

Fast Reserve Service - Review

Agenda

- ◆ Why do we need Fast Reserve?
- ◆ Provision of service
- ◆ Fast Reserve market information
- ◆ Proposed service changes
- ◆ Next steps

Why do we need Fast Reserve?

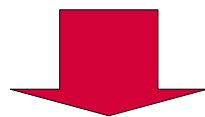
- ◆ Gives access to large sources of extra power within two minutes due to:
 - ◆ Unforeseen demand increase and/or
 - ◆ Generation unavailability

Provision of Service - Minimum dynamics

- ◆ Capability to start delivery within 2 minutes of instruction
- ◆ Fast Delivery rate >25 MW/min
- ◆ Capability to sustain output for > 15 minutes
- ◆ Reasonable size instructable block (around 50MW)

Provision of Service - Becoming a new provider

Pre Qualification



Demonstration



Framework Agreement



Optional or firm provision

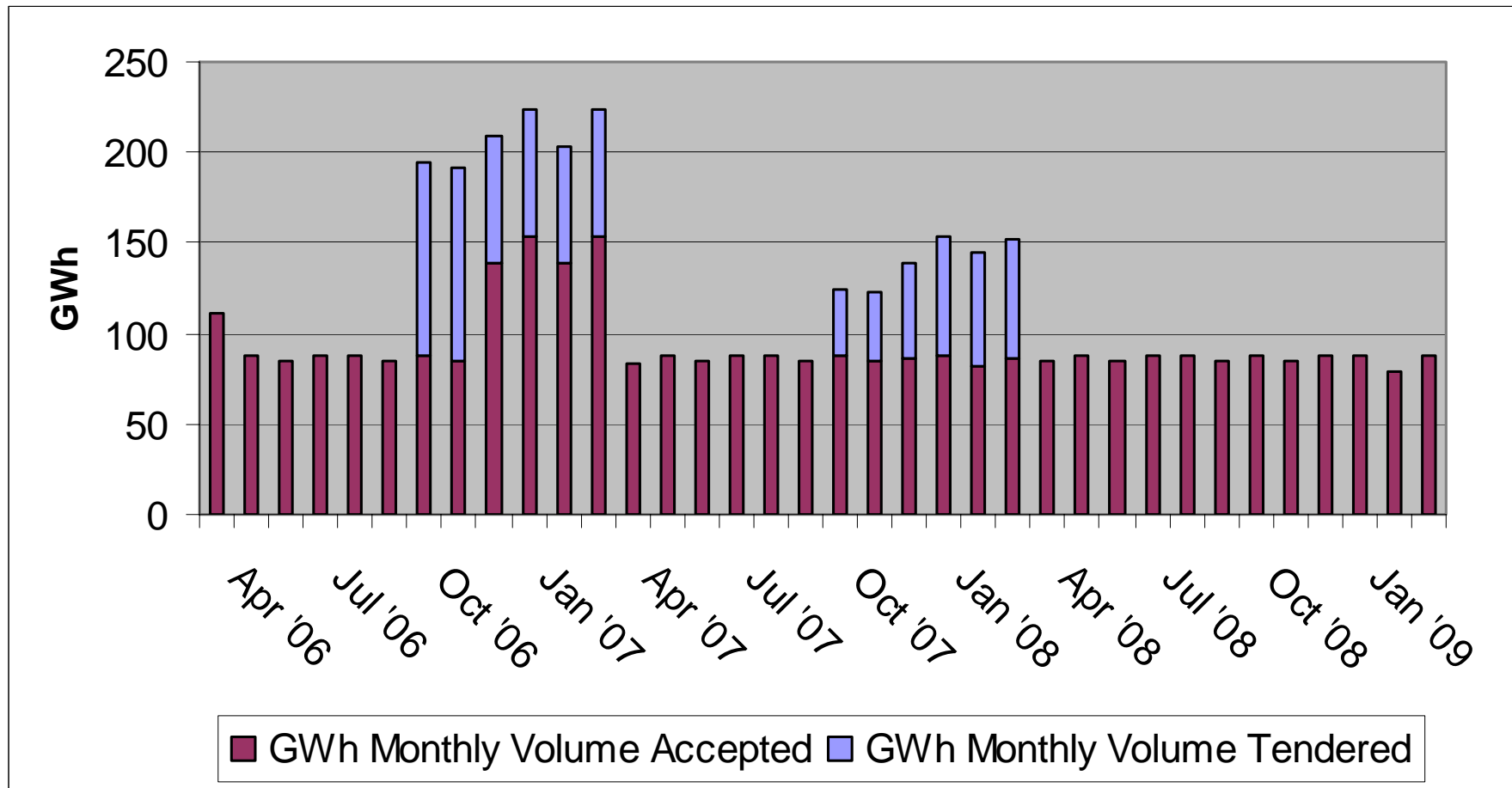
Provision of Service – Optional

- ◆ If National Grid requires and provider makes available
- ◆ Payment for enhanced dynamics (BM only)
 - ◆ E.g. making capability available within 2 minutes
- ◆ Payment for utilisation of energy

