

Operational and SO Cost Update

Paul Hurlock

Network Operations

nationalgrid

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Agenda

Operational Issues

SO Cost Update

BSUoS Update

Operational Performance Summary

Margin has been tight - 4 NISMs have been issued since the last Forum

- ◆ Sunday 24th August – evening peak (4B)
- ◆ Thursday 4th September – early evening peak (3C)
- ◆ Sunday 14th September – evening peak (4B)
- ◆ Wednesday 17th September – evening peak (4B)

None of these became a High Risk of Demand Reduction as plant levels were maintained, or improved, after the NISM was issued.

Late changes of PN

A study was recently carried to investigate any material change in market behaviour related to late changes of PNs.

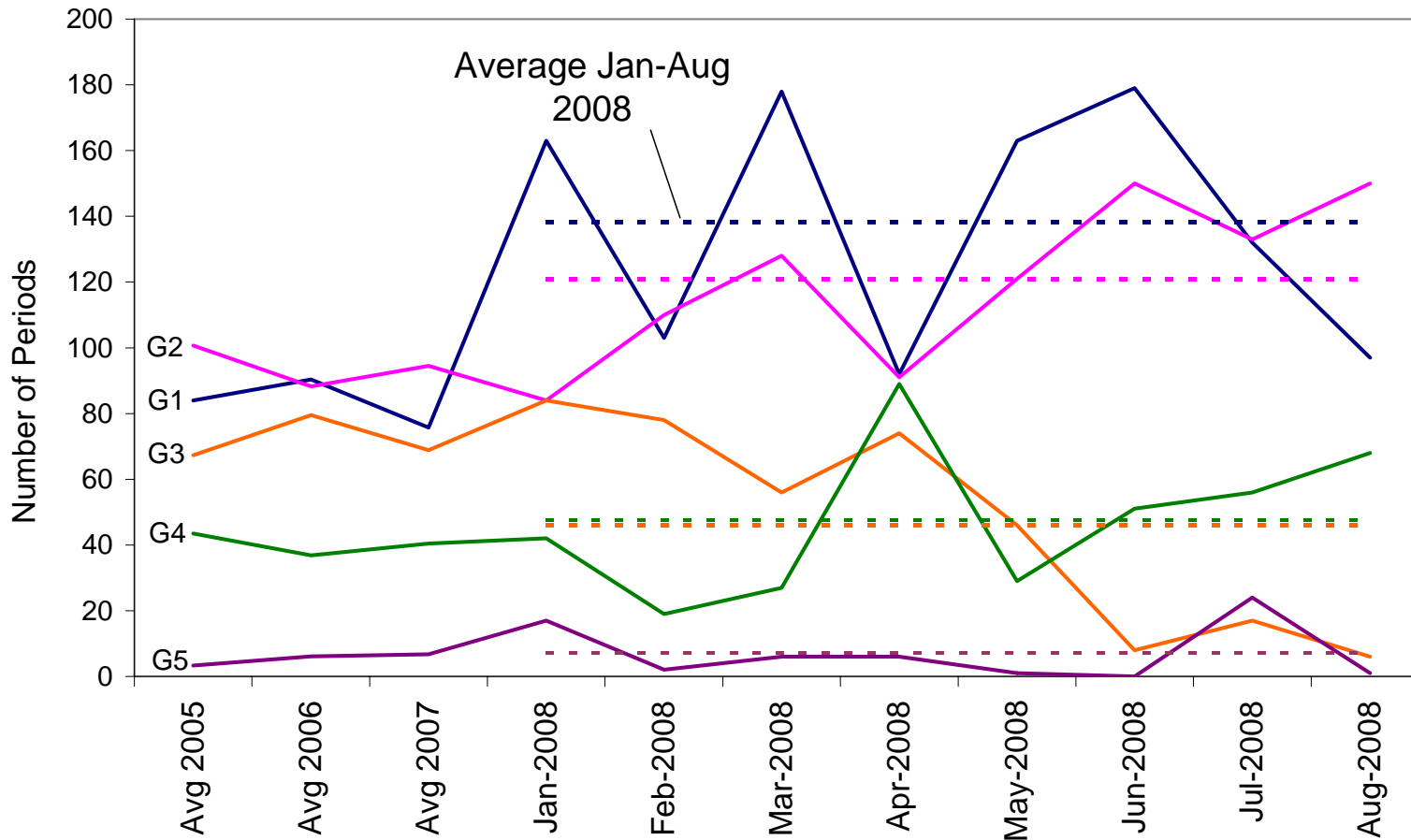
A “late change” was classified as

- ◆ **Being within 4 hours of gate closure**
- ◆ **And an overall change of 400MW or more across a party’s portfolio**

