

# **Trading Activity Update**

## **Interim Operational Forum**

Peter Pals, 7th April 2004.

# Outline

- Why and where we trade
- Control Framework
- Energy Trading Activity
- BMU-specific Trading Activity
- Future Developments

# Why we trade

- One of a number of Balancing Tools used to reduce total balancing costs
  - Energy purposes
  - System purposes
- Benefit to customers by reducing overall balancing costs
- Benefit to National Grid via our incentivisation scheme
- Consistent with licence obligation to balance the system economically

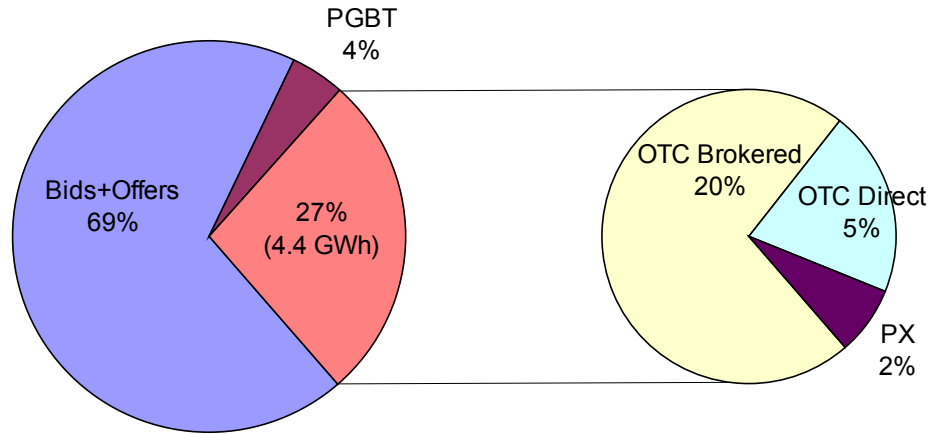
# What we trade

- Forward Energy
  - standard contracts & shapes
  - non-locational
  - to achieve better price than BM
  - Direct or via broker or using Power Exchanges.
- BMU-specific trades
  - loading - e.g. de-synchronising trade
  - locational e.g. for constraints
  - to achieve better price than BM
  - Direct with counterparties
- Options - Non-locational & BMU Specific

