

## **DEMAND SIDE BALANCING RESERVE - SERVICE DESCRIPTION AND TENDER PROCESS**

### **1. SERVICE DESCRIPTION**

- 1.1 The DSBR Service is a service of demand reduction (including from “behind the meter” and embedded generation) delivered at one or more metering points, provided from a “DSBR Unit” representing a collection of MPANs associated with such metering points, and delivered on instruction by NGET with payment made by reference to a prescribed baseline demand profile. The service meets the description of “Other Service” set out in the third limb of the definition of “balancing services” in SLC C1 of NGET’s Transmission Licence (i.e. “[serving] to assist the licensee in co-ordinating and directing the flow of electricity onto and over the national electricity transmission system in accordance with the [Electricity] Act or the standard conditions and/or in doing so efficiently and economically...”).
- 1.2 The DSBR Service must be offered for despatch by NGET across all or part(s) of a DSBR Service Window (4pm to 8pm) on non-holiday weekdays during November to February inclusive, with demand reduction sustained following instruction for a continuous period of not less than 1 hour.
- 1.3 The DSBR Service will if required be procured via contracts (“DSBR Contracts”) each with a service term comprising a single winter (November to February inclusive). The first tender will be run in June 2014, for DSBR Contracts for winter 2014/15. NGET also intends to run tenders in late Summer/early Autumn 2014, and Spring 2015, for DSBR Contracts for winter 2015/16, and reserves the right to undertake additional procurement events as the need arises.
- 1.4 The DSBR Service is being procured with an option for the tenderer to receive an upfront Set-up Fee (£10,000/MW of indicative capability offered) in addition to utilisation fees, payable where demand reduction can be sustained for a continuous period of 2 hours or more (and reduced pro rata for shorter periods).
- 1.5 Tenderers will also have an option to receive an Administration Fee (£/kW of indicative capability offered) where the DSBR Service is delivered from a large number of individual sites.

### **2. DSBR UNITS**

- 2.1 A tender for the DSBR Service may only be submitted in respect of a DSBR Unit which meets the following conditions:
  - 2.1.1 the DSBR Unit must be comprised of one or more MPANs each of which meets the following requirements:
    - (a) the MPAN must be associated with a metering point the subject of BSC accredited half-hourly metering which is used for half-hourly settlement purposes and has been so used throughout the preceding winter period; and
    - (b) the MPAN shall not:
      - (i) be associated with a metering point registered (either solely or with other MPANs/metering points) to an active Production BM Unit or Consumption BM Unit for which Bid-Offer Data is submitted under the Grid Code and BSC; or
      - (ii) be associated with a metering point which (wholly or partly) and for all or part of any tendered Service Window, either (1) measures supply to a site contracted to NGET (including via an aggregator or other third party) for demand reduction (or generation) (which for these purposes shall include a site contracted for Short Term Operating Reserve (either on a

committed basis or on a flexible basis where Short Term Operating Reserve is declared available to NGET for acceptance) or (2) is otherwise engaged in triad avoidance or other demand management activities; or

- (iii) be comprised within another DSBR Unit; or
- (iv) be associated with a directly connected, non-embedded, site.

2.1.2 the tendered Indicative DSBR Capability attributable to the DSBR Unit must:-

- (a) not exceed the aggregate offered DSBR capability of each constituent MPAN calculated in accordance with paragraph 4.2; and
- (b) be not less than 1MW (1,000 kW).

### 3. **DSBR TENDER DECLARATION**

Each DSBR Tender must be accompanied by the following DSBR Tender Declaration: -

*"We acknowledge that entry into a DSBR Contract is conditional upon us representing to NGET, in relation to each tendered DSBR Unit, that: -*

