

Operational and SO Cost Update

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Network Operations

Agenda

- Operational Issues
- System Operator cost update
- BSUoS Update

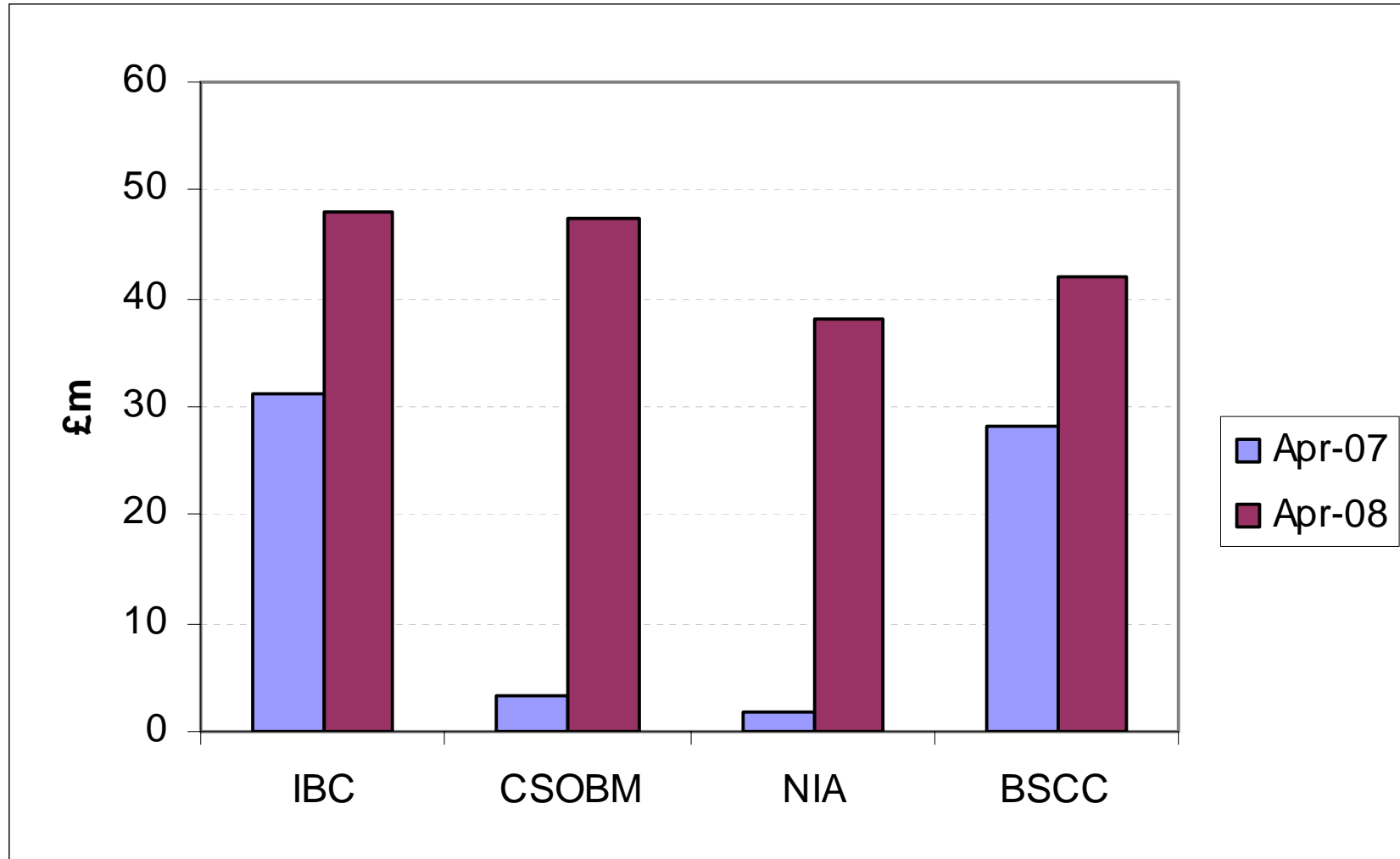
Operational Issues

Operational Performance Summary

- ◆ One significant operational issue encountered
- ◆ Heavily publicised losses of Longannet and Sizewell B within 2 minutes of each other resulted in:
 - ◆ Deviation of frequency outside of statutory limits; 1st since 2003
 - ◆ Issue of High-Risk of Demand Reduction and Demand Control Imminent system warnings
- ◆ More information on this event is in the following presentation
- ◆ A NISM was issued at 05:00 on the 9th June covering 08:30 to 13:30 on the same day. This was cancelled at 08:15 following changes to plant availability.