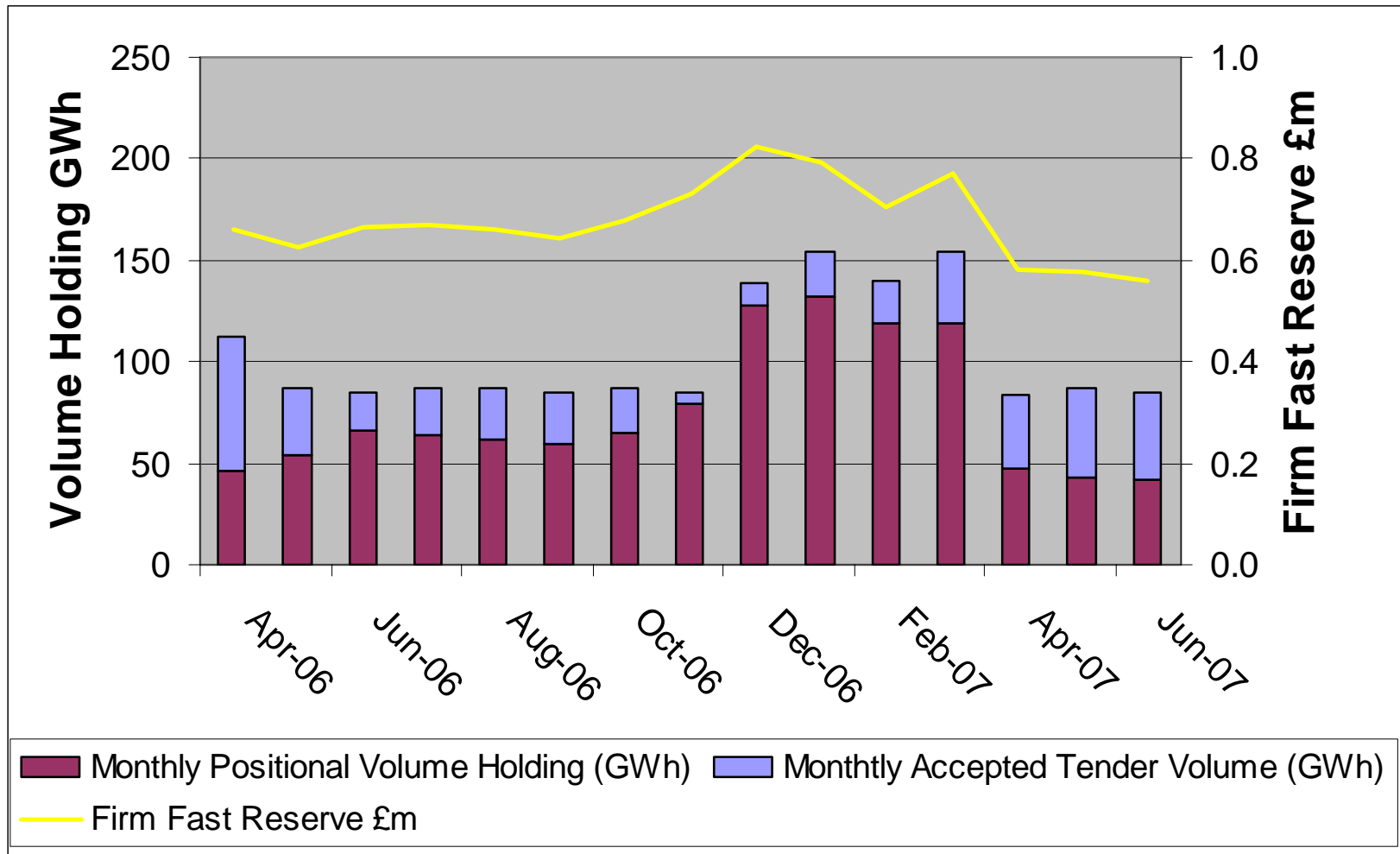
Provision of Service – Firm

- ◆ Requirement published at month ahead
- ◆ Full tender period flexibility
 - ◆ Single or multiple consecutive months
 - ◆ Period to start next month or in any subsequent month
- ◆ If accepted provider gets tendered fees
 - ◆ Firm availability fee
 - ◆ Fees for enhanced dynamics (when required)
 - ◆ Fees for utilisation of energy
- ◆ National Grid gets certainty of service fees and provision

