

Delivering Transparency

Kevin Rendell

Agenda

- Terms of Reference and Principles of Information Provision
- Transparency – Different things to different parties
- Delivering Transparency
 - Improved understanding of what we do
 - Improved quality of forecast data
 - Improved timeliness of information provision
 - Longer term Initiatives
- Transparency Review Achievements
- The Way Forward

Transparency Review – Terms of Reference

“Improve information transparency through the provision of the right information, in the right format, at the right time and through the right commercial frameworks in an attempt to maximise the efficiency and effectiveness of the industry as a

Transparency Review – Principles of Information Provision

- All information in relation to balancing activities undertaken by National Grid, will be made available if it helps the efficient operation of the wider market.
 - Ex-ante information will be made available if it helps the market to be in a position to balance without SO intervention.
 - Information will be made available to all parties at the same time, on an equal basis without discrimination or favour.
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There will be a pragmatic approach in applying these principles...

- Should not undermine commercial confidentiality.
- Should aim to facilitate competition only if possibility of competition exists.
- Should ensure that the benefits justify the costs.

General Transparency Themes

Transparency means different things to different parties

- Improving understanding of why NGC take the actions that they do?
- Removing suspicion – ‘I’m missing out, either directly or indirectly, as a result of actions taken by NGC that are opaque to the wider market’
- Providing greater understanding of how the actions taken by NGC feed into cashout prices and impact upon the wider market
- Improving forecast signals – allow the market to respond in the short to medium term
- Providing information in a more timely manner – much information is provided too late for it to be really useful to the market.

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Introducing changes – Improving

understanding

Introduction of Interim Operational Fora

- Increased Frequency
- Focus upon Operational Issues
- First Interim Forum held in April 2004 - Positive Industry feedback
- Still ability to raise questions prior to a forum via the Industry Info web-site or on feedback forms

Improvements to Industry Information web-site.

- New Navigation Guide now available to help users find required info on the current site
- Change to look and feel of the NGT web-site over next 6 mths
- Feedback sought on structure and content of BS Industry Info Micro-site via on-line survey

<http://www.nationalgrid.com/uk/indinfo/balancing/index.html>

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Introducing changes - Forecasts

Package of changes to improve the quality of market forecast information.

- Presented to Grid Code Review Panel on 20th May
- In line with principle of allowing the efficient balancing of the System
- Introduce consistency of approach across different timescales
- Make OPMR consistent with levels of Reserve we need to procure
- Reconciliation of Residual Reserve Requirement with Out-turn

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Introducing changes - Forecasts

Breakdown Allowance, Station Demand and Output Usable (OU)

- Currently require generators to provide an allowance for break down and station demand in some forecasts of OU but not others
- Introduce consistency across timescales
- Propose **No** allowance made by generators for:
 - Break Down Allowance – accounted for in our day ahead requirement
 - Station Demand – captured in our Demand Forecast
- OU becomes consistent measure across all timescales
- Would like to get to a position where OU is equivalent to best estimate of MEL

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Introducing changes - Forecasts

Operational Planning Margin Requirement (OPMR)

- Currently difficult to identify impact OPMR shortfall will have in real time
- Changes to Breakdown Allowance and Station Demand mean more consistent, transparent figure can be used for OPMR
- Revised OPMR will reflect the day-ahead Reserve Requirement used by the Control Room
- Without any changes in plant availability or Demand Forecast, a significant shortfall in OPMR seen 12 months out should still be visible at day ahead
- Revisions to OPMR will maximise the relevance of the signal it provides to the Market and allow greater understanding of the consequential decisions we make