# Where we have traded

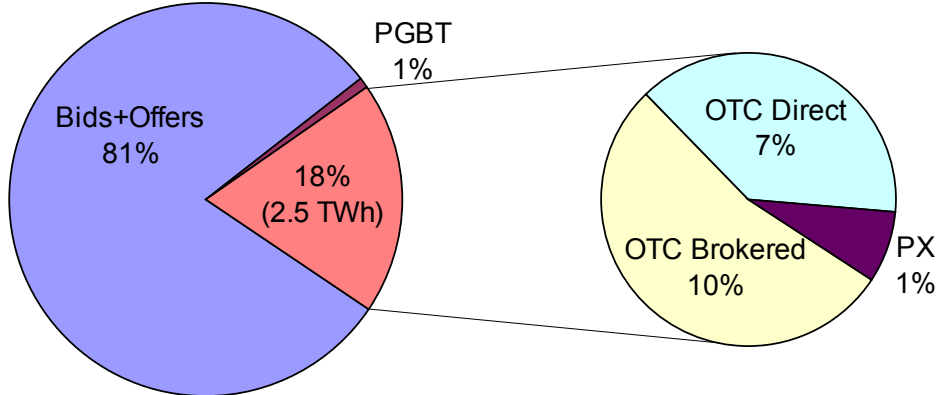
Financial Year 02/03

16.4 TWh



Financial Year 03/04

13.0 TWh



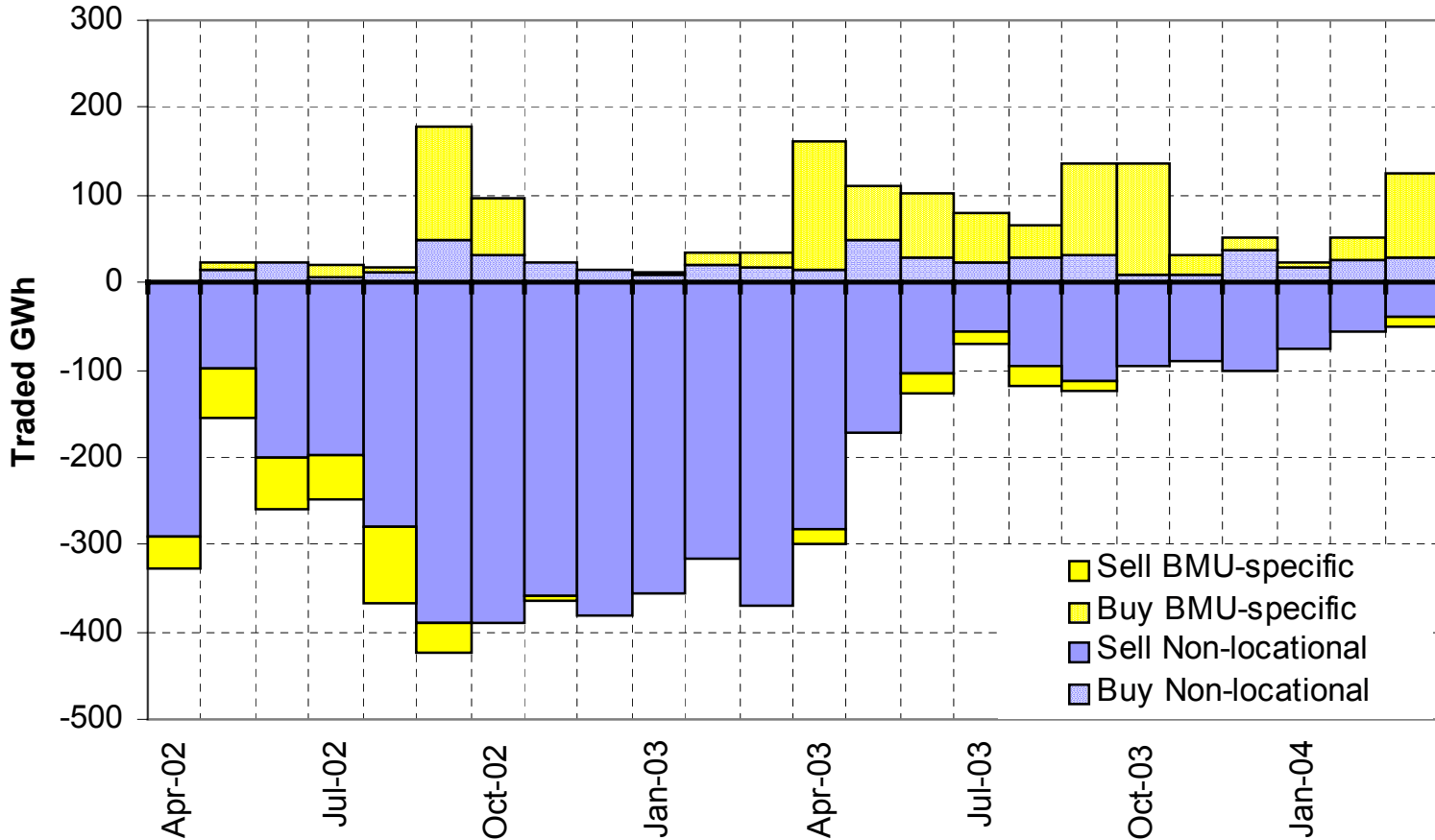
# Trading Framework

- Ofgem / Licence Obligations:
  - operate economically and efficiently
  - procure only to minimise system costs i.e. no speculative trading
  - Procurement Guidelines
  - Balancing Principles Statement
  - BSAD Methodology
- FSA Regulation - liaison with the FSA to ensure we comply fully with Financial Services legislation
  - Code of Market Conduct

