

Balancing Services Update

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Agenda

- Impact of potential IAE's on BSUoS charges
- Demonstration of Efficient Operation
- Year to Date System Operation
- Ofgem SO Incentives 2007- 08 – Invitation to Submit Views
- BM Startup update

Impact of IAE's On BSUoS

- If the IAE's are successful then National Grid proposes to: -
 - Recover the additional BSUoS charges through the “Reconciliation Final” BSUoS run for 2005/06
- Recovery of BSUoS through the “Reconciliation Final” runs ensures that recovery is phased over time;
- Ensures that costs will be recovered in line with in our charging methodology statements;
- The impact on the annual average BSUoS price will be approximately 1 p/MWh.

Demonstration of Efficient Operation

- Ofgem asked for a range of new information provision to be put in place for them so they can more closely review our SO activities;
 - Detailed breakdowns of costs and volumes of actions taken and alternatives that were available;
 - An annual information exchange process has now become monthly
 - Weekly overviews of National Grid's trading actions;
 - “High Cost Day” triggered information provision;
 - Information concerning the contracting for ancillary services.

SO Information Publication

- Slides for the costs section of the presentation will be published on our website in advance of the forums at:
<http://www.nationalgrid.com/uk/Electricity/Balancing/operationalforum/Presentations/>
 - This is in addition to the normal information already available on our website through <http://www.nationalgrid.com/uk/electricity>;
- Much of the information being provided to Ofgem is available in a different form and/or different timescales;
 - Monthly Balancing Services Summary;
 - Tender reports;
 - BMRS (Elexon Service).
- The level of information being provided to Ofgem presents some confidentiality issues if released generally.