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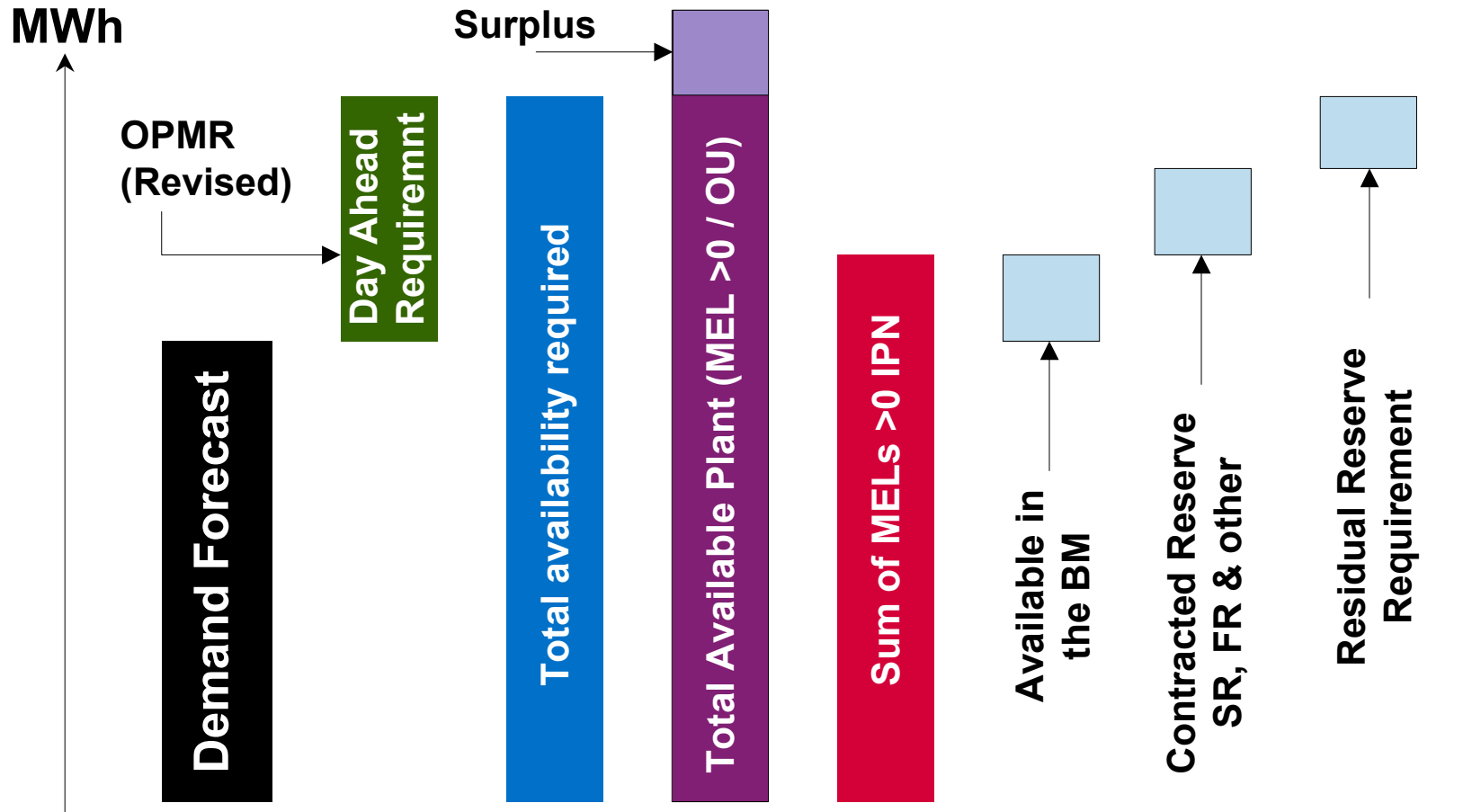
Introducing changes - Forecasts

D-1 Data to be published on the Industry Info Web-site

- Published once a day
- 2 figures for the peak half hour published on new page of Industry Info website
- Total indicated availability (\sum MEL associated with plant with >0 IPN)
 - Will not account for plant that could be warmed or is contracted to provide SR...
 - Provides visibility of the headroom that the market is providing
- Residual Reserve Requirement at day ahead stage
 - Level of Operating Reserve still to be secured by NGC at the day ahead stage
 - Will take contracted reserve secured prior to day ahead into account

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Introducing changes – D-1 Data



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Introducing changes - Forecasts

