

One Hour Gate Closure Review

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One Hour Gate Closure Review

- ◆ **One Hour Gate Closure**
- ◆ **Bid/Offer Acceptances**
- ◆ **PGBTs Since 2nd July 02**
- ◆ **Issues With PGBTs**
- ◆ **To PGBT or Not?**
- ◆ **Review of PGBT Process**

One Hour Gate Closure

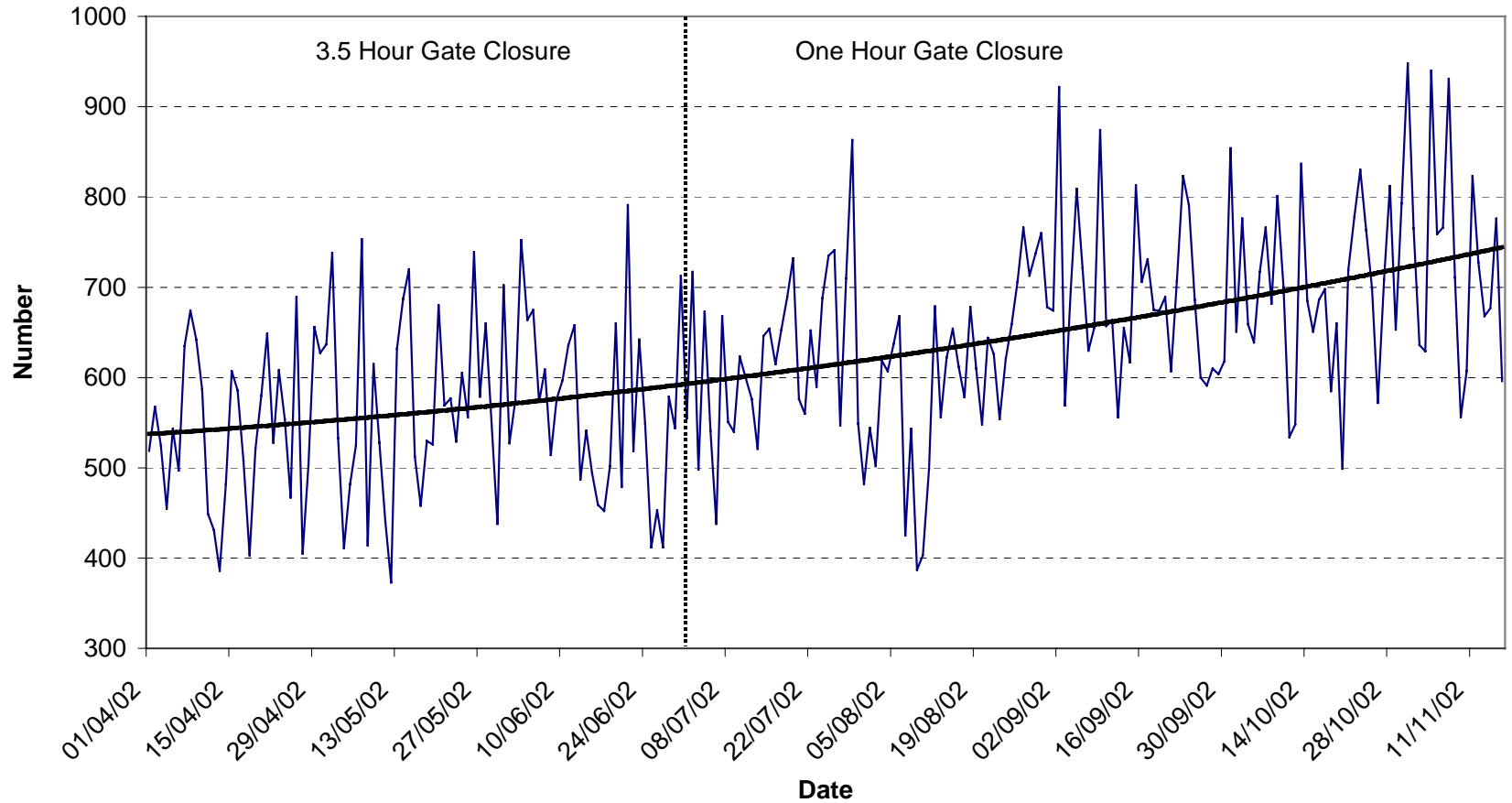
- ◆ **Go Live on 2nd July 02**
- ◆ **Today is 148th day**
- ◆ **Experience of summer & autumn so far**
- ◆ **Uncertain of PGBT usage in winter**

Bid/Offer Acceptances

- ◆ **Issuing more and shorter BOAs**
- ◆ **Up since one hour gate closure**
- ◆ **This is in line with expectations**
- ◆ **Now averaging 23 per hour**

