

Procurement Guidelines Report

1 April 2009 to 31 March 2010

As required by Standard Condition C16
Of National Grid's Electricity Transmission Licence

Version 2 (30th April 2010)

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Procurement Guidelines Report for The National Grid Company 1st April 2009 to 31st March 2010

1. Introduction

National Grid procures Balancing Services subject to the framework laid down in Condition C16 of the Transmission Licence. This framework obliges National Grid to “operate the transmission system in an efficient, economic and co-ordinated manner” and also requires a number of statements and reports on the procurement and use of Balancing Services to be established. The **Procurement Guidelines** is one of these statements, and sets out the principles used in our procurement of Balancing Services, the kinds of Balancing Services that we may be interested in purchasing and the mechanisms by which we do so. The Procurement Guidelines is published on the National Grid Industry Information website and is subject to annual review and industry consultation. When a new Procurement Guidelines statement is published annually (covering the forthcoming relevant period), National Grid is required to produce a **Procurement Guidelines Report** (“Report”) covering the preceding relevant period, having previously agreed the ‘form’ of the Report with The Authority.

1.1 Purpose of Procurement Guidelines Report

The purpose of the Report is to provide information in respect of the relevant¹ Balancing Services that National Grid has procured in the defined reporting period.

1.2 Reporting Period

In accordance with Condition C16 of the Transmission Licence, the Report will be produced within one month after the date on which each revised Procurement Guidelines Statement is due to be published.

The information utilised in this report is the best available at the time of publication and may be subject to minor changes as a result of final reconciliation.

1.3 Balancing Services

The Balancing Services National Grid has procured, either via market arrangements or bilateral contracts, throughout the period covered by the Report, are:

- Frequency Response

¹ Scope of the balancing services covered in this document can be found in section 1.3 and 1.5

- Reactive Power
- Fast Start
- Black Start
- Reserve Services - Fast Reserve, STOR and BM Start-Up
- System to System Services
- Inter-trips
- Ancillary Contracts to manage System issues
- Maximum Generation Service
- All Other Services
- Energy Related Products (including PGBTs)
- BM Constraints

It is important to note that Balancing Services are procured from both Balancing Mechanism and Non Balancing Mechanism Parties.

For further information regarding the type of providers of Balancing Services please consult the Procurement Guidelines.

1.4 Structure of Report

This report presents the Balancing Services under four main titles –

- Services Procured via Market Arrangements
- Services Procured via Non-Tendered Bilateral Contracts
- Other Energy Related Products
- Constraints

It is then followed by a summary section providing the high level information for all services for the financial year 2009-10.

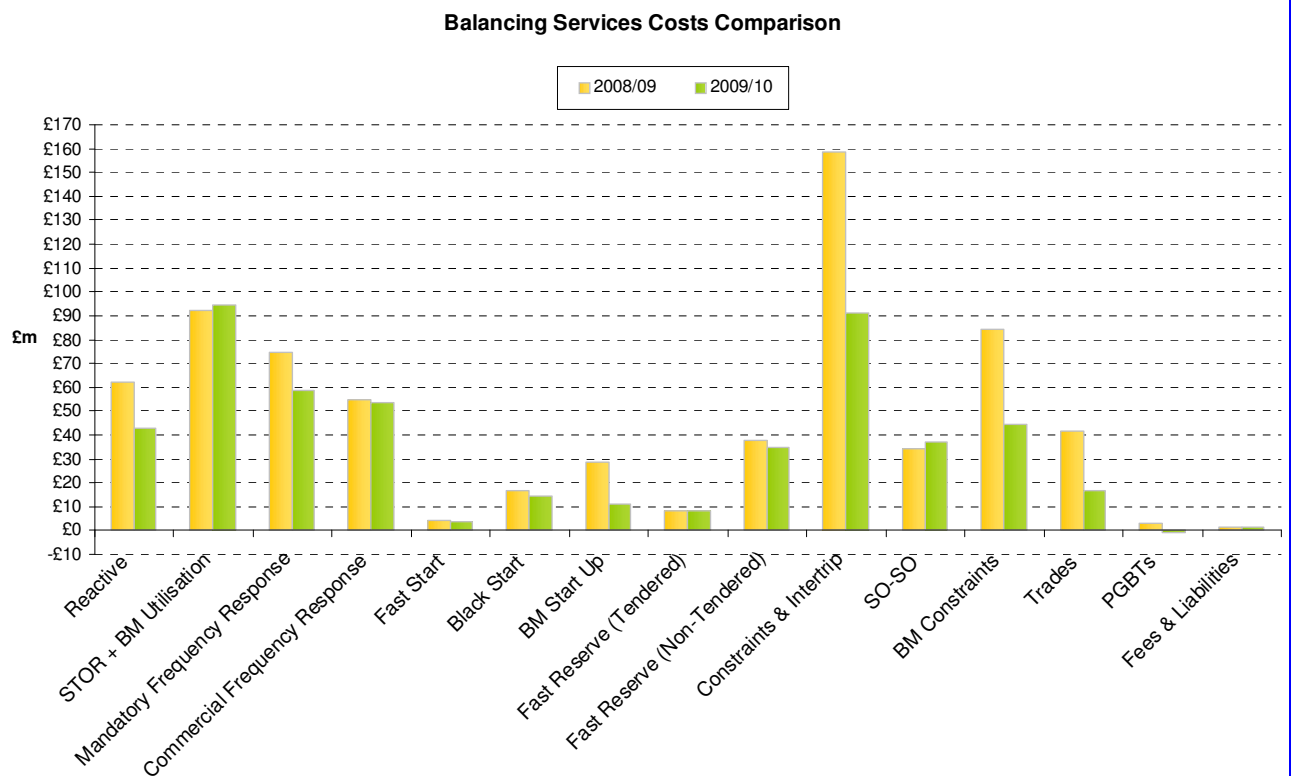
1.5 Services not included in the report

The scope of the Procurement Guidelines does not include the acceptance of Bids and Offers in the Balancing Mechanism. However, Bids and Offers for Constraint management (see section 5) and BM STOR Utilisation (see section 2.7) have been included to provide an appreciation of the overall costs. Further information on Bid and Offer acceptances can be found in the Balancing Principles Statement Report.

1.6 Comparison with previous year

Total costs of balancing services have decreased by £163m from £675m in 2008/09 to £512m in 2009/10. Constraints and Intertrip has decreased from £159m to £91m in 2009/10, driven by a reduction in Commercial Intertrip usage. BM Constraints costs reduced to £45m compared to £85m in 2008/09; similarly spend on Trades was lower in 2009/10 at £17m compared to £42m in 2008/09. BM-Start up Costs equalled £11m in 2009/10 compared to £29m in 2008/09.

The reasons behind the changes discussed above are analysed in more detail in the relevant sections of this report.



2. Services Procured Via Market Arrangements

2.1 Reactive Power

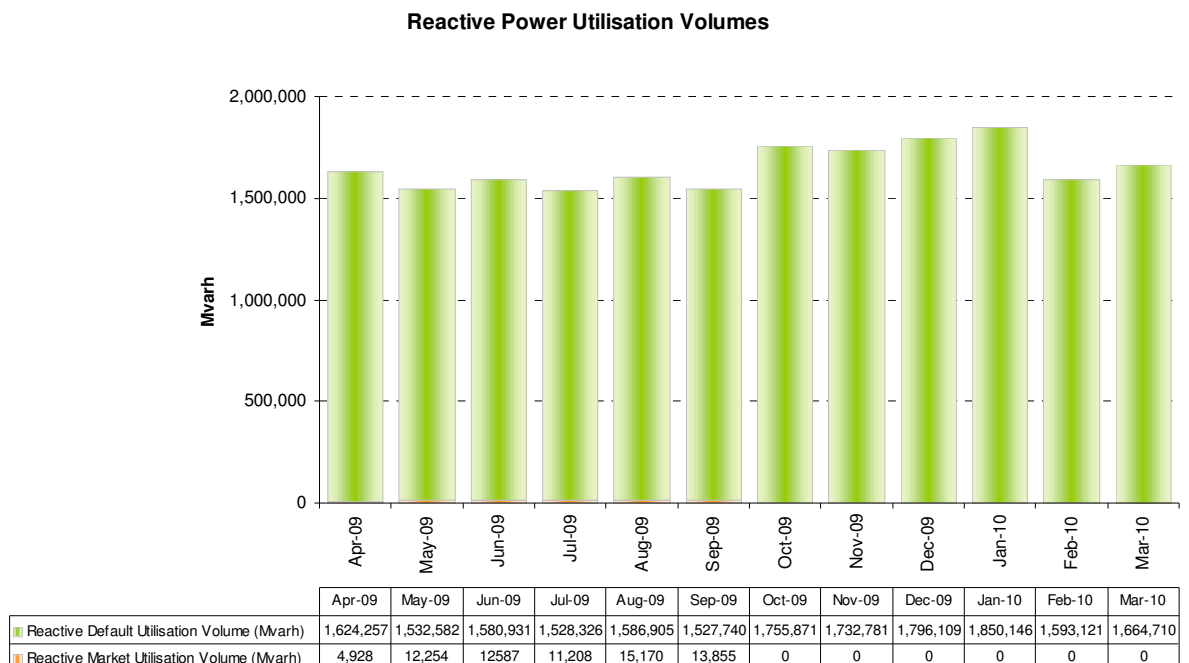
National Grid manages voltage on the transmission system within statutory limits to ensure quality of supply. In doing this we ensure that reactive power resources are provided on a localised basis to meet the constantly varying needs of the system, and that there is sufficient reactive power reserve available to meet contingencies.

2.2 Market Arrangements for Reactive Power

There were three tender rounds (TR22, TR23 and TR24) covering April 2009 to March 2010 period. TR22 commenced from 1st October 2008 continuing till 30th September 2009. All contracted services from 1 April 2009 to 30 September 2009 were provided by successful tenders in round 22 (TR22). There were no successful tenders TR23 and TR24. Hence there was no contracted service between October 2009 and March 2010. Further information regarding each of these tender rounds can be found at the following website address:

<http://www.nationalgrid.com/uk/Electricity/Balancing/services/ReactivePower/markettender/>

Utilisation volumes of Reactive Power under market and Default arrangements for the relevant month are detailed in the chart below.



Utilisation costs of Reactive Power under market and Default arrangements over the relevant period are detailed in the chart below.

