

Simplification and Standardisation of FFR service



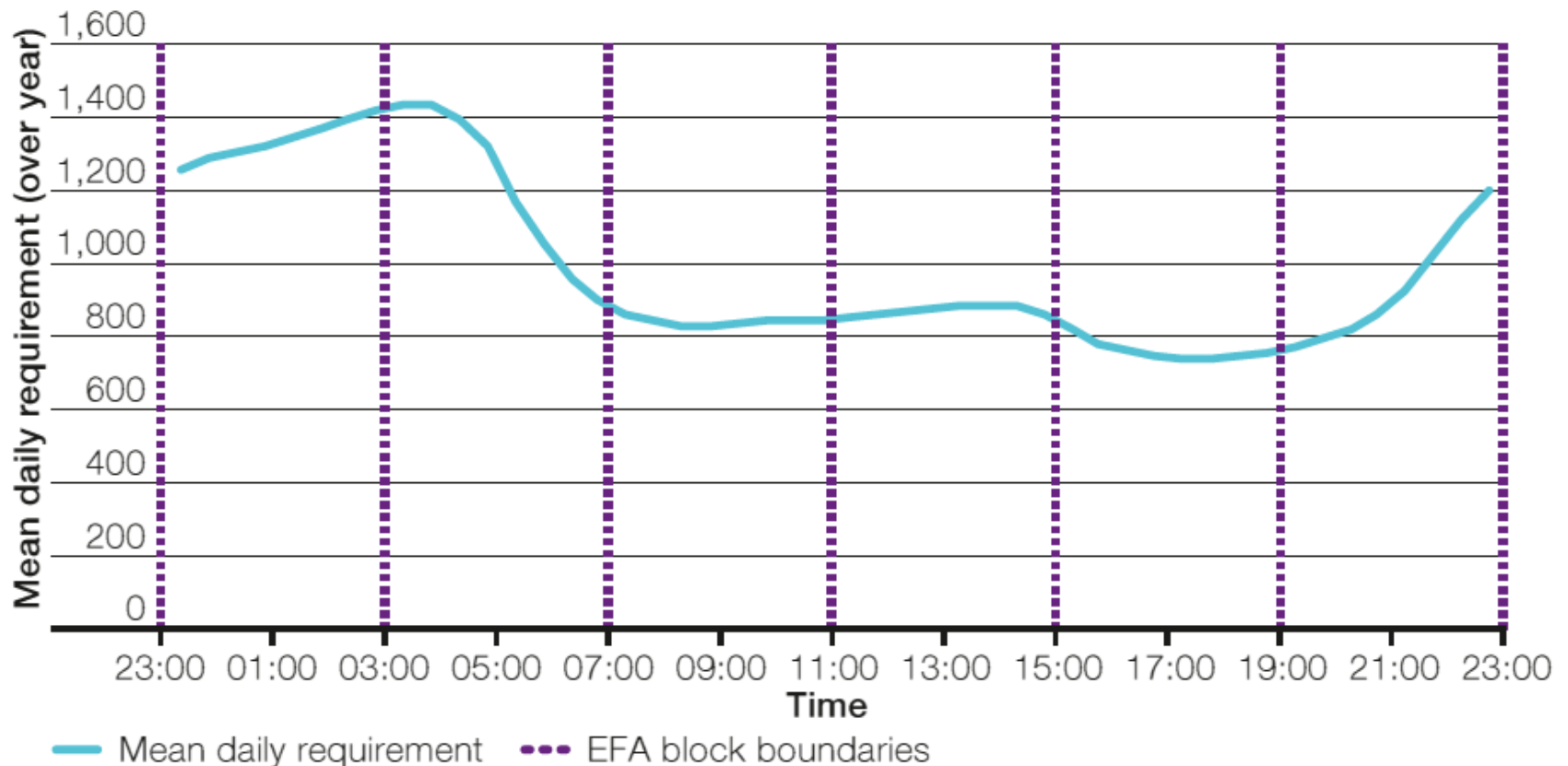
March 2018

Simplification of FFR

- Product Roadmap for Frequency Response and Reserve published in December 2017
- Outlined two areas of simplification:
 - Standardised within-day windows
 - Standardised duration of contract
- Standardising will increase transparency and facilitate price discovery
- We will be introducing these for the tender round closing on **1st May** to give parties two months to transition

