

Winter Consultation 2007/8

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Agenda

- ◆ Consultation process
- ◆ Review of 06/07
 - ◆ Weather
 - ◆ Demands
 - ◆ Generation issues
 - ◆ Prices
- ◆ Looking ahead to 07/08
 - ◆ Generation capacity
 - ◆ Fuel mix
 - ◆ Demand
- ◆ Consultation Questions
- ◆ Summary

Winter Consultation Report

- ◆ Preliminary Report published 27 March
- ◆ Responses by 14 May
- ◆ Interim Report due June
- ◆ Final Report September

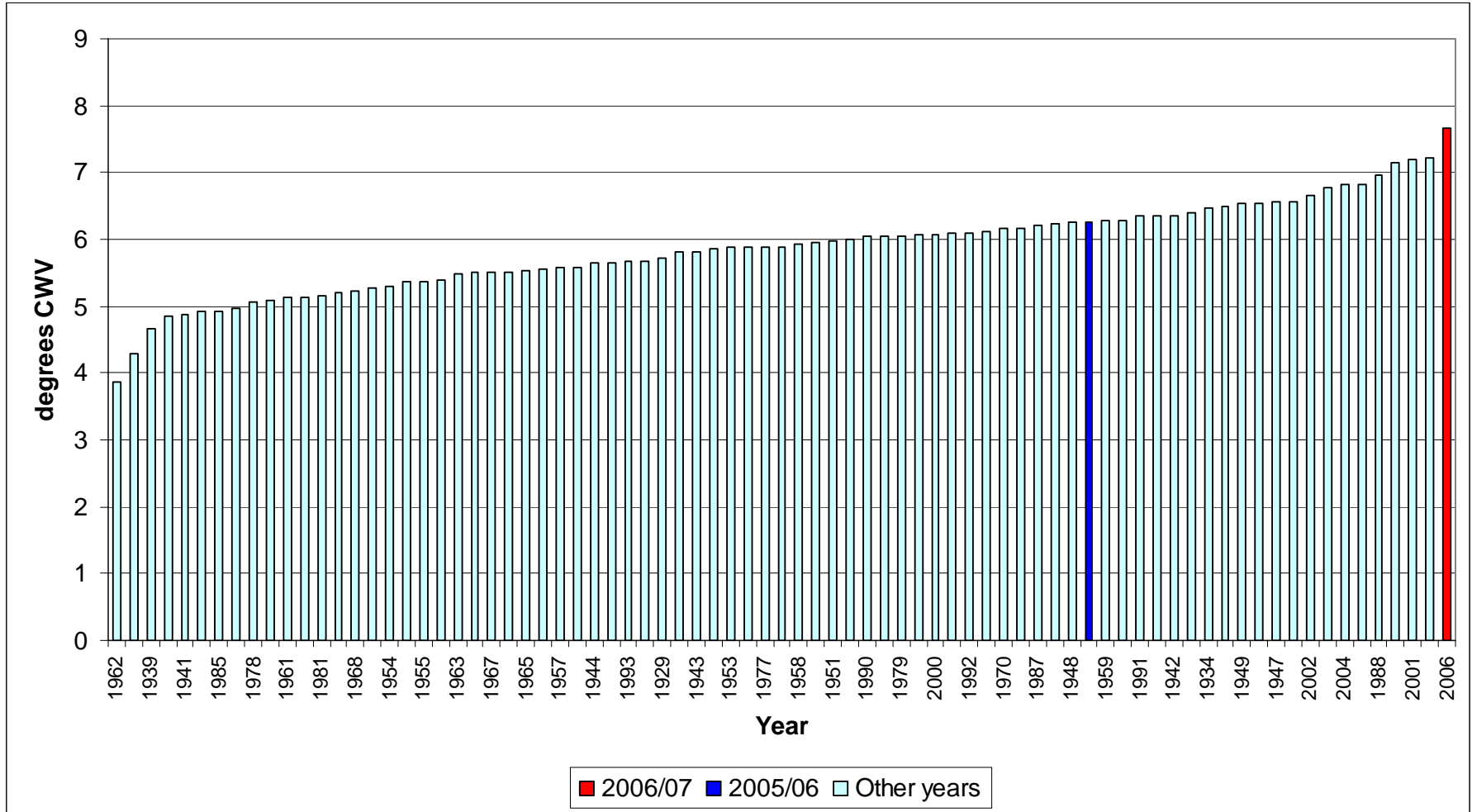
- ◆ Ofgem seminars

- ◆ Responses encouraged
- ◆ Link to the report:
 - ◆ http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/19161_50b07.pdf?wtfrom=/ofgem/index.jsp