Reactive Power Costs



2.3 Default Arrangements for Reactive Power

For further information regarding the default payment arrangements please view the Introduction to Reactive document which can be found on the National Grid Website.

<http://www.nationalgrid.com/uk/Electricity/Balancing/services/ReactivePower/>.

2.4 Reactive Power Comparison with previous year

Reactive costs have decreased by 31% from £62m in 2008/9 to £43m in 2009/10. The cost decrease was driven by lower power prices. On average, the default price in 2009/10 was 40% lower than that in 2008/09. The cost decrease was offset by a small increase in utilisation volume, from 18.7 Tvarh in 2008/09 to 19.7 Tvarh in 2009/10.

2.5 Fast Reserve (Tendered)

Further information explaining the service and assessment criteria of tenders for this Balancing Service can be found on the National Grid Website under Electricity/Balancing/tender reports/fast reserve.

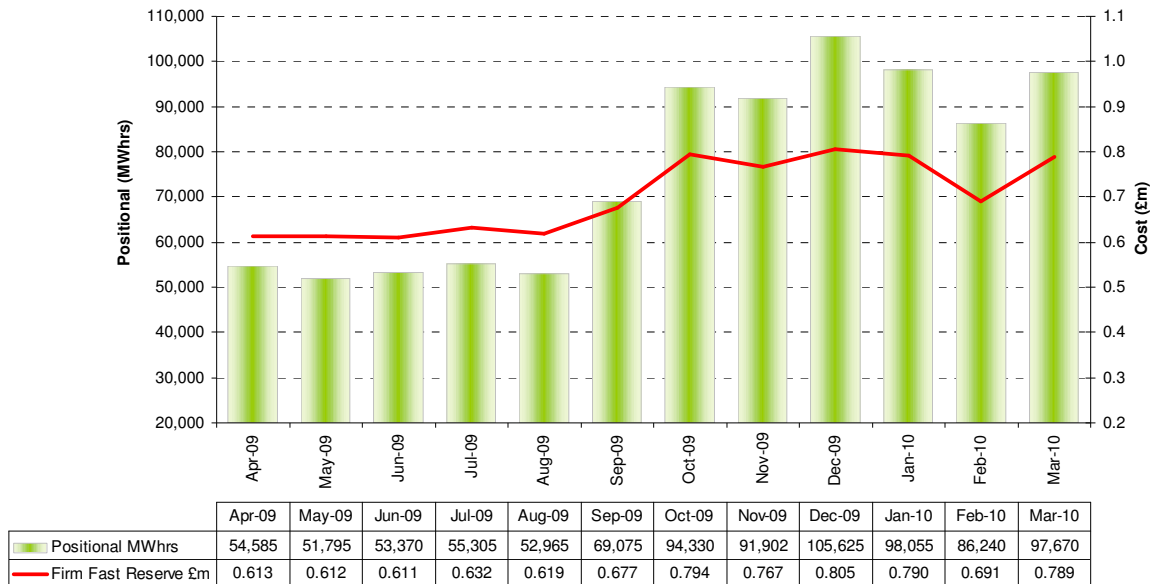
The table detailed below lists the tender details for the relevant month.

Fast Reserve Tendered

	Eligible companies	Eligible units	Units tendered in previous months	Units tendered this month	Units accepted from previous months	Units accepted from this month	Total MW tendered	Total MW contracted	Max GWh tendered	Max GWh contracted	Positional MWhrs
Apr-09	6	18	2	0	2	0	180	180	84.24	84.24	54,585
May-09	6	18	2	0	2	0	180	180	86.76	86.76	51,795
Jun-09	6	18	2	0	2	0	180	180	84.96	84.96	53,370
Jul-09	6	18	2	0	2	0	180	180	87.84	87.84	55,305
Aug-09	6	18	2	0	2	0	180	180	87.12	87.12	52,965
Sep-09	6	18	2	0	2	0	180	180	84.96	84.96	69,075
Oct-09	6	18	2	1	2	1	304	304	124.36	124.36	94,330
Nov-09	6	18	3	0	3	0	314	314	122.79	122.79	91,902
Dec-09	6	18	3	0	3	0	355	355	136.66	136.66	105,625
Jan-10	6	18	3	0	3	0	405	405	153.38	153.38	98,055
Feb-10	6	18	3	0	3	0	406	406	139.32	139.32	86,240
Mar-10	6	18	3	0	3	0	406	406	153.81	153.81	97,670

The following graph shows the variation in Fast Reserve capacity contracting by month.

Fast Reserve Tendered



For more information on Fast Reserve please refer to the National Grid Website <http://www.nationalgrid.com/uk/Electricity/Balancing/services/reserveservices/fastreserve/>

Fast Reserve Contracts placed through non-tendered bilateral agreements are detailed in section 3.8 of this report.

2.6 Fast Reserve (Tendered) Comparison with previous year

Fast Reserve (Tendered) costs remain steady at £8.3m in 2008/9 and 2009/10. Volumes have decreased slightly to 910,917 MWhrs in 2009/10 compared to 954,763 MWhrs in 2008/09, suggesting that prices have increased according to RPI.

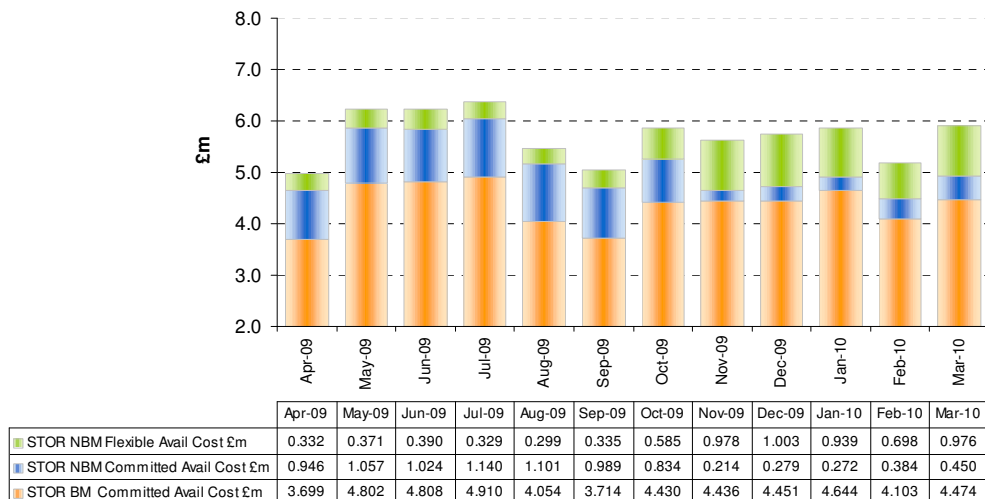
2.7 Short Term Operating Reserve (STOR) including Balancing Mechanism (BM) and Non Balancing Mechanism (NBM)

National Grid procures Short Term Operating Reserve (STOR) through a competitive tender process which is conducted three times per year.

Further information on STOR can be found on the National Grid website.

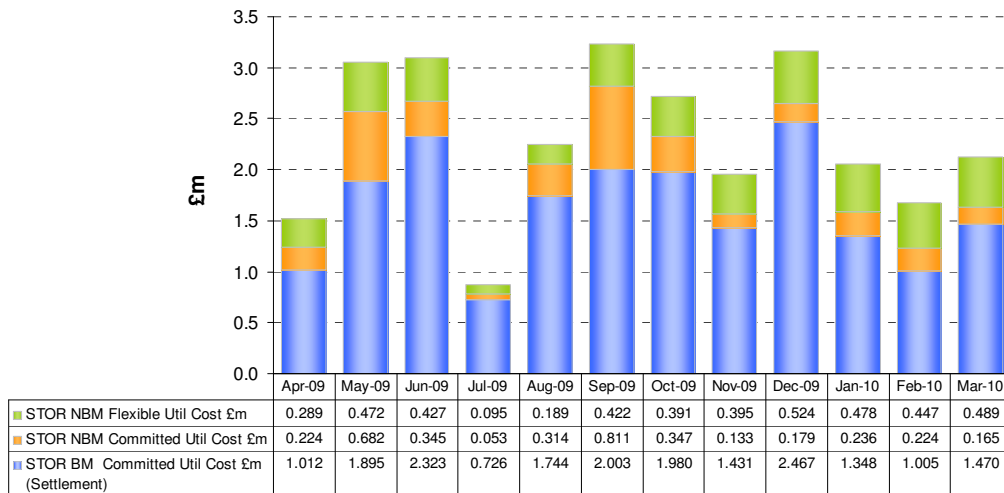
<http://www.nationalgrid.com/uk/Electricity/Balancing/services/reserveservices/STOR/>

STOR BM and NBM Availability Costs- Flexible and Committed

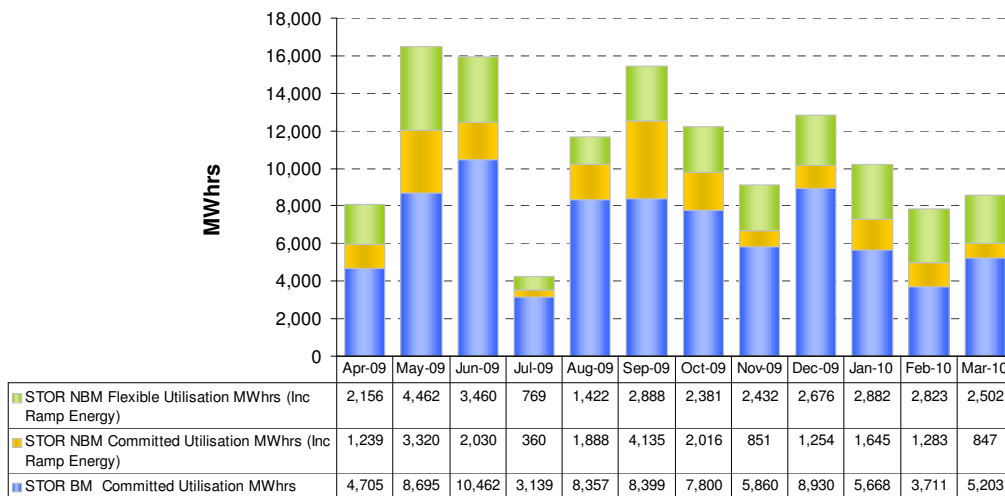


The average availability payment for STOR during this period was **£8.56/MWh** for both non-working days and working days.