Bid/Offer Acceptances

Number of Daily Instructions from April 2002



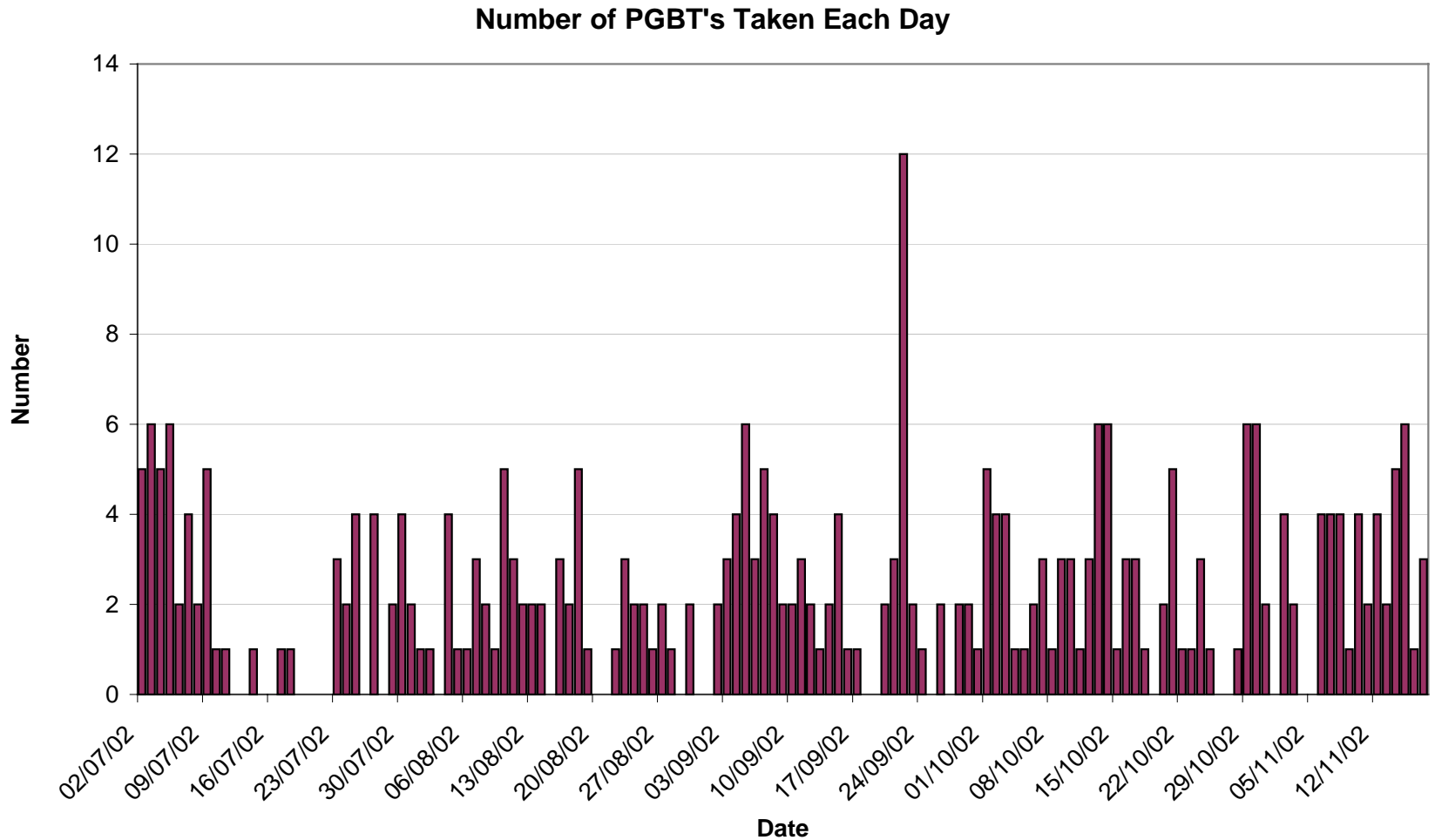
What Are PGBTs For?

- ◆ **Pre Gate Closure BMU Transactions**
- ◆ **To help manage operational plant dynamics under one hour gate closure**
- ◆ **To help make plant available in the BM**
- ◆ **Main situations for their use**
 - ◆ **Operating margin** **56%**
 - ◆ **Downward regulation** **39%**
 - ◆ **Resolving constraints** **5%**

