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Market Qualification Criteria DRAFT FOR CONSULTATION

Mid-term Reactive Power Market

Network Services

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Contents	2
LEGAL DISCLAIMER	3
Copyright	3
Purpose of this document and the Pre-Market Consultation (PMC) Pack	3
Version Control	3
MARKET QUALIFICATION CRITERIA – DRAFT FOR CONSULTATION	4
Market Qualification Strategy	4
Market Qualification Assessment: Process summary	5
Market Qualification Criteria: Details.....	7
Mandatory commercial due diligence questions assessment methodology	7
Financial health criteria assessment methodology	7
Eligibility criteria assessment methodology	10
Technical compliance criteria assessment methodology	11
Project delivery criteria assessment methodology	12
Market Qualification Assessment Outcome	13
Appendices	14
Appendix A: Indicative Mini-tender Assessment Criteria.....	14
Appendix B: Non-Competitive Process Criteria	15

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Purpose of this document and the Pre-Market Consultation (PMC) Pack

This document and the other documents that have been provided as part of the 2026 Mid-term Reactive Power Pre-Market Consultation (PMC) Pack have been provided in good faith. This document sets out the assessment criteria and methodology that will be followed to qualify providers into the Mid-term Reactive Power Market,

The purpose of this document is to provide the market with information about the draft tender rules and draft assessment criteria to enable market participants to provide feedback as part of the Pre-Market Consultation.

As a result, this document is a draft only and is subject to change as and when the Mid-term Reactive Power Market is launched.

Version Control

Version	Description	Date
V0	DRAFT and INDICATIVE version of the Market Qualification Criteria document as part of the Pre-Market Engagement, for market feedback.	9 January 2025

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MARKET QUALIFICATION CRITERIA – DRAFT FOR CONSULTATION

Market Qualification Strategy

Qualification into the Mid-term Reactive Power Market will be based on an assessment of market qualification submissions against the pre-determined Market Qualification Criteria as detailed in this document and in accordance with the Instructions to Tenderers document.

This document should be read in conjunction with the rest of the Mid-term Reactive Power Market documents with specific attention to the Instructions to Tenderers and the relevant market qualification submission documents.

By qualifying for the Mid-term Reactive Power Market, bidders will subsequently be able to participate in future mini-tender processes to secure service delivery contracts under the Mid-term Reactive Power Market.

The award of any subsequent delivery contract will be in accordance with the criteria set out for the associated mini-tender process for that delivery contract. See **Appendix A** for indicative criteria that may be applied.

Award of such delivery contracts will typically be based on the most economically efficient combination of solution(s) to meet each of the service requirements being procured, taking into consideration the counterfactual of buying the same services through the Balancing Mechanism (BM) where relevant.

Alternatively, from time-to-time NESO may award a delivery contract otherwise than through a competitive tendering process in line with **Appendix B**. In this scenario, a delivery contract will be made in accordance with the criteria set out for that process.

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Market Qualification Assessment: Process summary

Market qualification submissions received as part of the Mid-term Reactive Power Market shall be assessed by a designated team of evaluators who shall assess the solutions against the Market Qualification Criteria and scoring methodology outlined in this document.

Detailed below is a summary of the criteria that will be considered and the assessment process that will be followed, including a reference to the submission document that is applicable.

No	Assessment criteria	Assessment method	Shortlisting strategy	Applicable submission document (s)
0	Initial compliance check	N/A – checking to ensure submissions have been received in full.	Non-compliant submissions may be rejected at this stage.	<i>NESO will check that all required submission documents have been received in full.</i>
1	Mandatory commercial due diligence criteria	Pass/fail – must pass all pass/fail questions.	Submissions that do not meet any minimum pass/fail requirements will be rejected.	<i>Document will be confirmed at Market Launch</i>
2	Financial health criteria	Pass/fail – Must pass by satisfying requirements.	Submissions that do not meet any minimum pass/fail requirements will be rejected.	<i>Document will be confirmed at Market Launch</i>
3	Eligibility criteria	Pass/fail – must pass all pass/fail questions.	Submissions that do not meet any minimum pass/fail requirements will be rejected.	<i>Document will be confirmed at Market Launch</i>
4	Technical compliance criteria	Pass/fail – must pass all pass/fail questions.	Submissions that do not meet any minimum pass/fail requirements will be rejected.	<i>Document will be confirmed at Market Launch</i>

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6	Project delivery criteria	Pass/fail – must pass all pass/fail questions.	Submissions that do not meet any minimum pass/fail requirements will be rejected.	<i>Document will be confirmed at Market Launch</i>
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It is expected that when assessing submissions, the criteria above will likely be assessment in parallel for timeline efficiency purposes.