STOR BM and NBM Utilisation Cost - Flexible and Committed



STOR BM and NBM Utilisation MWhrs - Flexible and Committed



STOR BM and NBM Utilisation MWhrs and Costs (Data)

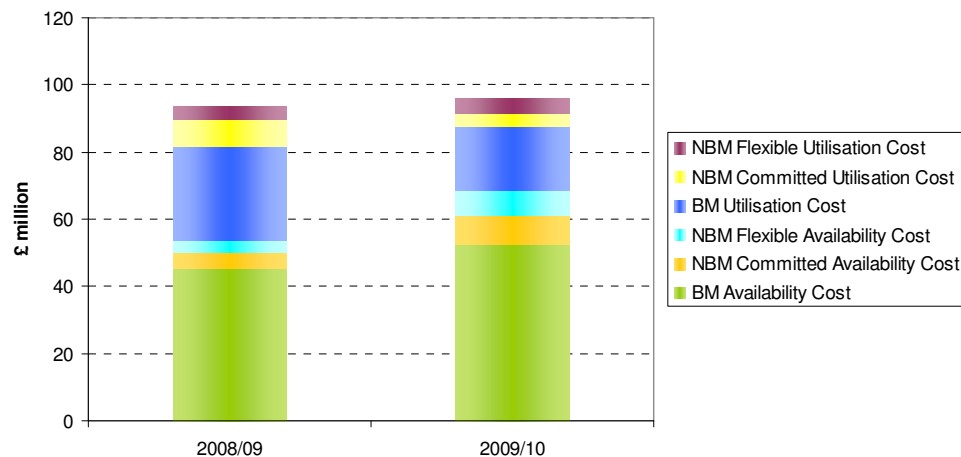
Month	STOR BM Committed Util Cost £m (Settlement)	STOR NBM Committed Util Cost £m	STOR NBM Flexible Util Cost £m	STOR BM Committed Utilisation MWhrs	STOR NBM Committed Utilisation MWhrs (Inc Ramp Energy)	STOR NBM Flexible Utilisation MWhrs (Inc Ramp Energy)
Apr-09	1.012	0.224	0.289	4,705	1,239	2,156
May-09	1.895	0.682	0.472	8,695	3,320	4,462
Jun-09	2.323	0.345	0.427	10,462	2,030	3,460
Jul-09	0.726	0.053	0.095	3,139	360	769
Aug-09	1.744	0.314	0.189	8,357	1,888	1,422
Sep-09	2.003	0.811	0.422	8,399	4,135	2,888
Oct-09	1.980	0.347	0.391	7,800	2,016	2,381
Nov-09	1.431	0.133	0.395	5,860	851	2,432
Dec-09	2.467	0.179	0.524	8,930	1,254	2,676
Jan-10	1.348	0.236	0.478	5,668	1,645	2,882
Feb-10	1.005	0.224	0.447	3,711	1,283	2,823
Mar-10	1.470	0.165	0.489	5,203	847	2,502

[Please note graphs and the table above does not reflect any seasonal reconciliation due to non-availability]

Non-BM STOR Availability payments, Non-BM STOR Utilisation payments and BM STOR Availability payments are paid as Ancillary Services. BM STOR Utilisation payments are paid via the BM Bids and Offers, not as an Ancillary Service; they are included in this report to clarify the total STOR expenditure. STOR BM Utilisation costs in this report are based on actual spend (i.e. MWh Utilised x Utilisation Price for that BM STOR unit).

2.8 STOR Comparison with previous year

Total STOR expenditure comparison



Total STOR costs for 2008/09 were £92m - this rose by 3% to £95m for 2009/10. The difference is mainly due to higher availability costs in 2009/10 (28% increase to £68m) driven by higher availability prices. The average accepted availability price rose from £7.28/MW/h in 2008/09 to £8.56/MW/h in 2009/10. This increase has been offset by a 31% decrease in utilisation costs from £40m in 2008/09 to £28m in 2009/10. This reduction in costs is as a result of lower utilisation volumes in 2009/10 (30% reduction over 2008/09) due to benign market conditions.

2.9 Tendered Frequency Response.

Please see Section 3.2 Services Procured via Non-Tendered Bilateral Contracts

3. Services Procured Via Non-Tendered Bilateral Contracts

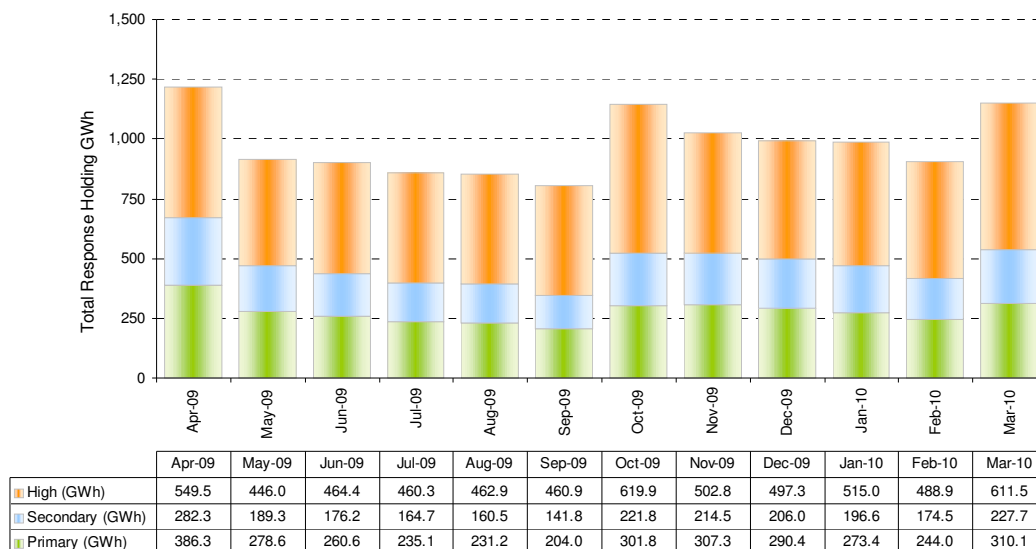
3.1 Mandatory Frequency Response

Mandatory Frequency Response is a mandatory service provided by large generators (>100MW) to automatically change their active power output in response to a change in system frequency. The Grid Code Connection Condition 6.3.7 and 8.1 describe the technical requirements for this service.

Payments for Mandatory Frequency Response comprise a Holding Payment (£/MW/h) and a Response Energy Payment (£/MWh). Details on frequency response holding are given below. More information on this can be found on the National Grid Website.

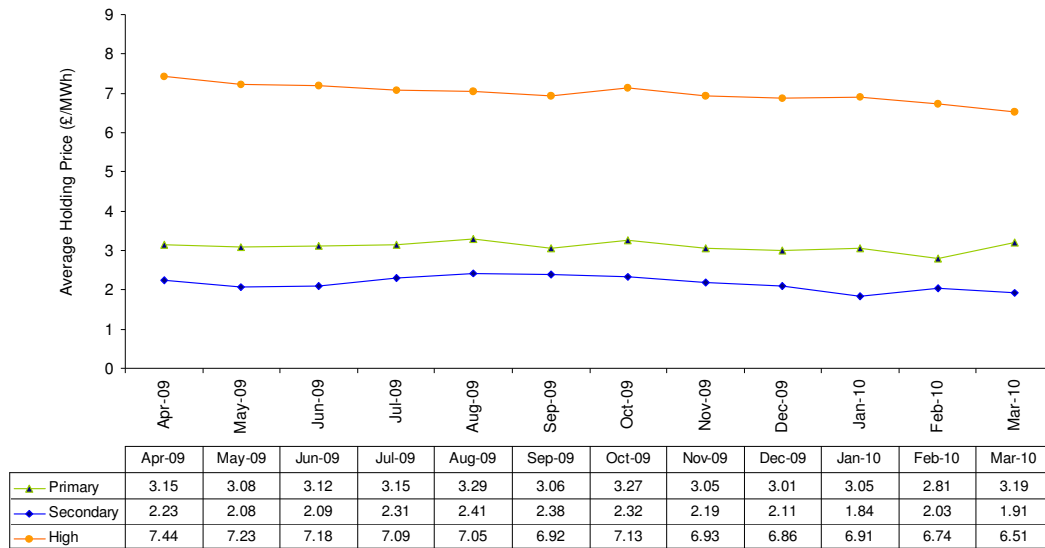
<http://www.nationalgrid.com/uk/Electricity/Balancing/services/frequencyresponse/mandatoryfreqresp/>

Mandatory Frequency Response Holding



The next chart shows the Average Holding cost of Mandatory Frequency Response.

Mandatory Frequency Response Average Holding Price



The methodology for calculating these payments is given in CUSC section 4.1.3.9 & 4.1.3.9A. <http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/>

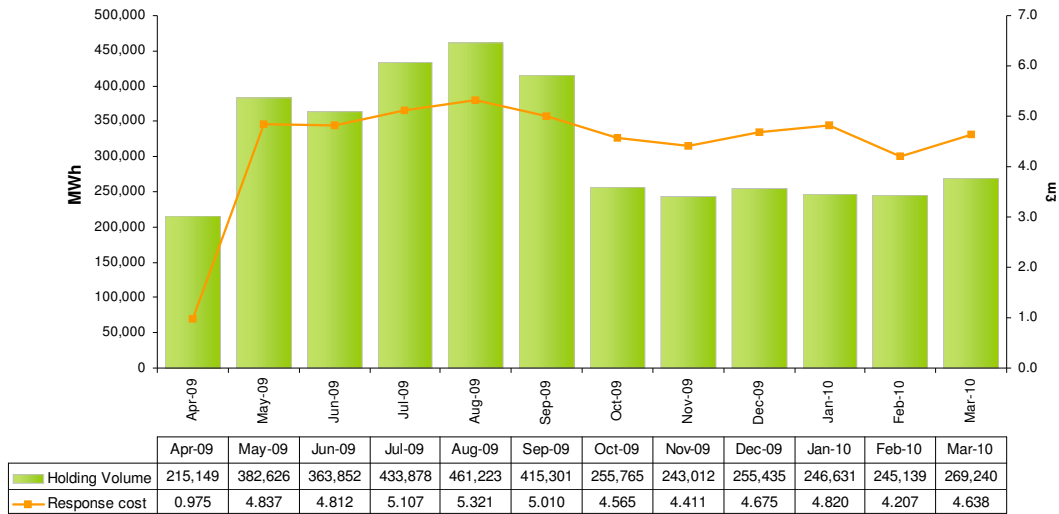
3.2 Commercial Frequency Response

Commercial Frequency Response is a collection of services that can be provided by demand side participants and generation plant. The technical characteristics of these services are different to those required under mandatory service arrangements, and range from enhanced mandatory dynamic services through to non-dynamic services effected via Low Frequency relays. Part of the contract portfolio includes services provided by demand side participants via the Frequency Control by Demand Management (FCDM) service and through Firm Frequency Response (FFR) tender rounds.