Does not include demand side participant, hydro plant or wind powered generation

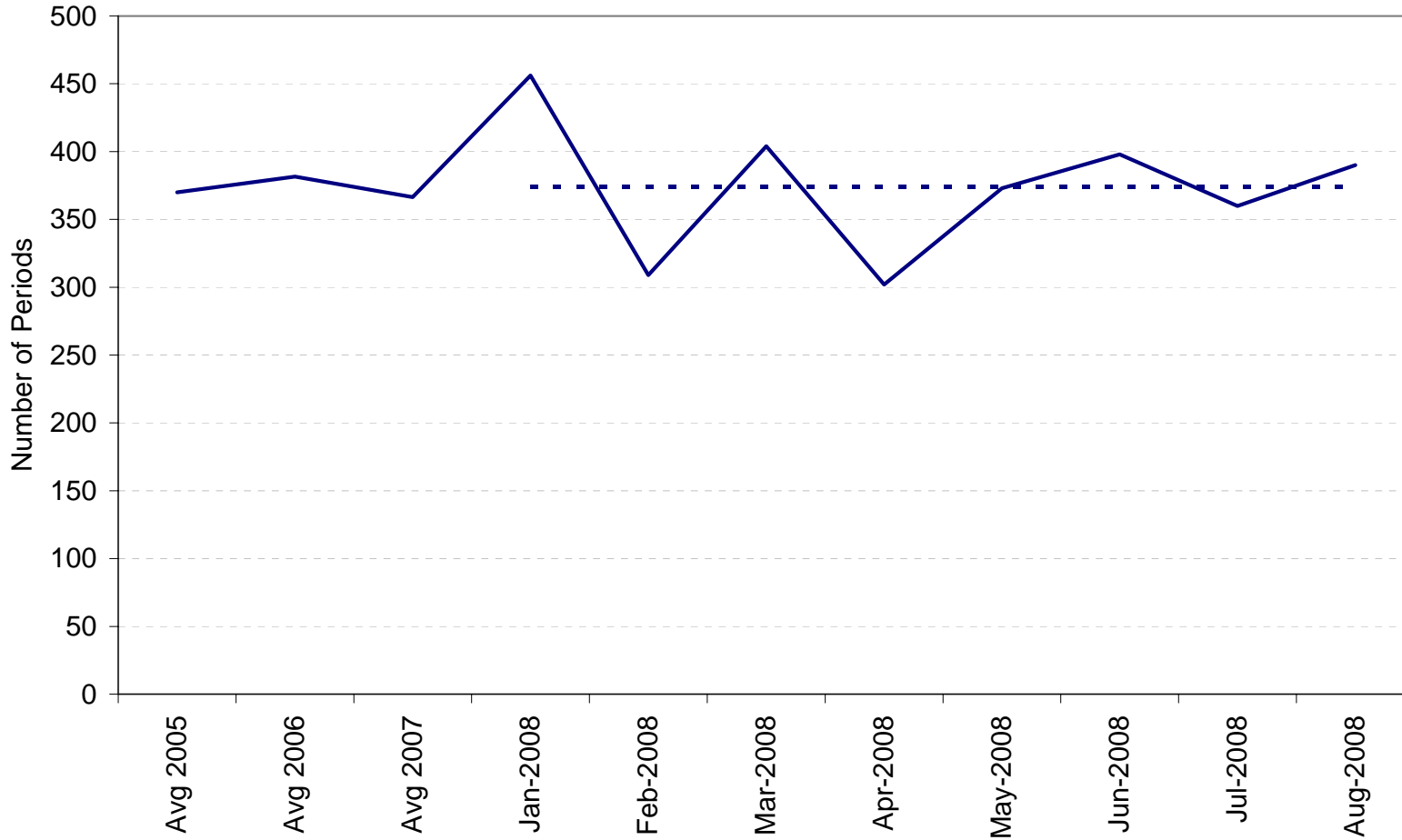
Late changes of PN (by party)

The analysis suggests that while there is some growing trend for particular market participants...



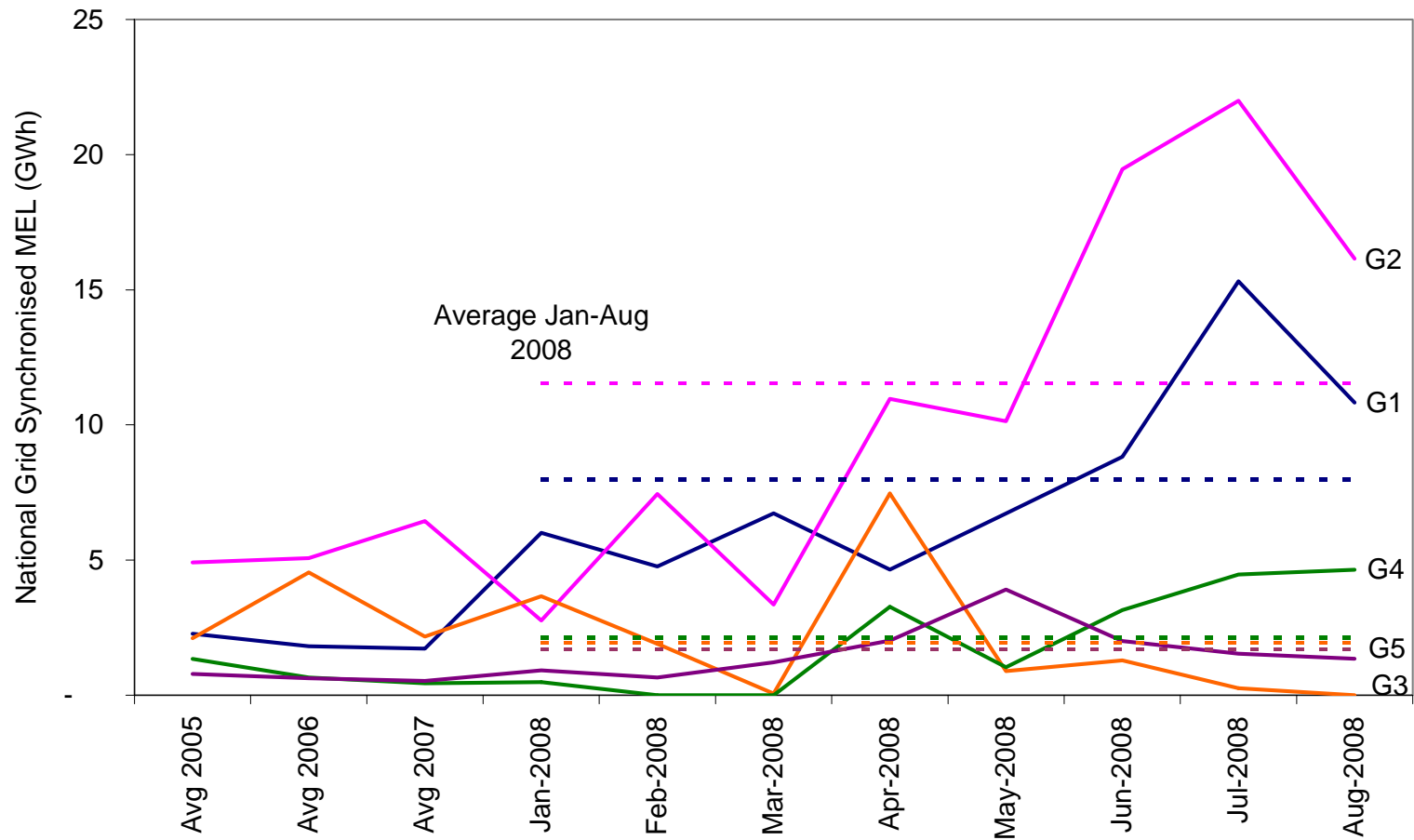
Late changes of PN (overall)