Where there is any ambiguity, clear errors or an incomplete response, this may be clarified by NESO. Clarifications will be issued with a set response deadline. Bidders should make every effort to respond to clarifications on time. If more time is required, the bidder will first need to agree this with NESO. Bidders should note that clarifications are only to clarify NESO's understanding of the submission made or to clarify clear errors.

For more details on the assessment methodology within each stage, please see the next sections of this document.

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Market Qualification Criteria: Details

Mandatory commercial due diligence questions assessment methodology

As part of submissions to qualify for the Mid-term Reactive Power Market, bidders should complete all the commercial due diligence questions set out in: [submission proforma name to be confirmed at Market Launch]

These commercial due diligence questions will be evaluated using the scoring methodology outlined in this section.

Item	Question Type	Explanation/ Impact of Non-compliance
1	Pass/fail questions	Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected.
2.	For Information Only questions	The "For Information Only" questions are not scored but might be referred to when scoring pass/fail questions.

The specific pass/fail criteria for each question can be found in [submission proforma name]

NESO reserve the right to consider responses to "for information only" questions to inform the assessment of pass/fail questions.

For any Pass/Fail Questions that require a Yes/No response with supporting explanation or evidence, NESO will consider the full response to inform the assessment.

Financial health criteria assessment methodology

As part of submissions to qualify for the Mid-term Reactive Power Market, bidders should complete the financial health related questions set out in: [submission proforma name to be confirmed at Market Launch]

The financial health assessment at market qualification stage is made up of the following parts:

1. Financial ratio analysis.
2. Dun & Bradstreet analysis.

Each part will be assessed using the methodology outlined below.

Part 1 Financial ratio analysis

In the [proforma name], Bidders are required to provide the most recent three (3) years of their financial information. Then through a combination of built-in formulas, the [proforma name] produces ratio calculations and scores based on the table below.

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Ratio	Formula	Maximum Available Score*
Gross Margin Ratio	Gross Profit / Sales	6
Profit Margin Ratio	Net Profit / Sales	12
Asset Turnover Ratio	Sales / Total Assets	6
Current Assets Ratio	Current Assets / Current Liabilities	10
Debt to Assets Ratio	Total Debt / Total Assets	6
Total Available Score		40

**Please refer to the [proforma name] if you wish to view the formulas used to convert ratios into a score out of the maximum available score. Please note these formulas are built into the [proforma name] and should not be edited.*

Liability/ debt values should be inserted as positive figures, not negative figures. Any losses (e.g. net profit) should still be inserted as a negative figure.

Financial information should be provided in full **to the nearest pound £ (GBP Sterling)**. Financial information should not be provided in the thousands, or millions.

If three years of financial information cannot be provided, for example if only one or two years are provided due to company age, the outturn ratio will default to 0 for the years where information cannot be provided.

For the avoidance of doubt:

- The financial information provided should be the financial information of the bidding entity/contracting entity that would enter/deliver the contract(s) for the solution(s) being proposed if successful in qualifying for the market.
- Bidders can also provide the financial information of their parent company, but this should be submitted **in addition to** having provided the financial information for the bidding entity/contracting entity.
 - Where Bidder's do provide their parent company financial information in addition to their own, NESO reserves the right to assess the submission considering the financial health of all parties.
 - Where parent company financial information is provided, this will also be assessed in line with the above as equally as it will be for the Bidder's own financial information.

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Part 2 Dun & Bradstreet analysis

NESO will assess Dun & Bradstreet Failure and Delinquency Scores for the Bidder. This will be done using Dun & Bradstreet and a prorated analysis.

The following formula will be used: $\text{Dun \& Bradstreet Score} / 100 * \text{Maximum Available Score}$

This formula will be applied in line with the table below.

Dun & Bradstreet Score	Max Dun & Bradstreet Available Score	Maximum Available Score
Company Failure Score	100	30
Company Delinquency Score	100	30

Please note these formulas are built into the [proforma name] and should not be edited.