Further information on Commercial Frequency Response is available on the National Grid Website, or specifically on firm frequency response through the tenders and reports section of National Grid's Balancing Services website.

<http://www.nationalgrid.com/uk/Electricity/Balancing/services/frequencyresponse/>

Commercial Frequency Response Holding

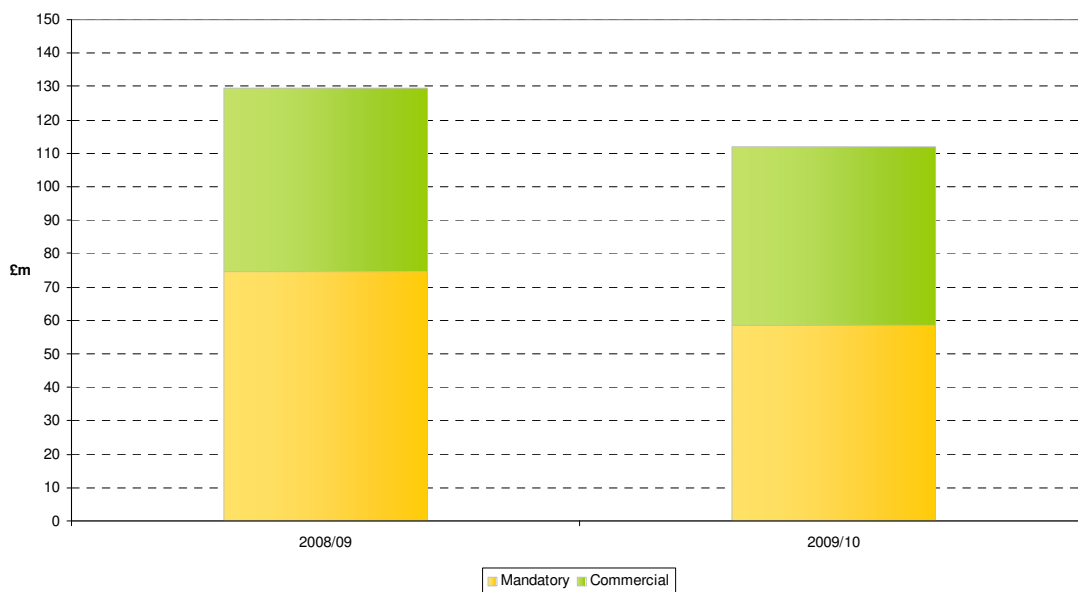


3.3 Frequency Response Comparison with previous year

The Total Mandatory Costs have decreased by 21.5% from £75m in 2008/9 to £59m for 2009/10. The price trend at the end of 2008/9 continued throughout the year and prices lowered slightly but remained steady. Volumes have reduced in the majority of months this year in comparison with last year.

The Commercial Frequency Response Costs have decreased by 4% from £55m in 2008/9 to £53m for 2009/10. This was due in part to no commercial contracts being held for Firm Frequency Response for April 2009 and the loss of a large static demand side provider at the end of September 2009.

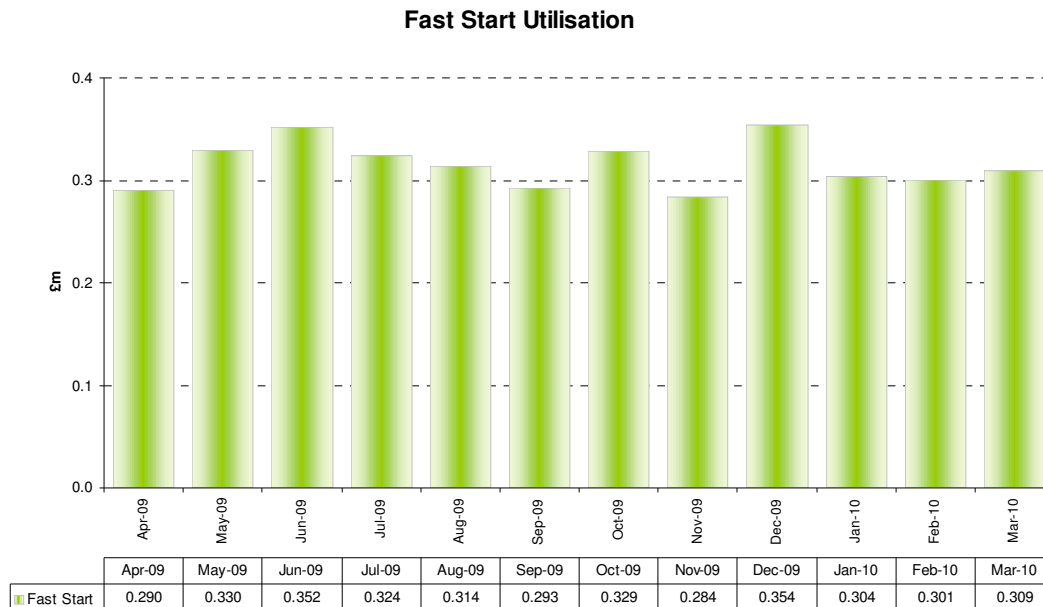
Total Response Holding costs (Commercial / Mandatory)



3.4 Fast Start

Fast Start is the ability of Open Cycle Gas Turbine (OCGT) plant to start rapidly from a standstill condition and to deliver its rated power output automatically within a defined time period.

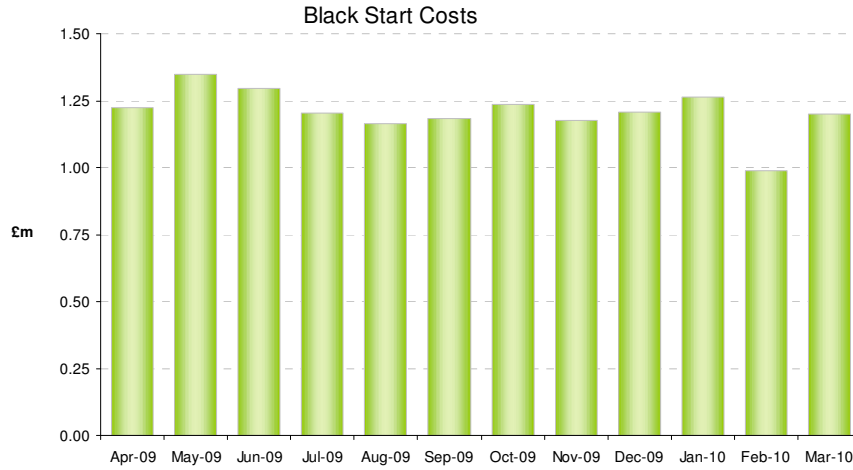
Fast Start Costs remained largely stable for 2009/10 and totalled £3.78m compared to £4.16m in 2008/09. Fast Start utilisation per month from April 2009 to March 2010 can be found below:



Further information on Fast Start can be found on the National Grid Website.
http://www.nationalgrid.com/uk/Electricity/Balancing/services/balanceserv/reserve_serv/faststart/

3.5 Black Start

During the reporting year from April 2009 to March 2010 there were **22** stations with Black Start agreements in place, remaining constant with previous year. Costs out turned at £14.49m this reporting year compared to £16.81m the year before.

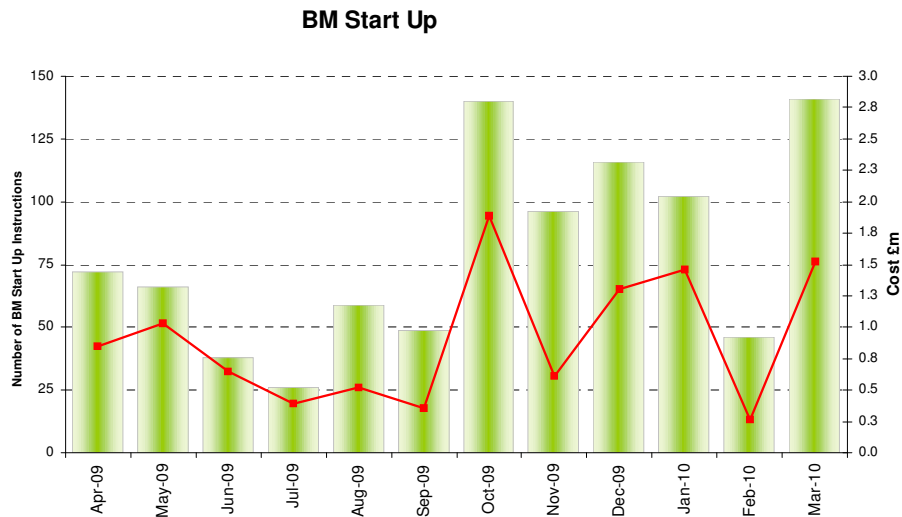


	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
Blackstart Contract costs (£m)	1.22	1.35	1.30	1.20	1.17	1.18	1.24	1.18	1.21	1.26	0.99	1.20
Other Black Start Costs (£m)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Further information on Black Start can be found on the National Grid Website.
<http://www.nationalgrid.com/uk/Electricity/Balancing/services/systemsecurity/blackstart2/>

3.6 BM Start up

The chart below contains information relating to the procurement of BM Start up Balancing Services;



	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
No. of BMSU Instructions	72	66	38	26	59	49	140	96	116	102	46	141
Total Spend £/m	0.85	1.03	0.64	0.39	0.52	0.35	1.89	0.61	1.31	1.46	0.26	1.52