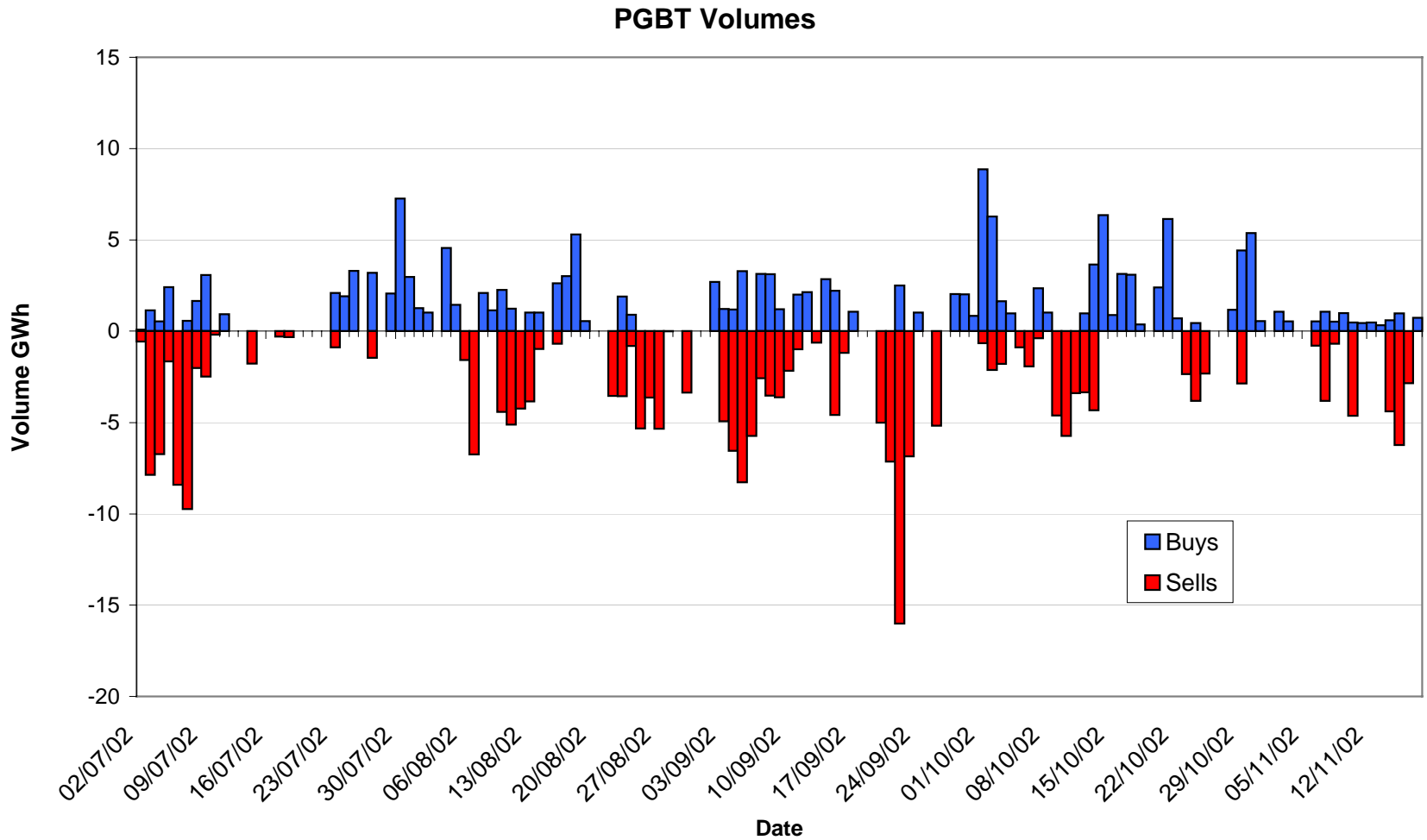
PGBTs Since 2nd July 02

- ◆ **308 PGBTs taken**
 - ◆ **Total of 382GWh**
- ◆ **180 buys**
 - ◆ **184GWh**
 - ◆ **£70/MWh average**
- ◆ **128 sells**
 - ◆ **246GWh**
 - ◆ **£3/MWh average**