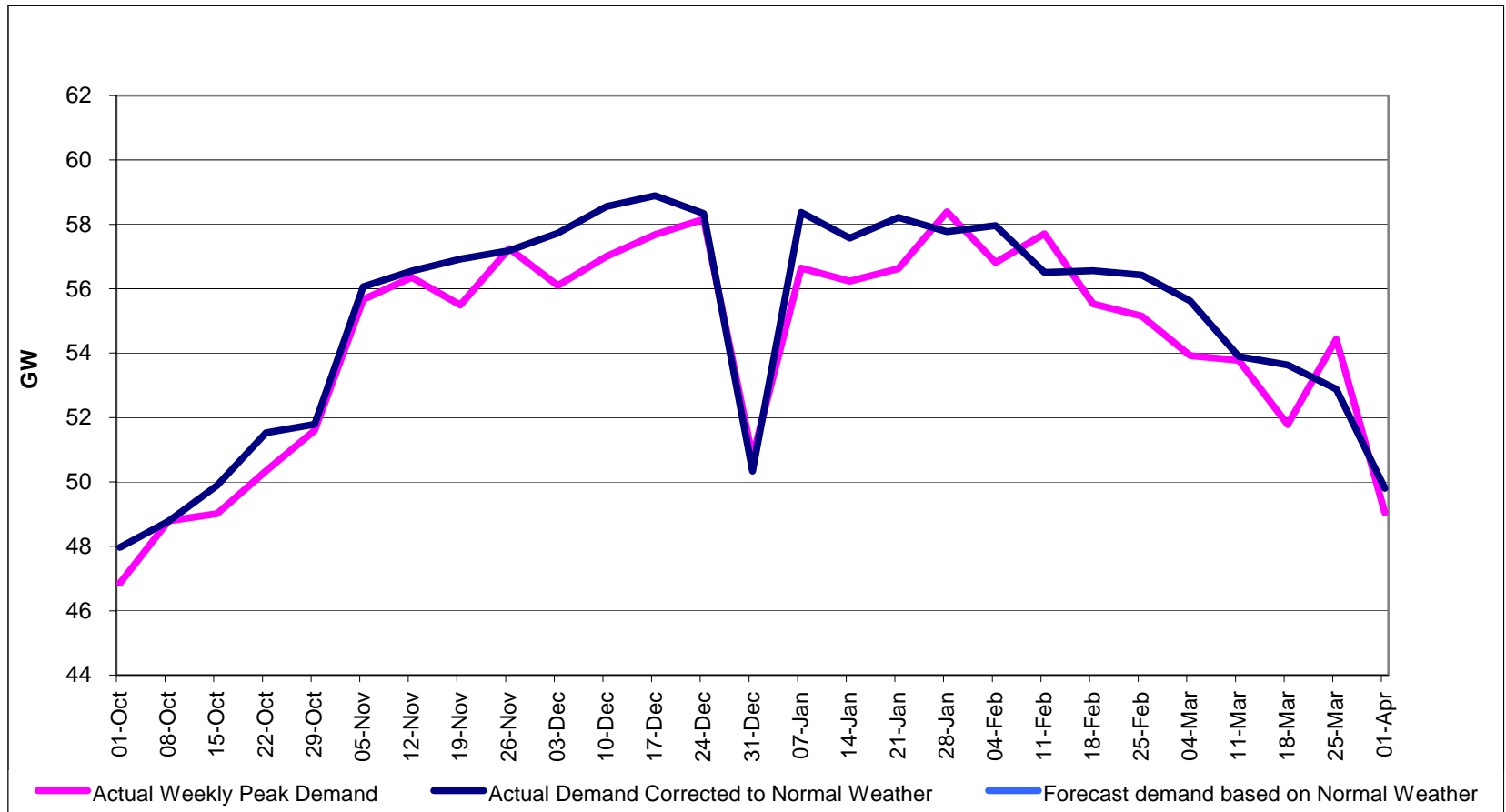
2006/7 Highlights

- ◆ Mild winter leading to low demand
- ◆ Underlying demand remains low
- ◆ Storm
- ◆ Plant outages
- ◆ Increasing European Interaction
- ◆ Gas displacing coal
- ◆ Low gas prices leading to low electricity prices

Weather - warmest over last 70 years



