Operational Performance - Update

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Agenda

- Operational Performance
- Data Accuracy
- Previous Issues

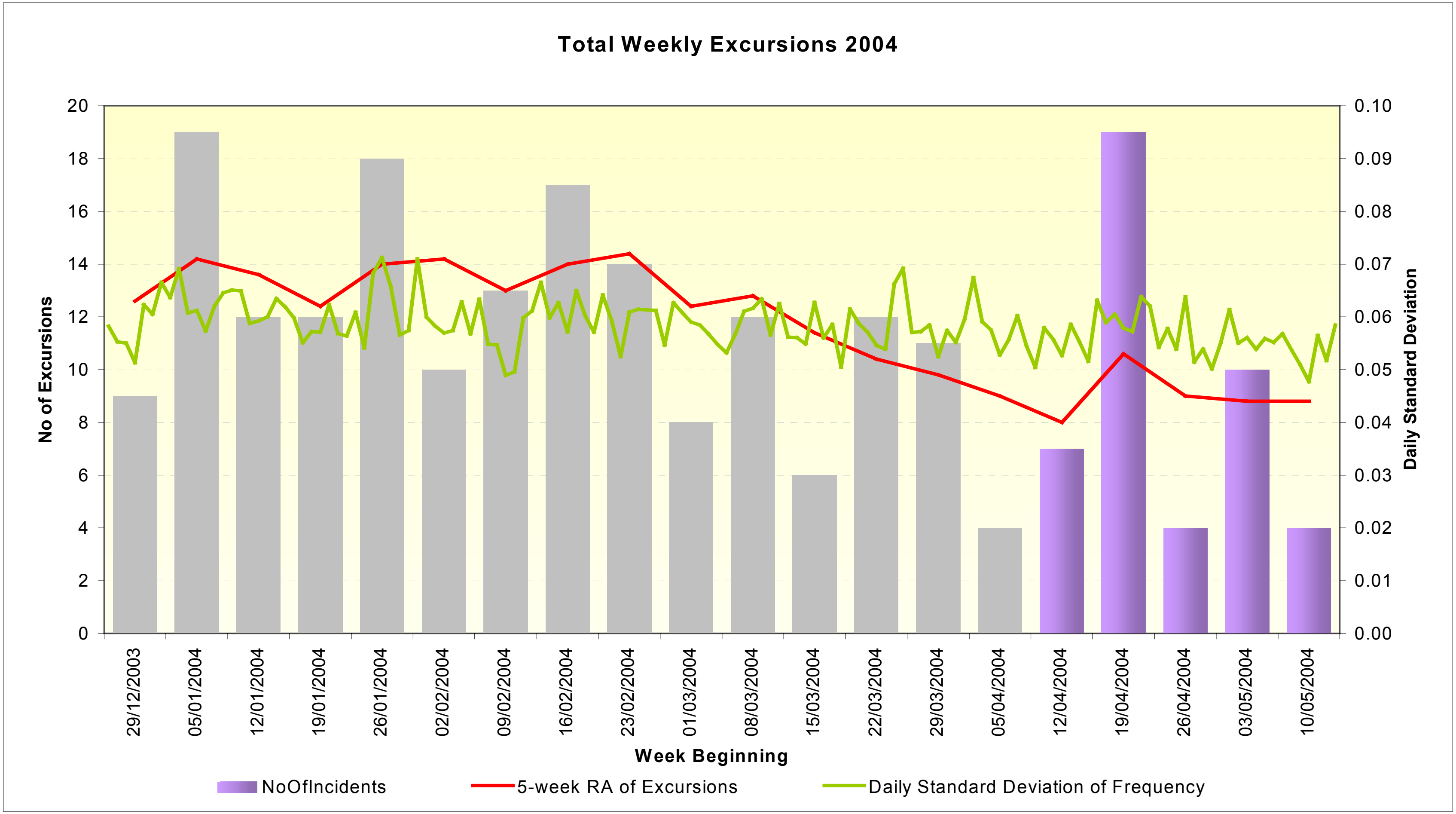
Key Operational Issues since last Forum

- One system warning (NISM) was issued for Monday 17 May. First one since the NISM on 11 March.
- For 17 May, the OC2 surpluses were tight the previous Thursday and Friday (82MW and -559MW resp.) Two large stations were lost on Friday, one other returned.
- Over the weekend, two further large sets were lost, which reduced the operating margin further.
- The NISM was issued at 17:00 on the Sunday indicating a MEL shortfall of 1400MW.
- Subsequently, there were no further significant losses and the contingency reserve requirement reduced towards gate closure, which meant that the NISM could be cancelled at 08:45 on the Monday morning.