PGBTs Since 2nd July 02

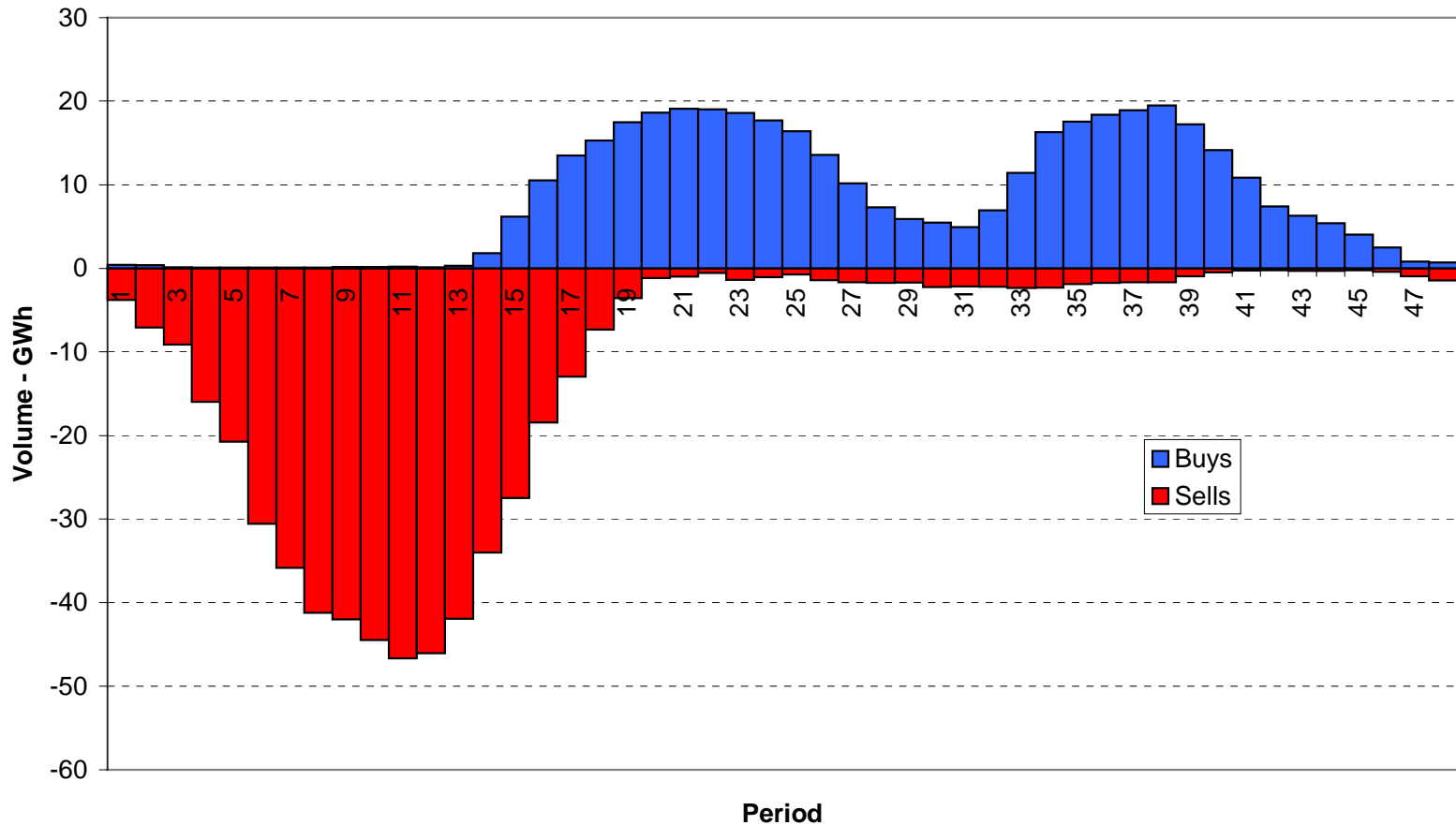


PGBTs Since 2nd July 02



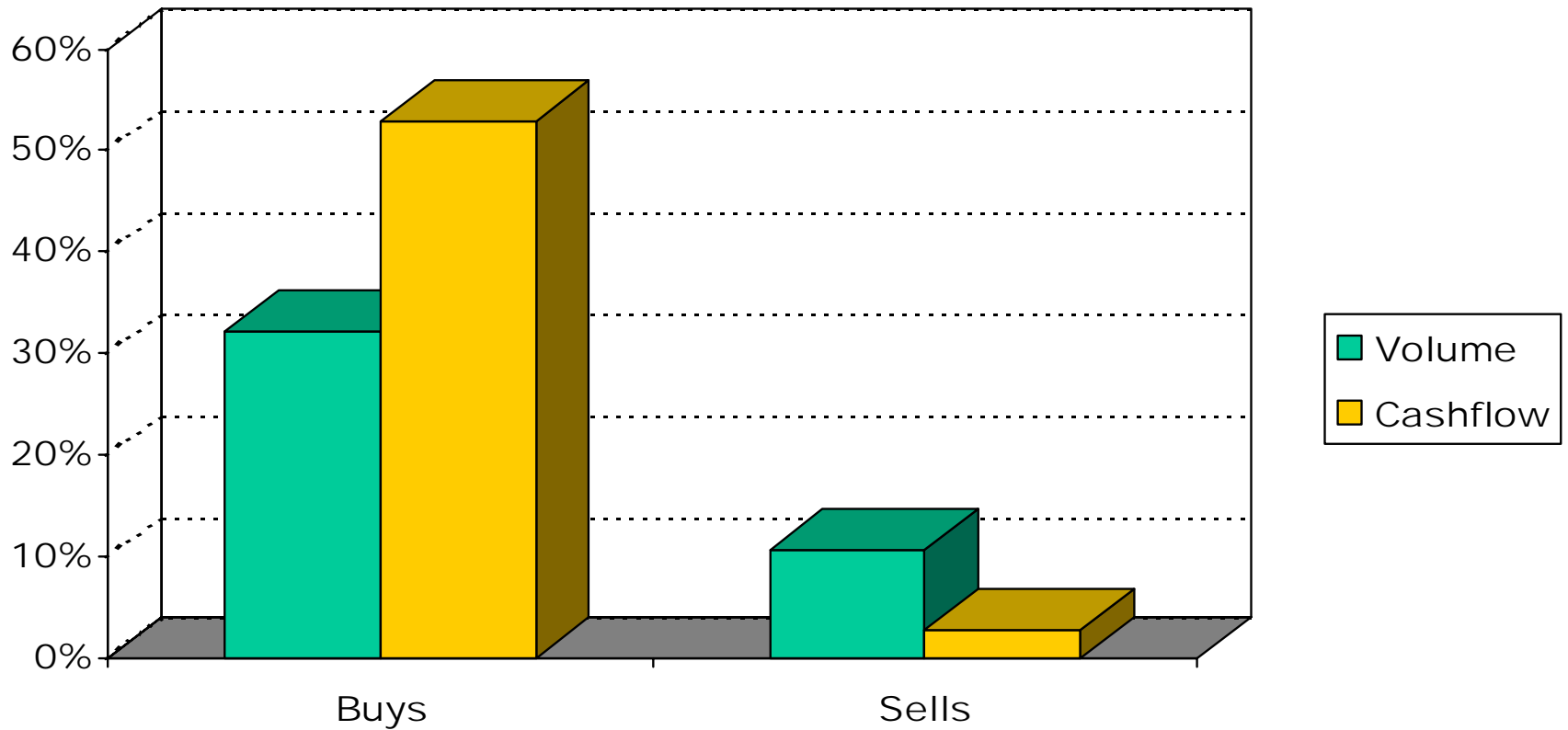
PGBTs Since 2nd July 02

PGBT volumes by Settlement Period



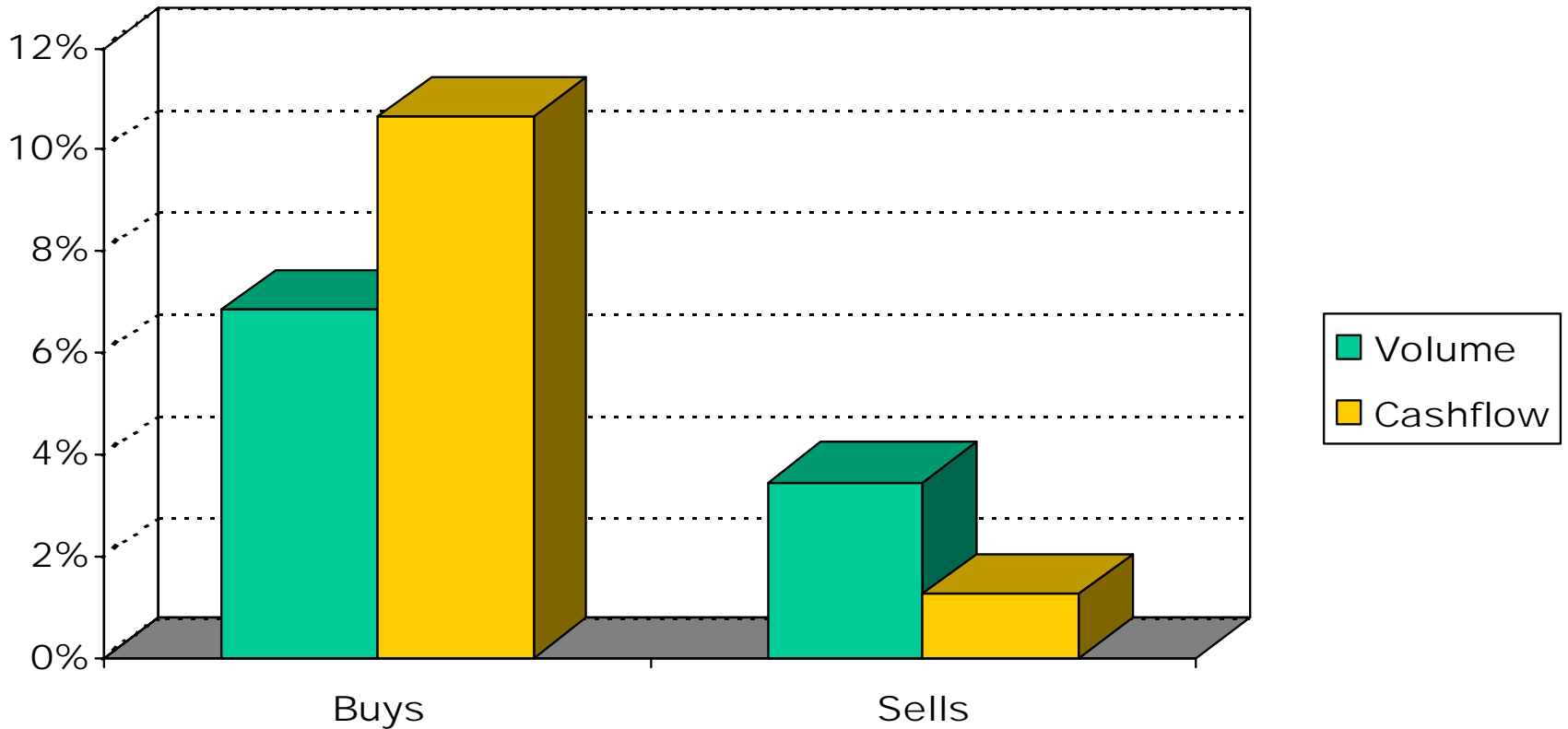
PGBTs Since 2nd July 02

