

Winter 2006/07 Consultation Report

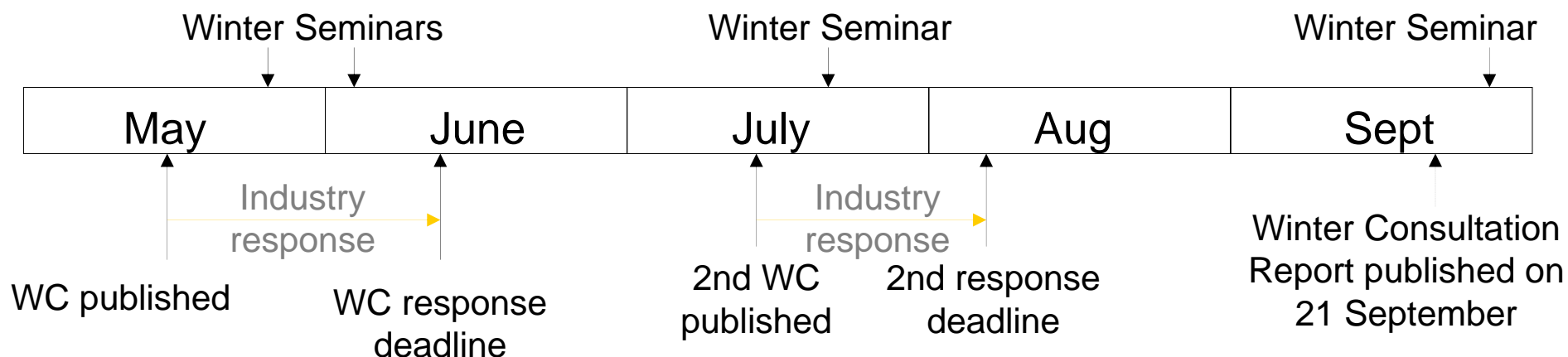
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Agenda

- ◆ Winter consultation process
- ◆ Key Points of Report
- ◆ Winter simulation analysis
- ◆ Interactions between gas & electricity markets

Winter Consultation process

- ◆ National Grid's information necessarily incomplete; **industry feedback crucial**
 - ◆ 35 market participants submitted written responses
 - ◆ Ofgem winter seminars
 - ◆ Bilateral meetings



Key Points

- ◆ 22% margin, broadly unchanged from last year
- ◆ Two nuclear stations to close on 31 December
 - ◆ Dungeness A and Sizewell A
- ◆ Continued dependence of non-gas-fired generation
- ◆ Interactions between the gas and power sectors
- ◆ Positive developments reported in relation to new gas infrastructure but uncertainty remains regarding utilisation rates.

Demand & Generation: 22% plant margin

- ◆ No change in demand forecast:
 - ◆ ACS demand forecast: 61.3 GW
- ◆ TEC basis, 76.8 GW of plant available
 - ◆ Increase of 0.6 GW since July's Consultation
 - ◆ Fawley increasing its TEC by 0.5 GW
 - ◆ SYS Plant Margin of 22% (using SYS demand of 62.9 GW)
- ◆ Operational view, 75.6 GW of plant available
 - ◆ 0.8 GW of short-term mothballed plant could return for the winter
 - ◆ Of which 0.5 GW has already returned

Contracted Reserve

- ◆ Contracted Reserve
 - ◆ Approx. 2.6 GW contracted
 - ◆ Supplementary Standing Reserve (SSR) tender issued on 3 July 2006 and tenders to be returned by 4 August 2006
 - ◆ Contract for winter 2006/07 (Oct '06 – Mar '07)
 - ◆ SSR tender report to be published on our website
- ◆ Reserve for Response
 - ◆ Unchanged since July's Document
 - ◆ Approx. 0.9 GW contracted
- ◆ Total Contracted Reserve of approx. 3.5 GW