Operational Issues - continued

- 2 PGBTs agreed in May. None in April, and only 8 so far this year.
- Self despatch CCL following performance still generally good.
- 3 SIRs in April and 2 in May so far. On average less than one per week.
- Frequency standard deviation generally in the range 0.05Hz to 0.06Hz.
- No reportable frequency excursions.

Frequency Performance



National Grid Transco

Operational Issues - continued

- Significant demand under-forecast for Sunday 18th April.
- Weather conditions were more severe than the MET office had anticipated, resulting in low illumination and subsequent lower temperatures.
- Internal strategic forecasts were adjusted throughout the day in the light of prevailing conditions.
- All conventional plant options were used and standing reserve was only deployed when attempts to get additional plant had failed.
- For the afternoon and evening we held sufficient response and reserve to secure against a large loss, so the system was not put at risk.

Data Accuracy - changes since last forum

- Some improvement in size of data changes from day ahead
- General shift noticed towards higher IPN and lower FPN, rather than the converse, i.e. PN levels reducing towards gate closure.
- Less pronounced difference between companies, and less "weekend effect". The "worst 2 companies" mentioned previously have not stood out from the rest significantly since the April interim forum.
- But there are still days where we see a significant change in system PN levels at shorter notice

Examples of problem days

- On Sun 2 May, 13 additional machines were required above IPN levels to satisfy operating margins for the evening peak (4B) on Mon 3 May (B/Hol). The system IPN to FPN change was around 2.5GW. How much of this was due to IPN accuracy and how much due to later trading?
- The final 2A (10:00-12:00) programme for Sat 8 May required 7x500MW additional sets. However, progressively between 5am & 7am 1800MW generation was PN'd on at very short notice resulting in too much additional plant during the morning pickup. Was this plant working to the same dynamic parameters as those submitted to us?
- Compare the above with 16/17 May (NISM). Here the market was genuinely short and there was little additional capacity available. The system PN and MEL levels hardly changed from day ahead through to gate closure.

Data Accuracy - Summary of our position

- We are trying to reduce impact of systematic day ahead errors e.g. Sunday forecast data for Monday.
- We recognise the need to distinguish late updates to submissions from genuine refinement of trading position. This distinction is difficult, but we know that if we ring around participants, this can often produce immediate changes in the data. We are still needing to ring round on a daily basis to increase confidence and certainty in submitted PN/MEL data.
- We believe there is still scope for reducing **unnecessary uncertainty** over contingency requirements e.g. warming requirements.
- There is evidence that default data is still being used in place of updated submissions.
- The data quality issue has an impact on balancing costs, cashout prices and industry confidence in published data (BMRS) and market mechanisms i.e. improvement would be to everyone's benefit.

Data Accuracy - Participants' views

- Market trades quite late in the day since NETA
- 11:00 Day Ahead concept may have been valid for the POOL, but is not consistent with how the market trades since NETA.
- Market volatility means that it is not always possible to give as accurate data as NGT might like.
- No deliberate withholding of PN

Summary of issue

- We accept that there is some market volatility which means that positions will be refined through the day ahead and into the day itself. We also accept that the market trades later in the day.

- However, there is still evidence that submissions are not updated promptly, demonstrated by the significant improvements we see after ringing around.

- We have seen some improvements since the last forum, and are continuing to liaise with participants to try and achieve further improvements. This is still our current approach to the issue.

- If the situation were to worsen, we would consider introducing a formal process such as SIRs and OFGEM involvement which was successful at eliminating self balancing in the early days of NETA.

Warming costs - question from last Forum
Typical impact of inaccurate IPN

- As a result of the inaccuracy between IPN and FPN submissions, NGT may incur additional Balancing costs.
- Warming contracts are used to cover shortfalls in operating margin, which are often cancelled as plant becomes available with later PN submissions.
- We estimate an additional £50k per day or £1.5M per month as a result of the change in IPN to FPN.
- It is very difficult to categorically distinguish “late update” vs “refinement of position / later trading”.
- However, assuming a conservative 50% are due to late update, this gives ~£0.75M per month, ~£4.5M over the six month winter period (Oct-Mar).

Answers to trading questions from April interim forum

- NGTs best view of total benefit from Energy Balancing Trades for financial year 2003/04 is £0.9M.
- Included in this view is trade reversal, where 0.2TWh were traded in the opposite direction to that of the market.
- We are looking to provide a more detailed presentation of our trading activity at a future forum.
- Further information on our trading activity for 2003/04 will shortly be available in the Procurement Guidelines report, which can be found on the Industry Information website.