... the overall market behaviour is steady.

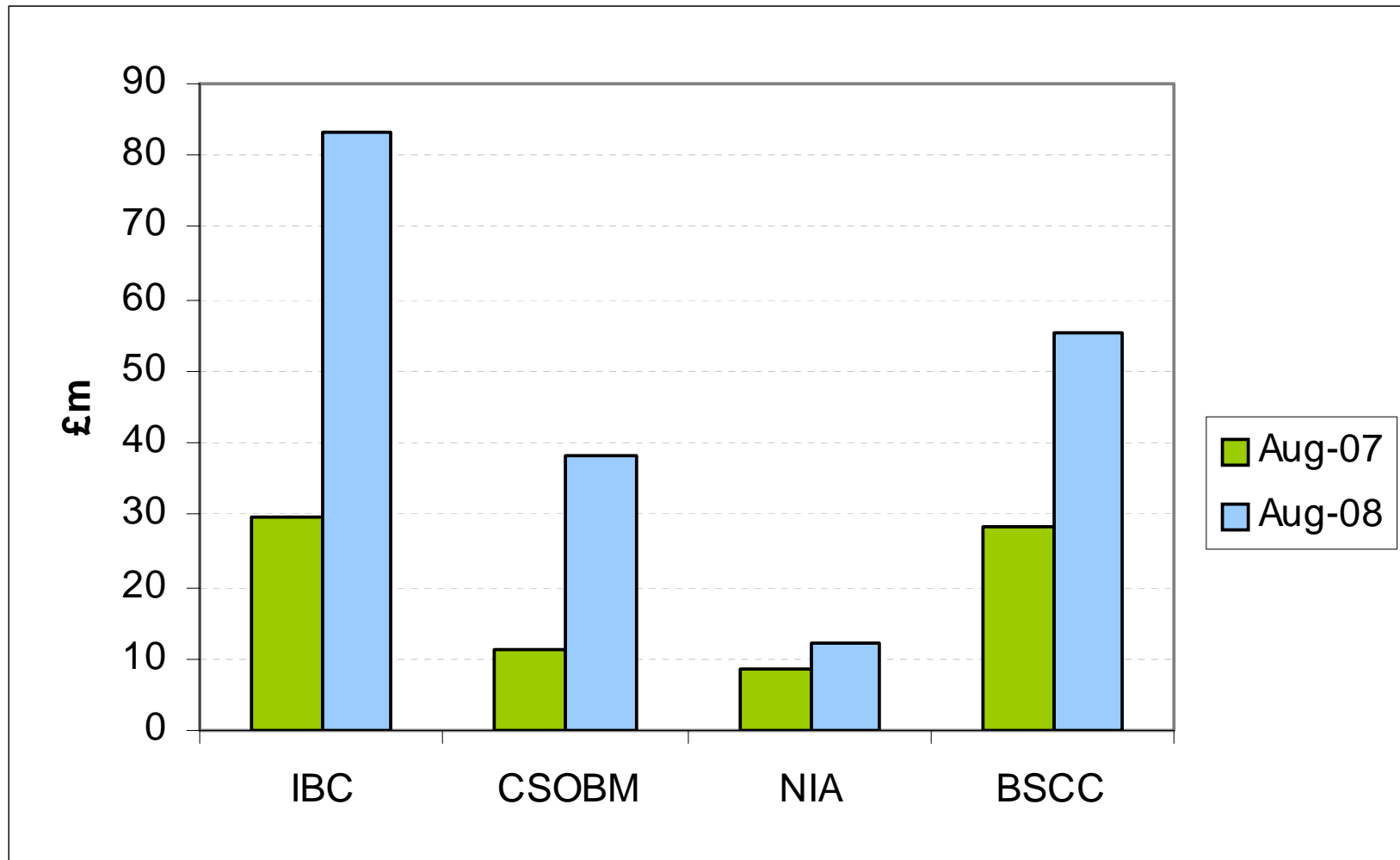


Late changes of PN - Impact

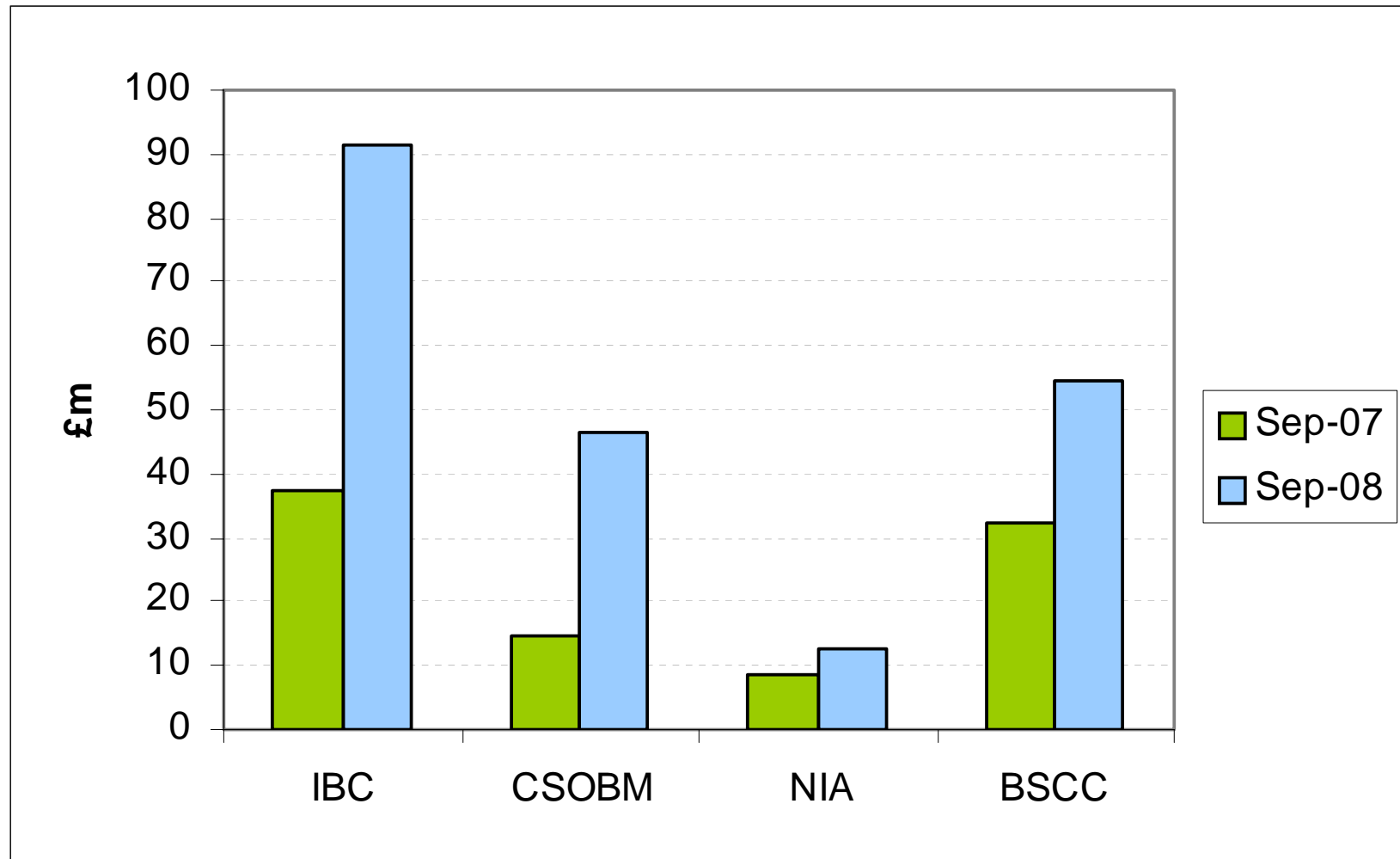
Current tighter market conditions leaves little option other than accepting offers from the units withdrawing their PNs



IBC component comparison – August 2007 vs 2008