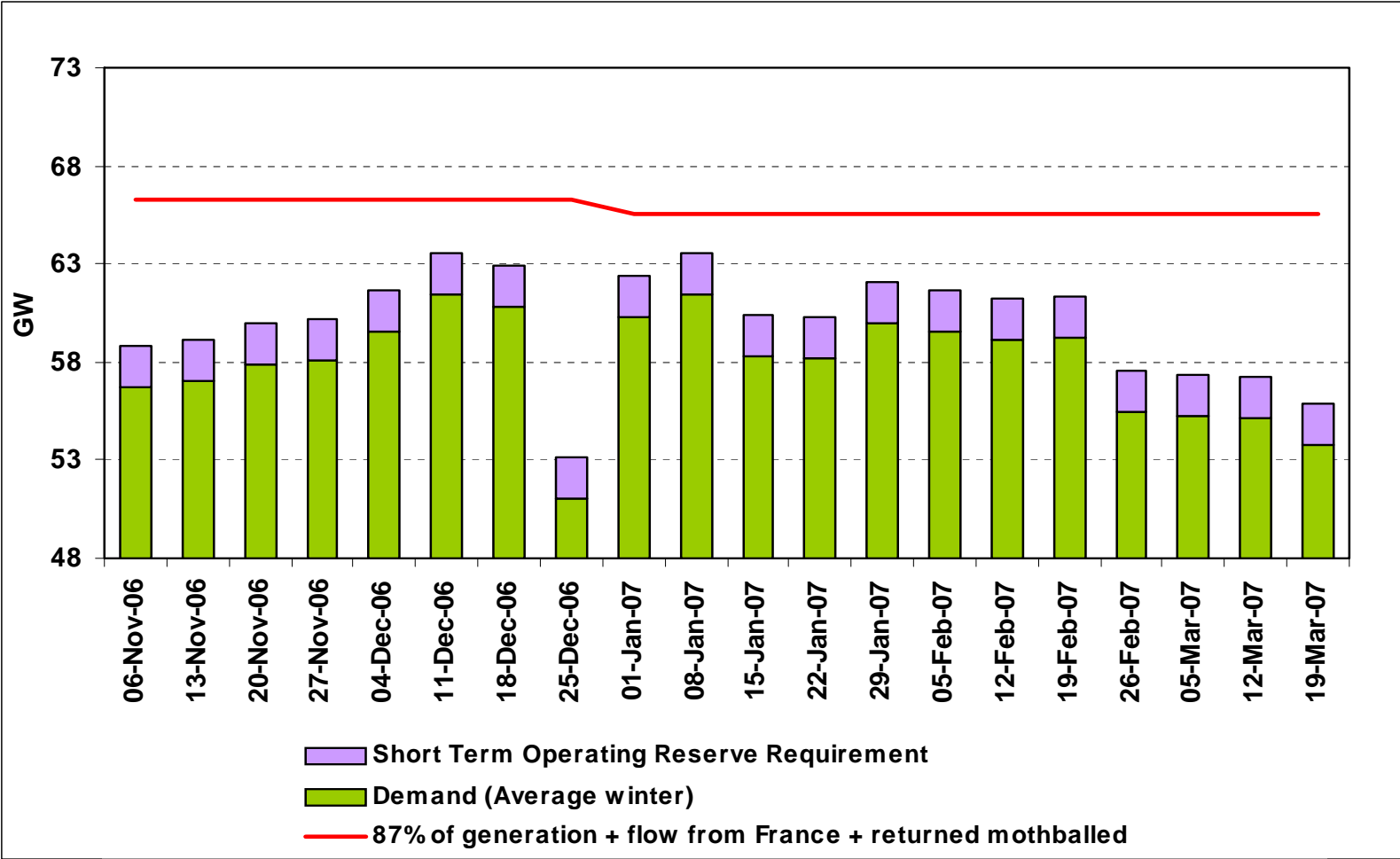
Modelling Assumptions

- ◆ Nuclear¹, French and CCGT availabilities unchanged:

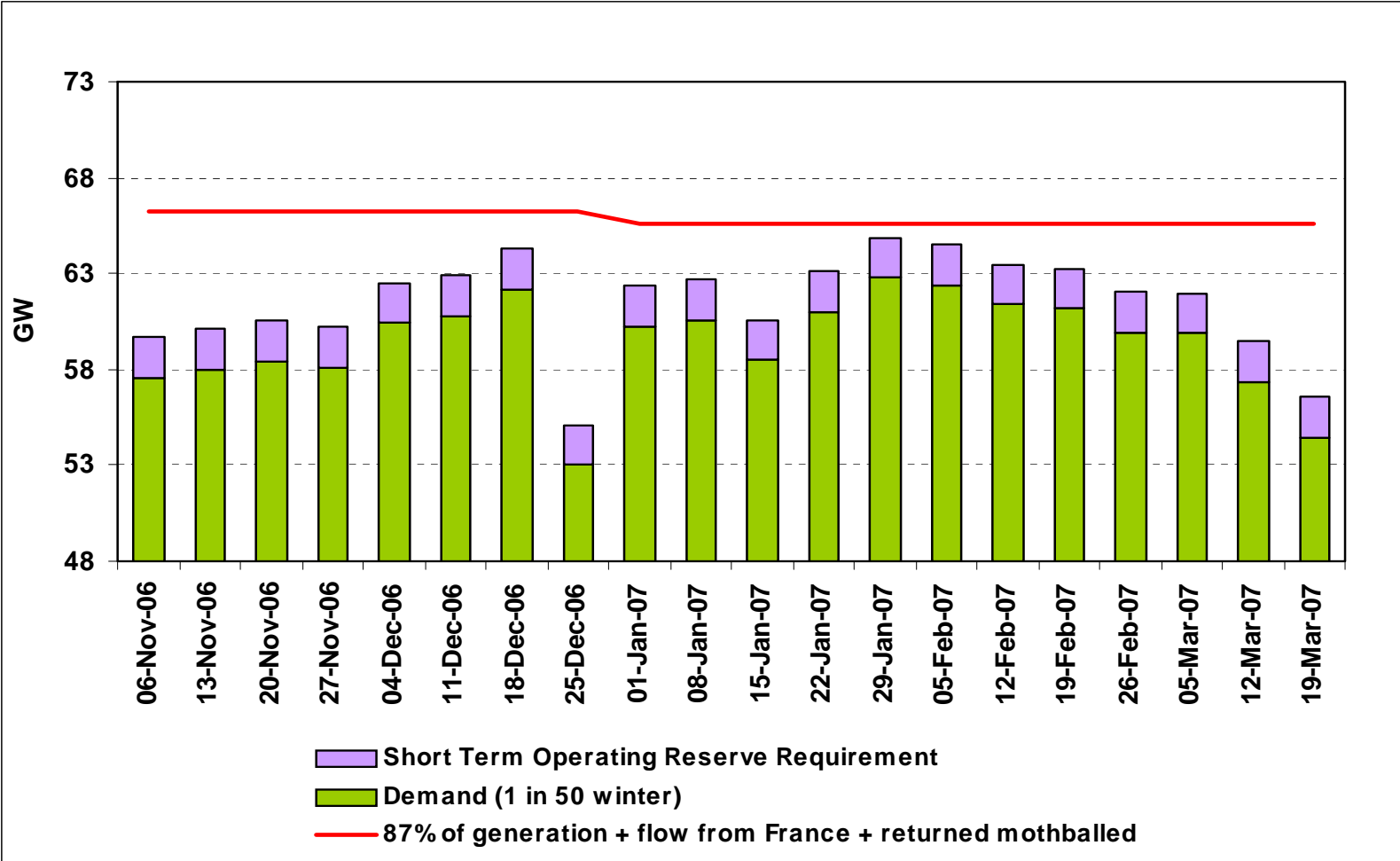
Power Station Type	Assumed Availability		Model Assumptions Summary
	GW	%	
Nuclear Oct - Dec Jan - Mar	10.1 9.3	85%	Baseload
French Interconnector Off-Peak 3pm – 7pm Other periods	2.0	100%	1500 MW (75%) 1250 MW (62.5%) at float
Non-BM Generation (incl. Renewables)	1.4	40%	Baseload
Coal	23.7	85%	Baseload
Oil	3.8	95%	12 hours over peak
Pumped Storage	2.8	100%	6 hours over peak
OCGT	1.1	95%	Low merit, run occasionally
CCGT	21.9	90%	Marginal plant
Average Availability		87%	