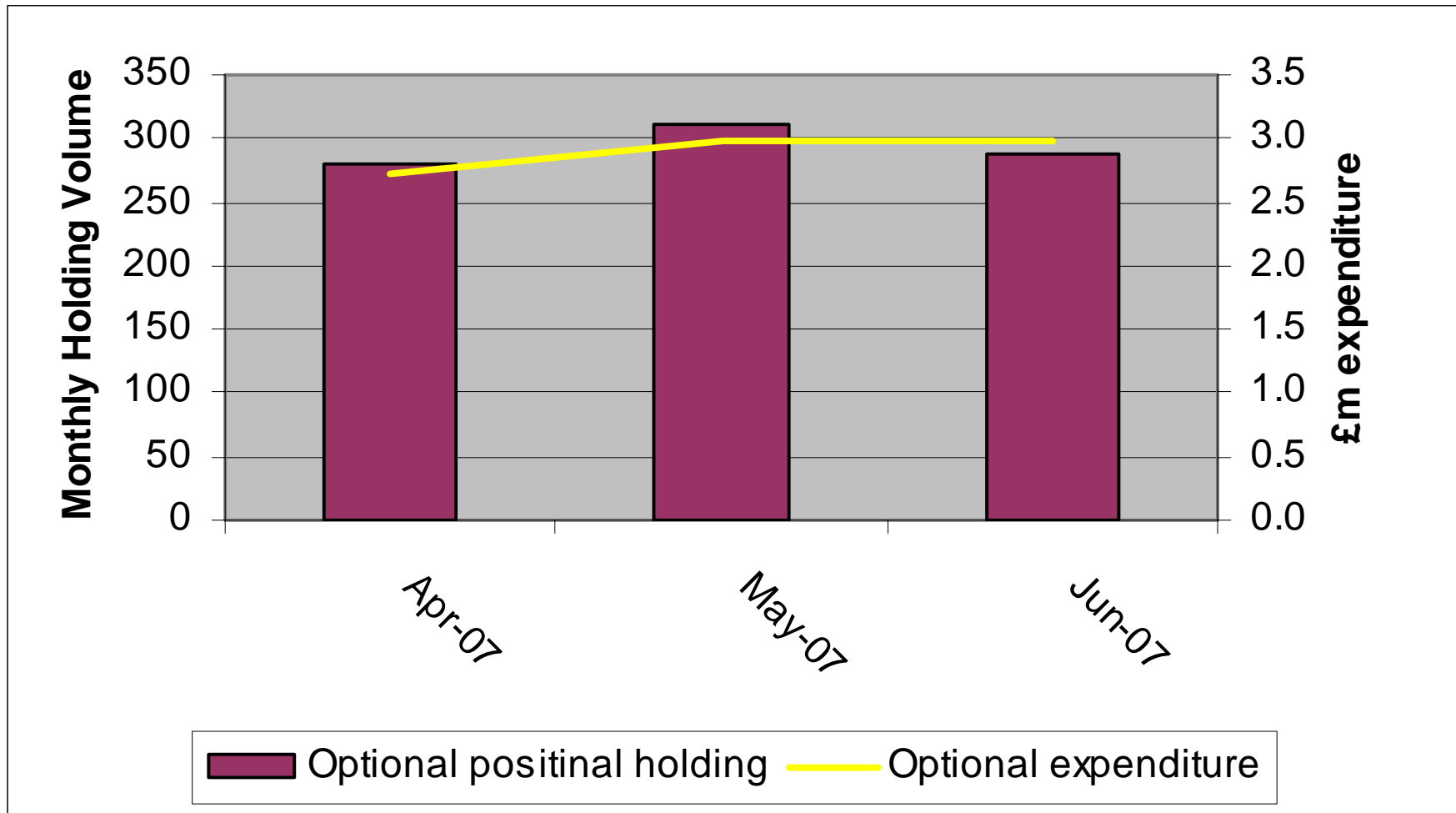
Firm Fast Reserve Tendered Availability



