

Distribution Flexibility Service

Participation Guidance

June 2024



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1. Tender Parameters

SP Energy Networks (SPEN) owns and operates the electricity distribution networks in Central and Southern Scotland (our SP Distribution network) and North Wales, Merseyside, Cheshire, and North Shropshire (our SP Manweb network). Through our two networks of underground cables, overhead lines and substations we provide 3.5 million homes, businesses and public services with a safe reliable and efficient supply of electricity.

To meet evolving customer needs and system challenges whilst ensuring we continue to provide a safe, reliable and efficient service, SPEN are developing smarter, more flexible network solutions to help mitigate the need for traditional reinforcement and reduce costs for customers.

Resources connected to our networks can provide services to assist in key areas that have specific challenges during periods of network constraint, and we are committed to exploring markets for flexibility with new and existing customers who are able and willing to control how much they generate, or who can control their demand.

We are currently looking to procure flexibility services to assist specific areas of network within both the SP Distribution and SP Manweb distribution areas during times of constraint for the period June 2024 to April 2025.

required based upon actual network measurement data thus managing the cost.

We utilise this product in order to restore network supplies following an unplanned outage/fault where the regulatory funding does not allow for availability payments e.g. customer interruptions (CI).

Operational Utilisation + Scheduled Availability

This product procures, ahead of time, the ability of an FSP to deliver an agreed change following a network abnormality. The availability will be defined at the point of procurement and cannot be modified once the contract has been agreed. The assets will be dispatched for the required level of service that is required based upon actual network measurement data, meaning that the DNO/ESO is only paying utilisation payments based upon the actual needs of the network.

An example use case for this product is when a DNO is planning for sufficiency of flexible services contracts based upon long range forecasting of network constraints.

1.1. Flexibility Services

Flexibility means the ability to modify energy generation and/or consumption patterns in reaction to an external signal. In previous years, we procured the ENA products under Sustain, Secure, Restore and Dynamic. These products have now been updated under the 2023 Products Alignment Programme.

Here are some definitions of how the new aligned products will be utilised:

Scheduled Utilisation

In this product, the time that flexibility is delivered has been pre-agreed in advance with the provider. This product will primarily benefit FSPs that cannot respond in real-time or near to real-time. This service is used to manage seasonal peak demands and defer network reinforcement.

Operational Utilisation

This product allows for the use case where the amount of flexibility delivered is agreed nearer to real time. This can be utilised to facilitate a change in demand profile from FSPs based on network conditions close to real-time. The assets will be dispatched for the required level of service that is

Operational Utilisation + Variable Availability

This product allows for DNOs to procure a level of contracted capacity, but then refine the requirements in terms of availability closer to the event. The assets will be dispatched for the required level of service that is required based upon actual network measurement data, meaning that the DNO is only paying utilisation payments based upon the actual needs of the network.

An example use case for this product is when a DNO is planning for sufficiency of flexible services contracts based upon short-medium range forecasting of network constraints.

Detailed information on the charging structures of the above Flexibility Services is available in Section 8.3 of this Participation Guidance document.

More information on the new aligned products developed by the ENA Working Group is available on the [ON Flexibility Products Review and Alignment page on the ENA website.](#)

1.2. Flexibility Requirements

The month ahead requirements will be published on the Piclo platform on the 1st of each month.

Additionally, the full detailed Service Requirements for our ED2 period are available those uploaded on to the Piclo Flex platform picloflex.com.

For information, copies of the requirements are also available on our [Flexibility web pages on the SP Energy Networks Website](#).

1.3. Operation

The Company will utilise the Piclo Flex portal to dispatch and settle services. It is a requirement that, following contract award, Providers establish the necessary API interface. The guide to API set-up is available in section 9 of this Participation Guidance, on the Piclo website and can also be requested from support@picloflex.com. The Company may advise the Provider that an alternative portal to dispatch and settle the services will be utilised. This will be discussed and agreed with the individual Provider prior to delivery of any service window.

1.4. Testing and Pre-delivery

Following a pre-qualification contract award, providers must complete API Testing prior to delivery. The date of the API Test will be at least 2 weeks prior to service delivery in accordance with the Flexibility Services Agreement, unless otherwise agreed by the Company.

If any further testing requirements arise, the Company will notify the Provider via the email registered on the DPS system. The email will include the scope of the testing required and specific timelines.

1.5. Baseline

The Company will utilise a nominated baseline. Any methodologies for baselining will be agreed between the Company and the Provider post contract award and ahead of any service provision. The Company reserves the right to update the Baseline methodology in line with the common industry methodology being developed by the ENA's Open Networks project. More information on the standardised baselining methodology developed by the ENA's Open Networks project is available here.