IBC component comparison - September 2007 vs 2008



August & September Summary

Margin, Constraints and BM actions to create Frequency Response have been the major areas of expenditure in each month

August

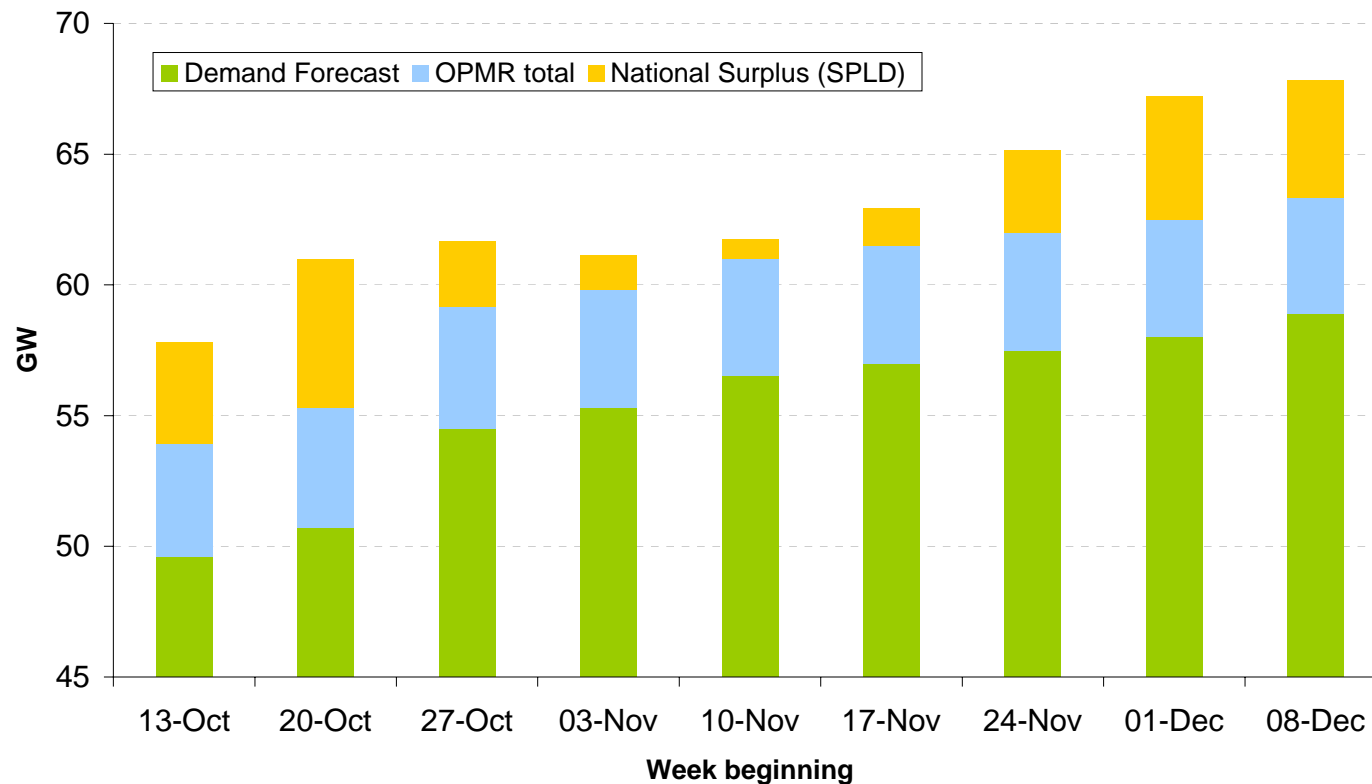
- ◆ Margin £26m, Constraints £29m, Response £21m