3.7 BM Start up Comparison with previous year

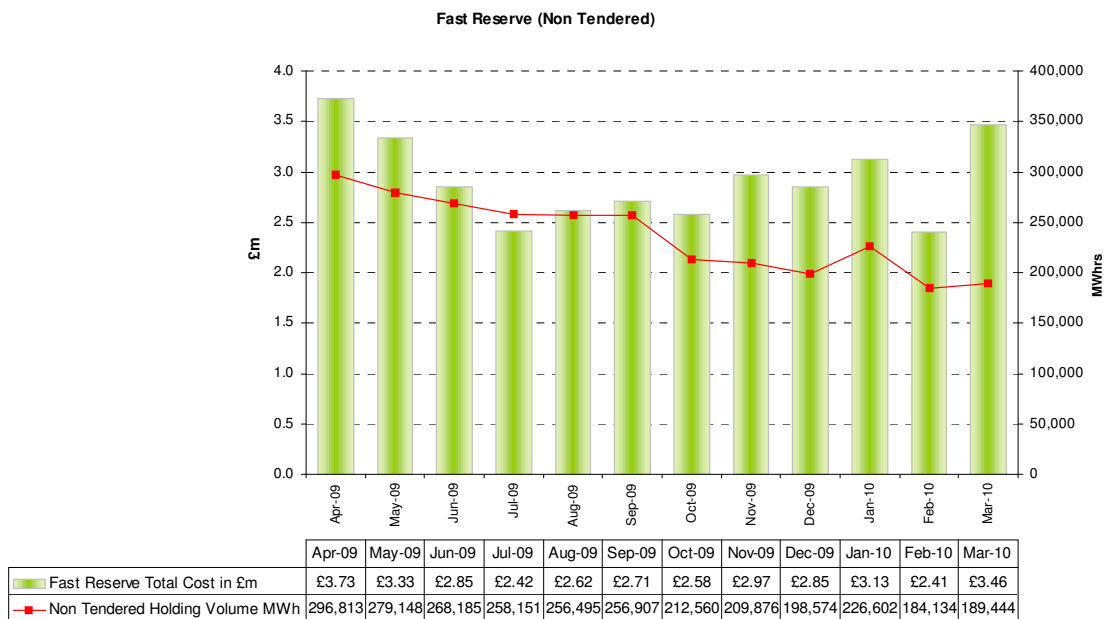
The number of BM Start up instructions issued during 2009/10 was 951 compared to 1452 instructions during the previous year. In terms of costs, £11m was spent on this service in 2009/10 compared to £29m in 2008/09. Reserve levels at day-ahead and within day timescale combined with lower power prices have contributed to lower costs spent on this service this year compared with previous year.

Further details are available via the National Grid Website.

http://www.nationalgrid.com/uk/Electricity/Balancing/services/reserveservices/bms_tartup/

3.8 Fast Reserve (Procured on a Non-Tendered basis)

Non-Tendered Fast Reserve is a service that is contracted on a bilateral basis with service providers. The nature of the service is similar to the Firm Fast Reserve service although the payment and utilisation mechanisms differ for each service.



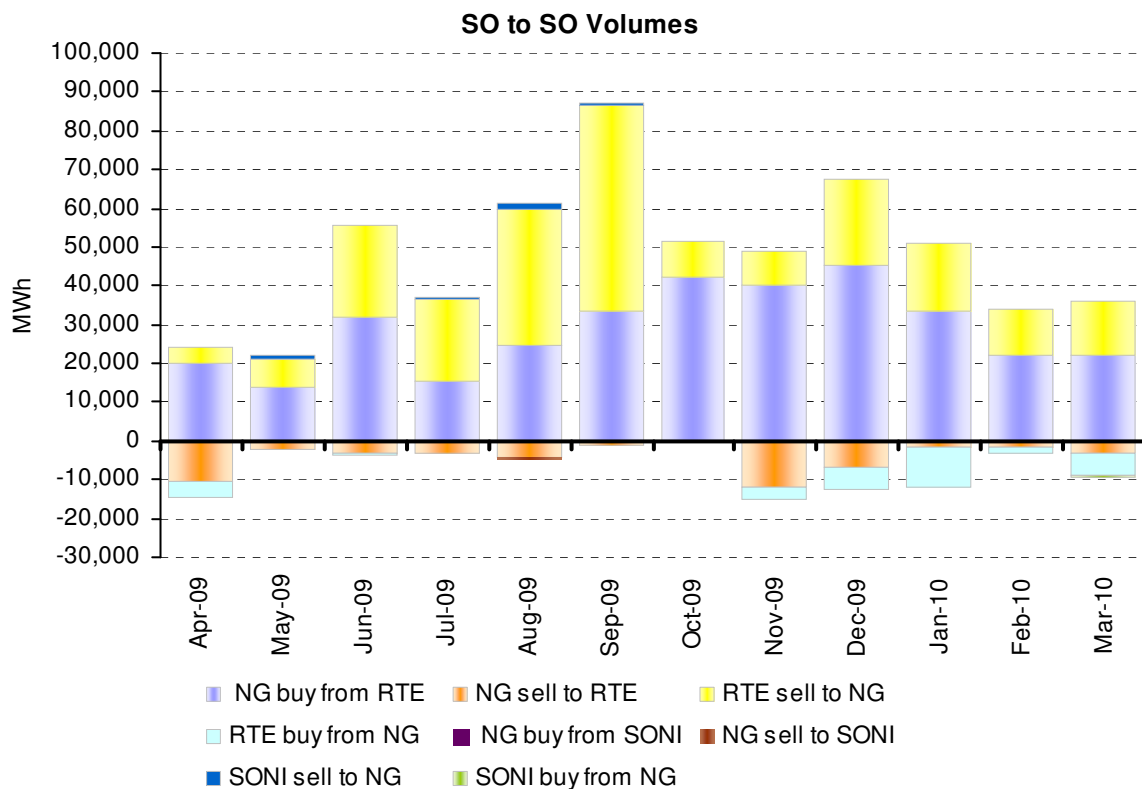
3.9 Non-tendered Fast Reserve Comparison with previous year

Non-tendered Fast Reserve costs have decreased by 8% from £38m in 2008/9 to £35m in 2009/10. This slight cost reduction is due to a decrease in service prices. This service price reduction is likely the result of an increased system margin because of lower MW demand and higher generator availability compared to 2008/09.

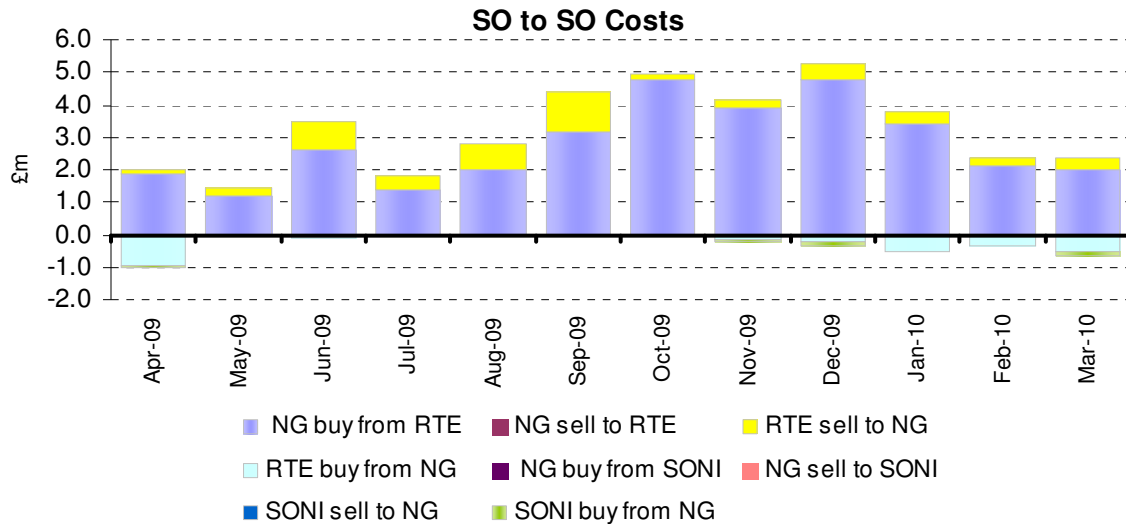
3.10 System to System Services

System to System services are provided mutually with other Transmission System Operators connected to the GB system via interconnectors. Such services are typically used to manage interconnector transfer profiles and to increase or reduce power flows across an interconnector to resolve transmission constraints on either side, or provide Emergency Assistance if required.

The graph below shows the total net volume imported and exported between Great Britain, France and Ireland. Please see Appendix 2 for further clarification on System Operator to System Operator (SO-SO) services.



For definition see Appendix 2



For definition see Appendix 2

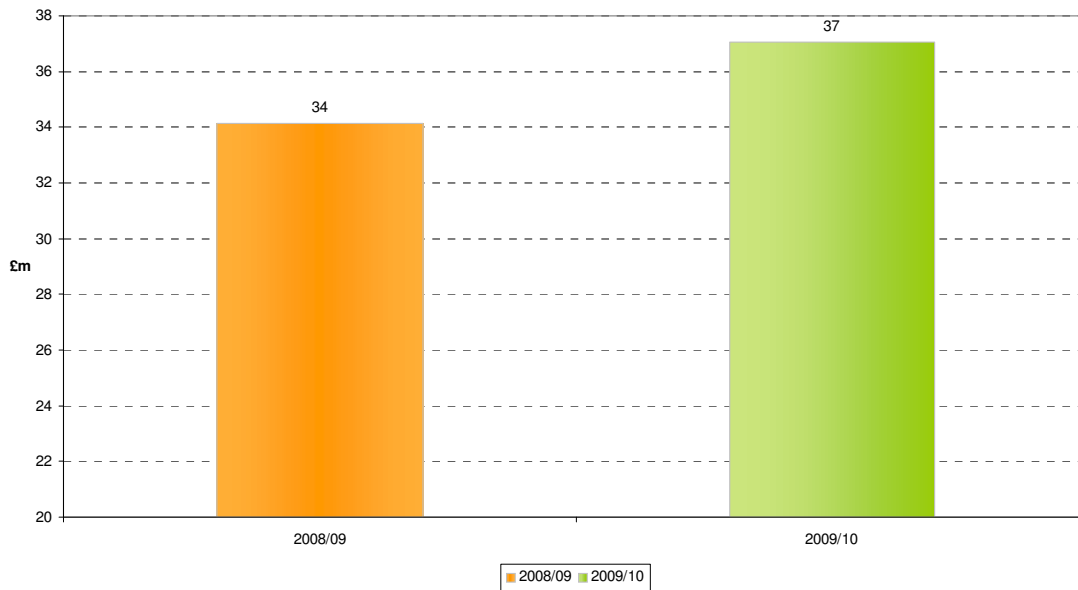
3.11 SO-SO Comparison with previous year

The volume of SO-SO trades undertaken this year increased from 416GWh gross in 2009/10 to 659GWh gross in 2009/10. Examination of the data shows two changes in this year's SO-SO actions. First is an increase in import volumes due to Sell action initiated by RTE. This is due to the introduction of cross border balancing in March of 2009, which provided the French system operator with a more robust buyer for excess power. These actions have often taken place over night and therefore had a negative effect on downward regulation issues. National Grid's buy price has been set between £0 and £15 to reflect this, and therefore the cost has been small. The other trend is a flattening of the volume of buy actions initiated by National Grid as the SO-SO service was used as a way of procuring additional margin or solving constraints after the introduction of cross border balancing.