SO Cost Update

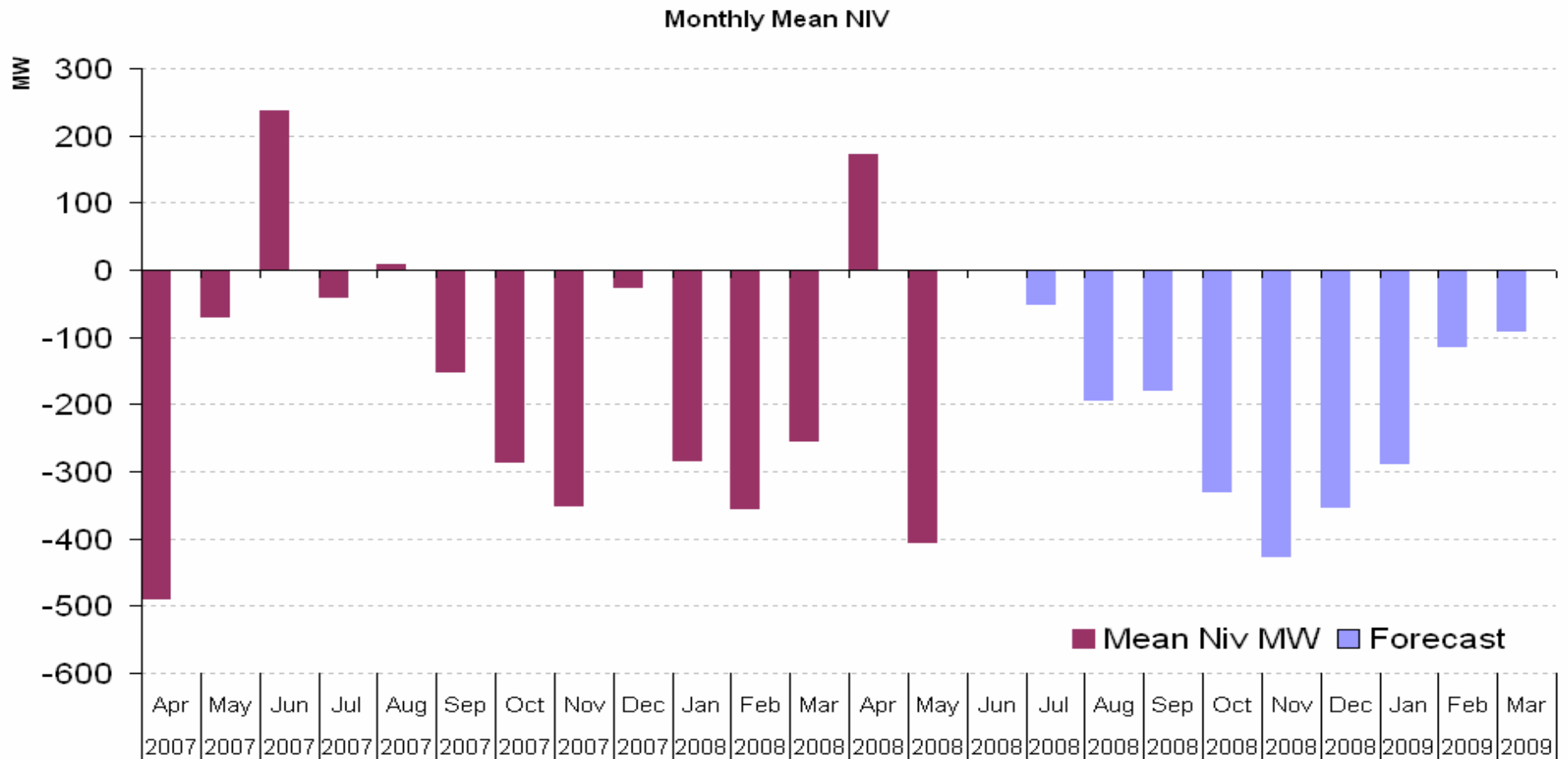
IBC component comparison – April 2007 vs 2008



