

Additional reserve secured for winter 15/16

Tender round results provide early certainty for generators, value for money for bill-payers and record levels of demand side response. Peterhead (SSE), Killingholme (Centrica), Deeside (GdF Suez) and Uskmouth power stations to play key role in providing additional reserve in winter 15/16.

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National Grid has now secured 2.56GW of additional electricity reserve for the winter 15/16, at lower cost per unit than the previous winter. This follows the conclusion of the second tender round for 15/16 Supplemental Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR).

The decision to buy almost 1.9GW of additional generation in this second tender round provides early certainty to the electricity market, as a further tender round is unlikely unless a specific need is identified. The first tender round in December 2014 secured 665MW, and the decision to buy increased volumes in this second round is also a response to recent public notifications from some generators of reductions in capacity ahead of winter 15/16.

The 2.56GW of additional reserve procured for winter 15/16 is estimated to cost £36.5million, including testing, representing around fifty pence a year on the electricity bill of the average consumer. This compares with a cost of £31.3million for the additional 1.1GW procured for winter 14/15.

The tender round also shows growth in the market for demand side balancing reserve. Up to 177MW (de-rated) of additional reserve will come from businesses signed up to the scheme being incentivised to voluntarily reduce demand or to switch to on-site generation, if called upon at peak times.

Cordí O'Hara, Director of Market Operation, National Grid, said:

"As operator of the electricity system, it's our role to ensure we've got the right tools in place to balance the system in even the toughest winter conditions.

"Our competitive tender has secured the reserve we need to do our job, as early as possible, while providing market certainty and keeping costs down for consumers."

On the growth of the demand side balancing reserve, she added:

"I'm delighted that the demand side balancing reserve market continues to grow, and that more businesses are realising the benefits of shifting power demand."

Market information:

Proposed Supplemental Balancing Reserve (SBR) contract awards

Following the second SBR tender, we will be offering SBR contracts for a total volume of 1,784MW to the following power stations:

Unit	Owner	De-Rated Capability (MW)
Peterhead CCGT (2 x 375MW)	SSE	675
Killingholme CCGT (1 x 660MW)	Centrica	660
Deeside CCGT (Additional 250MW)	GdF Suez	250
Uskmouth (1 x 100MW Coal Unit)	Uskmouth Power	90
Fiddlers Ferry GTs (2 x 17MW)	SSE	32
Ferrybridge GTs (2 x 16MW)	SSE	30
Keadby GT (1 x 23MW)	SSE	22
Rugeley GT (1 x 25MW)	GdF Suez	25
Total		1,784

The overall procurement position for winter 2015/16 is as follows:

Tender	Total Capability (MW)	De-Rated Capability (MW)	Cost (£m)
DSBR Round 1	215*	65	1.3
SBR Round 1	600*	600	10.8
DSBR Round 2	300	112	1.3
SBR Round 2	1,874	1,784	23.1
Total	2,989	2,561	36.5

*Costs include setup fees, admin fees and testing costs for DSBR, capability and testing costs for SBR.

*DSBR reduced from 242MW following validation, SBR reduced by 20MW following Centrica's decision to reduce the maximum output at South Humber Bank

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Notes for editors

- The full market report following the second tender round is available at <http://www2.nationalgrid.com/UK/Services/Balancing-services/System-security/Contingency-Balancing-Reserve/>
- For more information about Supplemental Balancing Reserve and Demand Side Balancing Reserve, see <http://www2.nationalgrid.com/UK/Services/Balancing-services/System-security/Contingency-Balancing-Reserve/>
- The results of the first tender round are available at <http://www2.nationalgrid.com/MediaCentral/UK-Press-releases/2014/Additional-electricity-capacity-for-winter-2015/16/>
- Further detail on the Demand Side Balancing Reserve procured in Tender Round 2 will be available in due course. This article sets out more information about DSBR, as well as links to case studies of companies that have been involved in the scheme: <http://www.nationalgridconnecting.com/partners-in-power/>

Notes to Editors:

National Grid is pivotal to the energy systems in the UK and the north eastern United States. We aim to serve customers well and efficiently, supporting the communities in which we operate and making possible the energy systems of the future.

National Grid in the UK:

- We own and operate the electricity transmission network in England and Wales, with day-to-day responsibility for balancing supply and demand. We also operate, but do not own, the Scottish networks. Our networks comprise approximately 7,200 kilometres (4,474 miles) of overhead line, 1,500 kilometres (932 miles) of underground cable and 342 substations.
- We own and operate the gas National Transmission System in Great Britain, with day-to-day responsibility for balancing supply and demand. Our network comprises approximately 7,660 kilometres (4,760 miles) of high-pressure pipe and 618 above-ground installations.
- As Great Britain's System Operator (SO) we make sure gas and electricity is transported safely and efficiently from where it is produced to where it is consumed. From April 2019, Electricity System Operator (ESO) is a new standalone business within National Grid, legally separate from all other parts of the National Grid Group. This will provide the right environment to deliver a balanced and impartial ESO that can realise real benefits for consumers as we transition to a more decentralised, decarbonised electricity system.
- Other UK activities mainly relate to businesses operating in competitive markets outside of our core regulated businesses, including interconnectors, gas metering activities and a liquefied natural gas (LNG) importation terminal – all of which are now part of National Grid Ventures. National Grid Property is responsible for the management, clean-up and disposal of surplus sites in the UK. Most of these are former gas works.

Find out more about the energy challenge and how National Grid is helping find solutions to some of the challenges we face at <https://www.nationalgrid.com/group/news>

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