In addition, RTE have initiated a number of buy actions over the last year. These were priced to reflect the utilisation of southern STOR. Similarly to last year, most National Grid initiated sales were for downward regulation.

On the Moyle interconnector most actions were SONI initiated sell actions due to high wind generation levels in Northern Ireland.

SO-SO (RTE & SONI) Net costs £m



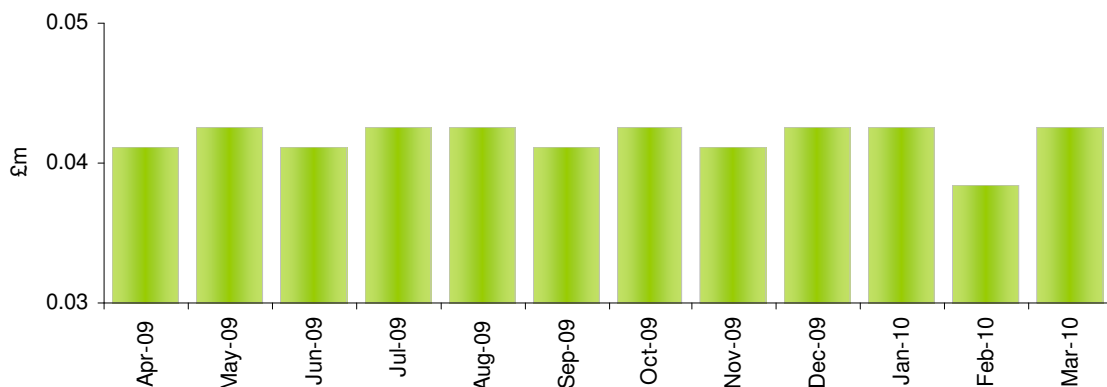
3.12 System to Generator Operational Inter-tripping Schemes

As a consequence of their connection conditions, certain generators are obligated to have in place operational intertrip schemes.

These schemes fall under a number of different category types as defined under section 4.2.A of the CUSC which describes the compensation arrangements relating to these schemes. A proportion of these categories entitle the counter party to payments for maintaining the capability to provide the intertrip and also following utilisation of the service.

Total costs for System to Generator Operational Inter-tripping Schemes remains reasonably constant at £0.50m for reporting year 2009/10, compared to £0.47m in 2008/09. Inflationary price increases would account for the slight rise in costs.

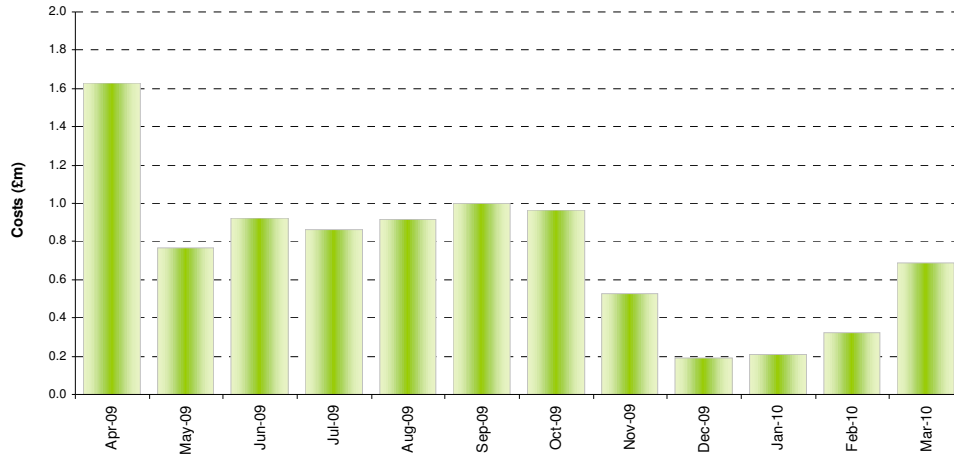
System to Generator Operational Intertripping - Capability Payments



3.13 Commercial Intertrip Service

In addition to System to Generator Operational Inter-tripping Schemes, National Grid will seek to, where it proves economic and efficient to do so, enter into Commercial Intertrip schemes to manage system issues.

Commercial Intertrips

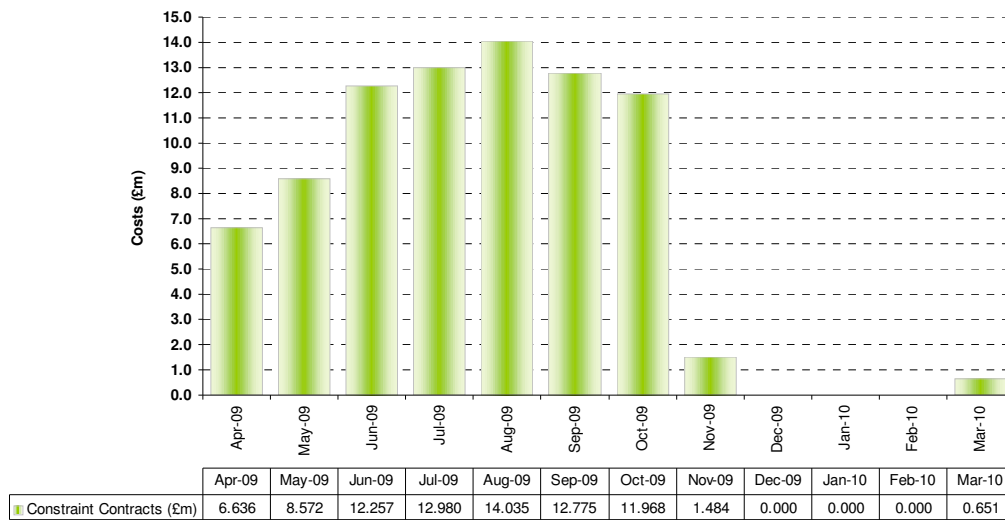


	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
Commercial Intertrip	1.627	0.769	0.920	0.864	0.914	0.998	0.965	0.525	0.190	0.210	0.323	0.686

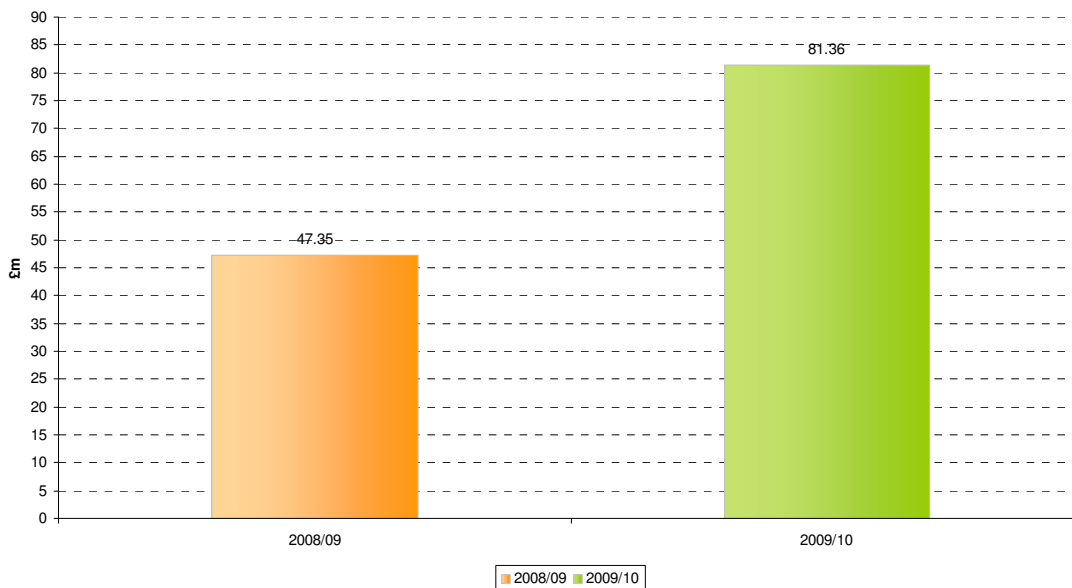
3.14 Balancing Services Contracts to manage System Issues

On occasion, National Grid enters into bespoke Balancing Services contracts to manage certain transmission system issues. The number and nature of these contracts is necessarily confidential. The costs reported here include any costs of 'Transmission Related Agreements', which are entered as a consequence of certain customer choices of connection conditions.

