

Richard Hanson
Account Manager
Richard.hanson2@nationalgrid.com
Direct tel 07917 503317
Direct fax 01926 656613

www.nationalgrid.com

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Dear Service Provider

STOR RUNWAY (STOR TENDER ROUND 27)

INVITATION TO TENDER

National Grid invites participation in the STOR Runway service, with the tender process to be run alongside STOR Tender Round 27. Please be advised that the relevant information regarding participation in the STOR Runway tender is outlined in this letter.

STOR Runway Electronic Tender

The STOR Runway Tender Submission spreadsheet is available to access on the main STOR Tender Round 27 event on the Ariba system.

This Invitation to Tender (ITT) documentation has been launched today and Providers who previously participated in the main STOR Tender Round 26 via Ariba should receive an automatically generated email to enable access to the STOR Tender Round 27 event using their existing Ariba account.

If you are a new provider and have recently entered into a STOR Framework Agreement with National Grid then you should receive an automatically generated email to enable you to set up a log-in to securely access the Ariba platform.

If you are a new provider and have not entered into a STOR Framework Agreement with National Grid, please contact either your Account Manager or Richard Hanson in order to be assigned access to Ariba.

If you have not received logon information or are not able to access Ariba by Tuesday 21st July, please contact your Account Manager or Richard Hanson.

Please note there is no requirement for Providers to have entered into a STOR Framework Agreement as a condition of participating in this STOR Runway tender process.

STOR Runway Tender Submission Spreadsheet

Once you have logged on to the Ariba system, there will be a STOR Runway Tender Submission Spreadsheet in addition to the main STOR Tender Submission Spreadsheet. The STOR Runway Tender Submission Spreadsheet should be used to enter all details for STOR Runway units being tendered.

For clarity, those Providers wishing to also take part in the main STOR Tender must use the STOR Tender Submission Spreadsheet for this purpose; the STOR Runway Tender Submission Spreadsheet should only be used to submit tenders for STOR Runway.

Relevant Documentation

For further information relating to this STOR Runway tender, please refer to the following documents available on the STOR Runway website:

<http://www2.nationalgrid.com/UK/Services/Balancing-services/Reserve-services/Short-Term-Operating-Reserve/STOR-Runway/>

1. STOR Runway Guidance Document
2. STOR Runway Appendix Template

Key Dates

The key dates for this Tender Round are as follows:

Market Day	17:00 hours on Friday 21 st August 2015
Tender Opening	Monday 24 th August 2015
Tenderer's notified of results	Friday 2 nd October 2015
Notification Deadline for Growth Gate 4	17:00 hours on Monday 7 th September 2015
Growth Gate 4 Live	05:00 hours on Monday 26 th October 2015

Market Day is the latest day in which STOR Runway tenders can be uploaded to Ariba - all tenders must be submitted no later than 17:00 hours on **Friday 21st August 2015**. **Please ensure you allow adequate time for this process.**

Premium Flexible Service

In STOR Runway, Providers can offer a Premium Flexible Service. Information in regard to the Premium windows is communicated in the main STOR Tender Round 27 Invitation to Tender Letter.

TR25 offered the first tender opportunity for year 10 where no PF tenders were accepted, presenting an opportune time to introduce change without effecting existing contracts. Consistent with TR26 National Grid is maintaining the definition of premium windows for year 10 and onwards to be Monday to Friday only. National Grid took the strategic decision to not accept any PF tenders for year 10 in TR25 to enable the market to consider the revised terms before tendering during TR26. Further information on the details behind this change can be found in the TR25 Market Information Report. If you have any further queries please do not hesitate to contact your Account Manager.

STOR Runway Appendix

The contractual terms for STOR Runway will be set out in a discrete Appendix to the STOR Framework Agreement. Any provider wishing to participate in the STOR Runway tender process may do so without a STOR Runway Appendix in place; contracts will be signed for introduction of a STOR Runway Appendix on acceptance of successful tenders.

Existing STOR Providers with a STOR Framework Agreement:

For Providers with an existing STOR Framework Agreement, if successful in the STOR Runway tender process, a STOR Runway Appendix will be added into the existing Framework Agreement.

New Providers without a STOR Framework Agreement:

For new Providers without an existing STOR Framework Agreement, if successful in the STOR Runway tender process, a STOR Framework Agreement will need to be signed and that STOR Framework Agreement will include a STOR Runway Appendix.

For clarification, in the event that a STOR Runway tender is successful and accepted, no commitment is made or legally binding obligation accepted by National Grid or the Provider in relation to the STOR Runway service unless and until contract terms are formalised by the adoption of a STOR Runway Appendix into a STOR Framework Agreement

Growth Gate Dates

The table below outlines the final dates for the six Growth Gates which will occur throughout STOR Year 9. These Growth Gates are the points at which the growth of STOR Runway volume can be facilitated. The table also indicates the notification deadline for each Growth Gate, which is the latest date for each Growth Gate at which the Provider can notify their Account Manager (via the form in the STOR Runway Appendix) of a growth in volume.

Growth Gate	Volume Growth Notification Deadline	Growth Gate Date
Gate 1	Monday 16 th March 2015	Monday 4 th May 2015
Gate 2	Monday 11 th May 2015	Monday 29 th June 2015
Gate 3	Monday 6 th July 2015	Monday 24 th August 2015
Gate 4	Monday 7 th September 2015	Monday 26 th October 2015
Gate 5	Monday 2 nd November 2015	Monday 21 st December 2015
Gate 6	Monday 4 th January 2016	Monday 22 nd February 2016

Eligible Volume

The volume to be procured in STOR Runway will be new Demand Side volume; to expand on this, the definition can be clarified as:

- New STOR Volume: Defined as any volume which is not currently the subject of a STOR Framework Agreement and is not on an existing live Appendix 8 for a STOR Aggregator.
- Demand-Side Volume: Defined as delivery of Reserve via Demand Reduction which can include either; consumers able to reduce/shift demand or run 'behind-the-meter' standby generation. For clarity, the definition of Demand Side does not include back-up or embedded generation that "spills" on to the grid.

Assessment

Tenders received for STOR Runway will be subject to an economic assessment, in the same way that standard STOR market tenders are assessed. The Assessment Principles as published for STOR also apply to the assessment of STOR Runway tenders; accepted tenders will be selected such that the total costs of securing the Reserve and operating the system are lower than without the selection of those tenders.

For STOR Runway, the volume requirement being procured sits outside of the main STOR requirement however the tender prices received will be subject to economic assessment in line with prices that are received in tenders for the main STOR market Tender Round 27. STOR Runway tenders will be assessed against those tenders in STOR Tender Round 27 which are received for STOR Year 10; corresponding to the second year of STOR Runway contracts.

Alongside the economic assessment, the indicative Growth Plans submitted as part of the STOR Runway tender will be considered as part of the assessment process. These will be considered in terms of assurance that can be provided to National Grid that the Provider will be able to reach the targeted MW volume if successfully awarded a STOR Runway contract.

For further information and a more detailed explanation of the tender process for STOR Runway please refer to the STOR Runway Guidance Document. Alternatively please contact your Account Manager or Richard Hanson should you have any queries.

Yours sincerely

Richard Hanson