1.6. Dispatch Principles

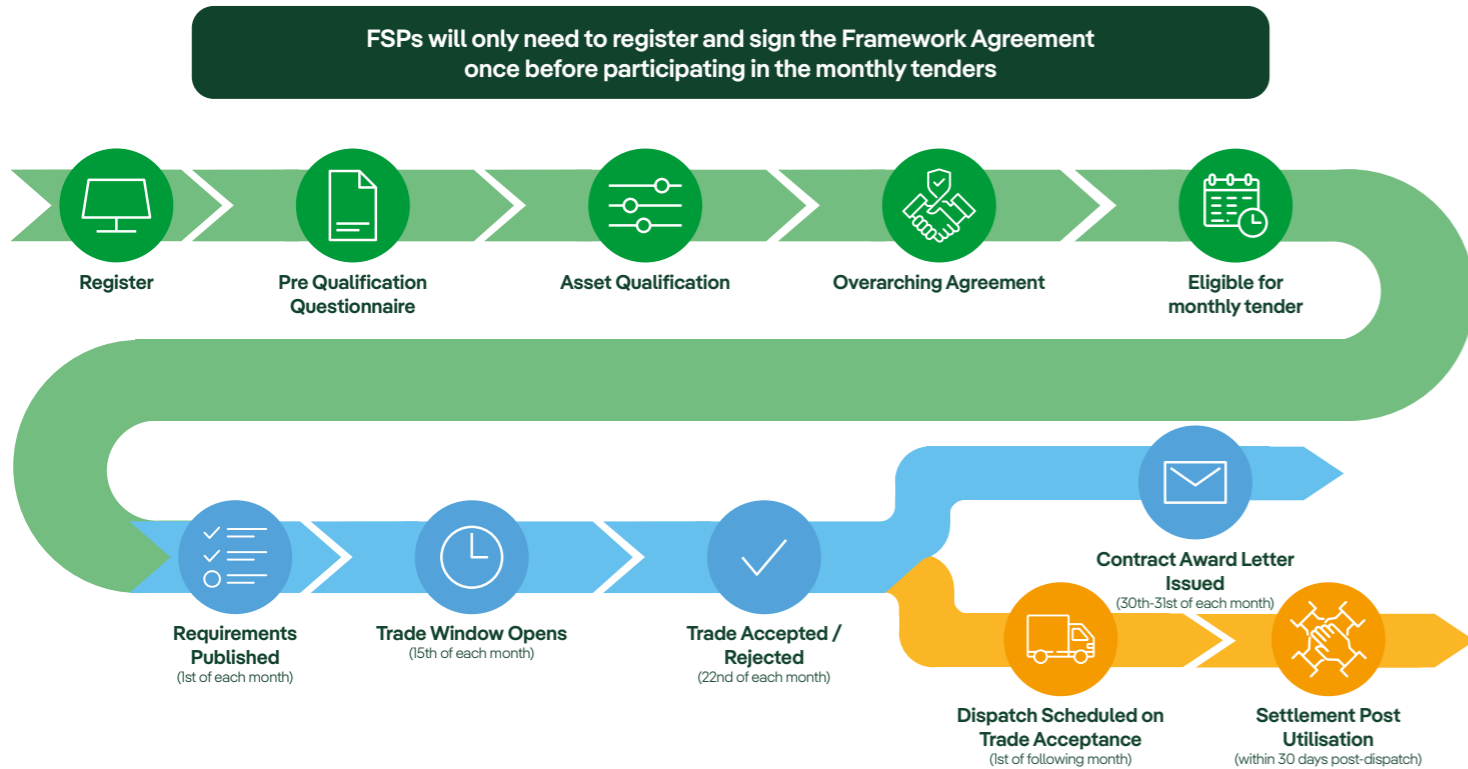
We need to ensure that we are operating the network in the most economical and efficient manner. We do this by assessing what flexibility services and other operational solutions are available to us and at what cost. We then select the optimal solution to meet the operational requirement. This is the basis for all our operational and dispatch decisions.

We follow the dispatch decision guiding principles published by the ENA Open Networks project as outlined in our [Decision Making Framework](#).



2. 2024/25 Tender Timeline and Process

The process steps and timeline of our month-ahead tendering model is as follows:



***Only operational assets will be eligible to participate in active monthly tenders. Any asset in development can be uploaded to the Piclo platform and qualify for active participation once the asset has attained commercial operation.**



The following table shows the timescales of the various stages of the 2024/25 procurement round:

Procurement Month	Requirements Published	Trade Window Open & Close	Bid Accepted / Rejected	Contract Award	Service Window Open & Close
June 2024	03/06/2024	17/06/2024 (09:30-16:30)	24/06/2024	28/06/2024	01/07/2024 – 31/07/2024
July 2024	01/07/2024	15/07/2024 (09:30-16:30)	22/07/2024	30/07/2024	01/08/2024 – 31/08/2024
August 2024	01/08/2024	15/08/2024 (09:30-16:30)	22/08/2024	30/08/2024	01/09/2024 – 30/09/2024
September 24	02/09/2024	16/09/2024 (09:30-16:30)	23/09/2024	30/09/2024	01/10/2024 – 31/10/2024
October 24	01/10/2024	15/10/2024 (09:30-16:30)	22/10/2024	30/10/2024	01/11/2024 – 30/11/2024
November 2024	01/11/2024	15/11/2024 (09:30-16:30)	22/11/2024	29/11/2024	01/12/2024 – 31/12/2024
December 24	02/12/2024	16/12/2024 (09:30-16:30)	23/12/2024	30/12/2024	01/01/2025 – 31/01/2025
January 25	01/01/2025	15/01/2025 (09:30-16:30)	22/01/2025	30/01/2025	01/02/2025 – 31/02/2025
February 25	03/02/2025	17/01/2025 (09:30-16:30)	24/02/2025	28/02/2025	01/03/2025 – 31/03/2025
March 25	03/03/2025	17/01/2025 (09:30-16:30)	24/03/2025	31/03/2025	01/04/2025 – 30/04/2025

If any particular date falls on a bank holiday or weekend, the date will automatically adjust to the next working day. The Company reserves the right to amend this timetable at any time.





3. Dynamic Purchasing System Guide

A full guide for the Dynamic Purchasing System is available on the SPEN Market Overview page on the [Piclo website](#).

4. Flexibility Services Agreement

Prior to the submission of any bids by the Tenderer, it is a requirement that the Flexibility Services Agreement terms and conditions are accepted.

As part of the pre-qualification process via the Piclo Flex platform, the Company will issue a Flexibility Services Agreement to Tenderers. Tenderers will not be eligible to participate in the monthly tenders until a Flexibility Services Agreement is signed by both parties. The Tenderer must sign and return the Flexibility Services Agreement to the Company.

The Flexibility Services Agreement does not guarantee that any Flexibility Services will be required by the Company or commit the Company to requiring any, or any particular level of, such Flexibility Services.

The Flexibility Services Agreement can be viewed on the [SPEN Flexibility website](#).

5. Prequalification

As part of the process for procuring Flexibility Services, potential providers will need to pre-qualify before they can submit formal bids once a tender window is open. SPEN procures flexibility services via the [Picoflex platform](#). A guide for the DPS Platform is available in Section 4 of this Participation Guidance Document. In order to pre-qualify for our Flexibility tenders the following steps must be completed:

1) Apply to the Dynamic Purchasing System (DPS):

Providers will need to create a Picoflex account and complete the Dynamic Purchasing (DPS) application. FSPs will submit company specific information in this application which will be reviewed by SPEN for completion and validity. Following acceptance the FSP will be admitted to the DPS.

2) Complete the PQQ questionnaire:

Providers will need to provide technical information relating to the assets they will use to provide the flexibility services for each individual location. SPEN will assess the technical and location details to confirm suitability and approve the individual assets. Assets must be operational to participate in monthly tenders.

3) Planned Assets:

Only operational assets will be able to participate in the SPEN month ahead Flexibility Market. Where assets are planned (i.e., not yet connected or to be recruited), providers will still be able to upload these assets to the DPS. Providers are asked to provide a Delivery Plan detailing the dates when assets will become operational. Providers will notify us when planned assets attain commercial operation. SPEN will then update their eligibility status to enable participation in our month-ahead tenders.

4) Flexibility Services Framework Agreement:

Sign and confirm agreement to sign, the terms and conditions of the Flexibility Services Agreement.

5) Notification of pre-qualification outcome:

We will notify providers if they have passed the pre-qualification stage. Those that have successfully passed the prequalification stage will be notified to submit bids when the bidding window open.



6. Bidding Requirements

All bidding takes place on the Piclo Flex platform, with pre-qualified FSPs uploading their bids for each individual competition. A detailed step-by-step instruction guide on how to submit bids on the Piclo Flex platform is available in Section 3 of this Guidance Document and on [Piclo's website](#). The platform has a "bulk upload" function, allowing providers such as aggregators who want to take part in multiple competitions the ability to upload bids as one file.

Recognising the differing business models and capabilities of individual providers, we include the following bidding rules, enabling those who may not be able to meet the full requirements for individual constrained locations to take part:

Bidding Rule	Details
Flexible Capacity	Can offer the flexible capacity at a single price, or split the flexible capacity into smaller volumes but at different prices.
Service Windows	Must be for whole Service Window of the individual competition bidding for.
Service Duration	Can offer assets that may not be able to run for the entire service periods as long as they meet the minimum duration included for each constrained location.
Service Period	The duration of contracts within the ITT may be for more than one service window depending on the specific constrained location requirements, however bids can be submitted for individual service windows.
Status of assets	Participation in month ahead tenders requires asset status to be operational. However, assets in development can be uploaded on to the DPS with an expected commercial operation date. Providers will need to update the status of the asset to notify SPEN of the asset's operational status which will then be eligible to participate in monthly tenders.