Standard Within-Day Windows

- We will be moving to 4-hourly EFA blocks as below:



Standard Within-Day Windows

- Tenders will be restricted to starting and finishing at 0300, 0700, 1100, 1500, 1900, 2300 hours
- Full month tenders must start at 2300 on the last day of the previous month, e.g. for the month of June the tender should start at 2300 on 31st May.
- Providers can still use all-or-nothing linked tenders to manage within day periods of unavailability

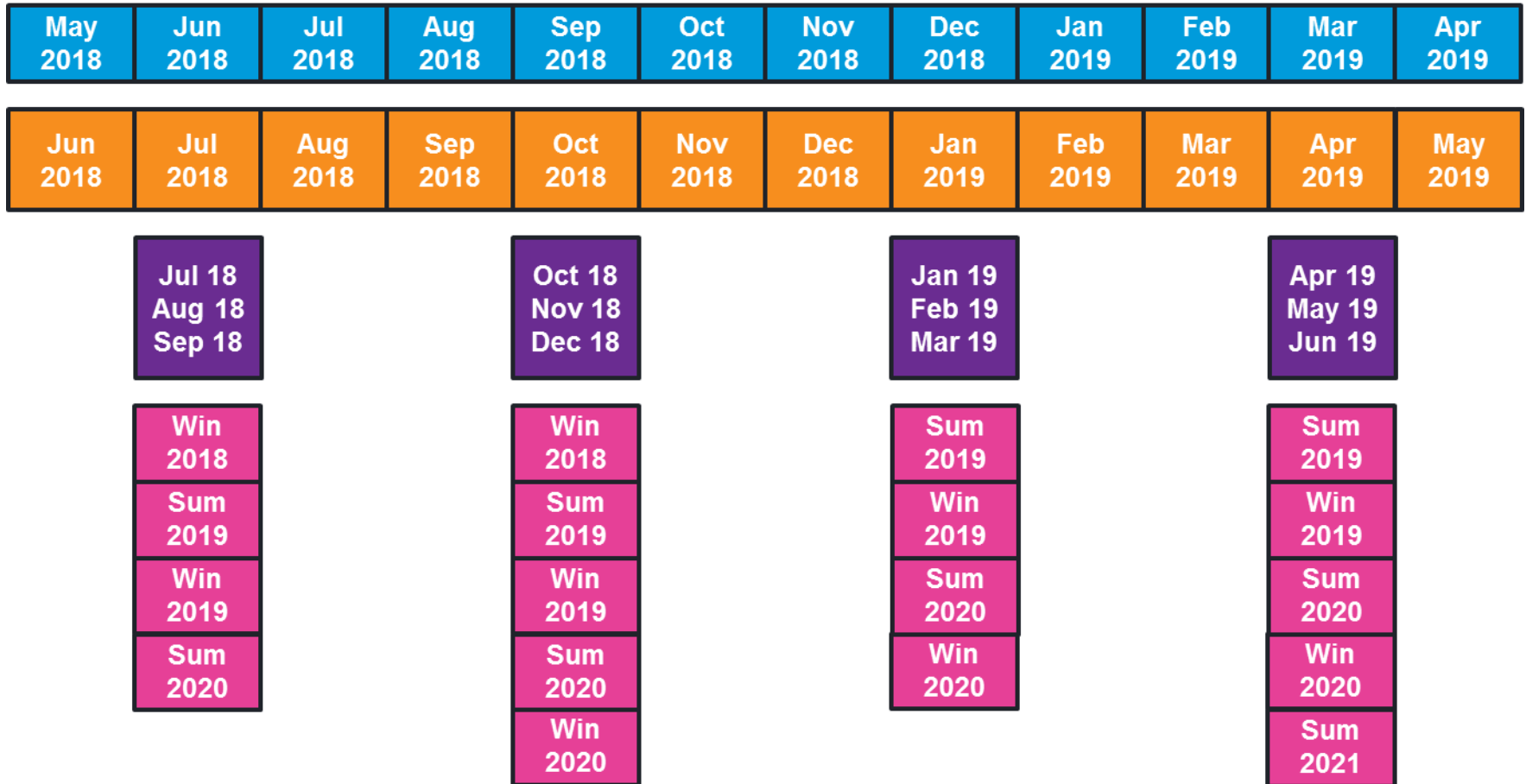
Standard Duration of Contract

- We will be moving to a quarterly long-term procurement based on quarters and seasons
- We will offer volume up to 30 months ahead
 - Whilst there will be no restriction on forward tendering there will be a back stop date to which tender will be awarded up to
- We will continue with month ahead every month
- We will provide an indication of volume requirements for each future season in the monthly Market Information Report.