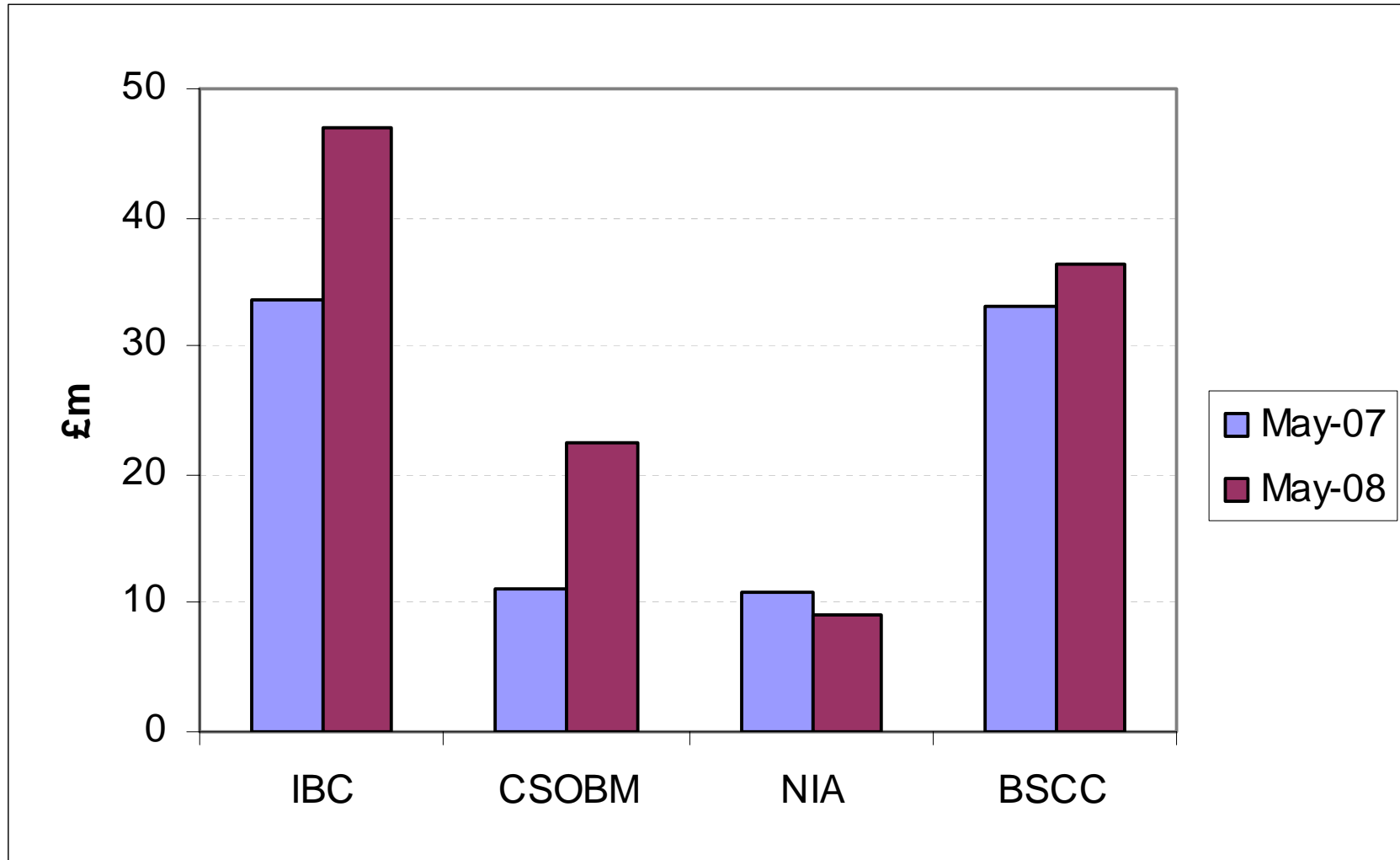
April Summary

- ◆ Tight Margins
 - ◆ Increased demands compared to the previous year due to colder weather
 - ◆ Some margin tied up behind constraints
 - ◆ A number of units began their summer outages
- ◆ Much shorter NIV than forecast
 - ◆ 2nd shortest month ever
- ◆ BM costs more than double those forecast, although largely offset by increased Net Imbalance Adjustment (NIA) on account of the short markets