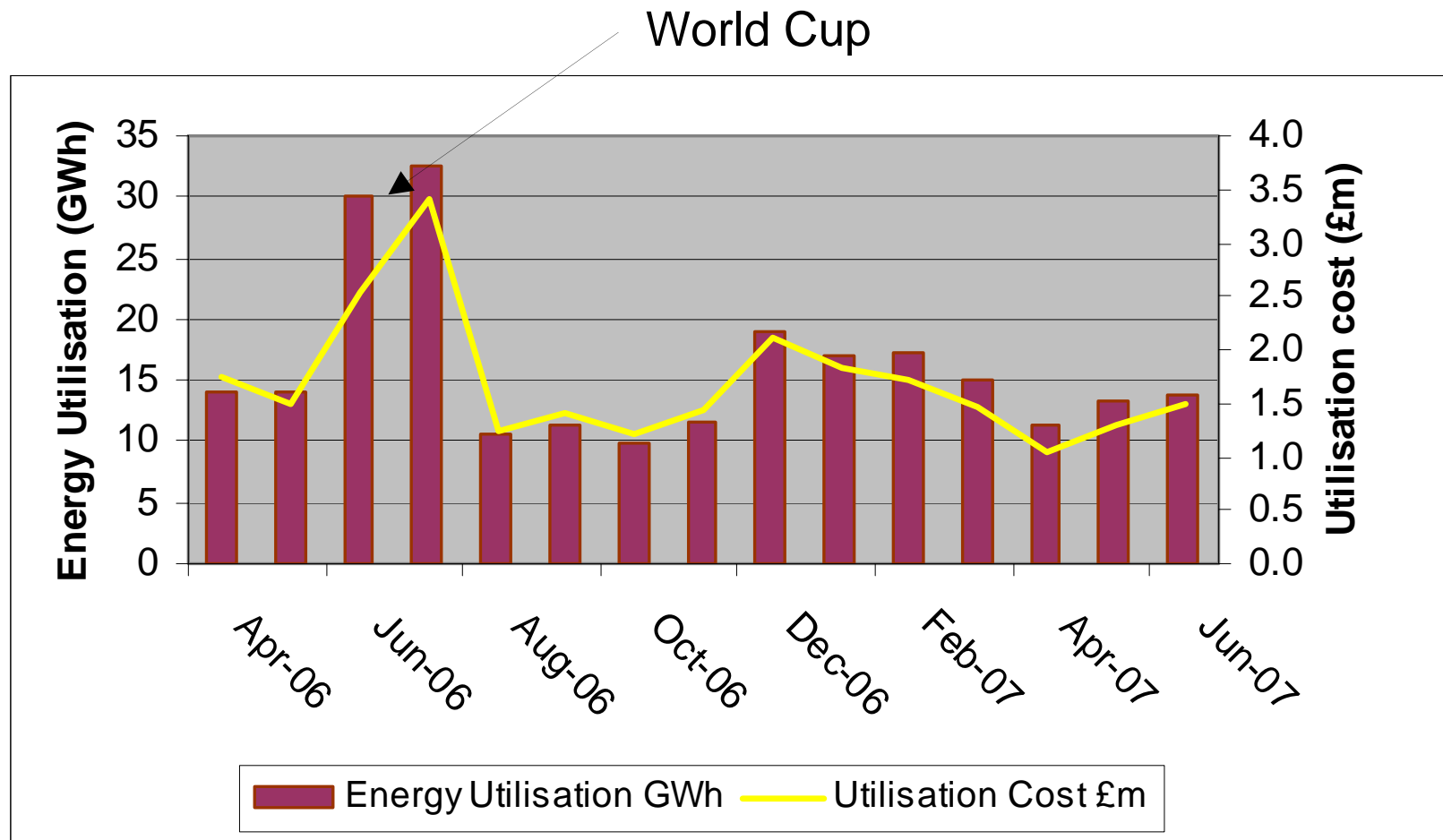
Firm Fast Reserve Positional Utilisation and costs 2006/7 and 2007/8 to date