Where Dun & Bradstreet Failure and Delinquency scores are not available, NESO will use the Dun & Bradstreet PAYDEX score as an alternative. This will be scored with the same weighting as the Failure and Delinquency Score combined. If a PAYDEX score is not available, then the default score used for the assessment will be 0.

Financial health assessment summary

The scores achieved across part 1 and part 2 will be combined to identify a score out of a 100 based on the summary shown below.

Please note that the overall financial health score will not be identified until NESO populate the D&B analysis section of the financial health assessment, upon the return of submissions.

Criteria	Maximum Available Score
Gross margin ratio	6
Profit margin ratio	12
Asset turnover ratio	6
Current assets ratio	10
Debt to assets ratio	6
D&B failure score	30
D&B delinquency score	30
Total	100

The score out of 100 from parts 1 and 2 combined will define whether the financial health assessment has met the requirements set out below.

Result	Description	Comments
Pass	<ul style="list-style-type: none"> Scores 50+ out of 100 across parts 1 and 2; or Bidder scores between 0-50 across parts 1 and 2 and sufficiently to 	<p>Bidder has satisfied the requirements of the financial health check in full.</p> <p>Where parent company information is provided, NESO reserves the right to consider this when assessing bids.</p>

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	assures NESO of financial stability	
Subject to Review	<ul style="list-style-type: none"> Scores between 0–50 across parts 1 and 2. 	<p>NESO may explore the reasons for the lower score out of 100. NESO may clarify with bidders how they can demonstrate financial stability.</p> <p>NESO reserve the right to pass or fail the bidder as a result of these findings.</p> <p>Where parent company information is provided, NESO reserves the right to consider this when assessing bids.</p>
Fail	<ul style="list-style-type: none"> Bidder submits a non-compliant bid where financial information has not been provided; or Bidder scores between 0–50 across parts 1 and 2 and fails to assure NESO of financial stability 	<p>Tenderer has failed to satisfy the financial health requirements.</p> <p>Where parent company information is provided, NESO reserves the right to consider this when assessing bids.</p>

Notes on the Financial Health Assessment

- Where a parent company is tendering on behalf of multiple subsidiaries or SPVs, the parent company should provide their own financial information as well as the financial information of the subsidiaries/SPVs.
- Should a bidder not provide the most recent three years of financial information as required, NESO retain the right to clarify why, and considering the rationale provided by the bidder, reject or retain the bidder.

If you have any queries about what financial information to provide for your company, please contact NESO through the query process.

Eligibility criteria assessment methodology

As part of submissions to qualify for the Mid-term Reactive Power Market, bidders should complete all the eligibility criteria questions set out in: [submission proforma name to be confirmed at Market Launch]

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The eligibility criteria questions will be evaluated using the scoring methodology outlined in this section.

Item	Question Type	Explanation/ Impact of Non-compliance
1	Pass/fail questions	Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected.
2	For information only questions	The "For Information Only" questions are not scored.

The specific pass/fail criteria for each question can be found in the [submission proforma name]

NESO reserve the right to consider responses to "for information only" questions to inform the assessment of pass/fail questions.

For any Pass/Fail Questions that require a Yes/No response with supporting explanation or evidence, NESO will consider the full response to inform the assessment.

Technical compliance criteria assessment methodology

As part of submissions to qualify for the Mid-term Reactive Power Market, bidders should complete all the reactive power technical compliance criteria questions set out in: [submission proforma name to be confirmed at Market Launch]

The reactive power service technical compliance questions will be evaluated using the scoring methodology outlined in this section.

Item	Question Type	Explanation/ Impact of Non-compliance
1	Pass/fail questions	Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected.
2	For information only questions	The "For Information Only" questions are not scored.

The specific pass/fail criteria for each question can be found in the [submission proforma name]

NESO reserve the right to consider responses to "for information only" questions to inform the assessment of pass/fail questions.

For any Pass/Fail Questions that require a Yes/No response with supporting explanation or evidence, NESO will consider the full response to inform the assessment.

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Project delivery criteria assessment methodology

As part of submissions to qualify for the Mid-term Reactive Power Market, bidders should complete all the project delivery criteria questions set out in: [submission proforma name to be confirmed at Market Launch]

The project delivery questions will be evaluated using the scoring methodology outlined in this section.

Item	Question Type	Explanation/ Impact of Non-compliance
1	Pass/fail questions	Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected.
2	For information only questions	The "For Information Only" questions are not scored.