Monthly Mean NIV



IBC component comparison - May 2007 vs 2008

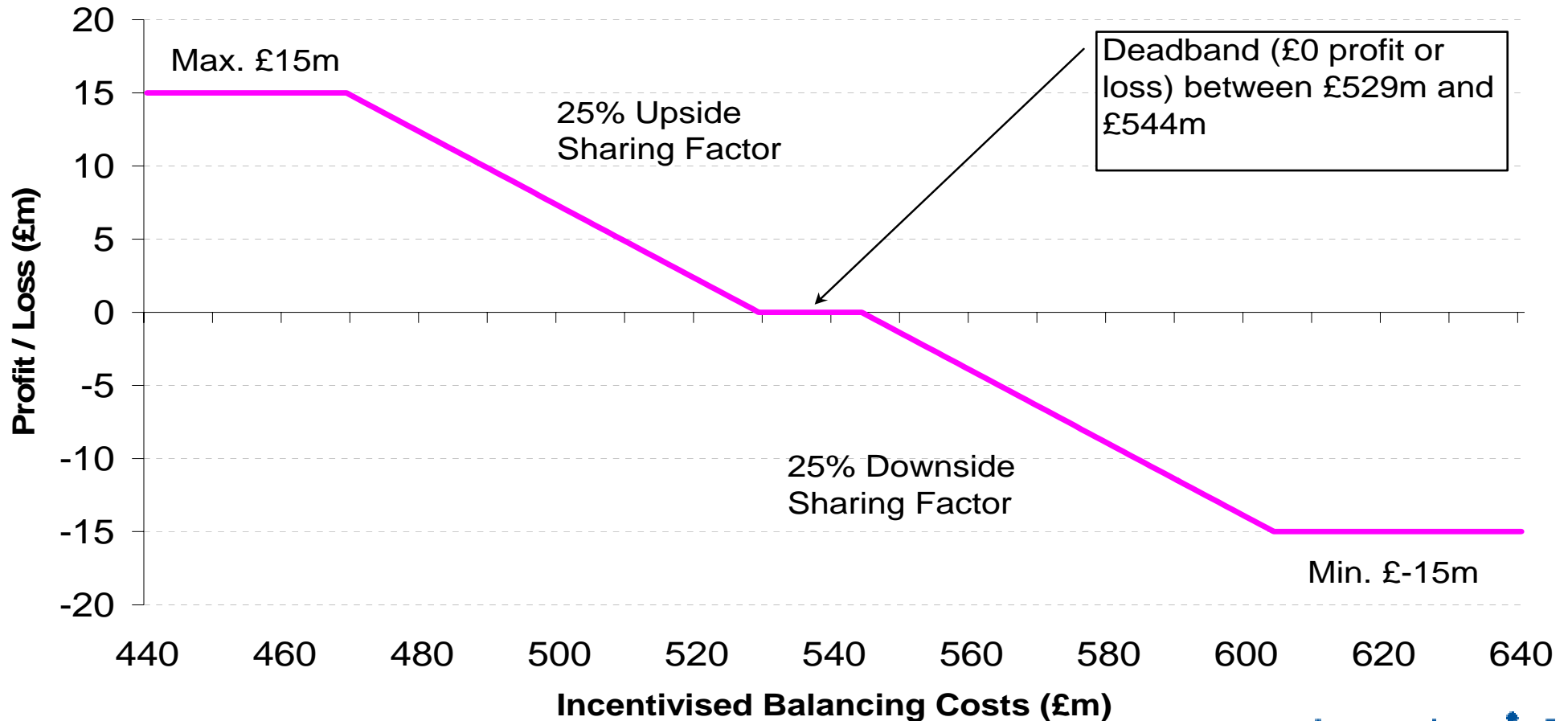


May Summary

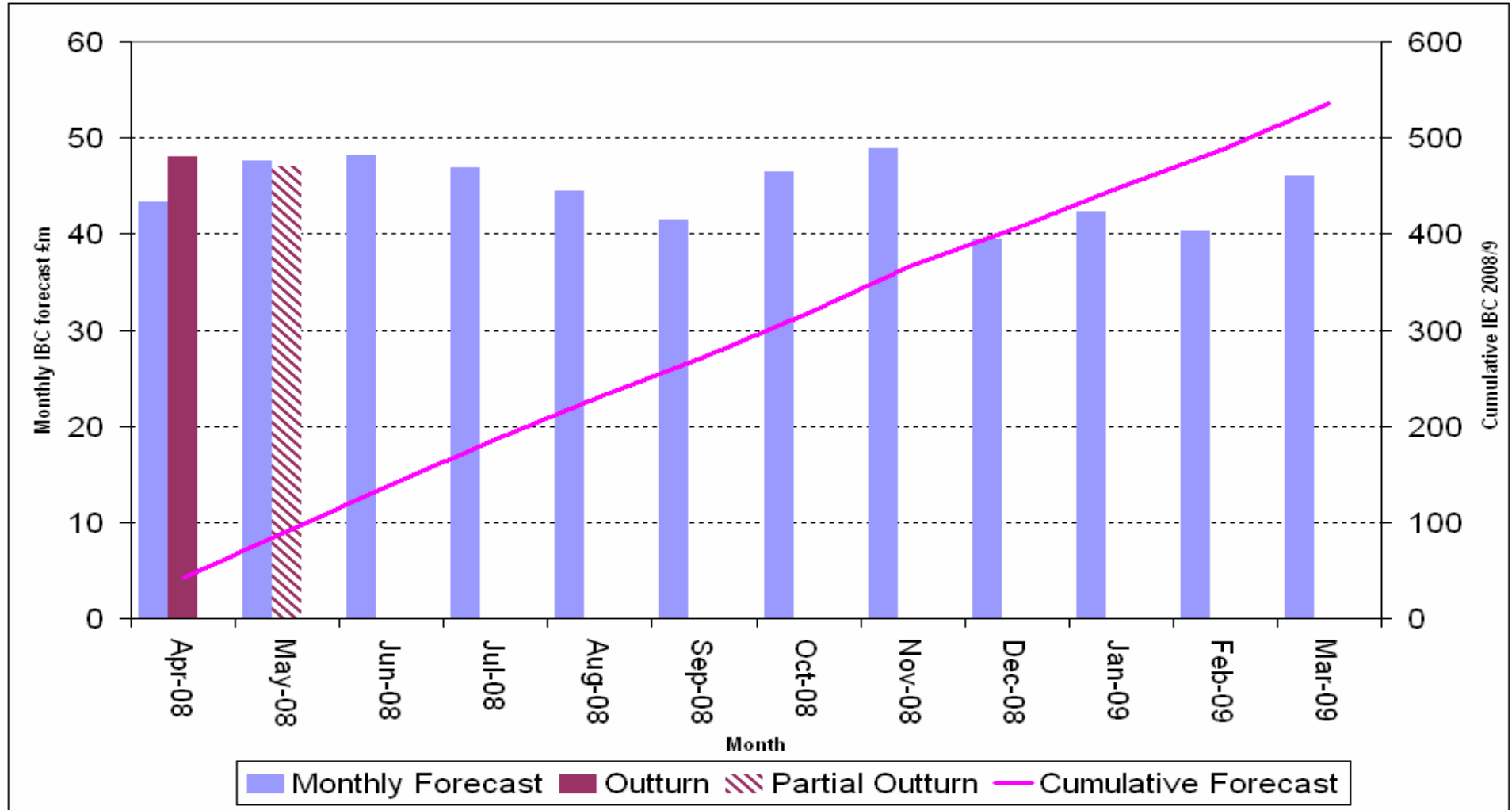
- ◆ Margin less tight than in April, but prices remain at an elevated level
- ◆ NIV Longer than forecast
- ◆ Loss of Longannet & Sizewell on 27th May led to the lowest system frequency for more than 20 years and use of demand control.
 - ◆ 1st excursion outside statutory limits since 2003

2008/9 Scheme Parameters

2008/9 Balancing Services Incentive Scheme



Monthly IBC 2008/9 forecasts and outturn



Electricity SO Incentives Workshop

- ◆ Workshop to be held on the 26th June at the Glebe Hotel in Barford, near Warwick
- ◆ Ofgem and National Grid presenting
- ◆ Contact Malcolm Arthur for more details
 - ◆ Malcolm.Arthur@uk.ngrid.com
 - ◆ 01926 654909

Winter Consultation Report 2008/09

- ◆ The Winter Consultation Report was published on 10th June on Ofgem and National Grid's websites.
- ◆ This year's consultation is a 2 stage process:
 - 1) A consultation document containing a review of winter 2007/08 and an initial outlook for winter 2008/09 for both gas and electricity.

The document contains questions for industry consultation, the receipt and analysis of which will inform the final report.

As part of the consultation process, Ofgem will be holding a Winter Outlook seminar in early September.
 - 2) The final Winter Outlook Report will be published week commencing 29th September 2008, based upon National Grid's best view of the supply/demand position, incorporating information and analysis from the consultation period.