% of NG Pre-Gate Trades



PGBTs Since 2nd July 02

% of NG Pre-Gate Trades + Balancing Mechanism



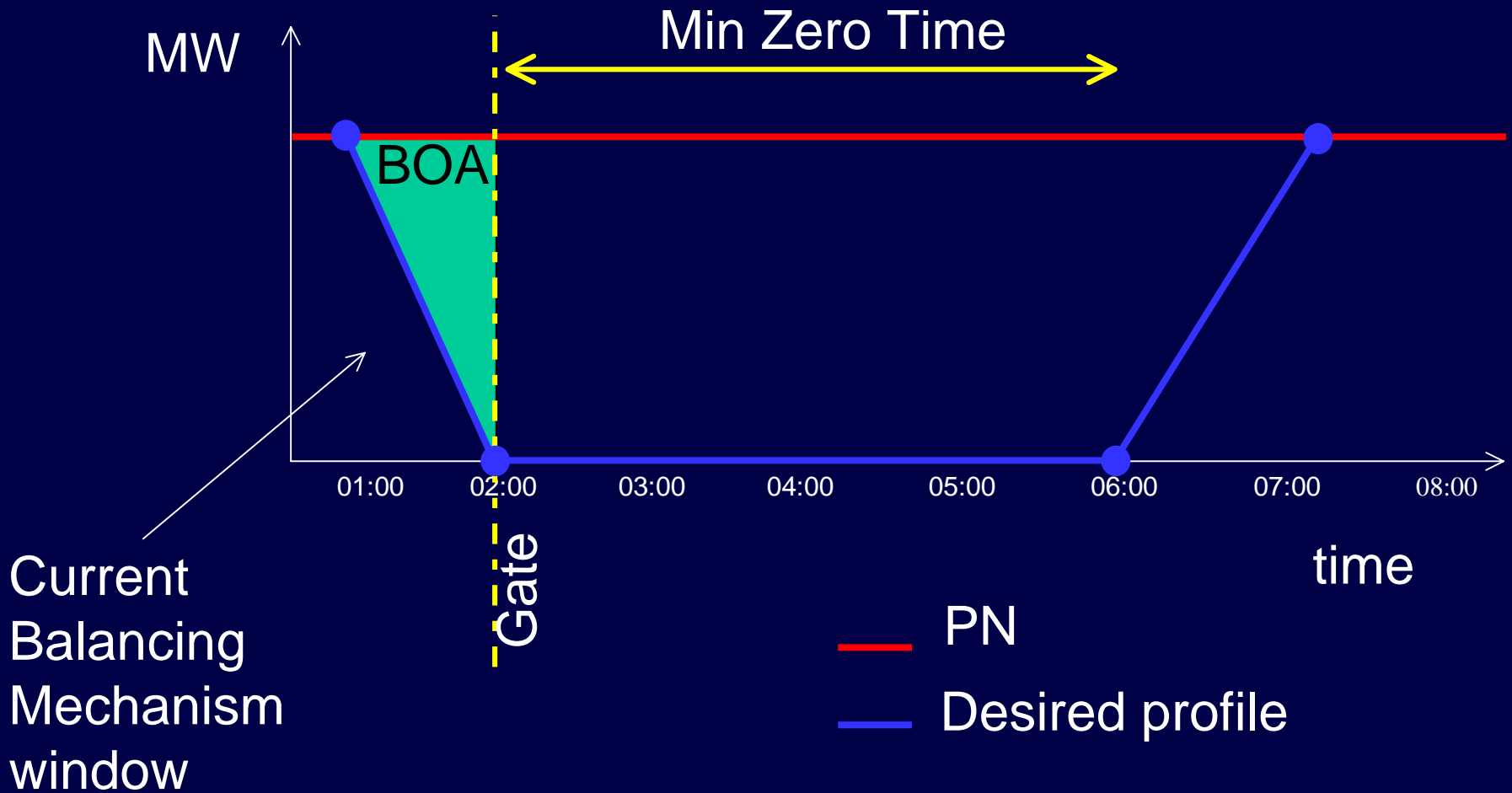
Issues With PGBTs

- ◆ **Long time taken to call back with offers**
 - ◆ **Limited time to assess offers**