Electricity Demand – low



January storms

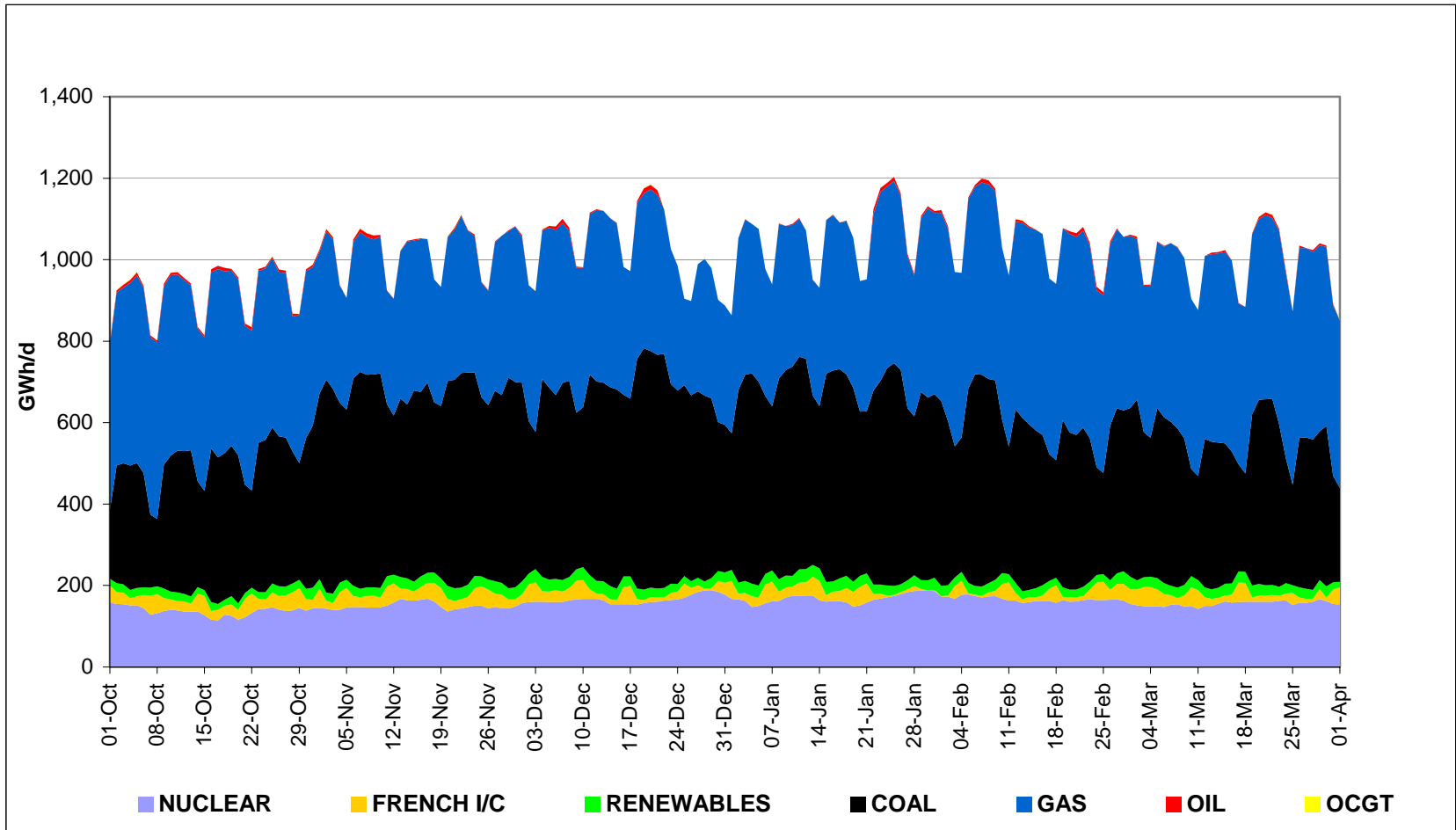
- Severe storms were experienced across UK on 18 January
- Reported as the worst storms for 17 years
- At least 21 separate trips affecting 15 circuits
- No losses of supply from the transmission system