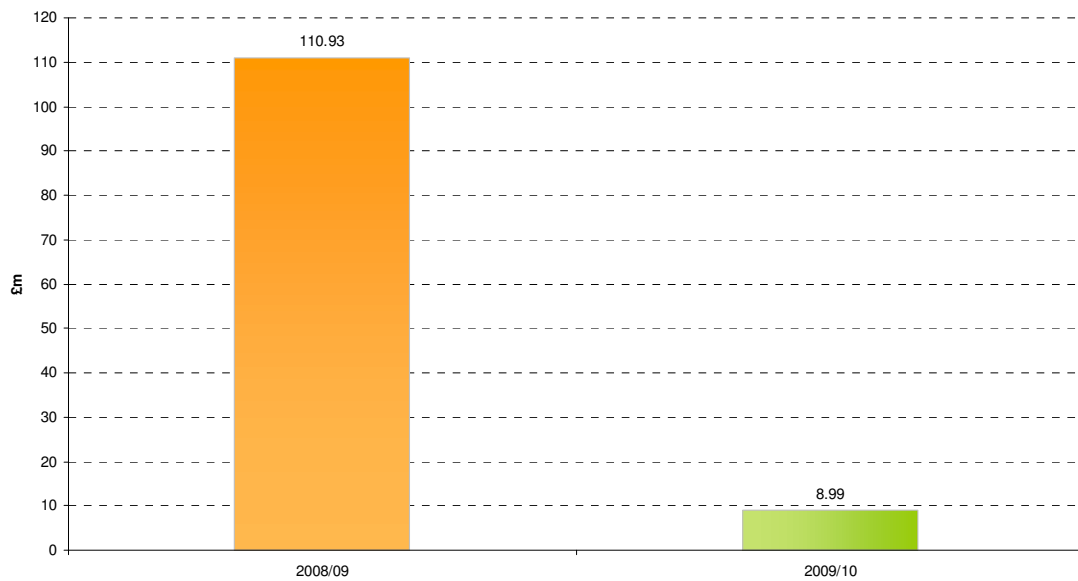
Balancing Services Contracts



Constraint Contract Costs



Commercial Intertrip Cost Comparison to the Previous Year



3.15 System Issues Comparison with previous year

The costs of managing Transmission System constraints via contracts increased from £47.35m in 2008/09 to £81.36m in 2009/10; an increase of 72%. The summer outage season has driven larger contract volumes and subsequently higher outturn costs. In contrast Commercial Intertrip costs have decreased by 92% from £110.93m in 2008/09 to £8.99m in 2009/10, a difference of £101.94m. The decrease in Commercial Intertrip usage is relative to an increase in Balancing Services contracts to manage constraints, one offsetting the other. It is also worth noting that some constraints during 2009/10 were managed via GTMA trades and thus appear in the “BMU Specific” trade costs.

3.16 Maximum Generation Service

The Maximum Generation Service (MGS) is required to provide additional short term generation output during periods of system stress for energy balancing. This service allows access to unused capacity outside of the Generator’s normal operating range. MGS will be initiated by the issuing of an Emergency Instruction in accordance with the Grid Code BC2.9.2. Details of the service are contained in the CUSC section 4.2

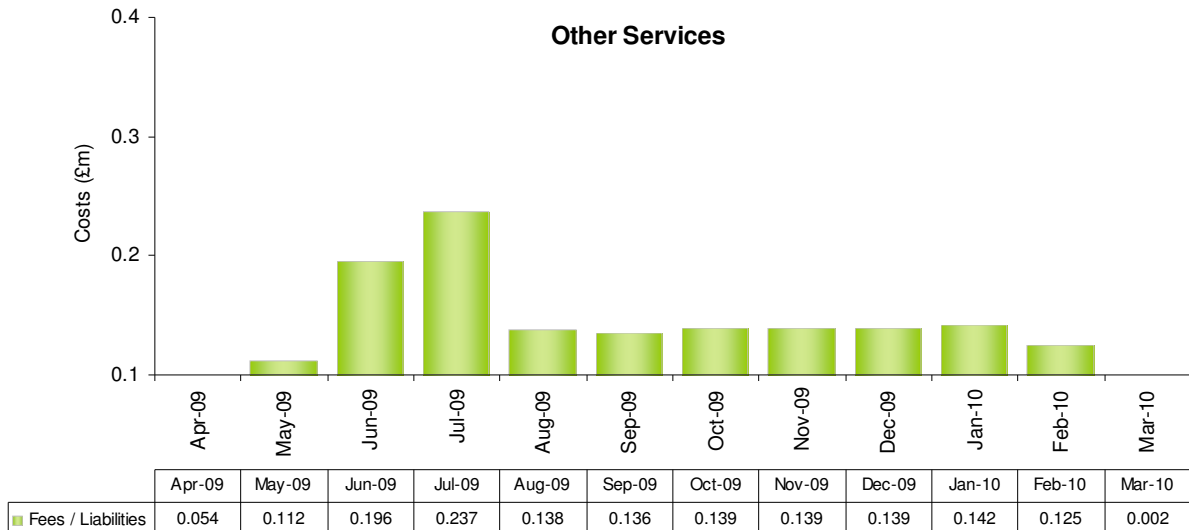
Further details on the utilisation and availability of the service are available on the National Grid Website.

<http://www.nationalgrid.com/uk/Electricity/Balancing/services/systemsecurity/maxgeneration/>

This service was not utilised during 2009/10 and during 2008/09.

3.17 All Other Services

These include bespoke services to manage specific system conditions and costs relating to fees and liabilities. Costs totalled £1.56m in reporting year 2008/09, compared to £1.30m in 2009/10.



4. Energy Related Products

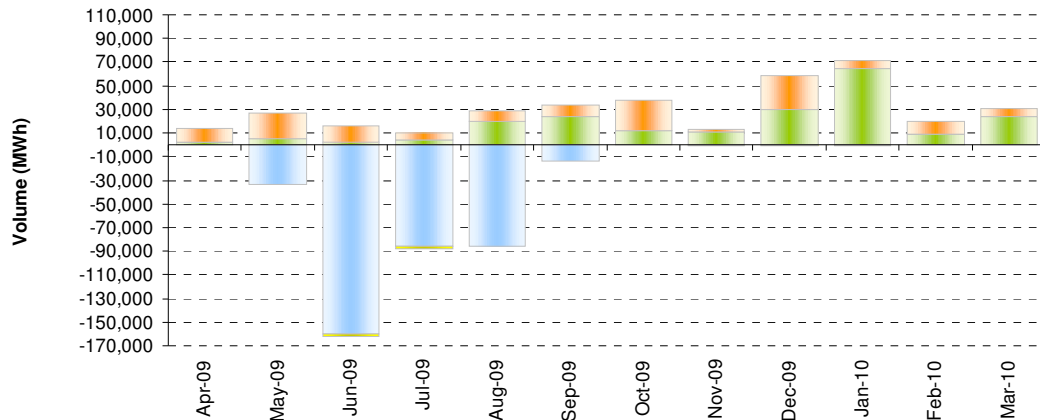
4.1 Forward Trading

National Grid's forward trading is undertaken to reduce the overall costs of balancing the system, and to resolve system issues as appropriate. There are a number of products and procurement mechanisms available.

Non Locational	Volume (MWh)	Cost (£m)
Buy Volume	153,212	£6,434,210.7
Sell Volume	-6,665	-£209,564.91
BMU Specific		
Buy Volume (MWh)	206,503	£13,517,424.5
Sell Volume (MWh)	-378,399	-£2,922,579.02
Net Total		£16,819,491.27

The following chart shows the monthly profile of our trading activities, both for non-locational energy trades and BMU-Specific trades.

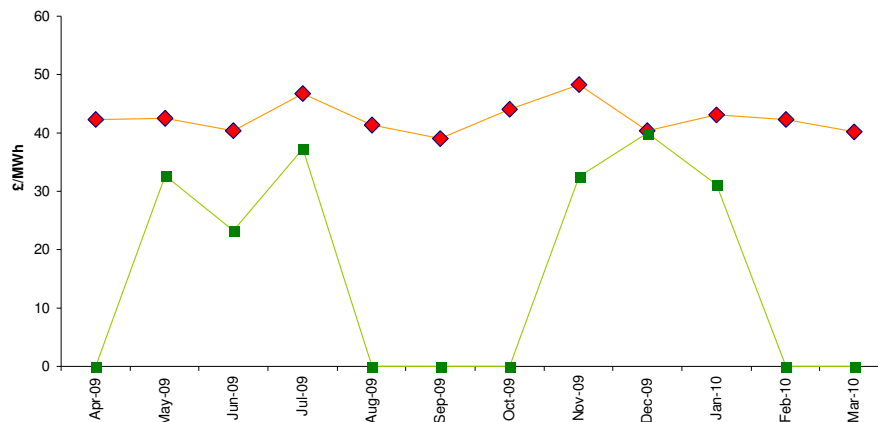
Forward Trade Buys and Sells



	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
Non Locational Buy (OTC)	12,036	21,400	13,800	6,101	9,170	9,992	25,480	1,620	28,600	6,900	11,349	6,764
Non Locational Sell (OTC)	0	-680	-2,000	-1,660	0	0	0	-1,177	-548	-600	0	0
BMU Specific Sell	0	-32,992	-159,954	-85,878	-86,242	-13,330	0	0	-3	0	0	
BMU Specific Buy	1,793	5,076	1,834	3,690	19,972	23,765	11,855	11,254	29,623	64,917	8,947	23,777

The following graph shows the monthly profile of our non-locational energy trading activities. It comprises all the trades undertaken by National Grid through Power Exchanges and through the use of brokerage houses for that purpose.

Average Price of Non-Locational Energy Trades

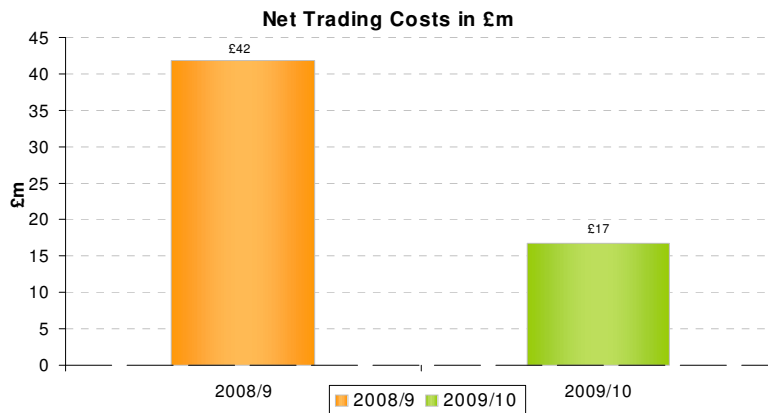


	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
Avg. Buy Price (£/MWh)	42.25	42.45	40.48	46.67	41.32	38.99	44.10	48.27	40.32	43.16	42.33	40.25
Avg. Sell Price (£/MWh)	0.00	32.65	23.25	37.32	0.00	0.00	0.00	32.51	40.00	31.25	0.00	0.00