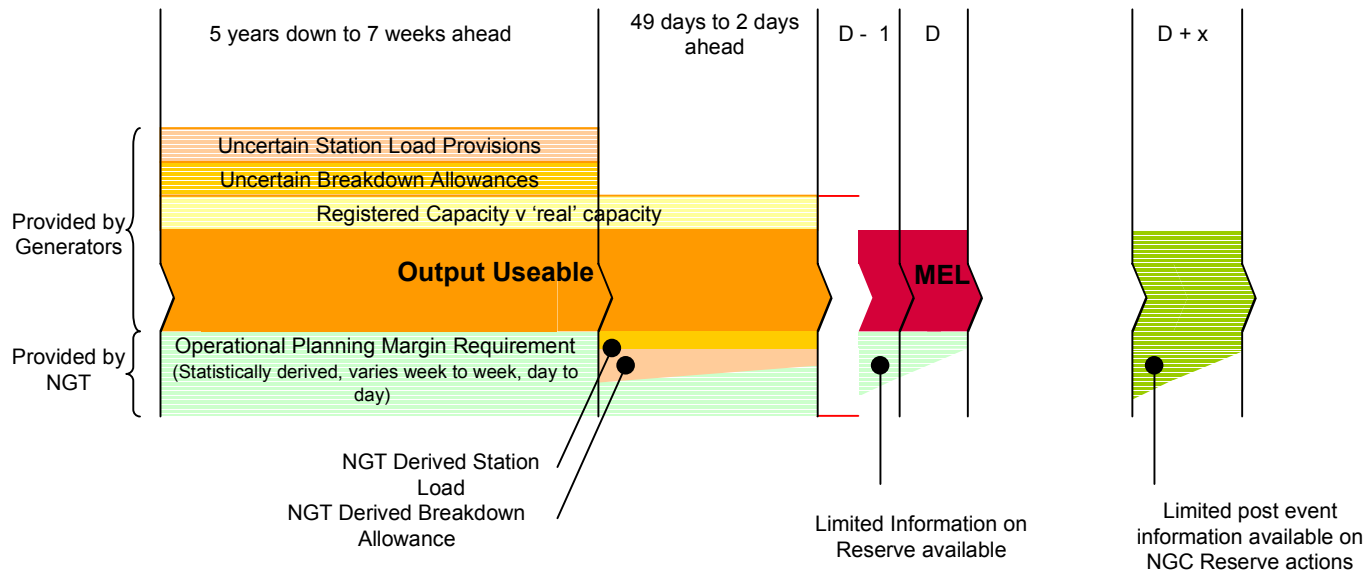
D+1 Data to be published on the Industry Info Web-site

- Published once a day on the Industry Info Website
- Out-turn Residual Reserve Requirement
 - Variance between Day Ahead and Final Planning Reserve Requirement
- Publish volume of aggregate Warming actions taken to meet Residual Reserve Requirement
- Would like to publish aggregate Cost of Warming actions
 - Need support of parties to change confidentiality clauses within warming contracts

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Introducing changes - Forecasts

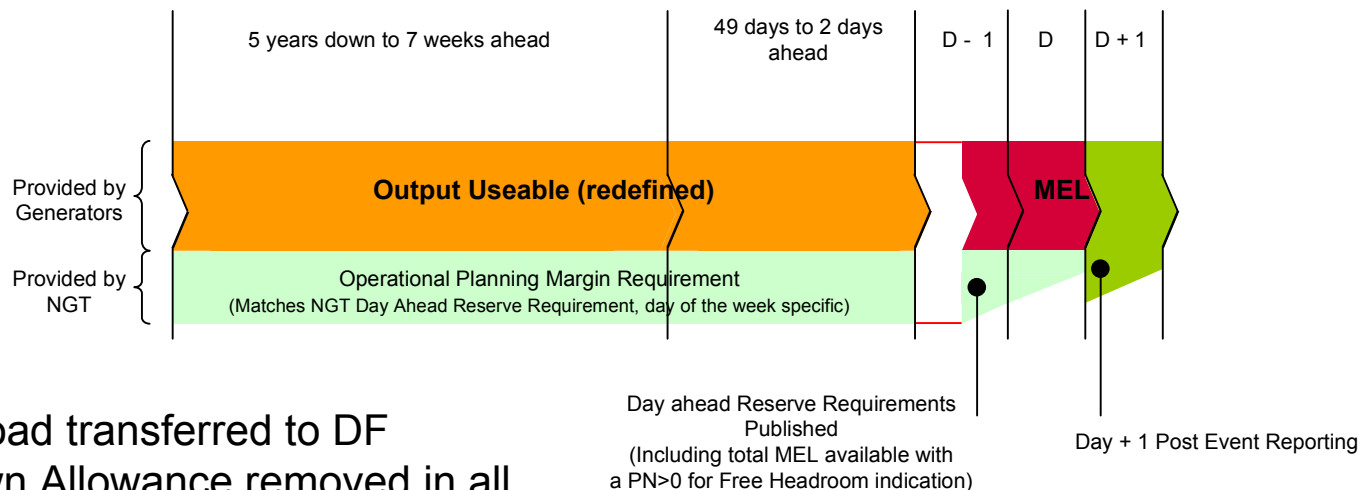
Current Position



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Introducing changes - Forecasts