September

- ◆ Margin £40m, Constraints £27m, Response £18m

Margin Outlook

The BST-GMT clock change period has traditionally been a time of high margin costs relative to the rest of the year – current forecast for October is £29m, rising to £40m in November

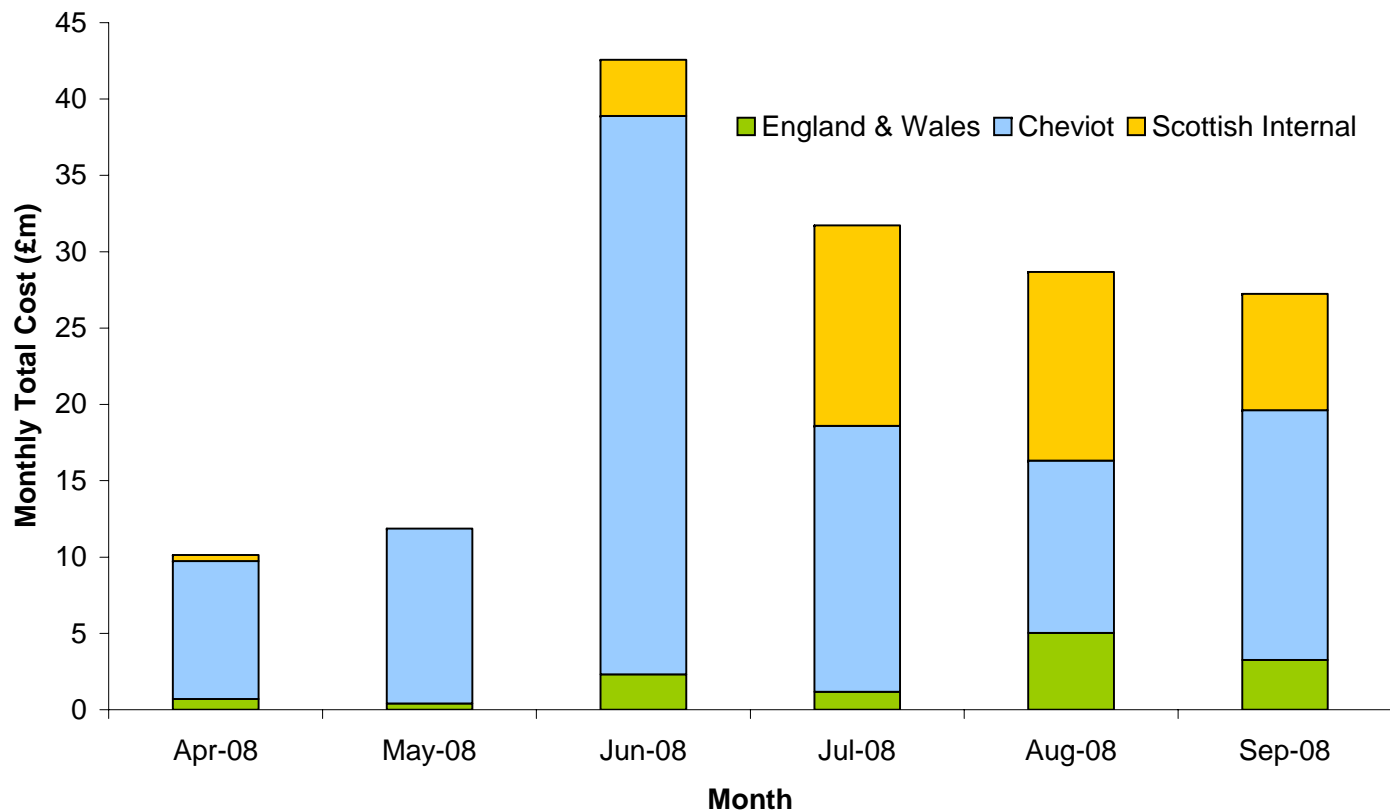


Further information:

http://www.bmreports.com/bsp/bsp_home.htm

Constraint Split

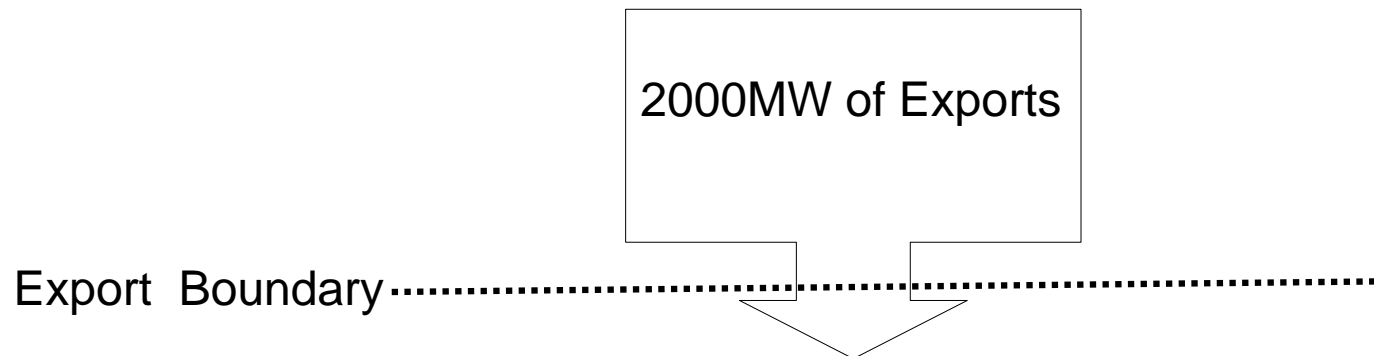
Constraint Expenditure has been split across all areas, but has been dominated by on-going Cheviot constraints