The specific pass/fail criteria for each question can be found in the [submission proforma name]

NESO reserve the right to consider responses to for information only questions to inform the assessment of pass/fail questions.

For any Pass/Fail Questions that require a Yes/No response with supporting explanation or evidence, NESO will consider the full response to inform the assessment.

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Market Qualification Assessment Outcome

Successful bidders

- Bidders who are successful will be informed they have been successful as soon as possible after the completion of NESO's qualification assessment, and in line with the timelines and processes published within the Instructions document.
- Bidders who are successful become a qualified provider in the Mid-term Reactive Power Market and will enter the Mid-term Reactive Power Market Agreement with NESO.
 - This acts as the overall framework agreement that will govern how reactive power services will be provided to NESO through the Mid-term Reactive Power Market. At this stage, the Agreement does not commit the qualified bidder to provide reactive power services or for NESO to pay for reactive power services.
 - Instead:
 - Bidders who enter the Agreement with NESO can then participate in subsequent Mid-term Reactive Power mini-tender processes, to be considered for award of delivery contracts. Refer to **Appendix A** for more information on the indicative criteria that may be used in mini-tender processes.
 - Alternatively, from time-to-time NESO may award delivery contracts without a competitive process to a qualified provider. Refer to **Appendix B** for more information.
 - It is these delivery contracts which commit the qualified provider to provide reactive power services or for NESO to pay for reactive power services.

Unsuccessful bidders

- Bidders who are unsuccessful will be informed they have been unsuccessful as soon as possible after the completion of NESO's qualification assessment and in line with the timelines and processes published within the Instructions document.
- NESO will provide feedback to highlight the criteria where such bidders have been unsuccessful.

If a bidder applies but does not meet the qualification criteria, can they re-apply and try again?

- Yes. If bidders are unsuccessful following assessment of their market qualification submission against the published Market Qualification Criteria, they can reapply, accounting for any feedback they may receive about why their submission was unsuccessful. Participants who wish to attempt to qualify again would have to wait for the next available window before submitting again.

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Appendices

Appendix A: Indicative Mini-tender Assessment Criteria

The table below provides an indicative view on what criteria may be assessed during subsequent mini-tender processes run under the Mid-term Reactive Power Market.

However, it should be noted that these are purely indicative, and that the criteria that will be used for each mini-tender will be confirmed on a case-by case basis. NESO reserve the right to assess criteria it deems appropriate and proportionate to the requirements of each mini-tender on a case-by-case basis.

Category	Sub-category	Indicative criteria topics
Technical	Technical Requirements / Specification compliance	<ul style="list-style-type: none"> MVAr offered Service being offered (injection/absorption/static/dynamic) Location Effectiveness (as applicable) Confirmation of availability and how the provider will ensure the availability of the asset (as applicable)
Commercial	Performance Management	<ul style="list-style-type: none"> Is the provider on a performance management freeze? NESO reserve the right to not consider any provider who is on a performance management freeze
	Financial health	<ul style="list-style-type: none"> Agreement to provide a security (as applicable) Credit check of guarantor providing security (as applicable) Contract value to turnover analysis (as applicable)
	T&Cs / Key Dates	<ul style="list-style-type: none"> Review of any relevant contract milestone dates (such as CPs or PTMs) Service Start Date offered (SCOD) NESO may have right to reject bids that do not meet required timelines
	Price	<ul style="list-style-type: none"> Submission of availability fee / utilisation fee (£/SP) as required on a tender-by-tender basis Economic assessment to identify the most economic bid / portfolio of bids

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Appendix B: Non-Competitive Process Criteria

The table below lists the scenarios/criteria that give NESO the right to award a delivery contract to a qualified market provider, without a competitive tender process under the Mid-term Reactive Power Market.

