termination sum equal to 75% of the Liquidated Damages cap (details on next slide)
- This lower rate is to incentivise providers to make NGESO aware of any delivery issues earlier so alternative options can be sought.

# Key Topics

## Liquidated Damages

- Providers will submit a service start date in their tender
- The service start date must not be earlier than the proposed connection date from the TO.
- Where there are delays in service delivery from the tendered date, this will incur liquidated damages (LDs) from providers, this includes where the contract is terminated ahead of delivery.
- The rate for LDs is set at 1 times the tendered availability price (AP). *Clause 3.7*
  - Example – if the AP is £100/SP, then the rate of LD will be £100 x 1 x no of SP per day for everyday of delay.
- LDs will be capped for a maximum of 180 days of delays after which NGESO have the right to terminate. *Clause 3.8*
- We may require providers to submit security at the contract signature stage and will look to provide more guidance on this during the tender window.

# Key Topics

## Changes from Tendered Capability

- In the tender, providers will submit SCL and inertia capability as provided at the feasibility study stage.
- These must be demonstrated as part of the proving test prior to service delivery. *Clause 3.5 and Schedule D.*
- Where a facilities actual capability for either reduces from the tendered capability – either in the initial proving test or during service delivery – there will be an adjustment applied to the amount availability payment.
  - This is shown as AC<sub>ij</sub> and AC<sub>sj</sub> in the payment formula in *Schedule F, A.1.*
- Where the reduction in either capability is more than 10% below the tendered value, a further adjustment of 0.7 will be applied.
  - This is shown in T<sub>ai</sub> and T<sub>As</sub> in the payment formula in *Schedule F, A.1.*
- This ensures that ESO maintain economic balance where there is a reduction in capability.
- We will not adjust the payment rate for changes to reactive capability as this is not assessed or used in calculating availability payments but will affect payment under ORPS.

# Key Topics

## Availability and Payments

- As set out in the Assessment Methodology, we are seeking solutions that can deliver at least 90% availability for SCL and this will be the baseline for calculating any unavailability rebates..
- For inertia, providers will specify the level of availability in the tender and this will form the baseline to calculating any unavailability rebates.
- Availability payments is split into two parts:
  - 1. when SCL and/or inertia is made available. *Schedule F, A.1*
  - 2. Adjustment will be made to the payment rate for when there are changes from the tendered SCL/Inertia capability as set out in the payment formulae (*covered in previous slide*).
- Rebates will be applied for reduced availability and any outstanding amount at the end of the contract year will be recovered. *Schedule F, A.2 and A.3*
- There is no payment for import of active power while delivering this service
- Reactive power volume will be at a rate equivalent to ORPS. *Schedule F, Part B*

# Key Topics

## Availability and Payments

- Where the service is unable to deliver due to Transmission Operator constraints, this will be classed as Force Majeure with availability payments made after the first 14 days in aggregate of planned network outages. All periods affected by Force Majeure will be exempt from the rebate calculation.
- Providers are able to carry out up to 15 days of planned and agreed outages during which they will be classed as available and paid availability. *Clause 4.10*
- Indexation will apply from the 2<sup>nd</sup> contract year of delivery. *Schedule F, A.4*



# Key Topics

## Performance Monitoring

- We require all successful providers to have monitoring equipment installed to allow NGESO to assess capability delivered. *Clause 7*
- This will ensure that actual capability can be monitored to inform control room actions as well as assurance against declared capability.
- The equipment is standard in Bilateral Connection Agreements under the Grid Code and has been reiterated in the SCTs to capture all units.

## • Communications

- We are considering utilising electronic means e.g. EDL, to allow for declarations and instruction to be issued. *Schedule H.*
- This is being implemented for Phase 1 units and will inform future pathfinder units.