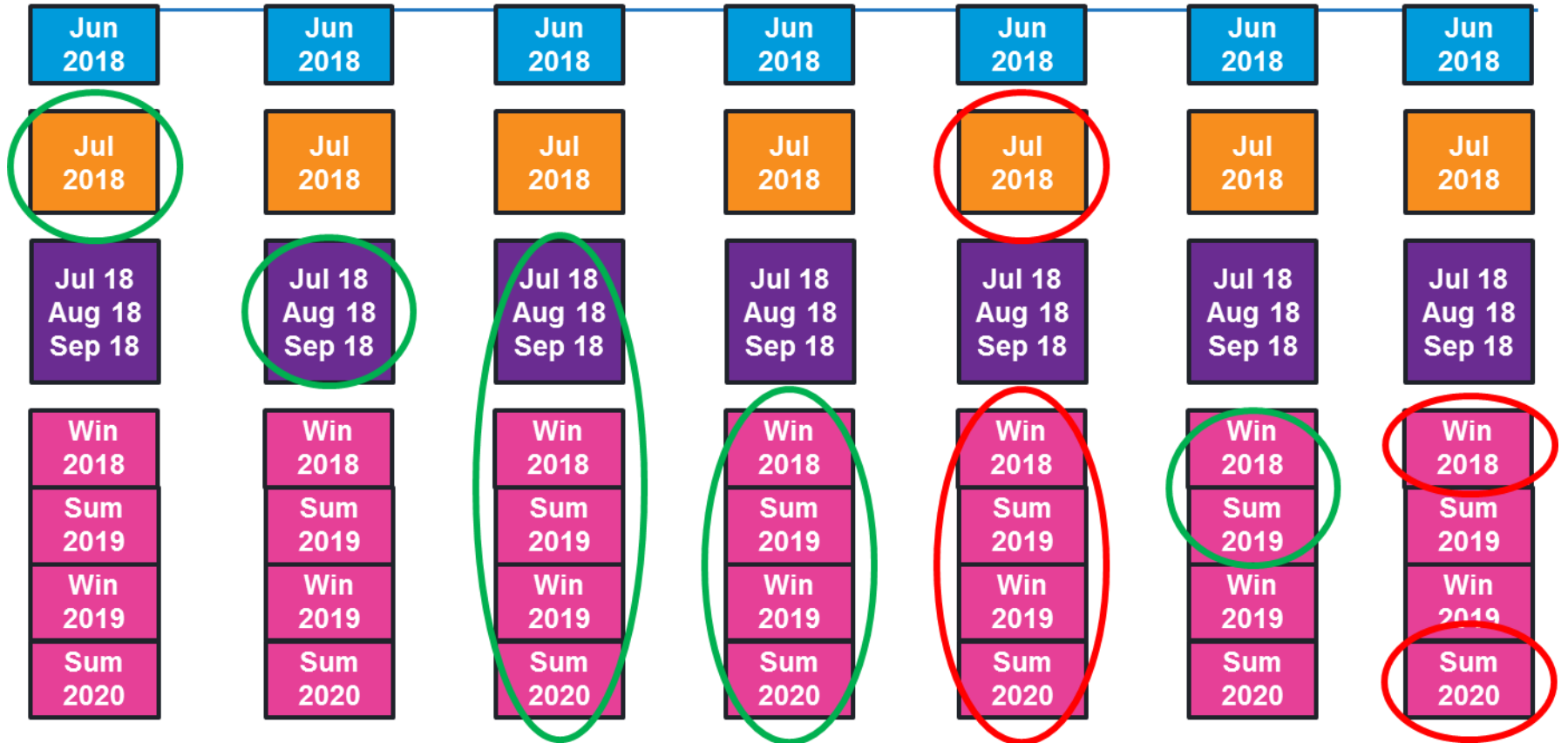
Tender bids per unit

- From the tender closing on the 1st April for delivery in May (TR100) there will be a cap of 2 bids per unit per tendered period as per Market information report. Moving to TR101 (EFA blocks) and beyond the following will be permitted
- For month ahead tender 2 bids will be permitted
- For full tender rounds the following will be permitted
 - 2 bids per unit for month ahead requirement
 - 2 bids per unit for quarter ahead requirement
 - 2 bids per season
- A bid is described as either a single tender line or a series of tender lines that are combined as all or nothing offer
- Any more than 2 bids per unit, per tender period will be considered non compliant and all affected bids will be rejected

Standard Duration of Contract – Month ahead, Quarter ahead and Seasons



Standard Duration of Contract



Questions and Answers

Bids per unit

- **Q1. If more than 2 bids are received per unit will all bids from that provider be rejected or only the bids relating to that FFR unit?**
- A. We will be limiting the number of tenders per unit to 2 per tender period. This means 2 tenders could be submitted for month ahead, or 2 tenders could be submitted for quarter ahead, and 2 tenders could be submitted for each season on offer.
- Eg. A provider could submit 2 tenders for month ahead and this would be deemed compliant and taken forward for assessment. If the same provider also submitted 3 tenders for Winter 18, these 3 would be deemed non-compliant and would be rejected. But they would not impact the month ahead tenders.
- **Q2. Wouldn't the third column be two separate bids, as you can't have a quarterly tender and a season tender accepted at the same time?**
- A. Referring to the final slide in the presentation, the third column could all be accepted as one tender. The quarter in this example starts in July 18, then the first season starts in October 18. However, you couldn't submit this in the September tender as both the front quarter and front season start in October 18. In this case, you could tender in for all 5 seasons starting October 18.
- **Q3. Limit of 2 bids per unit per period, is a little too low, i think this should be 3 to match the permutations of P, S + H ?**
- A. P&S need to be tendered in together. We are not preventing a tender for a period that offers P&S and offers H and is wrapped up as an All or Nothing. We are not changing the structure of the products that can be tendered in. Tenders would still need to be for P/S, or P/S/H or H only.