1. *during the DSBR Service Windows (or part(s) tendered): -*
  - 1.1 *we have the right to control the demand (or generation) associated with each of the constituent MPANs, whether as Owner/Operator or as Third Party Intermediary; and*
  - 1.2 *our tendered Indicative DSBR Capability represents a reasonable expectation of the quantity of demand reduction (or output), relative to the Baseline Demand Profile, which is both deliverable pursuant to an instruction from NGET and sustainable for not less than 1 hour; and*
2. *each constituent MPAN is: -*
  - (a) *associated with a metering point the subject of BSC accredited half-hourly metering which is used for half-hourly settlement purposes and has been so used throughout the preceding winter period; and*
  - (b) *not associated with a metering point registered (either solely or with other MPANs/metering points) to an active Production BM Unit or Consumption BM Unit for which Bid-Offer Data is submitted under the Grid Code and BSC; and*
  - (c) *not associated with a metering point which (wholly or partly) and for all or part of any DSBR Service Window (or part(s) tendered), either (1) measures supply to a site contracted to NGET (including via an aggregator or other third party) for demand reduction (or output) (which for these purposes shall include a site contracted for Short Term Operating Reserve (either on a committed basis or on a flexible basis where Short Term Operating Reserve is declared available to NGET for acceptance) or (2) is otherwise engaged in triad avoidance or other demand management activities; and*
  - (d) *not comprised within another DSBR Unit; and*
  - (e) *not associated with a directly connected, non-embedded, site; and*
3. *no attempt has been made to manipulate the Baseline Demand Profile for the purpose of increasing the payments payable by NGET for the DSBR Service; and*

4. *we have the ability to put in place and maintain the necessary procedures and systems (including without limitation the installation of NGET's "DSBR despatch interface" on our relevant hardware and software applications) to enable the delivery of demand reduction (or output) during the DSBR Service Window (or part(s) tendered) within 2 hours of a DSBR Instruction; and*
5. *we have obtained or, having made all reasonable enquiries, we believe that we will obtain, all necessary consents and permissions to enable us to provide the DSBR Service and perform our related obligations, and to enable NGET to exercise its rights and powers, in each case under the DSBR Standard Contract Terms.*

*We acknowledge that NGET will rely on the truth of these representations when deciding to enter into any DSBR Contract, and that they will be deemed to be given to NGET immediately prior to entering into a DSBR Contract.*

*Furthermore, we acknowledge that each DSBR Contract will contain provisions for the repetition of representations 1 – 3 inclusive from time to time during the Service Term, and that implementation of the provisions of representations 4 and 5 will be conditions precedent in each DSBR Contract."*

#### 4. **TENDER SUBMISSION**

- 4.1 Each tender for the DSBR Service from a DSBR Unit shall be submitted via, and in accordance with the processes established by, NGET's DSBR System, and required information shall include:
  - 4.1.1 details of the Service Provider, including name, registered office, company number, VAT registration and bank details;
  - 4.1.2 whether and to what extent, in relation to that DSBR Unit, the Service Provider is Owner/Operator or Third Party Intermediary;
  - 4.1.3 the constituent MPAN(s), and for each such MPAN the postal address and the name and contact details of a site representative;
  - 4.1.4 the Indicative DSBR Capability (MW) ( $Q_i$ ), together with the offered DSBR capability of each constituent MPAN meeting the requirements of paragraph 4.2;
  - 4.1.5 whether such DSBR capability is offered throughout the entirety of each DSBR Service Window, and if not the part(s) thereof in which such DSBR capability is offered (each to be a continuous period of not less than the Sustainability Duration);
  - 4.1.6 whether the Service Provider elects to receive a Set-up Fee (£10,000/MW subject to pro rata reduction in the circumstances specified in the DSBR Standard Contract Terms);
  - 4.1.7 where applicable as specified in paragraph 4.3, the Administration Fee (£/MW) (if any);
  - 4.1.8 the selected Utilisation Rate (£/MWh) ( $PU_i$ ) by reference to paragraph 4.4;
  - 4.1.9 the Sustainability Duration over which demand reduction (or output) can be sustained (which shall be not less than 1 hour) ( $SD_i$ ); and
  - 4.1.10 a mobile telephone number(s) for despatch purposes.
- 4.2 For the purposes of paragraph 4.1.4, the offered DSBR capability of an MPAN shall not exceed the lower of the average half hourly metered demand (or generation) associated with that MPAN across the DSBR Service Window (or part(s) tendered) in each of the ten days which shall be nominated by NGET for such purpose on the DSBR System.

4.3 For the purposes of paragraph 4.1.7, the tenderer may elect to receive, and if so shall specify, an Administration Fee only where the DSBR Unit has 50 or more constituent MPANs.