4.2 Trades Comparison with previous year

Non locational trades saw a reduction this year as locational trades increased. Low power prices in the UK and high power prices in France have caused high exports throughout the year. The majority of locational buy trades were taken to reduce exports to France in order to solve southern constraints. These actions have offset the requirement for non locational trades and therefore non locational

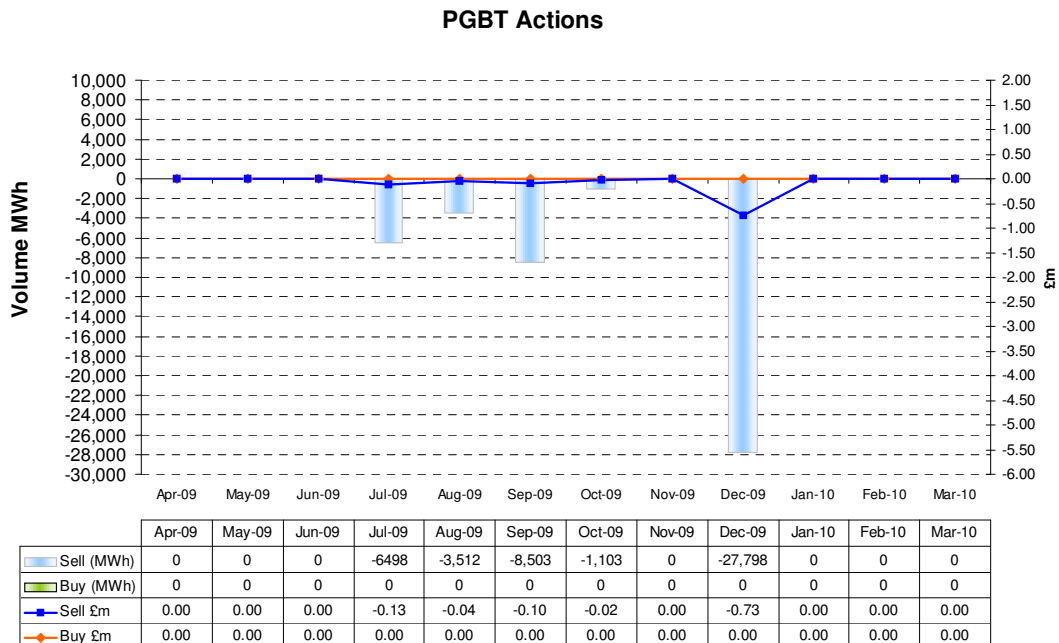
buy volumes have decreased. Finally, this year has seen an increase in locational sell actions as downward regulation issues were often resolved pre gate closure.



Further details are available via the National Grid Website.

4.3 Pre-Gate BMU Transactions (PGBT)

Information on PGBT activity transactions is given in the chart below.



4.4 PGBTs Comparison with previous year

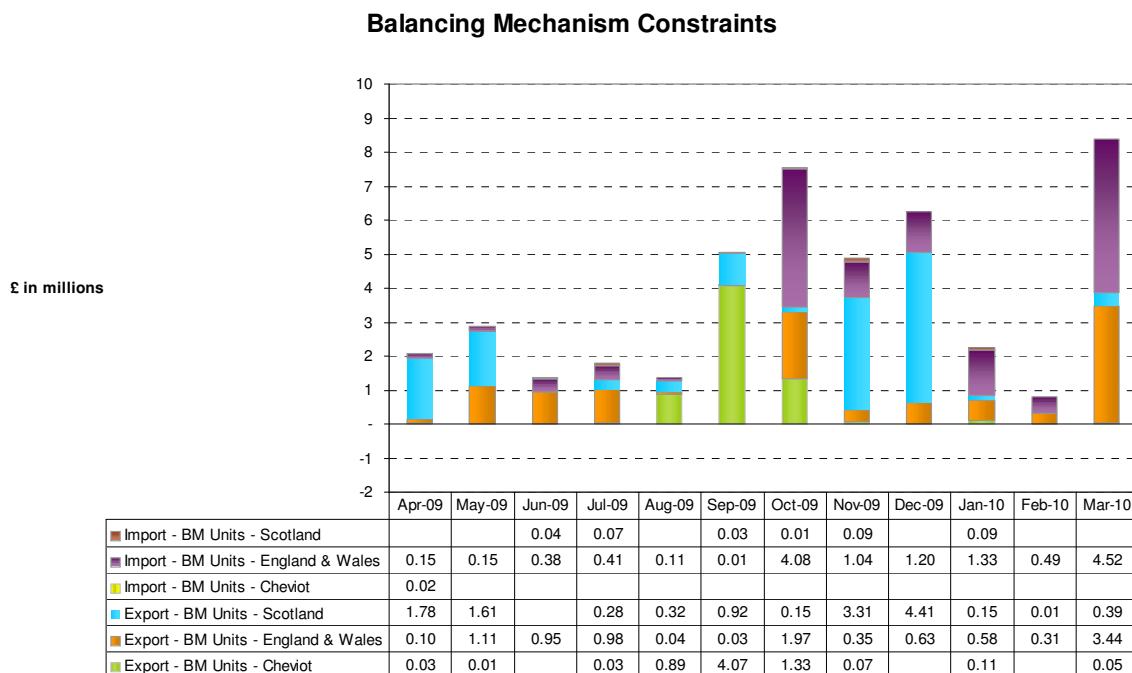
This year the first sell PGBTs occurred in Summer 09 to facilitate summer circuit outages and manage constraints. Several sell PGBTs were agreed in December for constraint purposes totalling -27,798MWh volume at a cost of £-0.73m. No buy PGBTs were undertaken from April 2009 to March 2010, unlike the previous year when buy PGBTs were traded during autumn and winter 08/09 for margin requirements. Costs for PGBTs were higher in 2008/09 at £3m compared to -£1m this year, which accounts for sell PGBTs as opposed to buy PGBTs.

Details on real time PGBT transactions can be found on the BMRS (system warning page) and post event, on the National Grid Website.
<http://www.nationalgrid.com/uk/Electricity/Balancing/services/energyrelated/pgbt/>

5. Constraints

National Grid resolves constraints in the GB Transmission System through different mechanisms, including bids and offers in the Balancing Mechanism, PGBTs, Trades and System to System Services (SO-SO). The costs of resolving constraints via intertrip contracts (see section 3.12) and bilateral contracts (see section 3.13) have already been explored.

Information on BM constraints activity for the year is given in the chart below



5.1 BM Constraints Comparison with previous year

BM Constraints Costs for reporting year 2009/10 equals £45m compared to £85m in 2008/09. The main reasons behind the lower constraint costs this year are due to various factors including:

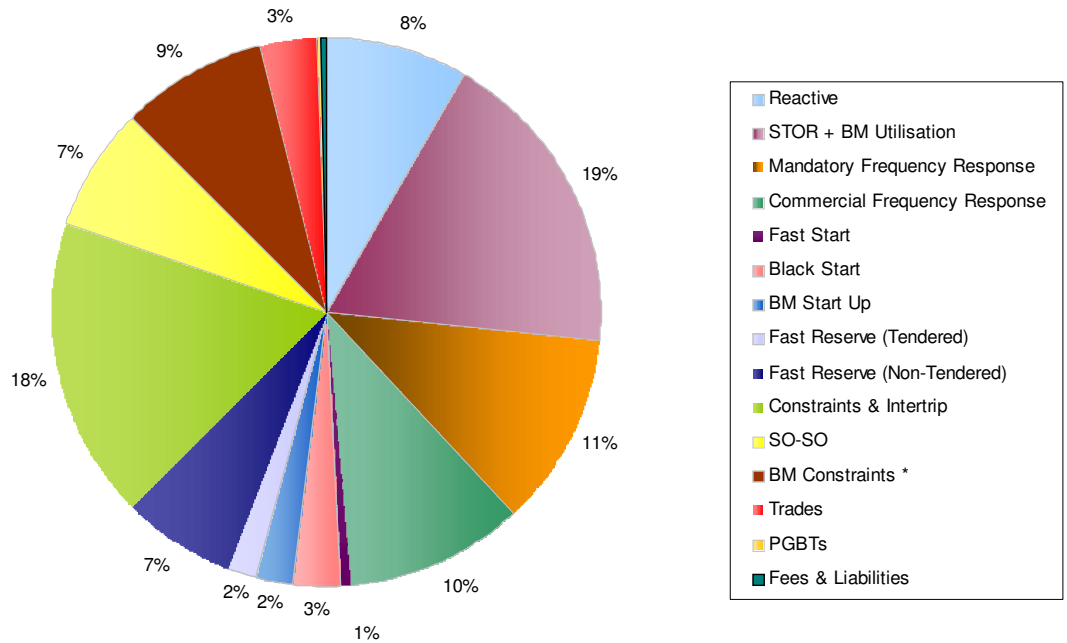
- National Grid’s contracting strategy,
- Favourable plant running arrangements,
- Outages deferred due to changes in generation availability,
- Lower power prices.

6. Summary

As a summary of financial activity, the following breakdown of balancing services costs is provided by category, for the year 2009/10.

6.1 Summary Chart

Summary of Balancing Services Contracts Costs 2009/10



6.2 Further information

For further information on the types of Balancing Services that National Grid intends to procure, please refer to the prevailing **Procurement Guidelines**. Information on bid and offer acceptances in the Balancing Mechanism is contained within the **Balancing Principles Statement Report**. These documents, along with the **Procurement Guidelines Report**, are published in accordance with Standard Condition C16 of the Transmission Licence and are available on the National Grid Industry Information website.

6.3 Contact and Feedback

National Grid welcomes feedback on any aspect of this report including suggestions for future reports. For any comments please email Electricity Codes at soincentives@uk.ngrid.com

7.2 Appendix 2: System to System Services Definitions

Initiator	Definition
NG buy from RTE	National Grid request to RTE for additional energy to England
NG sell to RTE	National Grid request to RTE for reduced energy to England
RTE sell to NG	RTE request to National Grid for additional energy to England
RTE buy from NG	RTE request to National Grid for reduced energy to England
NG buy from SONI	National Grid request to SONI for additional energy to England
NG sell to SONI	National Grid request to SONI for reduced energy to England
SONI sell to NG	SONI request to National Grid for Additional energy to England
SONI buy from NG	SONI request to National Grid for reduced energy to England.

RTE = Reseau de Transport de l'Electricite (French electricity grid operator)

NG = National Grid

SONI = System Operator Northern Ireland