Use of commercial intertrips

Export zone impact on Reserve (example)

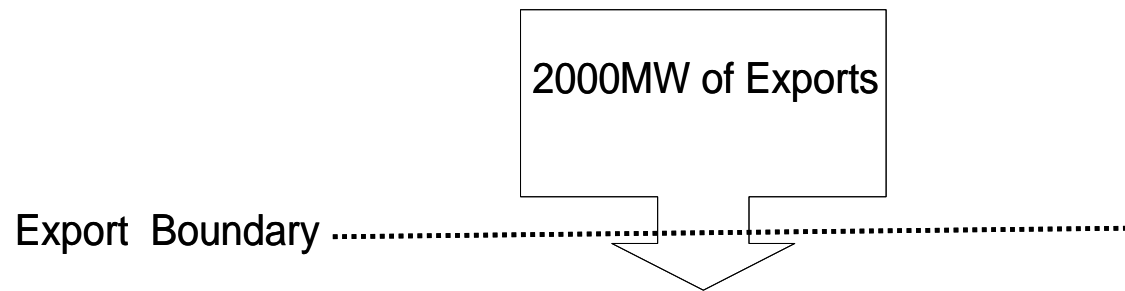
- ◆ Assume balanced system



Export Boundary Technical Limits

- 1500MW (without commercial Intertrip)
- 2000MW (with commercial Intertrip)

Use of commercial intertrips



Export Boundary Technical Limits

- 1500MW (without commercial Intertrip)
- 2000MW (with commercial Intertrip)

Option A

- Take 500MW of bids above constraint to reduce exports to technical 1500MW limit
- Replace with 500MW of offers below boundary to keep system balanced.
- In practice, the 500MW of offers requires a machine to be warmed and synchronised

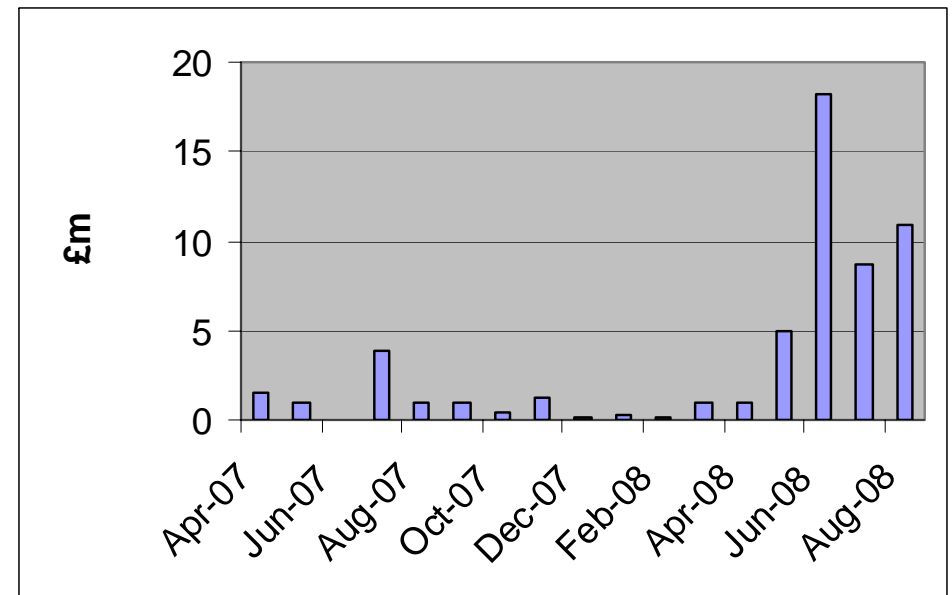
Option B

- Arm commercial Intertrip. Export Limit raised to 2000MW
- No requirement for additional offers as the low probability of the fault is covered by Short Term Operating Reserve

Use of commercial intertrips

Decision making in arming commercial intertrips

- ◆ Export limits continually optimised
- ◆ Decision to arm commercial intertrip is based on economics
- ◆ In practice, when margins are “tight”, the commercial intertrip is invariably the most economic option.
- ◆ Further information may be found on website via MBSS