1 - Dungeness A and Sizewell A to be decommissioned from Jan '07

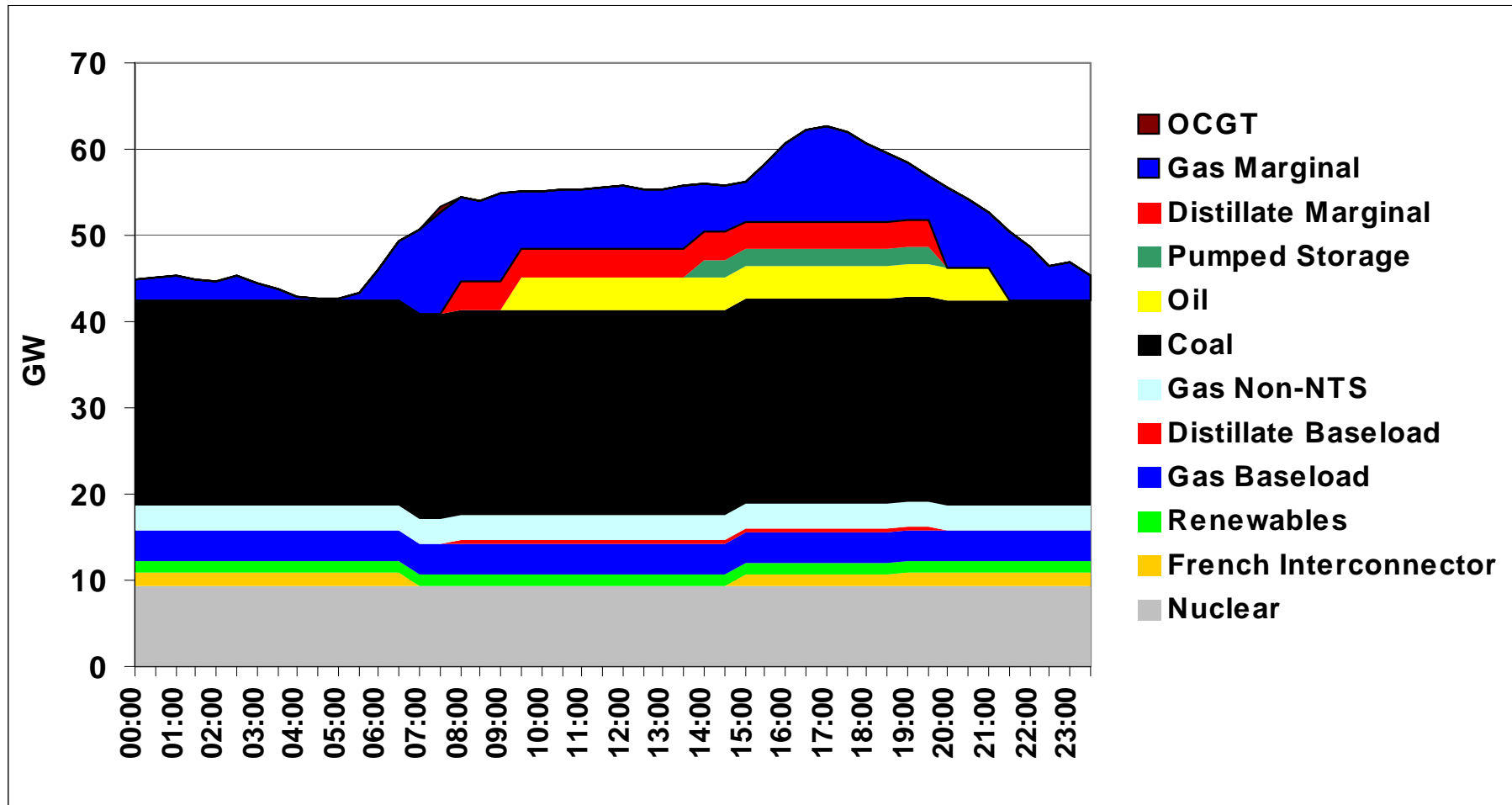
Forecast Position: Average weekly demand