We request that FSPs offer their best price and we pay as bid.

More information on the Bidding Requirements and Processes is available on the [SPEN Flexibility Market Overview page on the Piclo website](#).



7. Bid Assessment

7.1. Bid Assessment Methodology

We assess investment solutions and Flexibility Services on a like for like basis by employing a comparative assessment approach which means that the value of flexibility (i.e. the amount of money we have to spend on flexibility services) in any given scenario is determined by the cost and value of the counterfactual solution (e.g. a reinforcement), and not by the required volume of flexibility services.

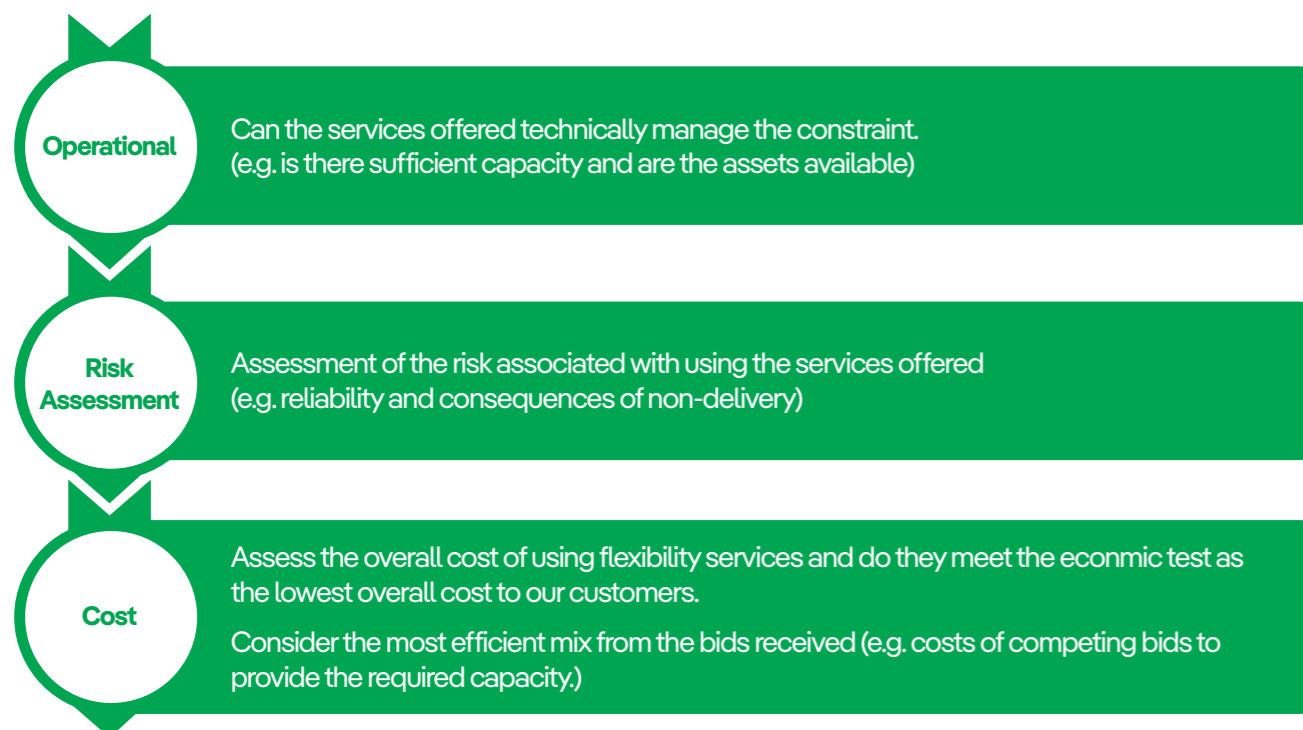
The tender bids are assessed in detail to confirm that it could technically manage the constraint within the particular month. We assess the risk associated with using the flexibility and consider the most cost-efficient mix of tender responses (if responses are greater than the requested capacity). Competent bids are then assessed against the optioneering and investment parameters set prior to opening the bidding window and evaluated alongside all other options.

We have several tools available to help with the assessment process and supplement the assessment criteria. CEM is one tool that we use to support our quantitative assessment process. Other tools we use include, design studies, technical assessments, and CBAs for interventions at EHV and 132kV; we supplement these with a linear optimiser for LV and HV assessments. These tools are excellent at analysing some elements of the assessment criteria, but don't have the ability to assess other criteria such as deliverability. This means we collaborate the use these tools to better support the assessment criteria.

More detailed information on how we use these tools to help determine the most economic combination, sequence, and timing of solutions to meet the required level of network capacity at different voltages is available in section 4.4. 'Stage 3 – Options Assessment' of our [Decision Making Framework](#).