 - ◆ **Help by making offers quicker**
- ◆ **Short offer expiry time**
 - ◆ **Leaves limited time to source other offers**
 - ◆ **Will not be pressed into accepting offers with short expiry time**
 - ◆ **Help by making expiry time longer**

To PGBT or Not?

- ◆ **Will use Bid/Offer Acceptances in preference to using PGBTs if possible**
- ◆ **There are circumstances when either Bid/Offer Acceptances or a PGBT could be used**
 - ◆ **example follows**

To PGBT or Not?



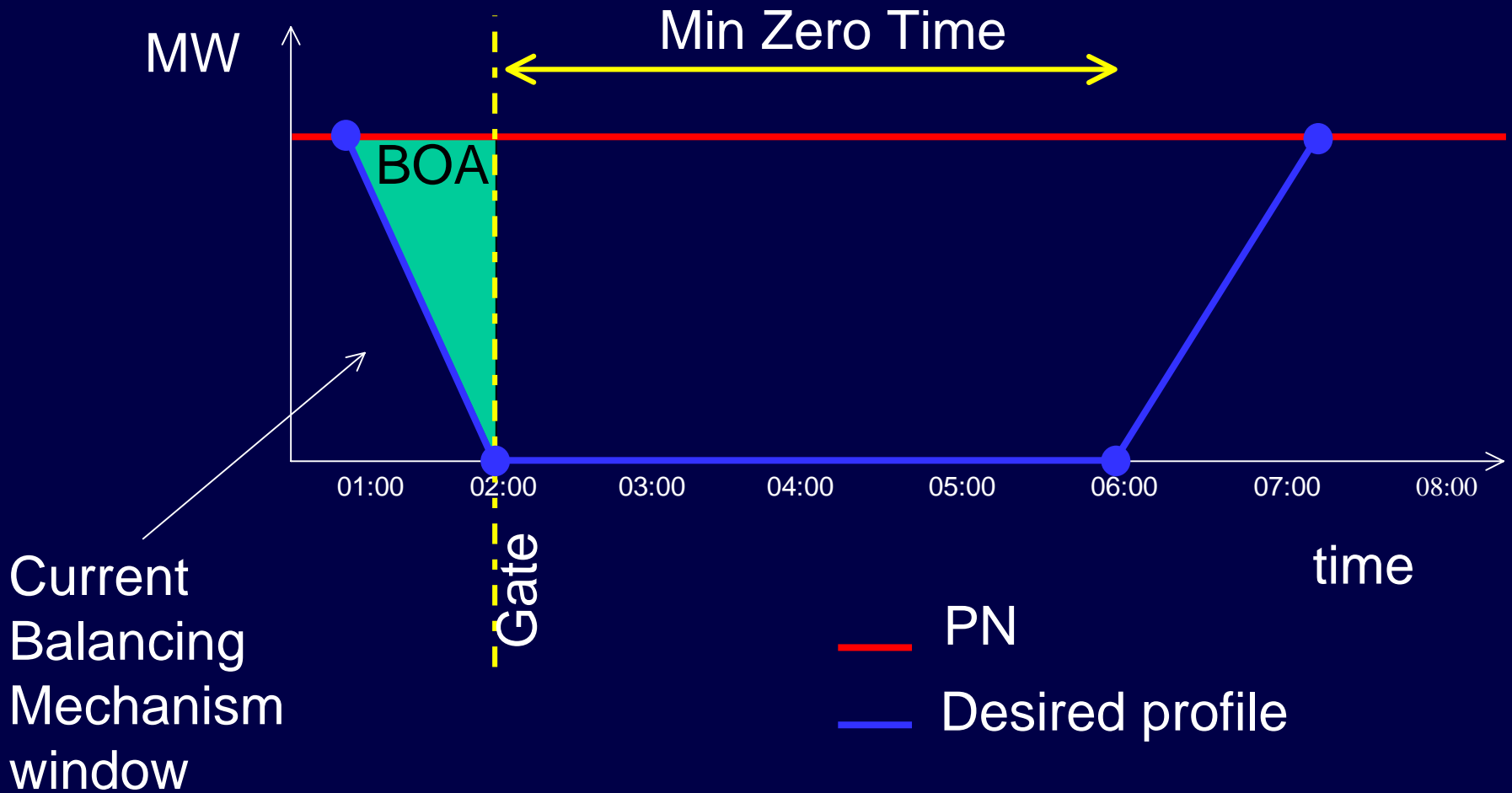
To PGBT or Not?