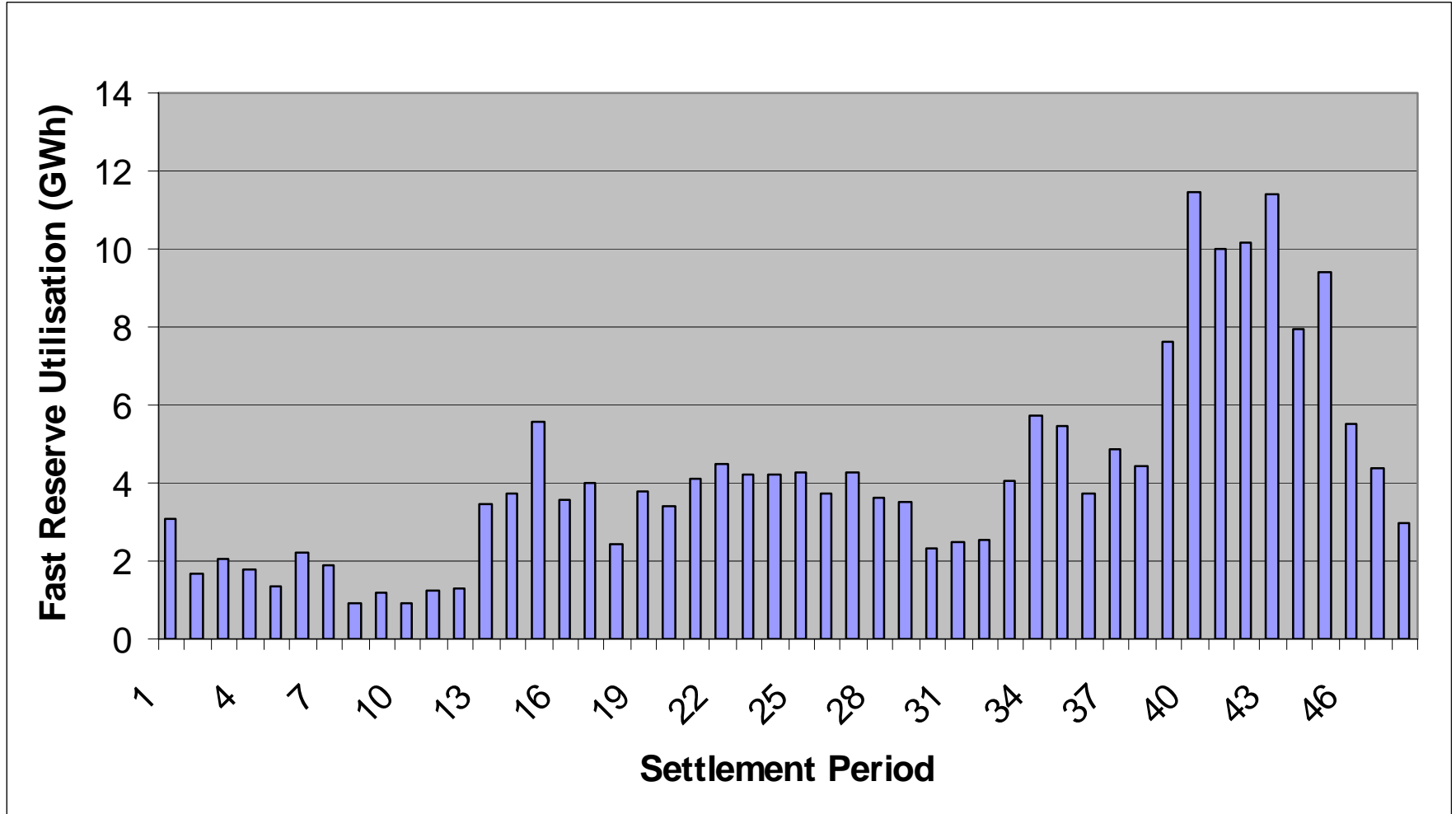
Optional Fast Reserve Positional Utilisation and costs 2007/8 to date (indicative data)