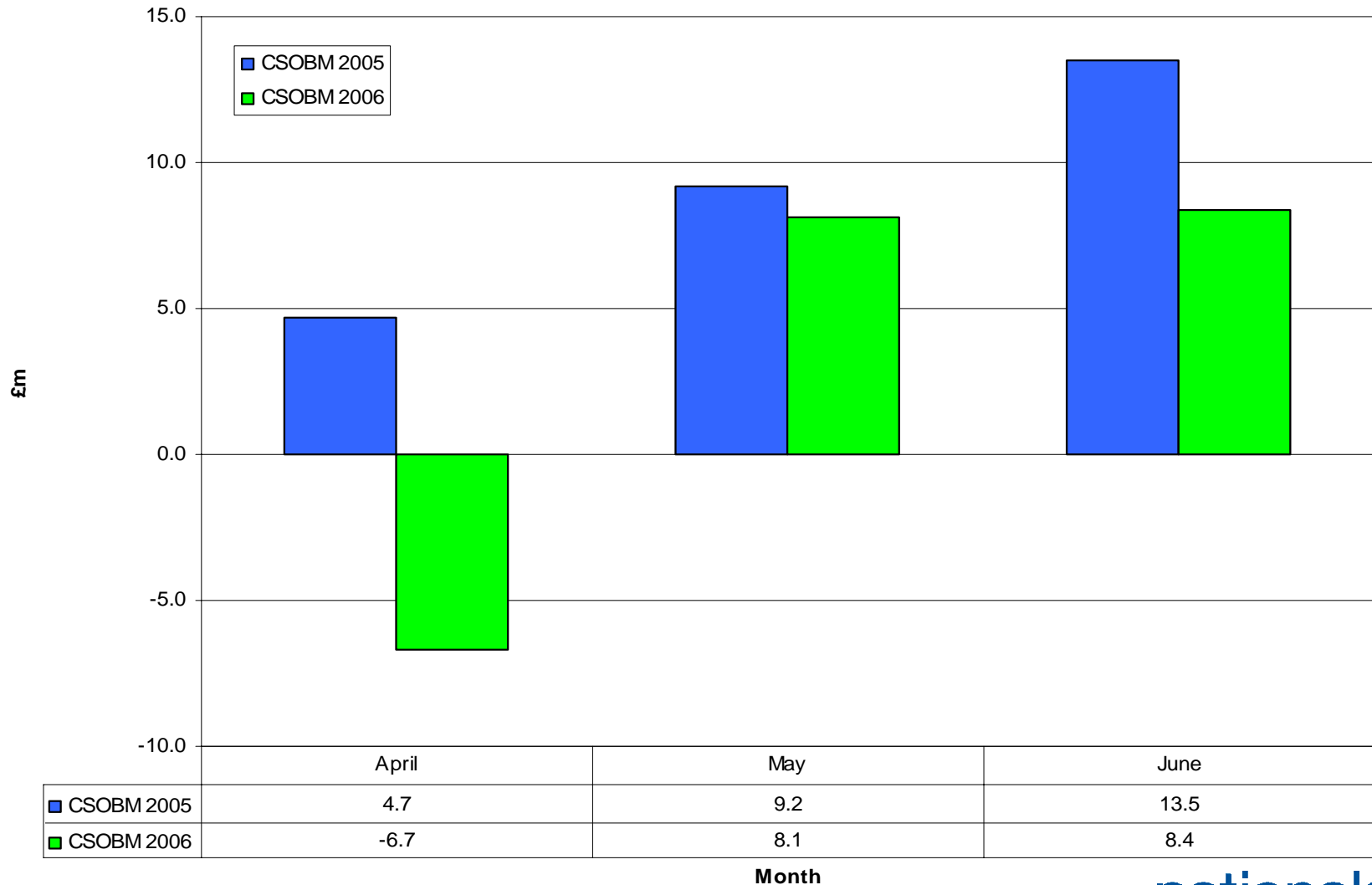
Ancillary Service Costs – MBSS

	£m	Apr-06	May-06	Jun-06
Reactive Power Market	Market arrangements	1.0	1.0	1.0
	Default Payment arrangements	2.9	2.9	2.7
Standing Reserve		3.8	4.2	3.6
Mandatory Freq Response	Holding Spend	4.8	4.7	5.3
	Response Energy Payment Spend	-0.4	-0.3	-0.2
Commercial Frequency Response		3.7	3.9	4.0
Fast Start		0.3	0.3	0.3
Black Start		1.0	1.1	0.8
Warming		0.1	0.1	0.3
Fast Reserve	Tendered (excl BM energy payments)	0.7	0.7	0.7
	Non-Tendered	2.6	2.8	2.7
SO-SO		0.3	0.1	1.3
System to Generator operational I/T's		0.0	0.0	0.0
All other Services		10.2	2.2	5.0
Forward Trading (Net Cost)		0.1	1.4	3.0
PGBT's		0.6	0.1	0.0
	TOTAL	31.5	25.2	30.5

Monthly Balancing Services Statements (MBSS) can be found at: -

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

Balancing Mechanism Costs



BM Start-Up Service: Update

Contract Terms:

- ◆ *Contract terms now available - issued this week via e-mail – to appear on website shortly*

LC C16 Consultation:

- ◆ *Procurement Guidelines, Balancing Principles Statement & BSAD Consultation published Tuesday 1st August 2006*

Existing W&HSB Providers:

- ◆ *Existing W&HSB Providers: Your Account Manager will contact you to establish a BM Start-Up agreement*
- ◆ *Potential new providers: Contact Ian Pashley (ian.pashley@uk.ngrid.com, +44 1926 653446)*
- ◆ **Target go-live date: 1st November 2006**

Ofgem SO Incentives 2007- 08 – Invitation to Submit Views

- Ofgem published an “Invitation to submit views” on National Grids System Operator Incentives 2007-08 (5th July 2006);
- The letter invites views on both Gas and Electricity SO Incentive Schemes;
- Responses by Friday 4th August 2006 to wholesale.markets@ofgem.gov.uk (See Ofgem’s website);
- Initial Proposals are expected in September 2006.