7.2. Evaluation Criteria

Once the bidding window has closed, we will assess all bids received against our published bid criteria. For each bid submitted, we will assess:



Note:

- We may accept a higher cost bid that meets all requirements over a lower cost bid that only meets some requirements.
- We may also procure slightly more or less flexibility services than tendered to obtain a technically viable solution.

The technical assessment is completed by the Network Planning and Development team whilst the economic assessment is completed by our Flexibility team based on the ceiling price defined in Stage 3 of our Decision Making Framework.

Where all the required criteria are met, then we proceed with the flexibility service solution. We publish the tender results and proceed to place contracts with the successful bidder(s).

Where one or both criteria are not met, flexibility services cannot be taken forward as a solution. Where this is the case, we will reject the bids and proceed with developing the alternative solution identified in Stage 3 of the Decision Making Framework.

Where the alternative is a long-lead reinforcement solution, we will continue to re-tender for flexibility services before placing build orders to ensure we are still using the most efficient intervention. Whichever solution is selected, it is then taken forward and assured through our governance process.

We include further details on our bid assessment methodology in our Decision Making Framework.

7.3. Publication of Bids

Following our assessment, our bid decisions are uploaded to Piclo Flex, which notifies winning bidders of the decision. For those bids rejected we provide the reason why, so that they have the opportunity to address any issues, improving their ability to participate in future tenders.

To promote transparency and comply with Licence Condition 31E, we also publish the results of our tenders, which includes prices bid and reasons for acceptance/rejection.

8. Pricing Strategy

To meet network needs, potential solutions will be assessed to identify the most suitable, least cost option. Where Flexibility Services are deemed an appropriate solution, the value of such services will depend on the cost of the alternative solution and is not driven by the capacity required or hours of network risk.

Once the value (budget) is known for each individual constraint location the following will be used to calculate the ceiling price that can be paid for Flexibility Services:

- Product – as this will drive the charging structure
- Estimated Utilisation events and duration – to calculate the utilisation hours required
- Service window – to determine availability hours (where an availability fee applies)
- Capacity required – to determine the level (MW) of service required

8.1. Pricing Signals

It is our intention to provide, where possible, pricing signals for the individual locations we tender for. These will be based on the cost of the alternative solution and will likely differ for each location. For LV locations we will aim to provide a single pricing signal.

Where we provide guide prices, these will be for individual constrained locations, and we will provide a range to give FSPs an understanding of the potential level of revenue available. These ranges are based on the cost of the alternative solution and will differ for each constrained location as they are based on the individual scheme cost, the capacity required and the estimated utilisation. For LV constrained locations we will aim to provide a single range guide price.

Such guides are indicative only, when bids are received, they will be fully assessed based on the budget for individual constrained locations, likely utilisation, offered capacity and product. During a tender round, potential

Providers will be asked to submit bids for Availability and Utilisation as applicable and we request that FSPs offer their best price and we will pay as bid. We do not set fixed prices for any service.

8.2. Charging Structure

This will depend on the Product procured and may include a combination of the following as appropriate:

- Utilisation Fee: Paid when services are dispatched.
- Availability Fee: Paid when services need to be ready / available within a defined or scheduled window.





8.3. Application

The fees applied by the different Products are as follows:

1) Scheduled Utilisation (Utilisation payment only)

This dispatch schedule is agreed in advance with the Provider in advance of the services being required. This product will primarily benefit FSPs that cannot respond in real-time or near to real-time. The Utilisation Fee is paid for the scheduled dispatch delivered.

2) Operational Utilisation (Utilisation payment only)

This product allows for the use case where the amount of flexibility delivered is agreed nearer to real-time. This can be utilised to facilitate a change in demand profile from FSPs based on network conditions close to real-time. The assets will be dispatched for the level of service that is required based upon actual network measurement data. The Utilisation Fee is paid for the scheduled dispatch delivered.

3) Operational Utilisation & Scheduled Availability (Availability and Utilisation payment)

- Availability Fee (sometimes referred to as an Arming Fee) - This fee is paid for the window confirmed in advance as being the time services are likely to be required;
- Utilisation Fee - This fee will be paid for the service scheduled ahead of time or dispatched in real-time following an instruction.

This product procures, ahead of time, the ability of an FSP to deliver an agreed change following a network abnormality. The availability will be defined at the point of procurement and cannot be modified once the contract has been agreed. The assets will be dispatched for the required level of service that is required based upon actual network measurement data, meaning that the DNO/ESO is only paying utilisation payments based upon the actual needs of the network.

4) Operational Utilisation & Variable Availability (Availability and Utilisation payment)

- Availability Fee (sometimes referred to as an Arming Fee) - this fee is paid for the window confirmed in advance (at a time closer to the event) as being the time services are likely to be required; and 2.
- Utilisation Fee - this fee will be paid for the service scheduled ahead of time or dispatched in real-time following an instruction.

This product will allow us to procure a level of contracted capacity and later refine the requirements for availability closer to the event. The assets will be dispatched for the required level of service that is required based upon actual network measurement data, meaning that the DNO is only paying utilisation payments based upon the actual needs of the network.