4.4 For the purposes of paragraph 4.1.8, Utilisation Rates shall be selected from £250/MWh, £500/MWh, £750/MWh, £1,000/MWh, £1,500/MWh, £2,000/MWh, £3,000/MWh, £4,000/MWh, £5,000/MWh, £7,500/MWh, £10,000/MWh, £12,500/MWh and £15,000/MWh.

## 5. **TENDER VALIDATION**

5.1 With respect to all tenders, NGET reserves the right to undertake such validation checks and procedures as it shall consider appropriate, including accessing MPAN data held by the Electricity Central Online Enquiry Service and obtaining from Data Collectors Metered Consumption data for relevant MPANs with respect to each of the ten days nominated by NGET pursuant to paragraph 4.2, and each tenderer will be required to cooperate with NGET with respect thereto.

5.2 Where, in respect of any DSBR Unit, NGET has reasonable grounds to believe that one or more of the matters covered by the DSBR Tender Declaration is not satisfied and/or, in relation to any constituent MPAN, the offered DSBR capability does not comply with paragraph 4.2, then NGET may (at its option) either:-

5.2.1 remove any one or more constituent MPANs from the DSBR Unit and invite the tenderer to confirm a corresponding reduction in the Indicative DSBR Capability; or

5.2.2 reject the tender.

5.3 If, within 3 calendar days following an invitation from NGET to agree a reduction in Indicative DSBR Capability pursuant to paragraph 5.2.1, the tenderer:-

5.3.1 either confirms its agreement or fails to indicate whether it agrees or not, then for the purposes of the DSBR Tender the Indicative DSBR Capability shall be reduced accordingly (and notwithstanding that it may thereby be reduced below 1MW); or

5.3.2 indicates it does not agree, then NGET may reject the tender.

5.4 Where pursuant to paragraph 5.3.1 Indicative DSBR Capability has been reduced, then if the tenderer has elected to receive an Administration Fee and the number of remaining MPANs constituting the DSBR Unit has thereby reduced below 50, NGET may at its discretion disapply the Administration Fee with the effect that the election pursuant to paragraph 4.3 shall be treated as not having been made.

## 6. **TENDER EVALUATION**

Compliant tenders will be assessed, and accepted or rejected, in accordance with the assessment principles set out in NGET's DSBR Procurement Methodology as from time to time approved by the Authority pursuant to Special Condition 4K ("Demand Side Balancing Reserve and Supplemental Balancing Reserve Revenue Restriction on External Costs") of NGET's transmission licence for the purposes of determining that any procurement of the DSBR Service is economic and efficient, including that it provides value for money for consumers in Great Britain.

## 7. **CONTRACT FORMATION**

7.1 In the event that a tender is accepted, no DSBR Contract shall be formed unless and until, firstly, NGET shall have confirmed acceptance to the relevant tenderer and invited it to confirm the terms of the DSBR tender as so accepted and, secondly, the tenderer shall have given such confirmation to NGET within 5 calendar days of such invitation.

7.2 For the avoidance of doubt, if no such confirmation is received by NGET by the date specified in paragraph 7.1 then the tender shall be deemed to have been withdrawn

notwithstanding its acceptance and no DSBR Contract shall be formed, and NGET reserves the right to subsequently accept one or more other compliant tenders.

7.3 With respect to compliant tenders including a Set-up Fee and/or an Administration Fee, no invitations will be issued under paragraph 7.1 once the total volume of all DSBR Contracts reaches the volume limit (for both the DSBR Service and the Supplemental Balancing Reserve Service) determined by NGET in accordance with NGET's Volume Requirements Methodology agreed with the Authority.

8. **CONTRACT CALL OFF**

8.1 All DSBR Contracts will be despatched by NGET in accordance with NGET's DSBR Operational Methodology as from time to time approved by the Authority pursuant to Special Condition 4K ("Demand Side Balancing Reserve and Supplemental Balancing Reserve Revenue Restriction on External Costs") of NGET's transmission licence for the purposes of determining that testing and utilisation of the DSBR Service is economic and efficient, including that it provides value for money for consumers in Great Britain.

8.2 The acceptance of a tender and the formation of a DSBR Contract does not place any obligation on NGET to utilise the service from the Service Provider at all or for any volume, and in particular the extent to which NGET is able to instruct the DSBR Service depends on the likely ability of the transmission system or distribution system to be able to accommodate their additional exports or reduced imports.

9. **INDICATIVE TENDER PROCESS FLOW CHART**

