



Long Term STOR Update



Nigel Fox – Contracts & Settlements Manager

Long Term STOR

- National Grid noted in the October Operational Forum that it was minded to temporarily withdraw the ability for Reserve Providers to tender for long-term STOR
- Subsequently published an Open Letter to the industry on 27 October, 2010 proposing to take the following courses of action:
 - 1) Undertake extensive analysis of the future reserve requirement in terms of both volumes and timescales within which this should be procured
 - 2) Give due consideration to the most appropriate contracting strategy
 - 3) Continued engagement with Ofgem regarding the regulatory arrangements and DECC on the Electricity Market Reform discussion

Long Term STOR

Next Steps

■ Analysis of Reserve Requirement

- Further engage with the industry to ascertain current intentions for balancing a generation portfolio containing wind generation
- Further analysis of the overall forecast of reserve requirement and what balancing services this will comprise
- **National Grid to publish a detailed STOR Requirements Paper at end February 2011**

■ Contracting Strategy

- Is the existing process fit for purpose?
- Is there value in developing pre-qualifying criteria to ensure that only 'genuine projects' can participate?
- Is it appropriate to pre-determine exact volumes available for contract?
- **National Grid will publish an 'informal' consultation in April 2011 seeking industry opinion**

Long Term STOR

Next Steps

■ Regulatory Arrangements

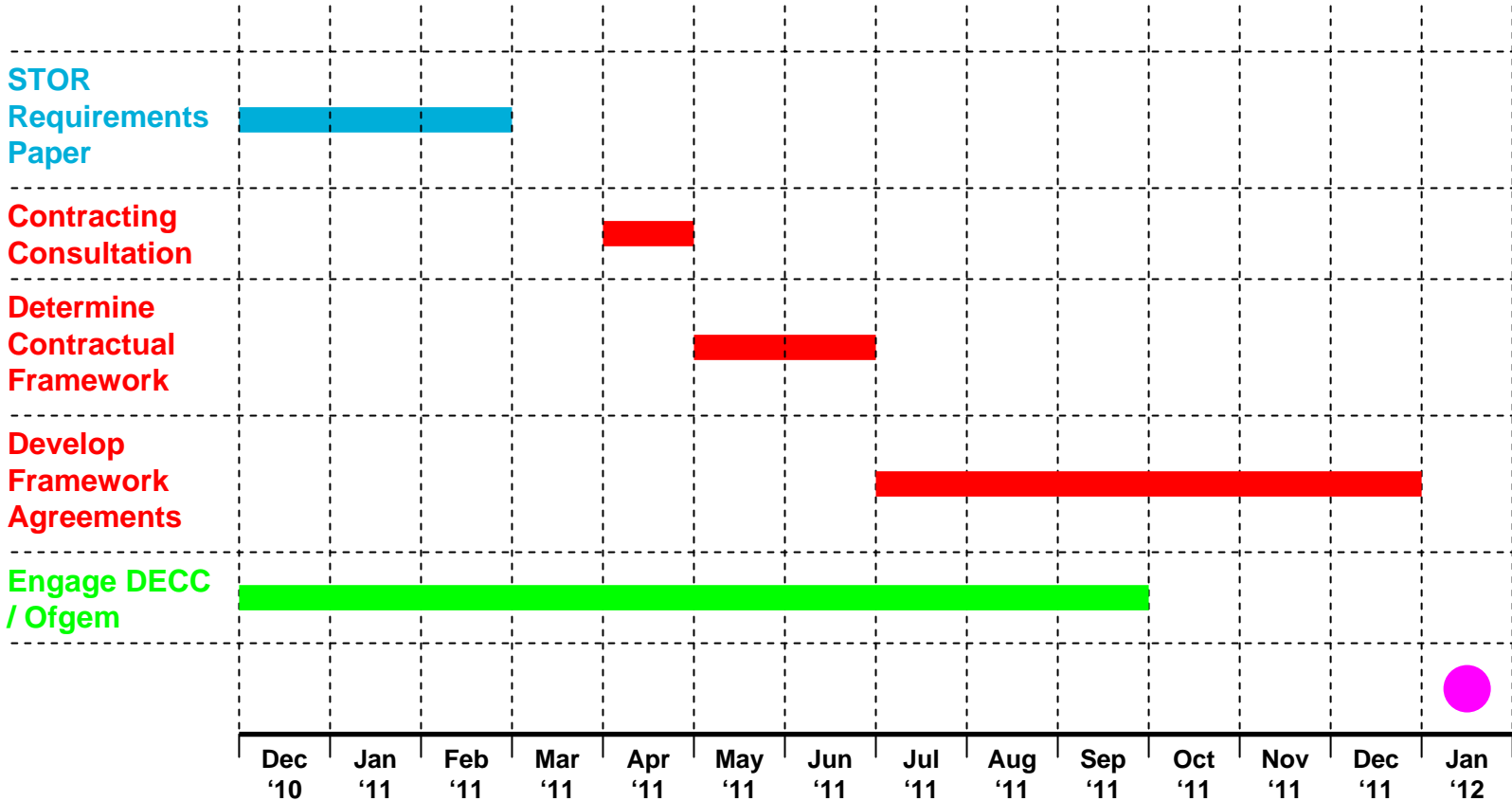
- Continued engagement with Ofgem to discuss regulatory framework
- Continued engagement with DECC in the lead up to the publication of their second paper on Electricity Market Reform

■ Conclusion

- It would be inappropriate to contract for long-term STOR prior to the completion of each of the three strands of work identified
- With a view to ensuring that the processes are in place to facilitate the enduring long-term tenders in 2012

Long Term STOR

Next Steps - Timeline



● Long-term Tenders (enduring)

Reserve Review Update



Reserve Review Update

- Last Update at the October Operational Forum
- Next publication due “Summary of Responses and Next Steps” this document will cover focus of review work over the next 5 years
- All non confidential responses received have been published on our website
- Workstream 1 Update
 - BM Start Up review discussed at the CBSG in December
 - STOR Aggregator Model published on 10th December ahead of TR13
 - Workstream 1 will also incorporate an enduring Transparency Review
- Workstream 2 Update
 - We await the DECC Electricity Market Reform consultation