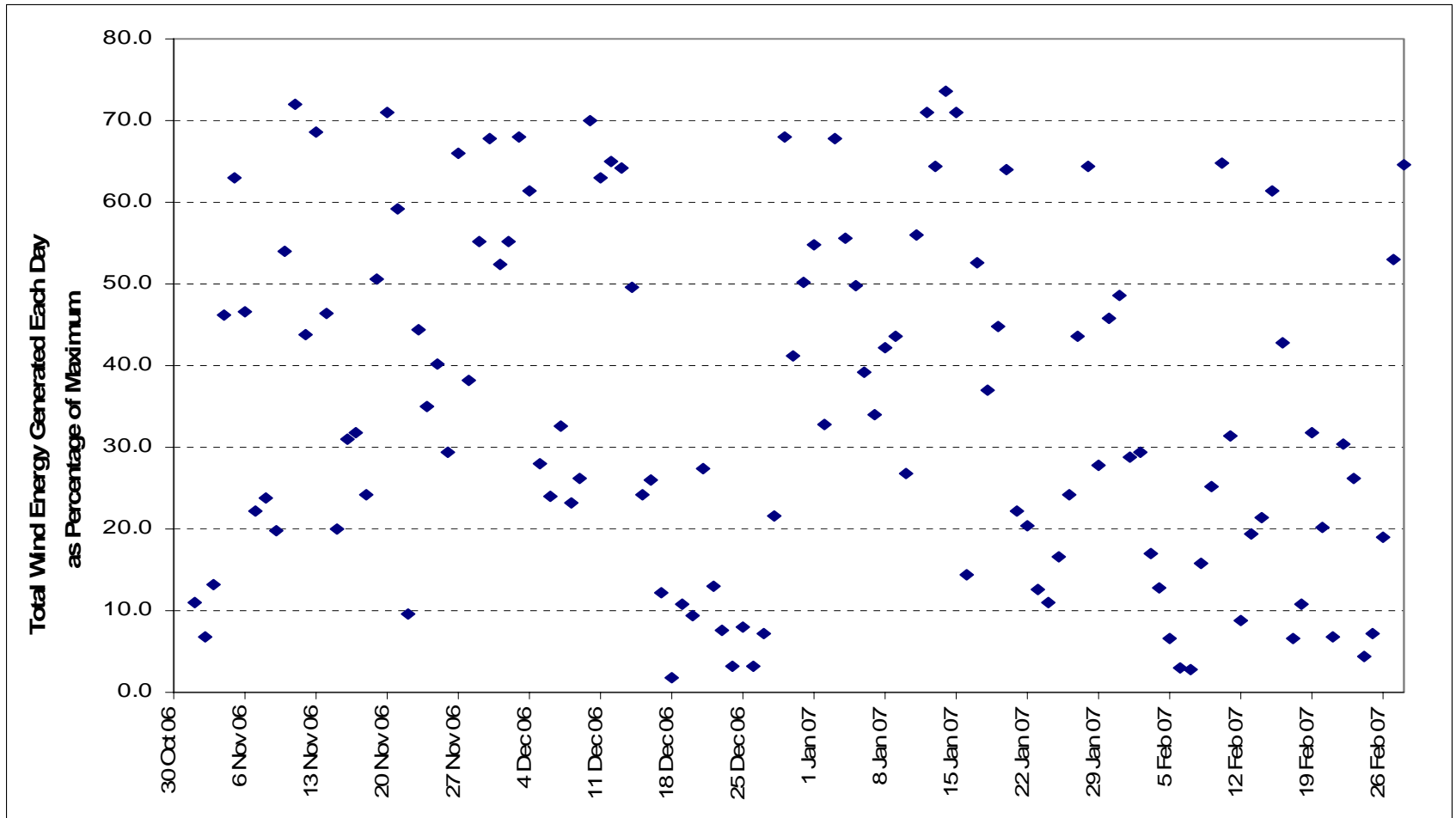
Winter 2006/7 Generation Issues

- ◆ **Two Magnox stations closed on 31/12/06 Dungeness A (0.4 GW) & Sizewell A (0.4 GW)**
- ◆ **Three nuclear plants on long term fault outage over the winter (2.9 GW)**
 - ◆ **Hinkley Point B, Hunterston B, Oldbury**
 - ◆ **Due to return during spring & summer**
- ◆ **Longannet on fault outage with collapsed coal conveyor (2.3 GW)**
 - ◆ **Conveyor now repaired and generation running**
- ◆ **All short-term mothballed plant returned for the winter**
- ◆ **No NISMs or other margin related system warnings**

