Consultation on Winter 2005/06

Andrew Ryan

Consultation

In recent years, NGT has sought to provide information to the participants in the gas and electricity markets in the UK by publishing an outlook for the winter ahead.

The Consultation document represents a development of this process, recognising that our sources of data are necessarily incomplete.

Therefore this year, instead of offering a forecast for the winter, we have decided to conduct a consultation exercise on a range of issues to help inform the industry about the likely impact of the commercial arrangements between market participants and their implications for security of supply.

Agenda

- Summary of Experience - Winter 2004/05
- Electricity Outlook
- Views Sought
- GB Margin and TOGA
- Coming Up

Winter 2004/05 Summary (England and Wales)

- 6th warmest over last 77 years
- Peak Demand of 54.1 GW
- Across the winter, Operationally Reviewed Capacity was 66.4 GW, of which around 2.4 GW of plant was on sustained post-fault outage
- 0.7 GW of plant returned from mothballs for winter peaks
- Over 3 GW of imports from France and Scotland over darkness peak
- At end of February, clear evidence of flows being influenced by European price differentials, and of CCGTs reducing gas consumption
- Over late February/early March, evidence that CCGTs reduced gas demand by around 0.15 bcm (160 GWh)

Outlook - Winter 2005/06

- ACS peak demand forecast of 62.4 GW, including 0.4 GW flow to NI
- Headline 7YS margin is 22%, with 75.7 GW of TEC purchased. 74.2 GW of ORC availability
- 3.8 GW of mothballed plant, of which 2.2 GW can be returned within 6 months
- Sufficient to meet demand in severe weather conditions provided there isn't high levels of plant breakdown or CCGT unavailability
- UKCS Gas supply is declining more rapidly than previously forecast. Extensive and prolonged gas demand management required in severe weather conditions
- Preliminary analysis implies electricity sector over 100 days can provide 3 bcm (32 TWh) relief to gas market, by switching to distillate and other fuels

Views Sought

- Ability of CCGTs to deliver high levels of response:
  - merit order assumptions during severe weather
  - willingness of CCGTs to switch to distillate
  - How long can CCGTs generate continuously on distillate
  - Any restrictions on replenishment of distillate stocks
  - Extent to which coal and oil generation can be used to displace gas-fired generation throughout a cold winter, including considerations of reliability, environmental constraints, carbon emissions and fuel stocks
- Extent to which mothballed generation will become available
- Likely levels of flow on the French interconnector

Code Developments and Ongoing Initiatives

- Ofgem Cash Out Review - NGT believes it is important for security of supply that imbalance prices send appropriate signals to encourage the market to be in a position to balance ahead of Gate Closure
- Intertrips - Suite of Modifications Proposals relating to the categorisation and remuneration of operational intertrips (CAP076) have now been approved by Ofgem
- OC1/2 Review
- REMI

GB Margin Information

- There is currently around 1100 MW of OC2 availability which may not appear in BM timescales, due to station limits
- There is currently around 600 MW of BM availability which is not available to the Control Room, due to constraints within Scotland
- Additional OPMR information will be made available
- NGC is looking at making more information available to the industry:
  - OC2 Review - John Greasley
  - Reserve Actions - Glenn Bryn-Jacobsen

TOGA

- Went live on 1 April with considerably reduced functionality - only the bare bones working
- Operating in “contingency mode” with multiple manual workarounds and very slow system response/processing times
- Most independent generators now using TOGA
- A few generators still using EDT
- Feedback from customers has been mixed, smaller/independent generators more positive than larger portfolio players
- Great amount of work still required to obtain “fit for purpose” system, and is being progressed
- TOGA User Group proposed

Zonal Demand - BMRS

- With the introduction of BETTA, the process for producing Zonal data was not updated
- The problem was identified and corrected by NGC on the 7 June 2005, which Participants may have observed
- NGC apologises for any inconvenience caused

Coming Up - Consultations, Reviews and Publications

Link to Winter 2005/06 Consultation -

www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11584_14405b.pdf

Responses to NGT by 15 July 2005

Coming Up:

- NGC GB Demand Definition – June 2005
- OC1/OC2 Consultation - Feedback on Phase 2 proposals by mid/end July 2005
- Reserve Review - ongoing

Summary

- 2004/05 6th warmest over last 77 years
- 2005/06 - Plant Margin 22%
- Should be able to meet demand unless exceptional high levels of plant failure
- Flows from France increasingly dependent upon price differentials
- Pressure on electricity sector to provide relief to gas sector
- Experience of CCGTs reducing gas demand has been limited to date
- Views welcome on ability of CCGTs to provide relief to gas market and for the 2 sectors to work effectively together