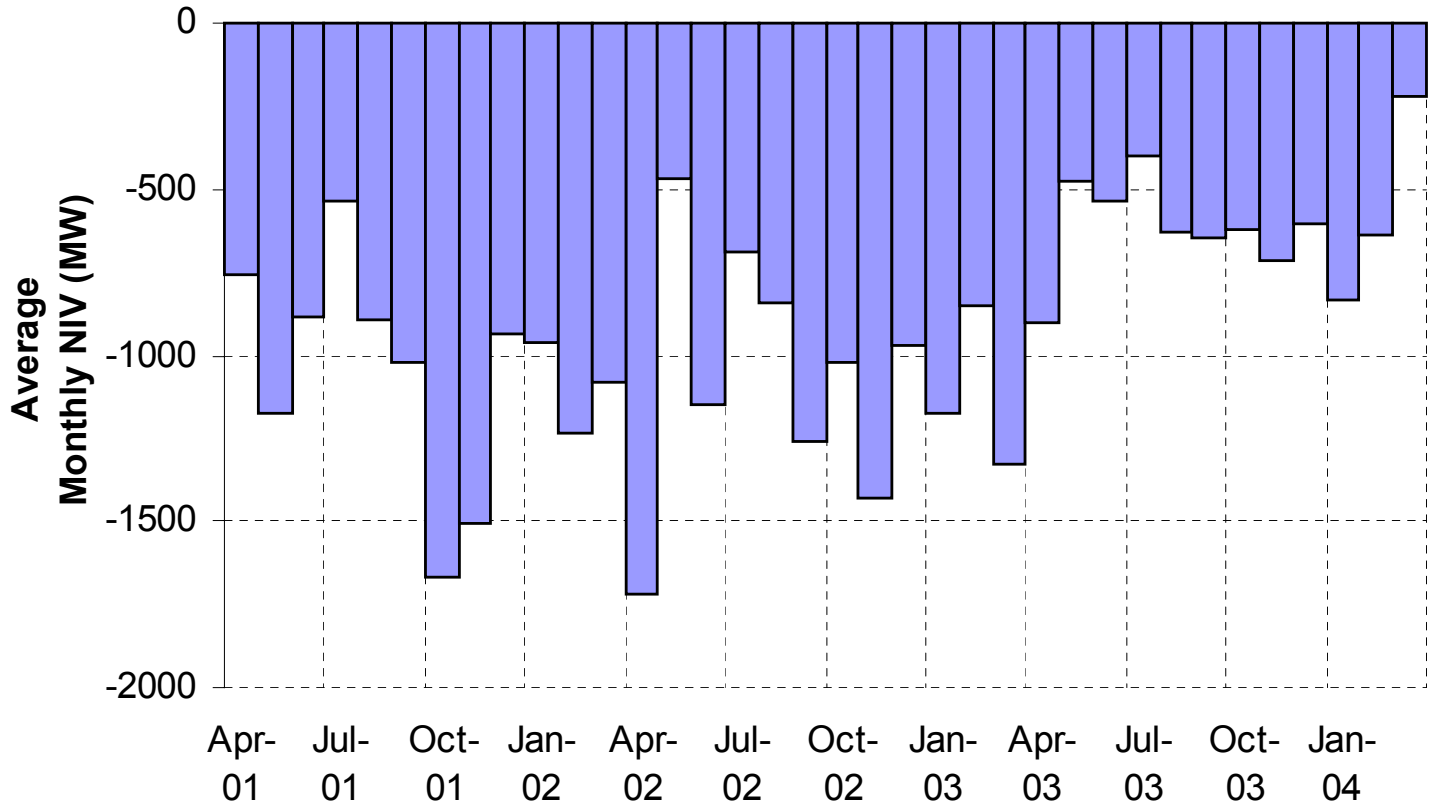
# Compliance with the Code (Energy Trading)

- Applies to PX trading & OTC Energy trading
- Trades only undertaken to meet a forecast physical requirement
- Trading only on Information Available to The Market Place
- Trading strategy only revised in light of information in the public domain
- All Trading advice recorded and retrievable post event if required

# Traded Volumes since April-02



# Trend toward more balanced market



# BMU-specific Trading

- BM Unit Specific trading akin to BM Actions / BS Contracts / PGBTs
- Bilateral agreement to change output of agreed BMU
- Requirements directly associated with a System Balancing need, e.g. margin deficit / constraints / downward regulation

# GTMA Schedule 7A

- Schedule 7A developed to facilitate pre-gate BM Unit Specific trading
- Schedule 7A trades provide for an agreed FPN for a specific BM Unit
- Currently re-developed to
  - cope with trades across French Interconnector
  - address feedback from industry
- Agreed trade price reflects the market price plus a premium
- If agreed PN is not delivered at gate closure, then NGT can claw back 'premium'

# Trading across England-France Interconnector

- Variety of reasons
  - Managing the ramping profile
  - Constraints
  - Downward regulation
  - Margin
- Variety of instruments
  - Firm trades
  - Option trades
- Formalise process using schedule 7A.

# Future Developments

- Increase the number of counterparties signed up to Schedule 7A
- Improvements in NIV forecasting
- To increase our counterparty portfolio
- Possibility of intra-day trading on French link



*Any Questions?*