Forecast Position: 1 in 50 cold weekly demand

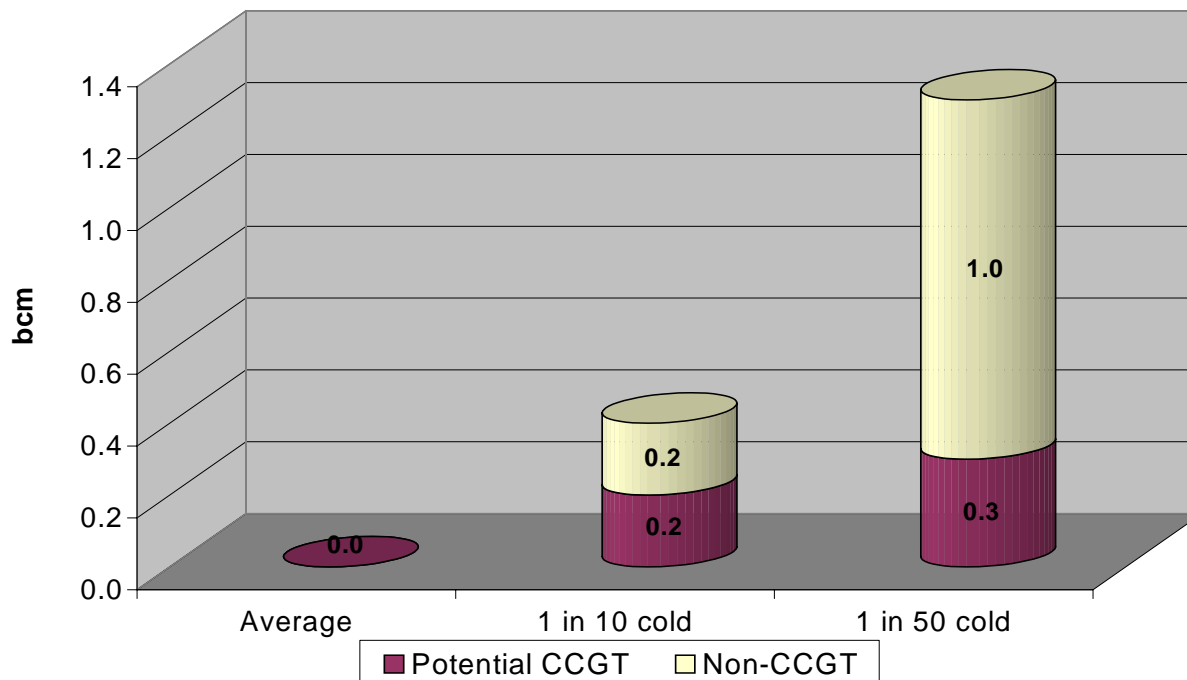


Merit Order for Peak Day



Gas/Electricity Interaction

- ◆ Potential gas demand response (bcm) for winter 2006/07
 - ◆ If winter is average or milder than average, little or no demand-side response would be required.
 - ◆ Relatively little additional CCGT response could be provided under severe winter conditions (1 in 50 cold winter)



Whatever the Weather...



- ◆ Met Office's forecast in July was:
 - ◆ "Winter would be milder than average and wetter than last year"
- ◆ Met Office's latest forecast is:
 - ◆ "Over much of the European regions, ..., approximately even chance that the winter will be colder or warmer than average."
 - ◆ "For the UK, temperatures near average are slightly favoured for the winter season as a whole.
 - ◆ "... later in the winter season, there is a signal for lower temperatures (relative to average) and an increase in the frequency of cold snaps."
 - ◆ "Note that even an average winter is likely to include some notable cold snaps and snowfalls."

Summary

- ◆ 22% margin, broadly unchanged from last year
- ◆ Projected level of generation availability sufficient to meet demands expected:
 - ◆ under normal and ACS demand conditions.
 - ◆ under a 1 in 50 cold winter conditions, based on 87% availability and provided that we do not experience high levels of plant breakdowns.
- ◆ Interactions between the gas and power sectors:
 - ◆ No/little gas demand response is required for average winter weather conditions
 - ◆ Gas demand response is required for a 1 in 50 cold winter, but little response could be provided from the power sector.

Any Questions?

Winter 2006/07 Consultation Report:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16803_168_06.pdf