Category	Criteria	Details
Time to ensure system security	Lead time before requirement materialises	If the identified requirement has an estimated lead time of less than three (3) months, NESO shall have the right to directly award a delivery contract to one of the qualified market providers.
	Duration of requirement	If the duration of the identified requirement is estimated at less than one (1) month, NESO shall have the right to directly award a delivery contract to one of the qualified market providers.
Volume of supply to ensure system security	Low market liquidity / limited qualified providers available	Where there is only one qualified market provider that is effective within an identified region of need (as defined for the requirement in question), NESO shall have the right to directly award a delivery contract to the qualified market provider. Note: This can be relied upon where there is only one qualified market provider that is effective within an identified region of need (as defined for the requirement in question) as a result of other qualified providers being unavailable due to performance management processes associated with prior poor performance.
Forecast Cost	The forecast cost is below a certain threshold	Where the forecast cost of the requirement is less than £200K, NESO shall have the right to directly award a delivery contract to one of the qualified market providers.
Competitive procedure has been attempted	Where non-competitive award is the last resort after exhausting competitive options	Where NESO has already attempted to run a competitive mini-tender process, but this has not resulted in sufficient (or sufficiently capable) bids to facilitate a competitive process. In this case, NESO reserve the right to directly award a contract to one of the qualified providers

NESO shall have the right (but is not obligated) to award delivery contracts without a competitive mini-tender process should any one of the above criteria arise.

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Where one of the above criteria arise, and NESO choose to award a delivery contract without a competitive mini-tender process, NESO may then need to select a qualified provider. This will be applicable where the basis for the award is not volume of supply, or this approach is being used as a last resort, and therefore NESO may be required to select a qualified provider for the delivery contract.

The table below details the criteria that will be applied when selecting which qualified provider to award to.

Category	Sub-category	Provisional criteria	Provisional criteria
Technical	Technical capability	MVAR capability of the asset compared to the volume of the requirement	NESO reserve the right to select the provider whose MVAR capability contributes the most MVAR to the requirements.
		Effectiveness / proximity to the location of the requirement	NESO reserve the right to select the provider who is the most effective (based on calculated effectiveness factors) or is the closest in proximity to the location of need. NESO will account for any effectiveness factors (as applicable) and the proximity of the provider to the location of the requirement.
		Confirmed commissioned and operational status	NESO reserve the right to select the provider that is known to be operational
		Contracted Notice Period/Response time (where applicable)	NESO reserve the right to select the provider with the quickest notice period/response time (where applicable).
Commercial	Price	Where all qualified providers have historic price data over the course of at least 3 call-off contracts, then the provider with the lowest average price from the last 3 mid-term reactive call-off contracts can be selected	NESO reserve the right to select the provider with the lowest average price from their last 3 mid-term reactive call-off contracts, subject to all qualified providers having historic price data for at least 3 call-off contracts
Commercial	Performance Management	Is the provider on a performance management freeze?	NESO reserve the right to not directly award to any provider who is on a performance management freeze

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NESO reserve the right to select a provider for a non-competed award based on any one of the above criteria or any combination of the above criteria as it sees fit, taking account of the specific circumstances of the identified requirement and any commercial constraints.

The table below provides an indication of the questions that may be applied during this process when engaging with the selected qualified provider.

Category	Sub-category	Indicative/ questions	Indicative Assessment methodology
Technical	Technical capability	<ul style="list-style-type: none"> MVAr capability that can be provided 	Pass/Fail – Sufficiently contributes to the requirements
		<ul style="list-style-type: none"> Optional: Notice Period/Response time (where applicable) 	Pass/Fail – within any technical specification parameters that are required
	Availability	<ul style="list-style-type: none"> Key Dates – can they provide the service between X and Y Can they meet the availability requirements identified for the need e.g. 90% Explanation of how they will ensure any availability requirements 	Pass/Fail – can they provide the service between key dates Pass/Fail – can they meet the availability requirements
Commercial	Financial health (Optional)	<ul style="list-style-type: none"> Optional: Agreement to provide security (if used) Optional: Credit check of guarantor providing security (if security provision used) 	Pass/Fail – they agree to provide security (if used) Pass/Fail – credit check meets NESO requirements (if used)
	Price	<ul style="list-style-type: none"> Submission of availability fee / utilisation fee as required – £/SP 	The submitted price and outturn contract cost is more economic than the counterfactual

The table above provides an indicative view on what questions may be asked assessed when engaging with the selected qualified provider during a non-competitive award process before entering any delivery contract on this basis.

However, it should be noted that these are purely indicative at this time, and that the questions that will be used will be confirmed on a case-by case basis. NESO reserve the right to ask any questions it deems appropriate and proportionate to the identified requirements and the context at the time.

After engaging with the selected provider through the non-competitive award process, NESO reserve the right not to proceed with the award based on the outcome of any questions applied during the process.

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If this route is used by NESO, after the award has been made, NESO will publish information that confirms a non-competitive award has been made and which of the above criteria determined this outcome.