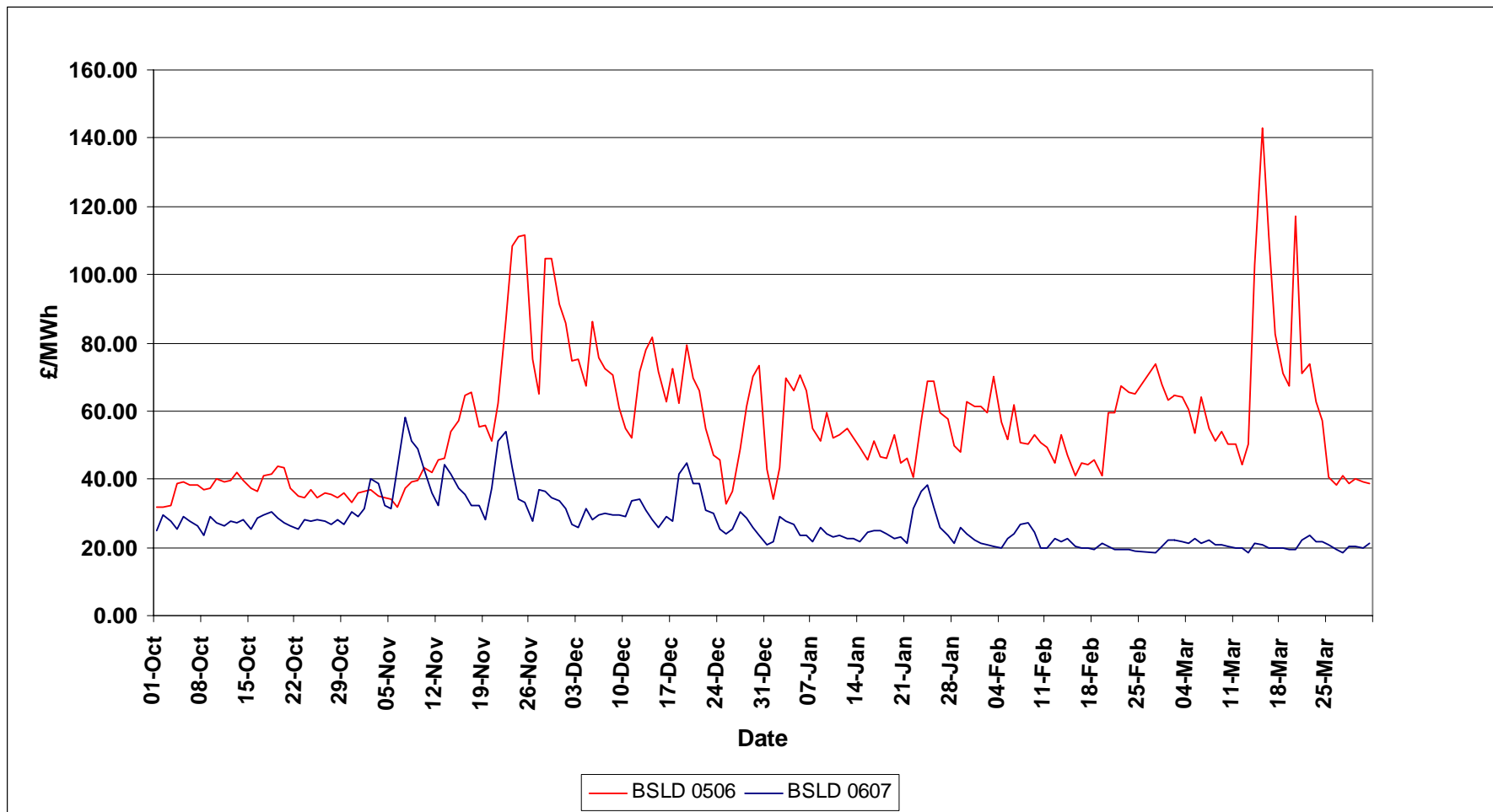
Winter 2006/7 Electricity Supply



06/07 Wind Generation - Uncertain

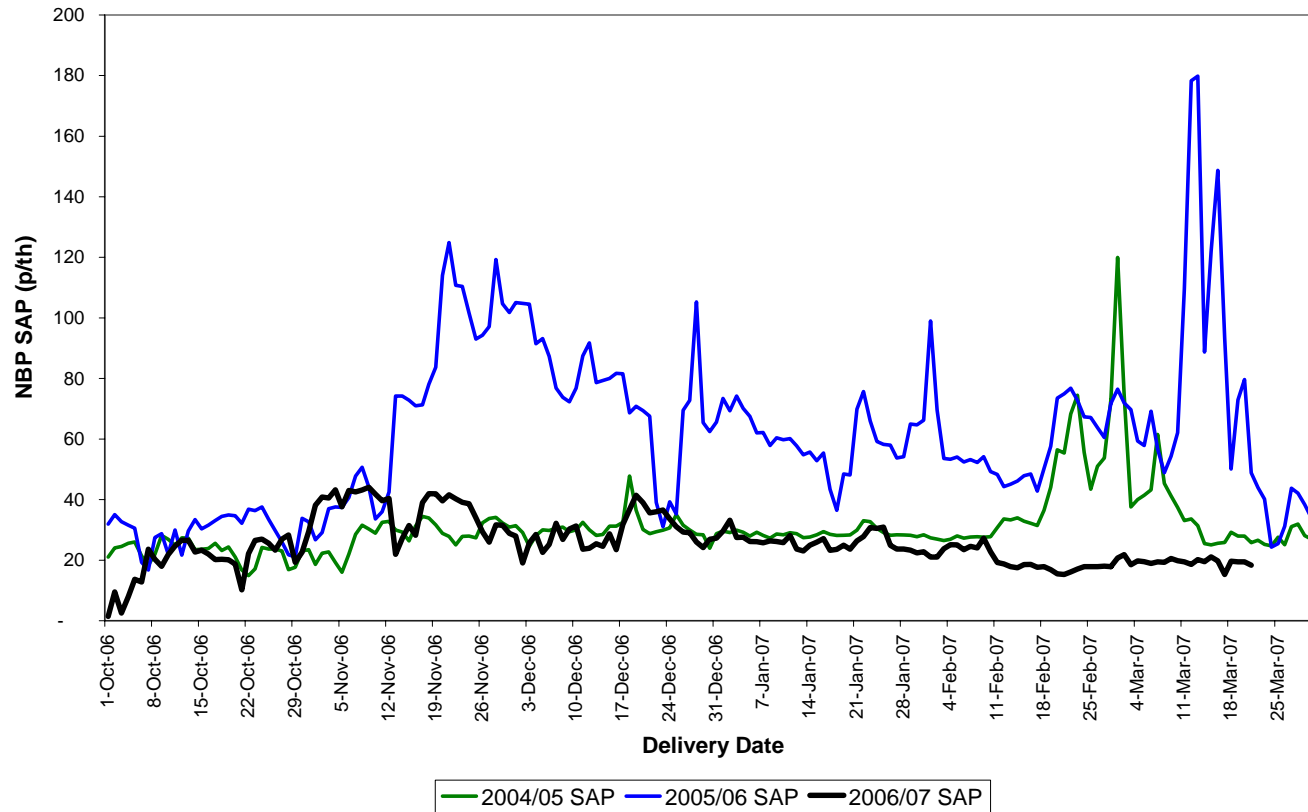


Electricity Prices – Day ahead Base Load



Gas Prices

SAP p/th	Min	Ave	Max
2004/05	14.90	31.00	119.95
2005/06	16.80	60.90	179.80
2006/07	1.44	25.88	44.05



Electricity Capacity – 2007/8

- ◆ 0.7 GW of renewables to be connected in Scotland
- ◆ No new large power stations commissioning (SYS has Langage & Pembroke TEC contracted but not due to commission in 07/8)
- ◆ Two Magnox stations closed on 31/12/06
Dungeness A (0.4 GW) & Sizewell A (0.4 GW)
- ◆ Reduced nuclear output at Hinkley Point and Hunterston gives a best view of 76 GW of capacity