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

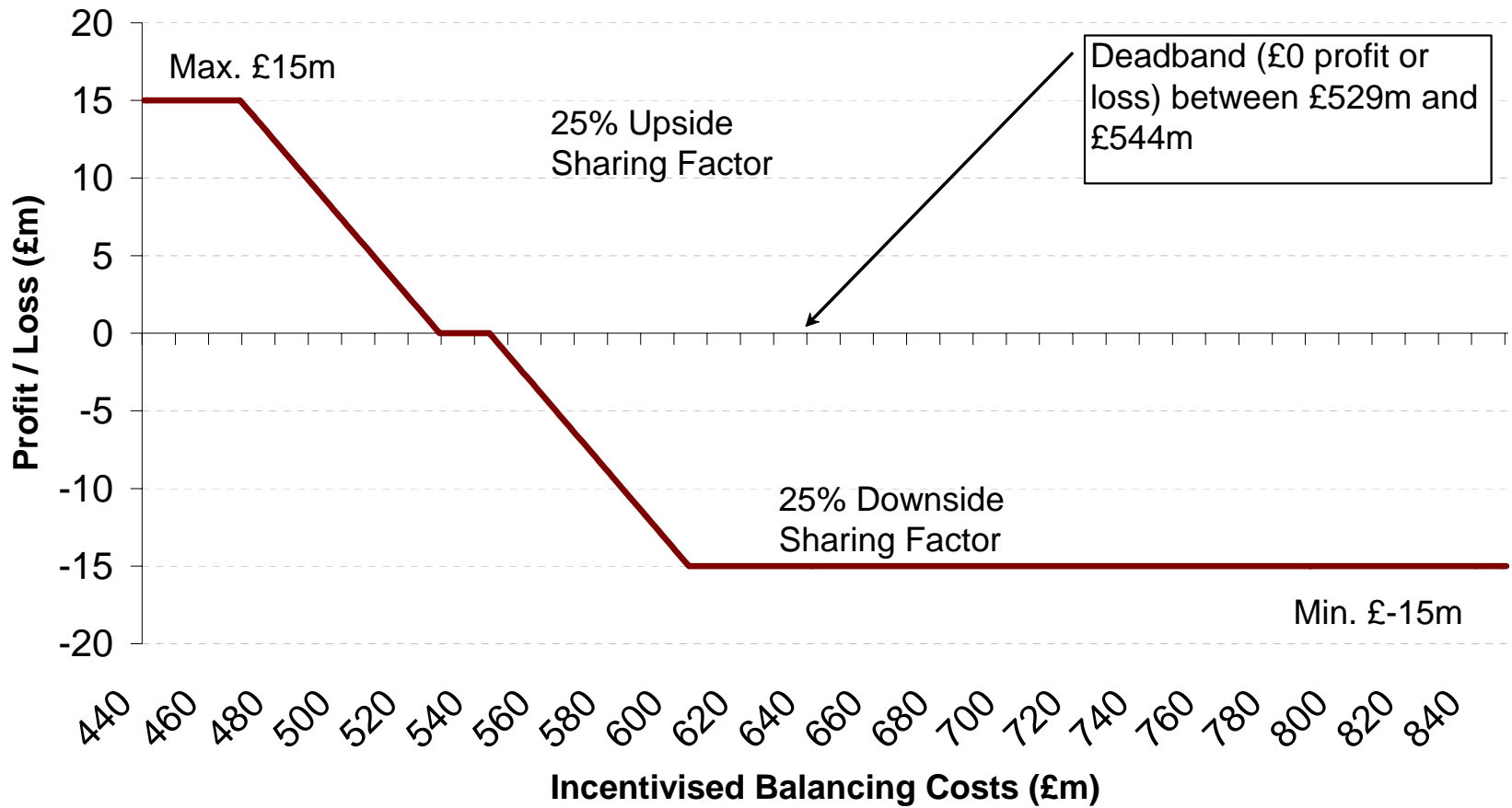
Use of commercial intertrips

Interest in signing up new parties to commercial intertrips

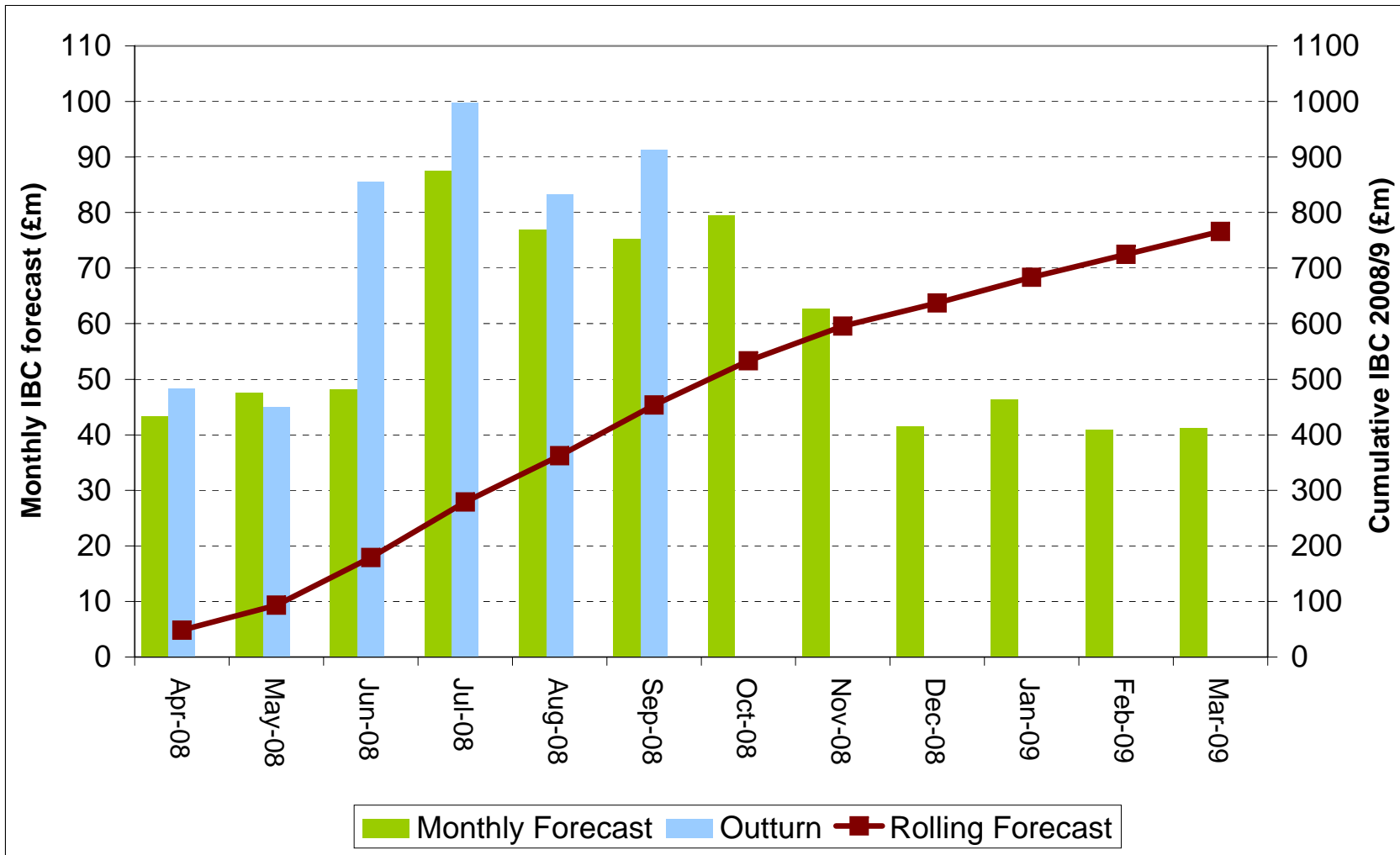
- ◆ We are in discussions with parties to provide new commercial intertrip services
- ◆ Benefits in increased competition and capability
- ◆ Scotland is our highest forecast constraint spend and therefore a focus for new provision
- ◆ Willing to consider firm payments to attract new provision
- ◆ Interested? Please contact Ian Pashley on 01926 653446 or your Account Manager