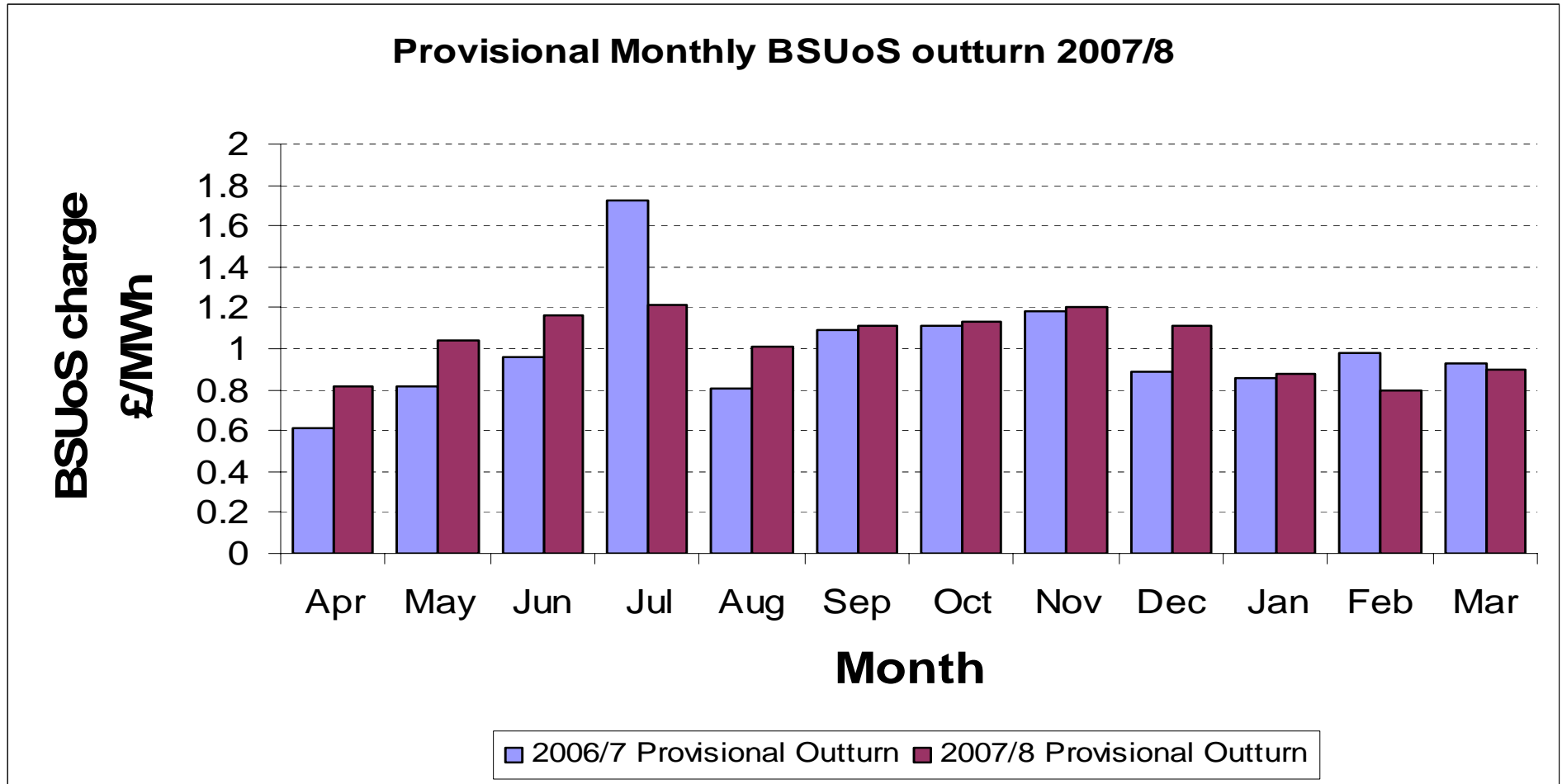
Winter Consultation Report 2008/09

- ◆ National Grid's position in the market means that it relies heavily on industry feedback in its attempt to publish an accurate forecast of the winter supply and demand position.
- ◆ As well as looking for responses to the questions raised in the document, we invite comments on all aspects of the process by 12th September 2008.
- ◆ Responses should be e-mailed to:
energy.operations@uk.ngrid.com
- ◆ Where requested, we will treat information provided to us on a confidential basis.
- ◆ However, respondents may send confidential information to Ofgem if they would prefer by e-mail to:
GB.markets@ofgem.gov.uk

BSUoS Update

Provisional Monthly BSUoS Outturn 2007/8

- ◆ Current BSUoS charge forecast: £1.03/MWh



Provisional BSUoS outturn / forecasts 2008/9

- ◆ Current BSUoS charge forecast higher than 2007/8 at £1.24/MWh