8.4. Fee Adjustments

Fees are paid depending on the service delivered and all dispatch events will be validated using metering data. Should services not be provided, in part or in full, an adjustment may apply. The terms for such adjustments are included in Section 9 – Billing and Settlements Guide of this Participation Guidance and in our Flexibility Services Agreement.

9. Billing and Settlements Guide

As the energy landscape evolves, the integration of flexibility services becomes increasingly crucial for ensuring the reliability and efficiency of the grid. SP Energy Networks recognises the importance of establishing clear and transparent billing and settlement processes to accurately compensate flexibility providers for their services. This Billing and Settlement guide aims to provide clarity and guidance on the calculation and payment of Flexibility Service Charges, enabling efficient and equitable settlement transactions.

9.1. Flexibility Service Payments

This sets out the calculations to make payments to Flexibility Service Providers for the delivery of Flexibility Services to DNO (Distribution Network Operators). Framework for flexibility service payments calculations have been developed by the ENAs Open Networks Project as part of the process of standardising and alignment of the methodologies used across different DNOs. Flexibility Service Payments encompass two main types of payments. Availability payments and Utilisation Payments.

9.1.1. Availability Payments

Availability payments are paid to a provider for being ready and available to supply the contracted service when and if called upon. Availability payments are calculated based on the provider's readiness and availability to supply the contracted service. Providers must submit a notice of unavailability specifying the start and end time.

Where Availability is applicable to a flexibility service, payments are paid for every Accepted Availability Window in respect of the contract DER groups.

Availability Payments are subject to a Monthly Utilisation Performance Factor. Availability is determined by: for every metered time period, the Agreed Availability Capacity (MW) multiplied by the Availability Fee.

A grace factor may be applied to the average performance factor. If the delivery performance is within a specified threshold (e.g., 95% of the performance factor), full availability payment is received. If no utilisation events occur in the month, full availability payment is made.



Detailed Availability Formula

The Availability Payment (AP_{sm}), to be made by The Contracting Party to the Flexibility Service Provider in respect of the Accepted Availability Window(s) in calendar month, m, for Flexible Unit, s, shall be calculated in accordance with the following formula:

$$AP_{sm} = \sum_{j=1}^{j=t} AC_{sj} \times AVP_{sj} \times SA_{sj} \times MPF_{sm}$$

t represents the number of Metered Time Periods

AC_{sj} in respect of each Flexible Unit, s, and each Metered Time Period, j, means the Availability Fee in £/MW/h.

AVP_{sj} in respect of each Flexible Unit, s, and each Metered Time Period, j, means the Availability Period in minutes/60.

CC_{sj} in respect of each Flexible Unit, s, and each Metered Time Period, j, means the Agreed Capacity in MW

SA_{sj} in respect of each Flexible Unit, s, and each Metered Time Period, j, is 0 where the Flexible Unit is declared (or redeclared) unavailable or The Contracting Party deem unavailable, otherwise 1.

MPF_{sm} in respect of each Flexible Unit, s, and each calendar month, m, means the Monthly Utilisation Performance Factor and is 1 where:

- a) there are no Dispatch Events in a month.
- b) the Monthly Utilisation Performance Factor is not being applied by The Contracting Party.
- c) the calculated Monthly Utilisation Performance Factor is 100% or within any tolerance applied by The Contracting Party.

otherwise, is calculated using the formula below:

For a Flexible Unit, s, for each calendar month, m:

$$MPF_{sm} = \frac{1}{p} \sum_{e=1}^{e=p} \frac{1}{n} \sum_{k=1}^{k=n} \text{Max}(\text{Min}(\frac{MM_{ek} - BM_{ek}}{DC_{ek}}, 1), 0)$$

BM_{ek} in respect of each Dispatch Event, e, and each Minute, k, BM_{ek} represents the Baseline MW with the signage negative for a demand unit and positive for a generation unit.

MM_{ek} in respect of each Dispatch Event, e, and each Minute, k, MM_{ek} represents the Metered MW with the signage negative for a demand unit and positive for a generation unit.

DC_{ek} in respect of each Dispatch Event, e, and each Minute, k, DC_{ek} represents the Dispatched MW with the signage positive for a demand reducing asset or a generation increase asset and the signage negative for a demand increasing asset or generation reducing asset.

n represents the number of minutes for each Dispatch Event

p represents the number of Dispatch Events in a calendar month for a Flexible Unit

9.1.2. Utilisation Payments

Utilisation Payments are made when a Utilisation Instruction is issued by the Company for the capacity delivered during a utilisation event. Utilisation Payments can be; for every metered time period, energy (MWh) delivered supplied by the Provider and multiplied by the Utilisation Fee (£/MWh).

