Tender

# Design Options for Nodal Pricing in GB

Ofgem

F02: Contract notice
Notice identifier: 2021/S 000-030042
Procurement identifier (OCID): ocds-h6vhtk-02fcd0
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## Section I: Contracting authority

### I.1) Name and addresses

Ofgem

10 South Colonnade, Canary Wharf

London

E14 4PU

**Email**

Natasha.Woollams@ofgem.gov.uk

**Telephone**

+44 2079017000

**Country**

United Kingdom

**NUTS code**

UKI - London

**Internet address(es)**

Main address

http://www.ofgem.gov.uk

Buyer's address

https://www.mytenders.co.uk/search/Search_AuthProfile.aspx?ID=AA10021

## I.2) Information about joint procurement

The contract is awarded by a central purchasing body

## I.3) Communication

The procurement documents are available for unrestricted and full direct access, free of charge, at

https://www.mytenders.co.uk

Additional information can be obtained from the above-mentioned address

Tenders or requests to participate must be submitted electronically via

https://www.mytenders.co.uk

Electronic communication requires the use of tools and devices that are not generally available. Unrestricted and full direct access to these tools and devices is possible, free of charge, at

https://www.mytenders.co.uk

## I.4) Type of the contracting authority

Body governed by public law

## I.5) Main activity

General public services

# Section II: Object

## II.1) Scope of the procurement

### II.1.1) Title

Design Options for Nodal Pricing in GB

Reference number

2021-153

### II.1.2) Main CPV code

- 71314000 - Energy and related services

### II.1.3) Type of contract

Services

### II.1.4) Short description

This procurement is for a party to support and work alongside Ofgem in delivering a technical assessment of nodal pricing for GB.

Ofgem is keen to investigate further the potential of nodal pricing in enabling a cost-effective, secure pathway to Net Zero for the whole energy system. Greater locational and temporal market signals have the potential to drive more efficient use of system assets and lower total system costs by:

* incentivising optimal demand and supply responses (in the right place at the right time);

* stimulating innovation in storage and demand response in the places it is needed; and

* supporting competition between demand/storage solutions and new network capacity.

### II.1.5) Estimated total value

Value excluding VAT: £350,000

### II.1.6) Information about lots

This contract is divided into lots: No

## II.2) Description

### II.2.2) Additional CPV code(s)

- 09310000 - Electricity
- 71314000 - Energy and related services
- 71314300 - Energy-efficiency consultancy services

### II.2.3) Place of performance

NUTS codes

- UKI - London

Main site or place of performance

London

### II.2.4) Description of the procurement

Nodal pricing (also known as locational marginal pricing/LMP) is a form of market design used in more than 10 jurisdictions in various forms and is often considered best practice amongst electricity market designers worldwide.

Nodal pricing for GB has gained traction in recent years. A 2015 CMA investigation into the potential of locational marginal pricing in GB estimated potential benefits of up to 70 million GBP per year in England and Wales alone. In 2020, Aurora produced a report for the Policy Exchange estimating average system savings from nodal pricing to be 2.1bn GBP per year across GB in the period 2025 - 2050.

More recently, the Energy Systems Catapult (Oct 2021) concluded nodal pricing is the “first best approach to signalling locational value in a more deeply decarbonised, decentralised, and digitised electricity system”.

Ofgem is keen to investigate further the potential of nodal pricing in enabling a cost-effective, secure pathway to Net Zero for the whole energy system. Greater locational and temporal market signals have the potential to drive more efficient use of system assets and lower total system costs by:

* incentivising optimal demand and supply responses (in the right place at the right time);

* stimulating innovation in storage and demand response in the places it is needed; and

* supporting competition between demand/storage solutions and new network capacity.

Nodal pricing would, however, represent major and complex reform to the GB electricity

market. To inform Ofgem’s position on future market design, Ofgem is keen to develop a robust understanding of:

* The technical models for LMP in GB

* The associated costs, benefits, and distributional impacts of said models

* The implementation requirements for a preferred model.

This will require an overarching assessment of the value of nodal pricing to GB consumers and in achieving the UK’s decarbonisation targets, with this to be modelled as part of this project.

"See attached 2021-153 Design Options for Nodal Pricing in GB ITT document for further detail"

**II.2.5) Award criteria**

Quality criterion - Name: Technical / Weighting: 75

Cost criterion - Name: Commercial / Weighting: 25

**II.2.7) Duration of the contract, framework agreement or dynamic purchasing system**

Duration in months

5

This contract is subject to renewal

Yes

Description of renewals

optional 2 months extension at the Authority’s discretion

**II.2.10) Information about variants**

Variants will be accepted: No

**II.2.11) Information about options**

Options: No

**II.2.13) Information about European Union Funds**

The procurement is related to a project and/or programme financed by European Union funds: No

## Section III. Legal, economic, financial and technical information

### III.1) Conditions for participation

#### III.1.2) Economic and financial standing

Selection criteria as stated in the procurement documents

#### III.1.3) Technical and professional ability

Selection criteria as stated in the procurement documents

### III.2) Conditions related to the contract

#### III.2.3) Information about staff responsible for the performance of the contract

Obligation to indicate the names and professional qualifications of the staff assigned to performing the contract

# Section IV. Procedure

## IV.1) Description

### IV.1.1) Type of procedure

Open procedure

### IV.1.8) Information about the Government Procurement Agreement (GPA)

The procurement is covered by the Government Procurement Agreement: Yes

## IV.2) Administrative information

### IV.2.2) Time limit for receipt of tenders or requests to participate

Date

17 January 2022

Local time

12:00pm

### IV.2.4) Languages in which tenders or requests to participate may be submitted

English

### IV.2.6) Minimum time frame during which the tenderer must maintain the tender

Tender must be valid until: 18 April 2022

### IV.2.7) Conditions for opening of tenders

Date

17 January 2022

Local time

12:00pm

## Section VI. Complementary information

### VI.1) Information about recurrence

This is a recurrent procurement: No

### VI.2) Information about electronic workflows

Electronic invoicing will be accepted

Electronic payment will be used

### VI.3) Additional information

Please see the ITT document for further information.

NOTE: To register your interest in this notice and obtain any additional information please visit the myTenders Web Site at

https://www.mytenders.co.uk/authority/notice_UnpubView.aspx?ID=224687.

The buyer has indicated that it will accept electronic responses to this notice via the Postbox facility. A user guide is available at

https://www.mytenders.co.uk/sitehelp/help_guides.aspx.

Suppliers are advised to allow adequate time for uploading documents and to dispatch the electronic response well in advance of the

closing time to avoid any last minute problems.

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(MT Ref:224687)

## VI.4) Procedures for review

### VI.4.1) Review body

Public Procurement Review Service

Cabinet Office

London

Email

publicprocurementreview@cabinetoffice.gov.uk

Telephone

+44 3450103503

Country

United Kingdom

Internet address

https://www.gov.uk/government/publications/public-procurement-review-service-scope-and-remit