2008/9 Scheme Parameters

2008/9 Balancing Services Incentive Scheme

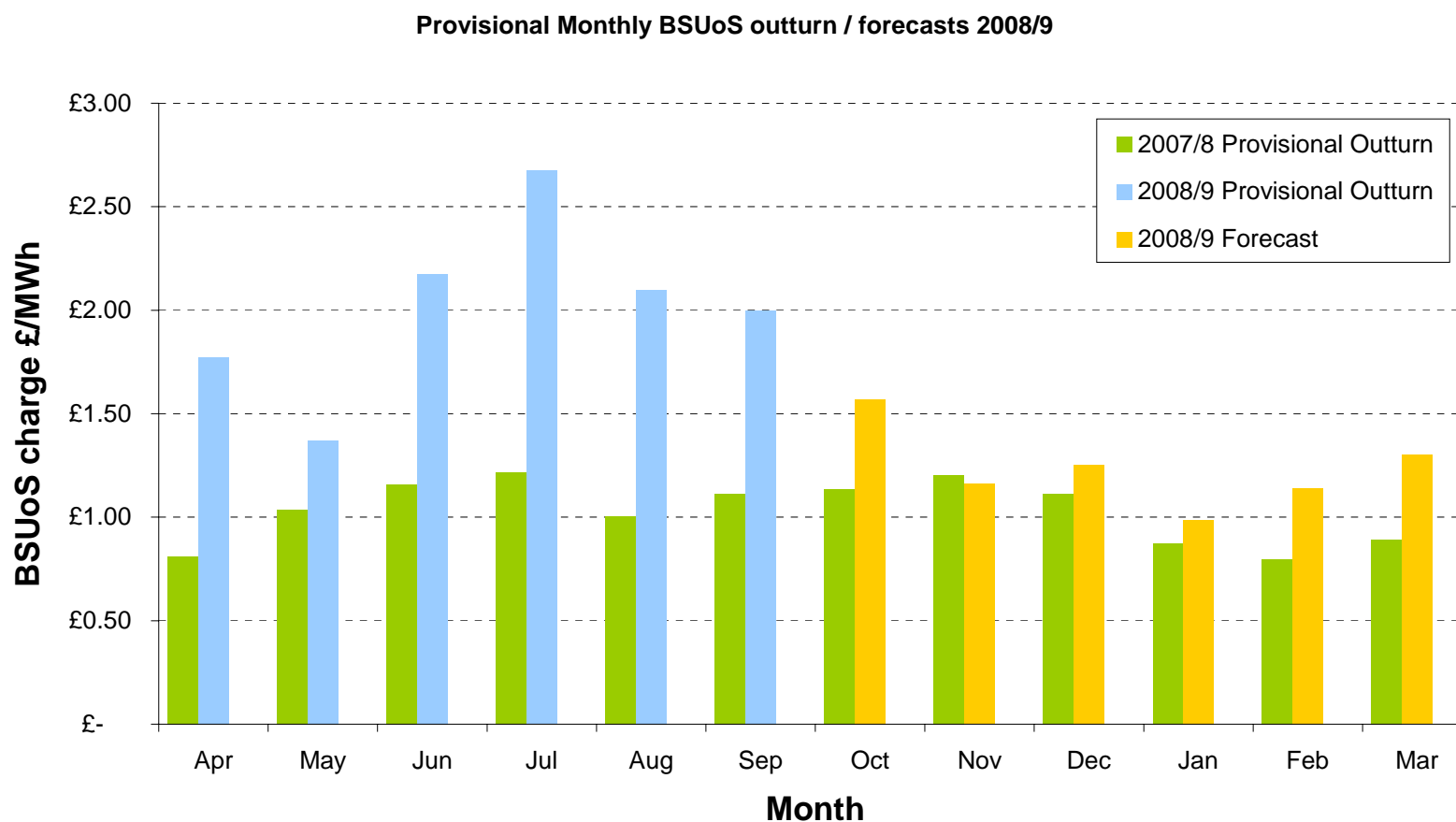


Monthly IBC 2008/9 forecasts and outturn



Provisional BSUoS outturn / forecasts 2008/9

- ◆ Current BSUoS central forecast remains £1.58/MWh
- ◆ Overall forecast range £1.40/MWh to £1.75/MWh



Provisional BSUoS outturn / forecasts 2008/9

- ◆ Uncertainty largely due to margin costs