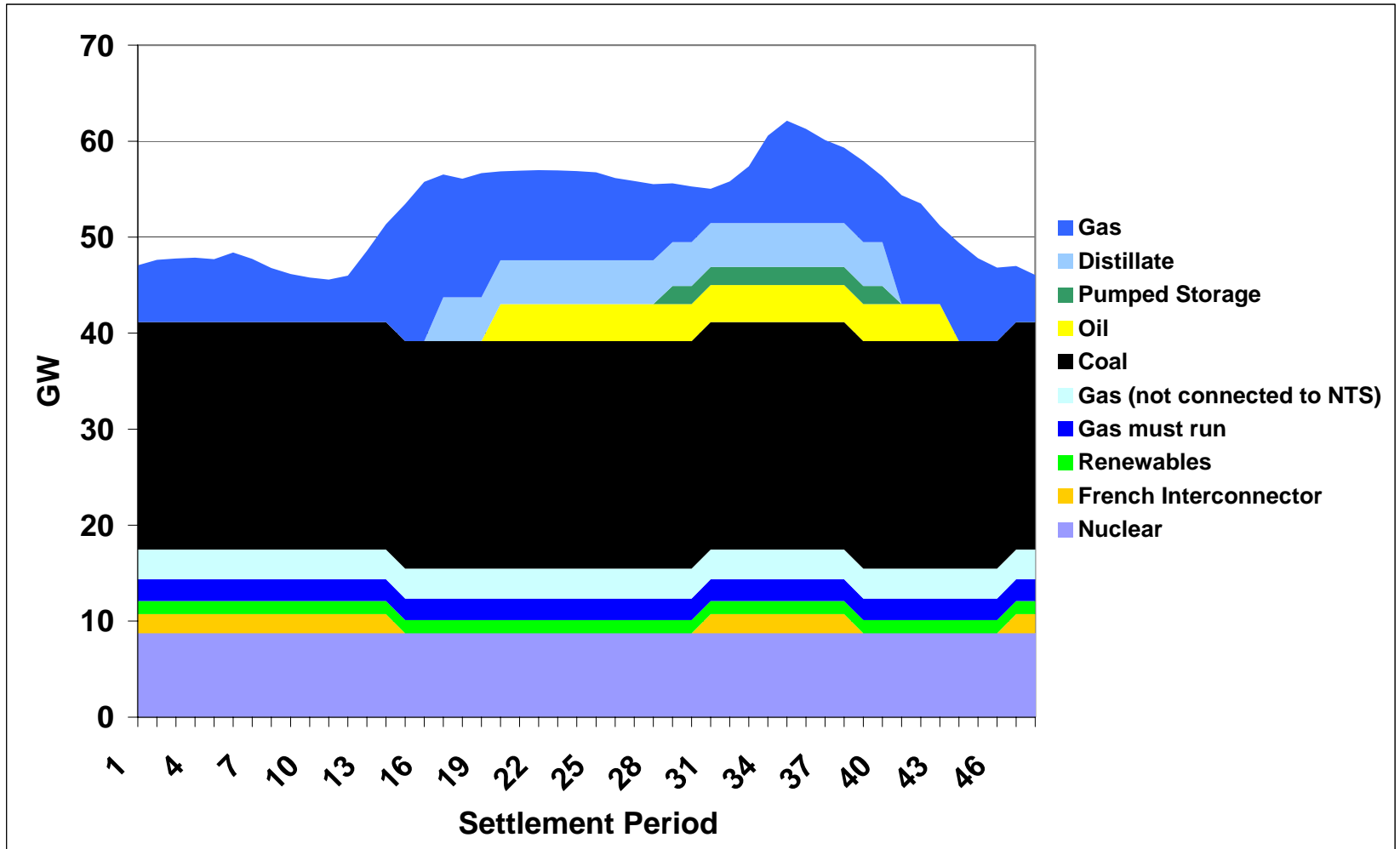
Plant Margin 2007/08 - 24%

- ◆ With demand forecast of 61.2 GW, plant margin is 24%
- ◆ Wind increasing in importance, with 2 GW of capacity. Assuming 30% loadfactor, margin is 22%

Electricity Initial View – 2007/8

Power Station Type	Full Capacity (GW)	Assumed Availability	Assumed Availability (GW)
Nuclear	10.2	80%	8.2
French Interconnector	2.0	100%	2.0
Hydro generation	1.0	60%	0.6
Wind generation	1.9	35%	0.7
Coal	27.9	85%	23.7
Oil	3.3	95%	3.1
Pumped storage	2.8	100%	2.8
OCGT	1.2	95%	1.1
CCGT	25.2	90%	22.7
Total	75.5		64.9
Average availability		86%	

Generation Mix – Forecast



Questions

- ◆ **Will demand bounce back?**
- ◆ **Will any plant be mothballed or brought into service?**
- ◆ **Plant availability and merit order assumptions**
- ◆ **The ability and willingness of CCGT generators to switch to distillate**

Highlights & Issues

◆ **Key Highlights 2006/7**

- ◆ Mild weather, market remains untested
- ◆ Plant outages
- ◆ Declining demand
- ◆ New gas infrastructure
- ◆ Low gas and electricity prices

◆ **Key issues 2007/8**

- ◆ Weather
- ◆ Margins look healthy
- ◆ Will demand bounce back?
- ◆ Further gas infrastructure investments

◆ **Responses by 14 May**