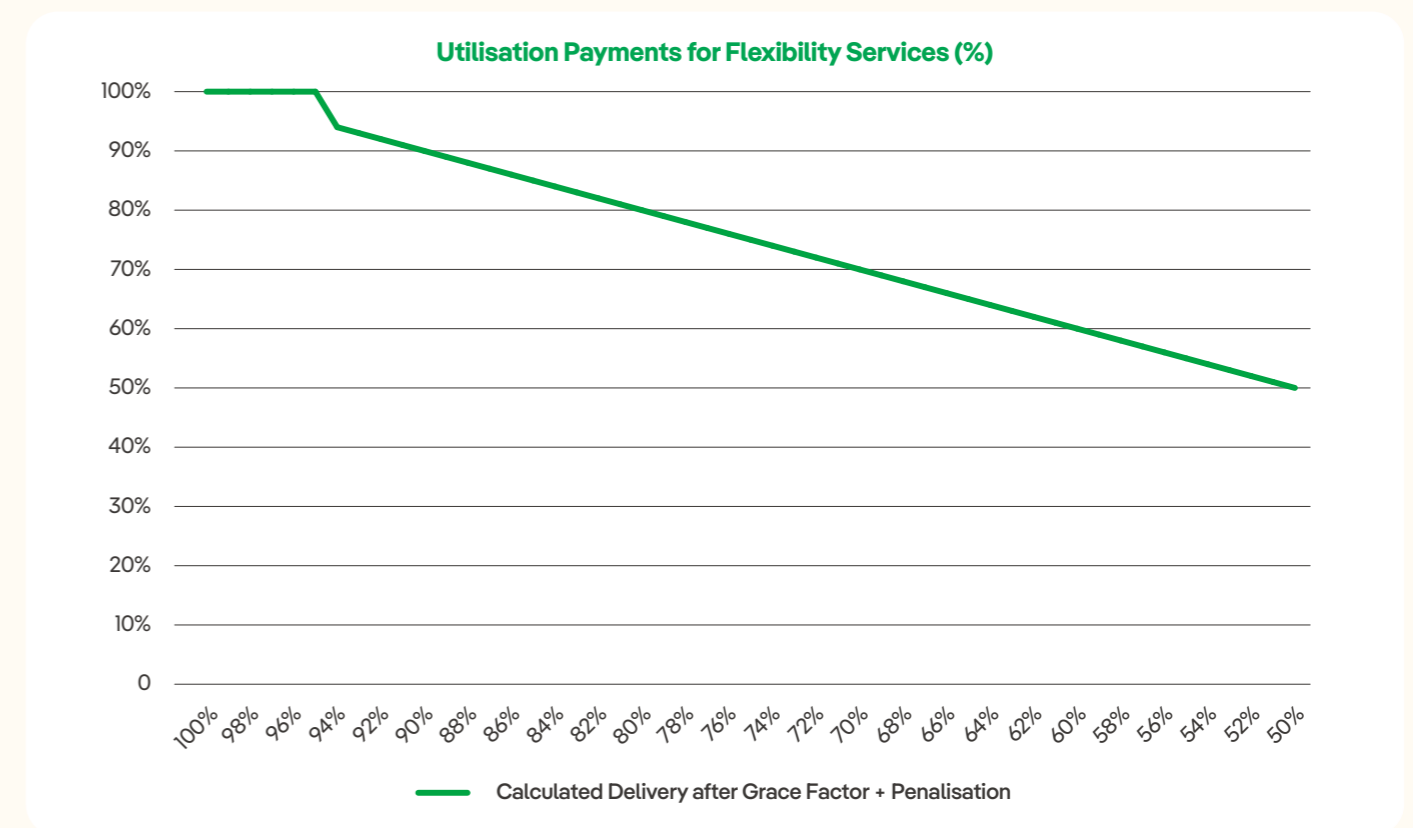
The Utilisation payment is subject to a performance metric known as a penalisation multiplier (1%) which applies after a specified grace period. A grace factor (5%) may be applied before the penalisation multiplier comes into effect. A tolerance which is applied to the MW

delivered, if the delivered % is within this tolerance then full payment is made for the minute in question. If asset had delivered >= 95% then they would have been entitled to 100% of the utilisation payment in question.

If the delivery % is outside the Grace Factor, then a Penalisation Multiplier is applied to reduce the % paid by the Penalisation Multiplier for each 1% that actual delivery falls outside the Grace Factor.

An example is provided in the below table:

Response Provided as % of contracted Service	Payment	Actions
>100%	Payment in full	None
95-100%	Payment in full. Includes 5% Grace Factor	None
< 95%	A 1% Penalisation Multiplier is applied to payments	Service delivery under 95% will be monitored. If contracted Service % is continuously unmet, SPEN reserves the right to constitute unmet services as a Service Failure. Further information is available in the Flexibility Services Standard Agreement.