Future Position



- Station Load transferred to DF
- Breakdown Allowance removed in all timescales
- OU more reflective of expected MEL
- OPMR matches Day-Ahead Reserve Requirement
- Transition issues in OC2 Removed

- Smooth contiguous transition from OC2 to real time
- Daily Reserve Requirement published
- On the day reserve to be secured clear to market
- Works as a complete package of improvements

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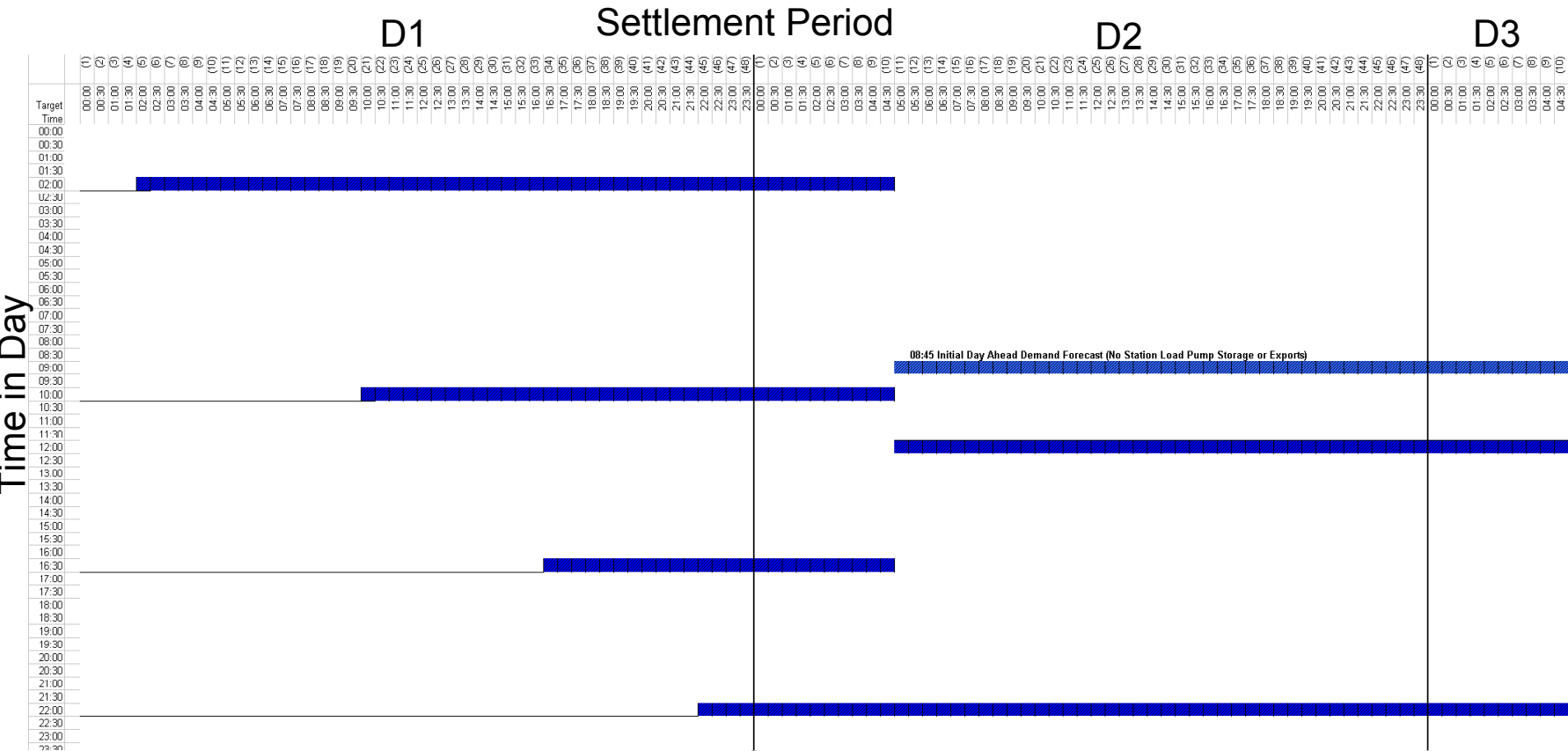
Introducing changes – Timely Information