Questions and Answers

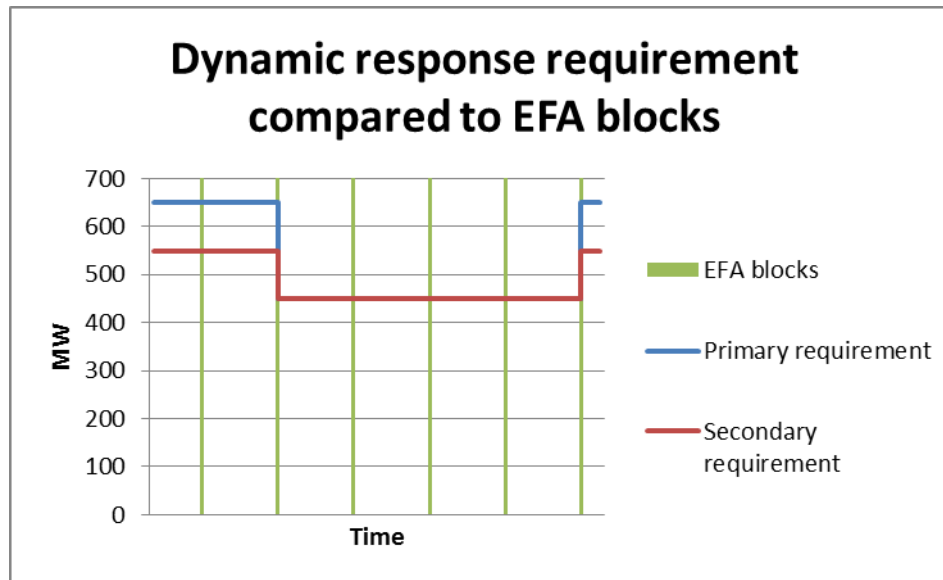
Contract durations

- **Q4. What months are you including as "Winter" months?**
- A. Each season is 6 months in duration. Winter will be from October to March inclusive and Summer will be from April to September inclusive.
- **Q5. Could you confirm the definition of seasons; what are the start and end dates?**
- A.As above.
- **Q6. Are you able to submit tenders for 2-month durations or does it have to be in Single month, Quarter and Season blocks?**
- A. The tenders must cover either month ahead, the front quarter or season blocks. We will not be offering 2 months as a contract duration.
- **Q7. 30 months is the max contract duration, so if I bid in September for 30 months duration from October 2018 on - I will have a full 30 months contract, correct?**
- A. Yes
- **Q8. If it takes me 6 months to build, I will be left with the 24 months contract (as it is now), correct?**
- A. For those tenders when we offer the full 30 months (September and March) that will be the case. In the long term tenders that are held in June and March, you will be left with 18 months. I.e. in June, with a 6 month lead time, you couldn't tender in to start part way through the season (ie to start 1st Jan 19), but could tender in for Summer 19, Winter 19 and Summer 20.

Questions and Answers

Requirements and EFA blocks

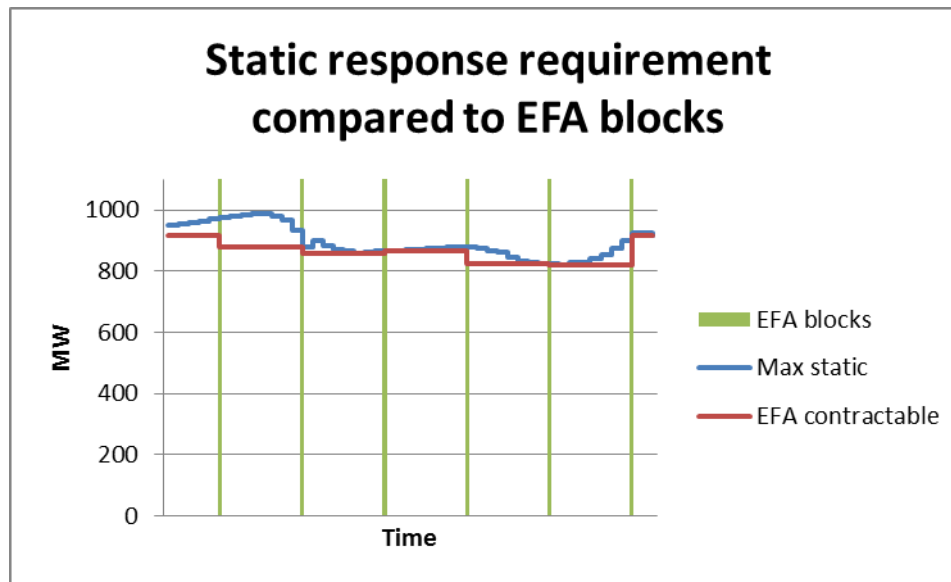
- **Q9. Can you please clarify how static will be impacted by these changes?**
- A. We will be looking to procure our requirement up to the minimum requirement point in the EFA block. This will not impact the minimum dynamic requirement as this is a straight line requirement that aligns exactly with EFA blocks. As shown in the chart below.