Detailed Utilisation Formula

The Utilisation Payment (UP_{sm}), made by The Contracting Party to the Flexibility Service Provider in respect of the Dispatch Events(s) in calendar month, m, for Flexible Unit, s, shall be calculated in accordance with the following formula: -

$$UP_{sm} = \sum_{j=1}^{j=t} UF_{sj} \times UVP_{sj} \times UC_{sj} \times PM_{sj}$$

t represents the number of **Metered Time Periods**

UF_{sj} in respect of each **Flexible Unit**, s, and each **Metered Time Period**, j, means the **Utilisation Fee** in £/MWh.

UVP_{sj} in respect of each **Flexible Unit**, s, and each **Metered Time Period**, j, means the **Utilisation Period** in minutes/60.

UC_{sj} in respect of each **Flexible Unit**, s, for each **Metered Time Period**, j, means the delivered MW calculated as below:

$$MAX \left(MAX \left(\left(\frac{MM_{sj} - BM_{sj}}{DC_{sj}} \right), 1 \right), 0 \right) * |DC_{sj}|$$

BM_{sj} in respect of each **Flexible Unit**, s, and each **Metered Time Period**, j, BM_{sj} represents the **Baseline MW** with the signage negative for a demand unit and positive for a generation unit.

MM_{sj} in respect of each **Flexible Unit**, s, and each **Metered Time Period**, j, MM_{sj} represents the **Metered MW** with the signage negative for a demand unit and positive for a generation unit.

DC_{sj} in respect of each **Flexible Unit**, s, and each **Metered Time Period**, j, DC_{sj} represents the **Dispatched MW** with the signage positive for a demand reducing asset or a generation increase asset and the signage negative for a demand increasing asset or generation reducing asset.

PM_{sj} in respect of each **Flexible Unit**, s, for each **Metered Time Period**, j, means **Penalisation Multiplier** calculated using the formula below:

$$PM_{sj} = IF(Delivery\% \geq (1 - GraceFactor), 1, MAX \left(0, (1 - GraceFactor) - ((1 - GraceFactor - Delivery\%) * (1 - Penalisation\% * 100)) \right))$$

Delivery% in respect of each **Flexible Unit**, s, for each **Metered Time Period**, j, means the actual MW delivered divided by the dispatched MW expressed as a percentage.

GraceFactor: in respect of each **Flexible Unit**, s, for each **Metered Time Period**, j, represents a tolerance expressed as a percentage.

Penalisation%: in respect of each **Flexible Unit**, s, for each **Metered Time Period**, j, represents a multiplier applied to under delivery expressed as a percentage.

The relevant fees applied to all Flexibility Products utilised are available to view in Section 8.3. of this Participation Guidance document.

9.2. Settlement

The billing cycle is each calendar month and the company operates a total of 12 billing cycles each calendar year.

Post utilisation event, the FSPs has 5 days to upload meter readings in the dedicated flexibility platform. After each event, a settlement report is created and made available to the provider via the dedicated platform, which allows the provider to review their performance. At the end of the month, all event data is compiled, and performance-based pricing applied to calculate the payment due to the provider for the month.

On the 11th working day of each month following the dispatch month, settlement reports will be accessible on the dedicated platform, allowing a 5- working day window to dispute the results. If no disputes are received within this 5-day period, the final report will be concluded and made available on the 16th working day for financial records or invoice preparation. If the provider or company dispute any calculations, then the settlement report is placed on hold until such dispute has been resolved. Subsequently, payment should be processed

directly in to the provided bank account within 30 days from the invoice acceptance date.

For Committed Payments, the Provider agrees that each Performance Report should be accompanied by the following details:

- The period(s) during which the Flexibility Services were made available to the Company and, if applicable, where utilised.
- Availability charges (if any), reflecting any reduction for periods of where the service was unavailable or had reduced capacity.
- Utilisation charges (if any) reflecting any reductions for periods of where the service was unavailable or reduced, including any utilisation payment cap.
- The relevant Committed Payment Amount (if any); and
- Details of payments received so far to demonstrate the Committed Payment Amount has not been reached (if applicable).

9.3. Self-Billing

The Company agrees:

- To issue self-billed invoices for all supplies made to them by the Provider for the duration of this contract.
- To complete self-billed invoices showing the Provider's name, address, and VAT registration number, together with all the other details which constitute a full VAT invoice.
- To make a new self-billing agreement if their VAT registration number changes.
- To inform the Provider if the issue of self-billed invoices will be outsourced to a third party.

The Provider Agrees:

- To accept self-billed invoices raised by the Company on their behalf for the duration of this contract.
- To provide the email address to which self-billed invoices should be sent.
- Not to raise sales invoices for the transactions covered by this agreement.
- To notify the Company immediately if they, change their VAT registration number or cease to be VAT registered, or sell their business or part of their business

10. SPEN Company Policies

Tenders must be submitted in accordance with the Company's policies. The latest copies can be accessed via the following link: spenergynetworks.co.uk/pages/corporate_policies.aspx

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