More timely publication of Aggregate BMU and NGC Demand Forecast

- Currently DF, INDDEM, INDGEN, MELNGC and IMBALNGC published 4 times a day
- Control Room receives information from BMUs more frequently
- Control Room changes DF based upon updated information and real time experience
- CP976 will provide update of all above info 48 times a day
- Market able to see information driving decisions taken by Control Room
- Quality and usefulness of info dependent upon quality of BMU submissions

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Introducing changes – Timely Information



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Introducing changes – Timely information

Monthly Publication of Cost and Utilisation of Balancing Services

- Current obligation to produce an annual report showing spend and utilisation of each Balancing Service outlined within the PGs
- 2003/04 Annual PGs Report will shortly be available on the website
- Monthly Report initially based upon the format and content of the PGs Report
- Aim to publish on the Industry Info Web-site a month in arrears following 28 day settlement run
- First Monthly Report (covering April) will be available on the website within the next few days
- Will be seeking Industry feedback on the structure and content of the monthly report in due course

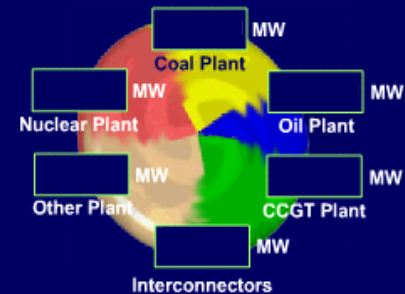
Real - Time Power System Operation

39297 MW

England & Wales
National Demand

England & Wales Generation

(Click here for Live Pie Chart)



157 MW

Scottish Transfer

4338 MW

Flow South

- 153 MW

French Transfer

- Total System Demand
- Interconnector Flows
- North South Flow
- Plant Type Split
- Frequency Trace

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Introducing changes – Timely Information

System Frequency (Last hour)



- Real Time Frequency Trace
- Updated every 15 seconds
- Publish on Industry Info Site
- In the spirit of Transparency
- Contextualises SO Role

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Introducing changes – Existing Information

Improvements in provision of information associated with existing services

- Significant amount of information already published in relation to existing ancillary services
- Aiming to improve consistency of granularity and timeliness of Market Reports and Market Data associated with Tendered services
- Constantly update and review the information provided in relation to services
- In many cases we are constrained in what can be published by Confidentiality Clauses contained within contracts
- Future services and contracts will be Transparency friendly to allow greater freedom in what can be published

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Introducing changes – Longer Term Initiatives

Longer Term Initiatives

- Development of DF calculations to provide a confidence limits
- Consistency of reporting in relation to Forecast and Outturn Demand
- Review of zones and boundaries
- Disaggregation of Energy BSAD
 - Disaggregation of Energy Trades in line with Transparency Principles
 - Will consider progressing BSC Mod depending upon outcome of Cashout Review
 - Modification would allow for industry consultation
- SO-SO Energy Trades
- Review of Reserve Procurement

Delivering Transparency – The Review

What has been Achieved?

- Agreed enduring ‘Principles’ of Transparency and Information Provision
- Proposed changes - focus on what could be achieved for this Winter
- Longer-term initiatives identified and being progressed
- Looked at as a package, changes represent a significant step forward in the market visibility of the information driving the actions taken by the Control Room
- Changes should lead to the ability of the industry to respond to improved market signals resulting in increased overall market efficiency

Delivering Transparency - Looking Forward...

The completion of the Transparency Review does not mark the end of Transparency. Rather it marks the start of our ongoing commitment to adhere to the principles of information provision agreed as part of the Review.

- Timetabled summary of changes that have resulted from the Review will be sent out with the copy of these slides.
- Report covering the whole of the Review will hopefully be published on the website by the end of June.
- We will continue to progress the longer term initiatives as appropriate