Fast Reserve Energy utilisation and cost 2006/7



Fast Reserve Energy utilisation by Settlement Period 2006/7



Market Information

- ◆ Market Information and Market Report
 - ◆ Requirements, energy utilisation, prices, tender information
 - ◆ <http://www.nationalgrid.com/uk/Electricity/Balancing/services/reserve/services/fastreserve/>
- ◆ Information included in Monthly Balancing Services Summary (MBSS)
 - ◆ Monthly volume holding and costs
 - ◆ Tender information by month
 - ◆ <http://www.nationalgrid.com/uk/Electricity/Balancing/services/>
- ◆ Reviewing data provision

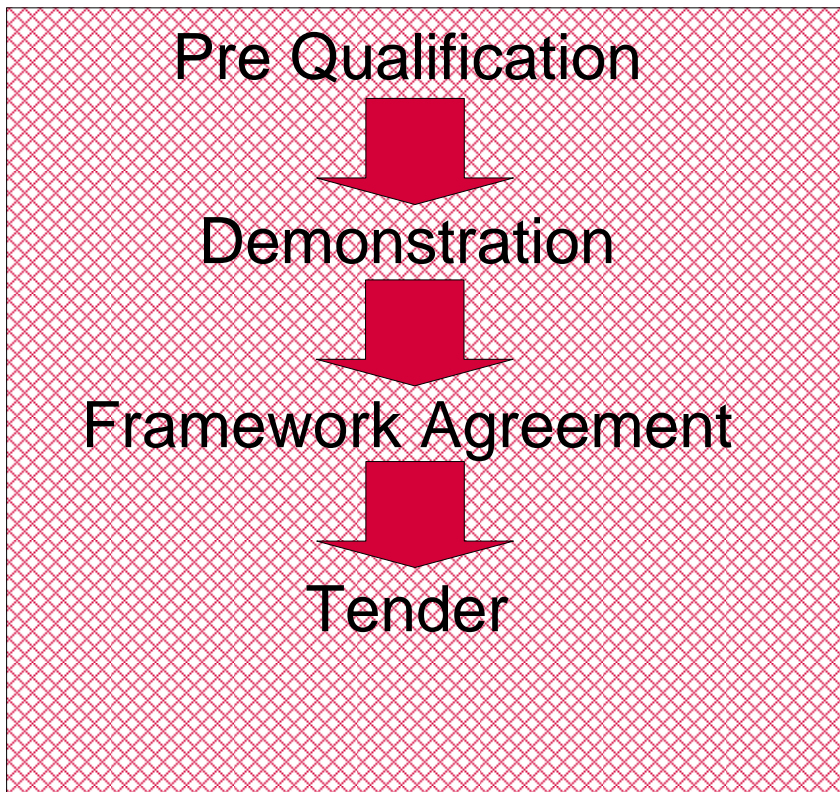
Proposed service changes

Specified tender months for longer-term tenders

- ◆ Risk of tenders being submitted for same periods at different times
 - ◆ Balance between flexibility and assessment risk
- ◆ Longer-term tenders must be submitted in February or August for
 - ◆ April or October commencement (for any period in the future)
- ◆ Providers can also tender at month ahead for monthly periods only

Proposed service changes

Additional flexibility for providers who need to invest



Proposed service changes

Review of optional service parameters

- ◆ Inclusion of payment for non BM providers when enhanced dynamics are provided

What's the gain?

- ◆ Enhance efficient procurement & increased competition by
 - ◆ Introducing specified tender months for longer-term tenders
 - ◆ Review of Optional service parameters
- ◆ Encourage new participants to enter market by
 - ◆ Giving additional flexibility for providers who need to invest

Next steps?

- ◆ Advising industry now
 - ◆ Directly via Account Managers
 - ◆ Today's Operational Forum
- ◆ Revise current terms and conditions and place on web site later this month
- ◆ Seek feedback
 - ◆ Feedback to bea.ennim@uk.ngrid.com, 01926 653448
 - ◆ Or your Account Manager
- ◆ Implement revised generic contract forms (by February 08)