

Consultation on Winter 2006/07

2 August 2006

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Agenda

- ◆ Winter 2006/07 Consultation:
 - ◆ Key points of Document
 - ◆ Publications and Timetable
 - ◆ “July Consultation Update Document” – updates/changes
 - ◆ Further views sought from Industry

Key Points

- ◆ Winter 2006/07 Consultation:
 - ◆ 21% margin, broadly unchanged from last year
 - ◆ Continued dependence of non-gas-fired generation
 - ◆ Interactions between the gas and power sectors
 - ◆ Wide range of new gas infrastructure but uncertainty on timescales and utilisation

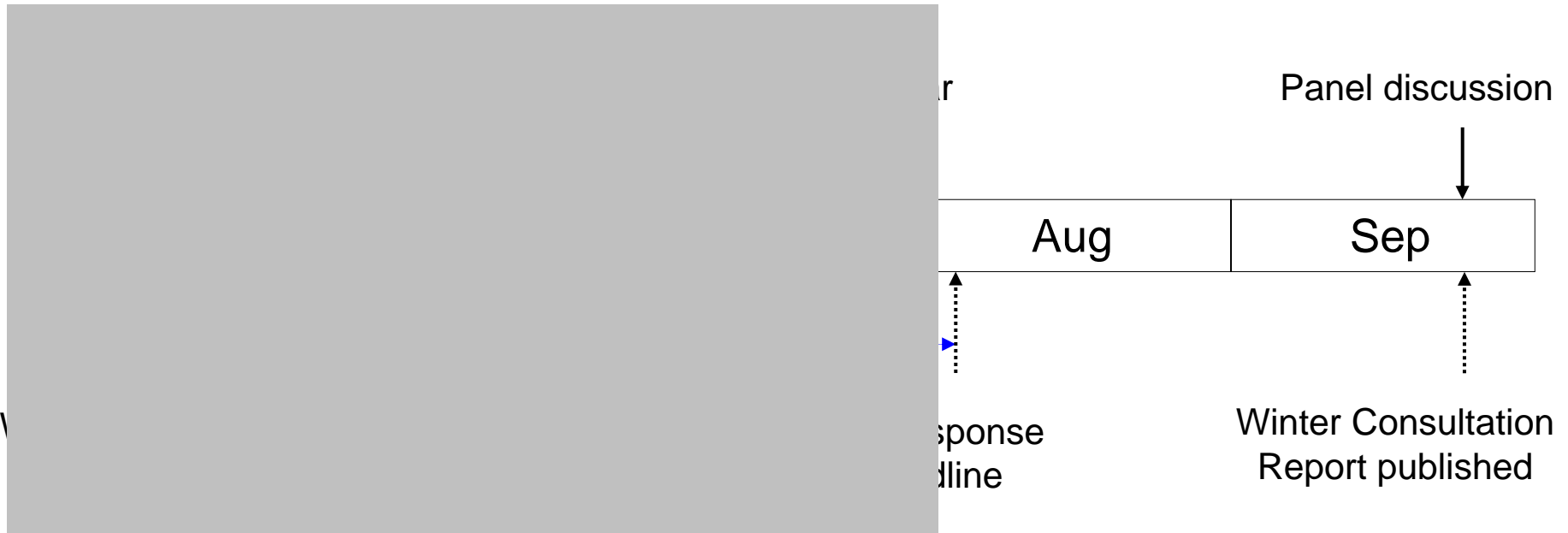
Publications to-date

- ◆ Winter 2006/07 Consultation Document:
 - ◆ Published on Ofgem's website, 16 May 2006
 - ◆ Responses by 9 June - 33 responses received
- ◆ Winter 2006/07 Consultation Update Document:
 - ◆ Published on Ofgem's website, 11 July 2006
 - ◆ Updated to reflect consultation
 - ◆ Further views of industry important to ensure the most accurate position is reported ahead of Winter 2006/07
 - ◆ **Responses by 11 Aug 2006**

Winter Consultation Document link:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15696_NGWinter2006_07.pdf

Timetable for 2006



Winter Consultation Document:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15693_MainbodyJulyfinaldoc070706.pdf

May Consultation: Electricity Feedback

- ◆ Limited scope for investment in back-up capability prior to winter 2006/07
- ◆ Emission concerns raised by a number of respondents
 - ◆ *Further analysis being undertaken*
- ◆ A number of respondents queried our plant availability assumptions:
 - ◆ Nuclear too low at 80%
 - ◆ CCGT too high at 95%
 - ◆ Optimistic assumptions of French Interconnector