Questions and Answers

Requirements and EFA blocks continued

- The remaining requirement (between total requirement and minimum dynamic) is initially taken from the static market. We will look to procure up to the minimum point in a particular EFA block. This is shown in the chart below.



- As we get closer to time we will look at optimising the procurement within an EFA block.

Questions and Answers

Requirements and EFA blocks continued.

- **Q10. To clarify does the NGRID EFA block requirement equal the max or min volume along the curve in that EFA block?**
- A. The minimum amount as explained in the above answer.
- **Q11. Just to be clear, are you procuring up to the minimum requirement 30 months ahead, or are you procuring the full 100% of the minimum requirement?**
- A. We will be aiming to procure up the minimum point within an EFA block as demonstrated above. We will continue to engage in a procurement strategy that aims to fill our requirements incrementally over the procurement period. We do not want to fulfil our entire long term requirement at the earliest opportunity, but take a measured approach that gives the market a number of opportunities in which to tender in.
- **Q12. Can long term tenders have flexibility of which EFA blocks are chosen - or is it only 'All EFA blocks'?**
- A. There will be flexibility on the EFA blocks that providers can tender in for.
- **Q13. Does any May bid have to end by 23:00 31st May then?**
- A. This approach would make the transition to contracts starting in June easier. A provider will need to consider when best to end tenders in May so that they align correctly with tenders starting in June (which must start and end in line with EFA blocks). We will not be able to accept bids if there is an overlap between the end of tender for May and the start of a tender for June.

Questions and Answers

Lead time

- **Q14. What's the rationale for removing the "6 month ahead" start restriction?**
- A. Providers of new build assets have stated that 6 months is not sufficient time in which to deliver a project that is not already well committed to. In removing this we are giving control of the development period back to providers to manage, however in doing so we will be holding providers to account more strictly to delivering their assets by the contracted start date.

Long term/short term tender rounds

- **Q15. Apr and May are now only tenders for month ahead and the first long term tender will be June?**
- A. Yes, the tender round that opens at the beginning of April 18 (TR100) and beginning of May 18 (TR101) will be for month ahead only. The tender round that opens at the beginning of June 18 (TR102) will be a long term tender.
- **Q16. Can you confirm that in the May tender there is no opportunity to secure contracts longer than 1 month in duration? Or will May operate as it had done previously?**
- A. Confirmed. The tender round closing at the beginning of May 18 (TR101) will be for month ahead only.
- **Q17. If I understand this correctly, the next long-term bidding round is in June? So May is not a long-term anymore, but just for 1 month ahead?**
- A. That is correct. May (TR101) is month ahead only.
- **Q18. There will only be 4 long-term auctions per year, now. Correct?**
- A. There will be 4 long-term tenders per year now.

Questions and Answers

Revenue stacking

- **Q19. What impact will this have on revenue stacking?**
- A. Revenue stacking is only permitted where the delivery windows exactly align. Where providers have existing contracts which do not align with EFA blocks, they will have to create new FFR units to tender in the additional volume. Ultimately we believe that moving procurement closer to real time will remove the need for stacking completely, as providers will be able to adjust their portfolios for each procurement event.
- **Q20. Can we still stack on top of existing tenders?**
- A. See above response.
- **Q21. Is it possible to stack on existing tenders?**
- A. See above response.

Submission spreadsheet

- **Q22. Will this impact the excel sheet used to submit tenders, will it be changed at all?**
- A. Yes, it will be changed. It will use drop down boxes for contract dates and window times so only appropriate entries can be made. In the instance that times are put in for weekdays and weekends which would result in windows overlapping, conditional formatting is in place to warn the party populating the spreadsheet that there is a problem. There is also equivalent conditional formatting for contract start and end dates (warning if the end date has been incorrectly entered as before the start date).