Winter 2006/07: Electricity Demand

- ◆ Electricity Demand:
 - ◆ No change in Forecast
 - ◆ Peak demand: 60.3 GW,
Corrected to ACS weather: 61.3 GW
 - ◆ No demand growth across the day
(highest demand was 60.3 GW during winter 2005/06)
 - ◆ Estimated ~ 0.8 - 1.3 GW of demand-side response at peak periods

Winter 2006/07: Generation

- ◆ Generation:
 - ◆ TEC basis, 76.3 GW of plant available
 - ◆ Unchanged since May's Consultation
 - ◆ Plant Margin of 21%
 - ◆ Operational view, 75.6 GW of plant available
 - ◆ up from 74.7 GW reported in May's Consultation
 - ◆ 0.9 GW of mothballed plant made available
 - ◆ Further 0.8 GW of short-term mothballed plant could return within 3 - 6 months

Winter 2006/07: Contracted Reserve

- ◆ Contracted Reserve
 - ◆ Approx. 2.6 GW contracted
 - ◆ Supplementary Standing Reserve (SSR) tender issued on 3 July 2006
 - ◆ Contract for winter 2006/07 (Oct '06 – Mar '07)
 - ◆ Completed tenders to be returned by 4 August 2006
- ◆ Reserve for Response
 - ◆ Approx. 0.9 GW contracted
 - ◆ Monthly Firm Frequency Response Tender process available for those counterparties who wish to participate
- ◆ Total Contracted Reserve of approx. 3.5 GW

Winter 2006/07: Modelling Assumptions

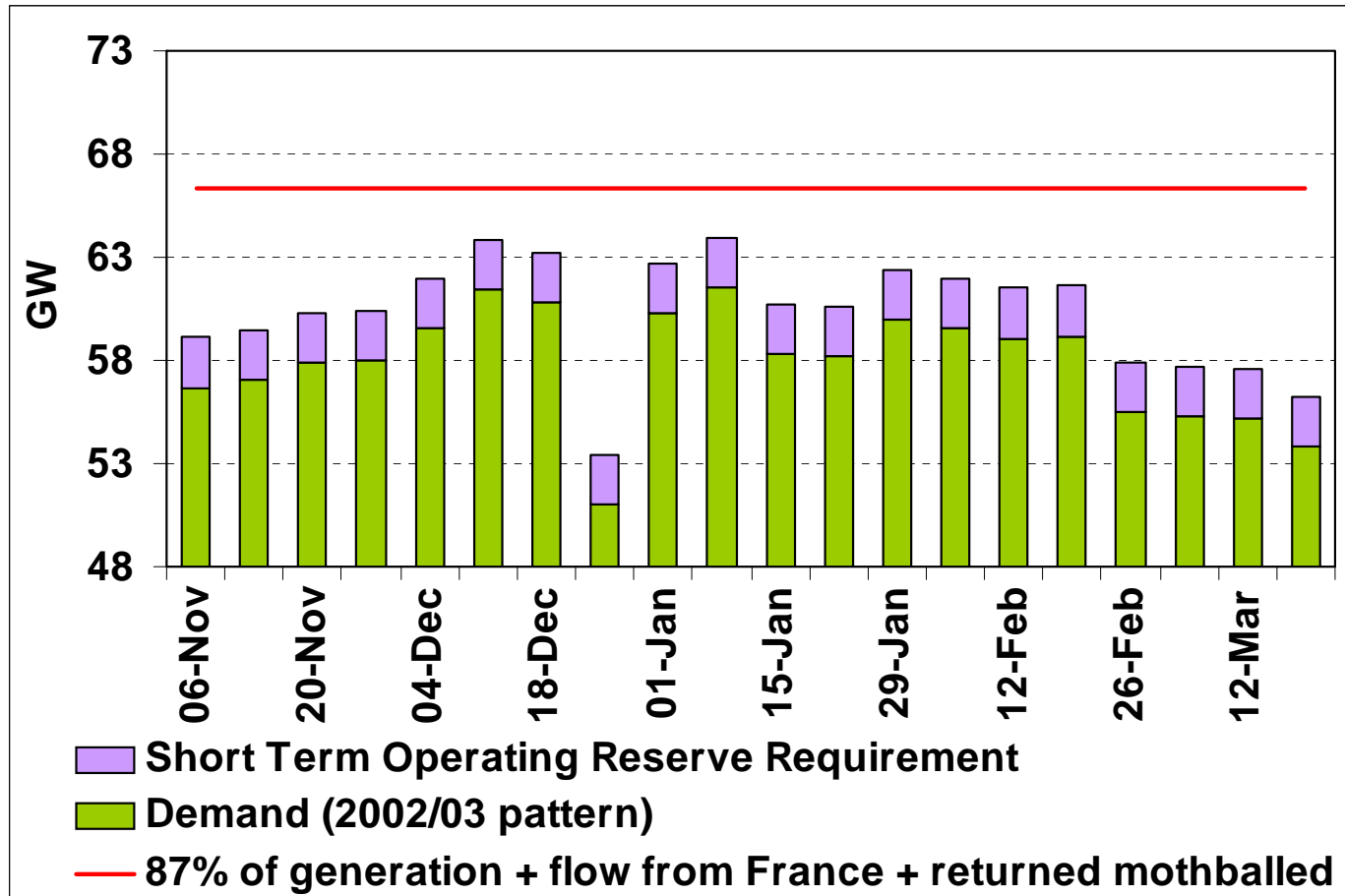
- ◆ Nuclear¹, French and CCGT availabilities revised:

Power Station Type	Assumed Availability		Model Assumptions Summary
	May Document	July Document	July Document
Nuclear	80%	85%	Baseload
French Interconnector: Off-Peak 3pm – 7pm Other periods	100%	100%	1500MW (75%) 1250MW (62.5%) at float
CCGT	95%	90%	Marginal plant
Non-BM Generation (including renewables)	40%	40%	Baseload
Coal	85%	85%	Baseload
Oil	95%	95%	12 hours over peak
Pumped storage	100%	100%	6 hours over peak
OCGT		95%	Low merit, run occasionally
Average availability	88%	87%	

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

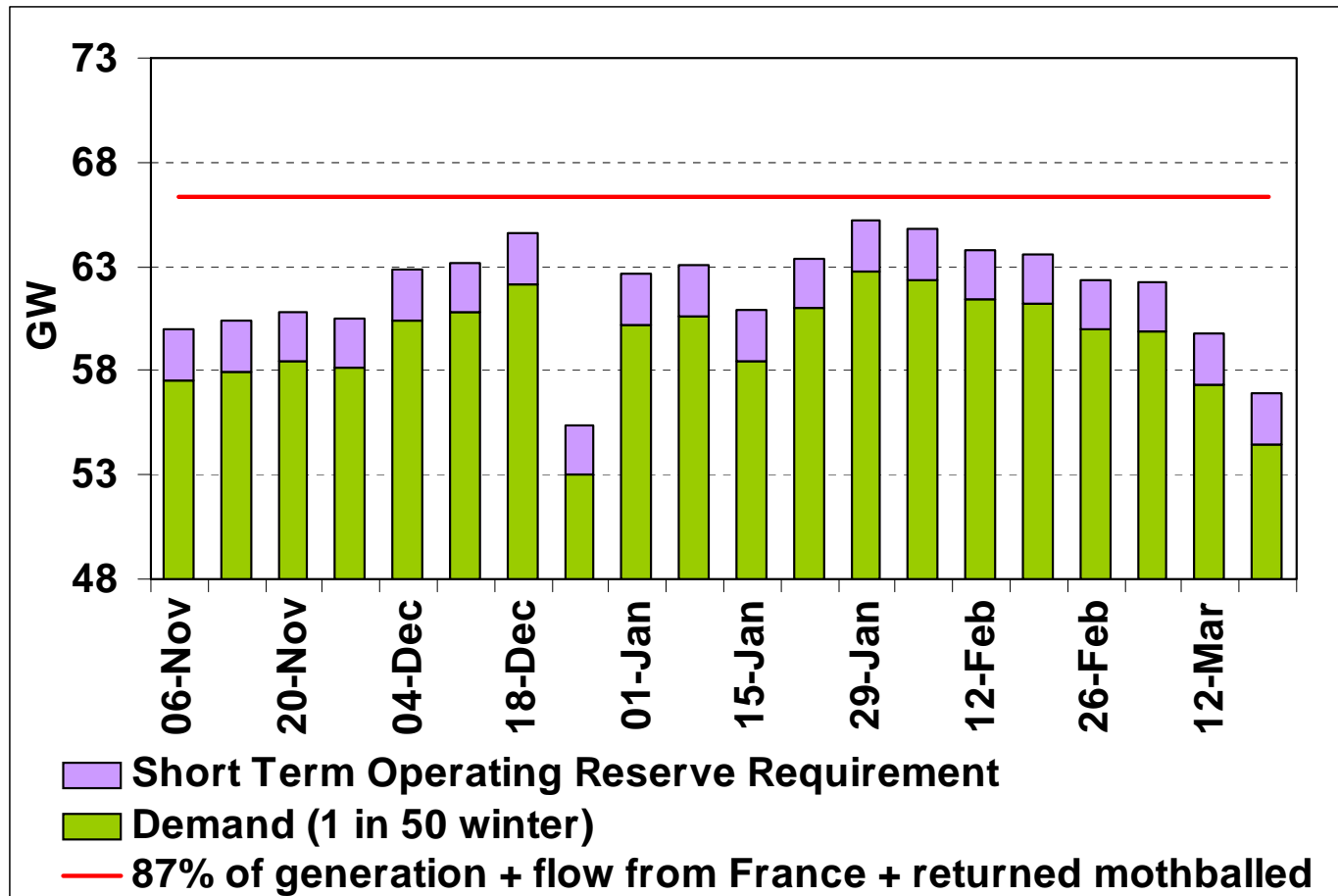
Winter 2006/07: Forecast Position

◆ Average Winter

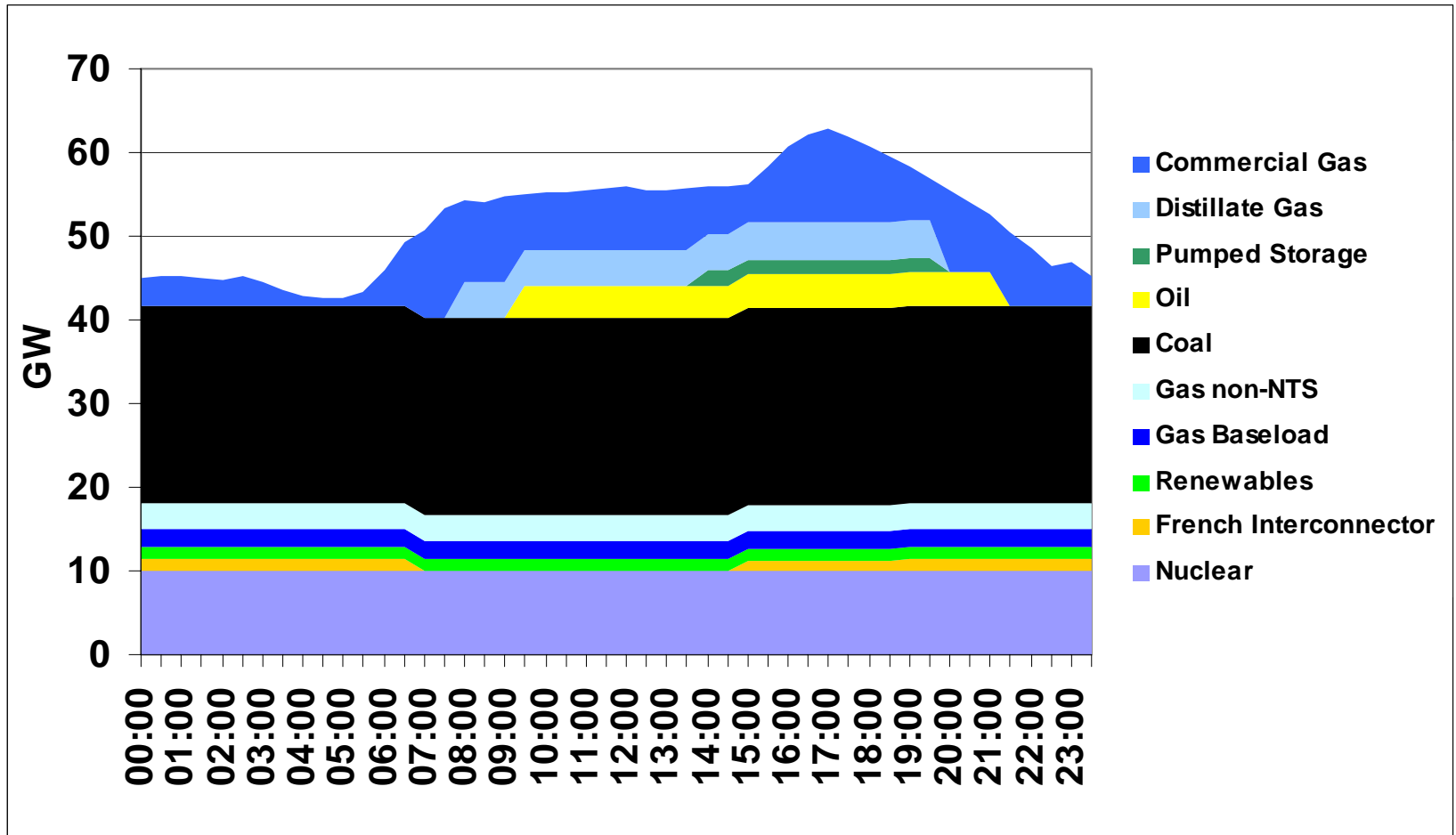


Winter 2006/07: Forecast Position

◆ 1 in 50 Winter

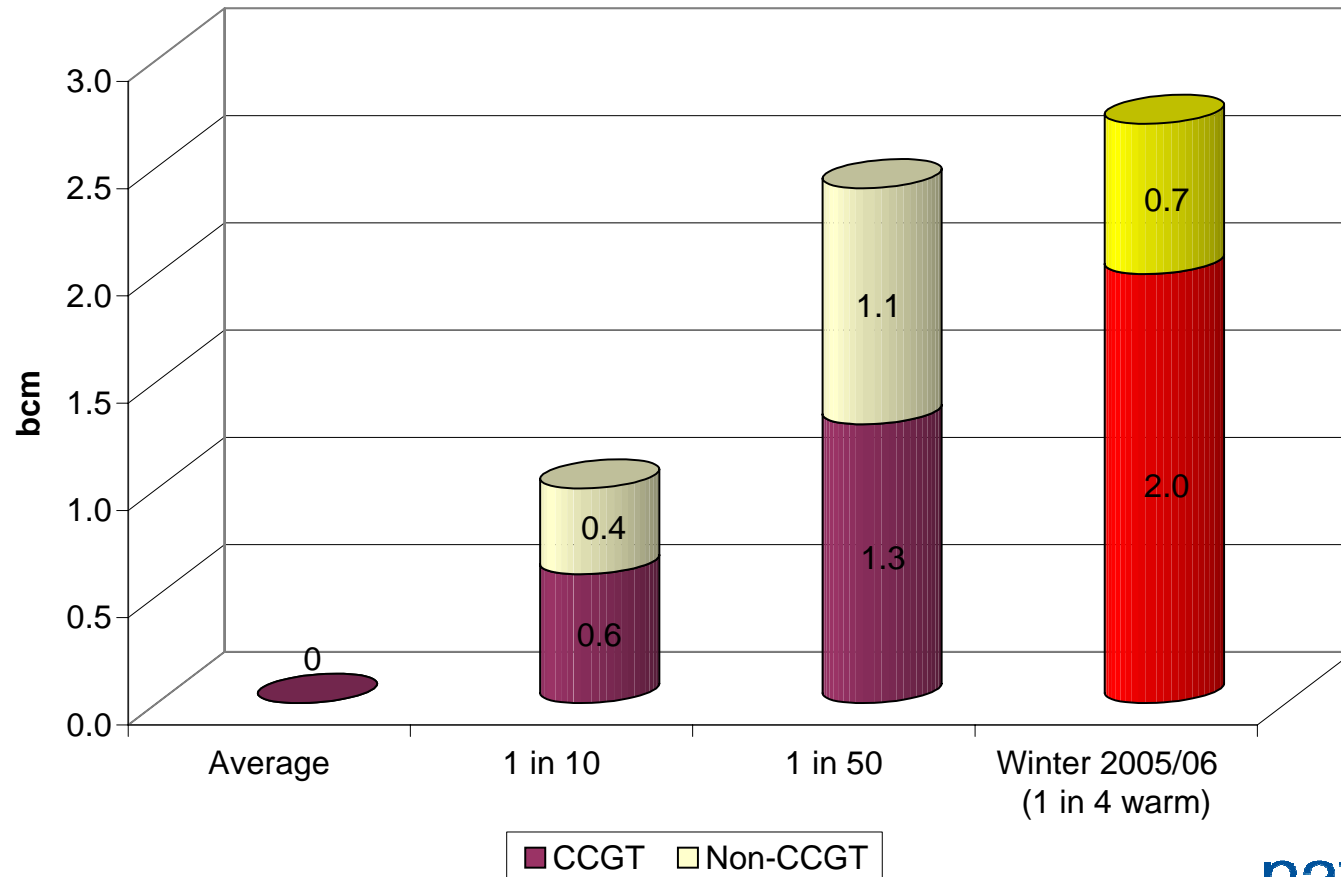


Winter 2006/07: Merit Order for Peak Day



Winter 2006/07: Gas/Electricity Interaction

- Potential demand response (bcm) for winter 2006/07 and estimated demand response in winter 2005/06



Electricity Consultation

- ◆ Further industry feedback important to ensure the most accurate position is reported ahead of winter 2006/07
- ◆ Views sought on:
 - ◆ National Grid's demand assumptions
 - ◆ Electricity modelling assumptions:
 - ◆ Merit order;
 - ◆ Revised availability assumptions;
 - ◆ Impact of environmental constraints.
- ◆ Final Winter Consultation Report to be published at the end of September 2006