- ◆ **Use Bid/Offer Acceptances...?**

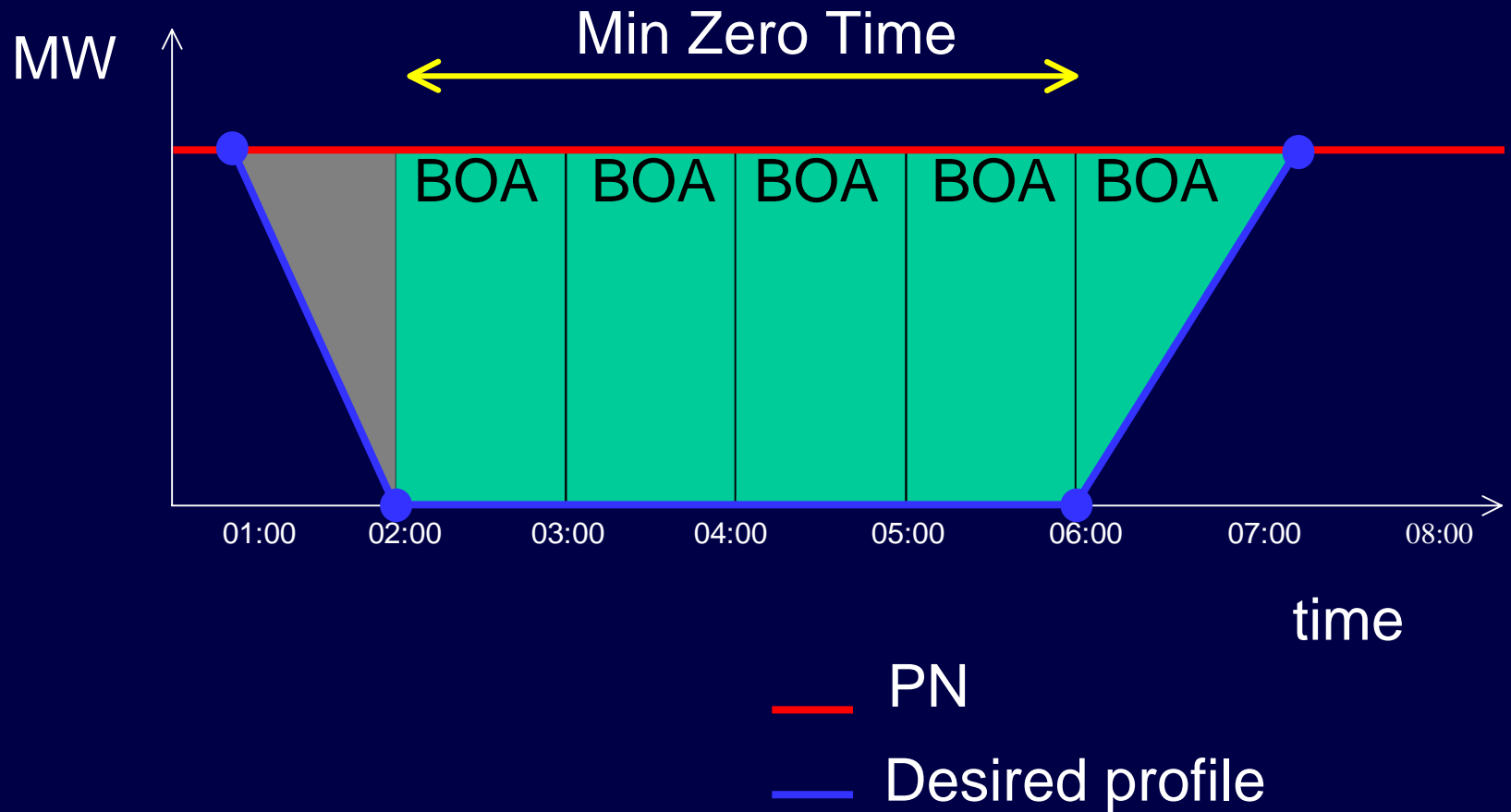
To PGBT or Not?

- ◆ **Bid/Offer Acceptances may be used in accordance with the BPS**
 - ◆ **where BMU dynamics cannot be contained within the BM**
 - ◆ **intention indicated by step change in dynamics at end of BM window**
 - ◆ **subject to no change in**
 - Bid/Offer data; or
 - system conditions
- ◆ **Grid Code BC2.7.2 recently updated**

To PGBT or Not?



To PGBT or Not?



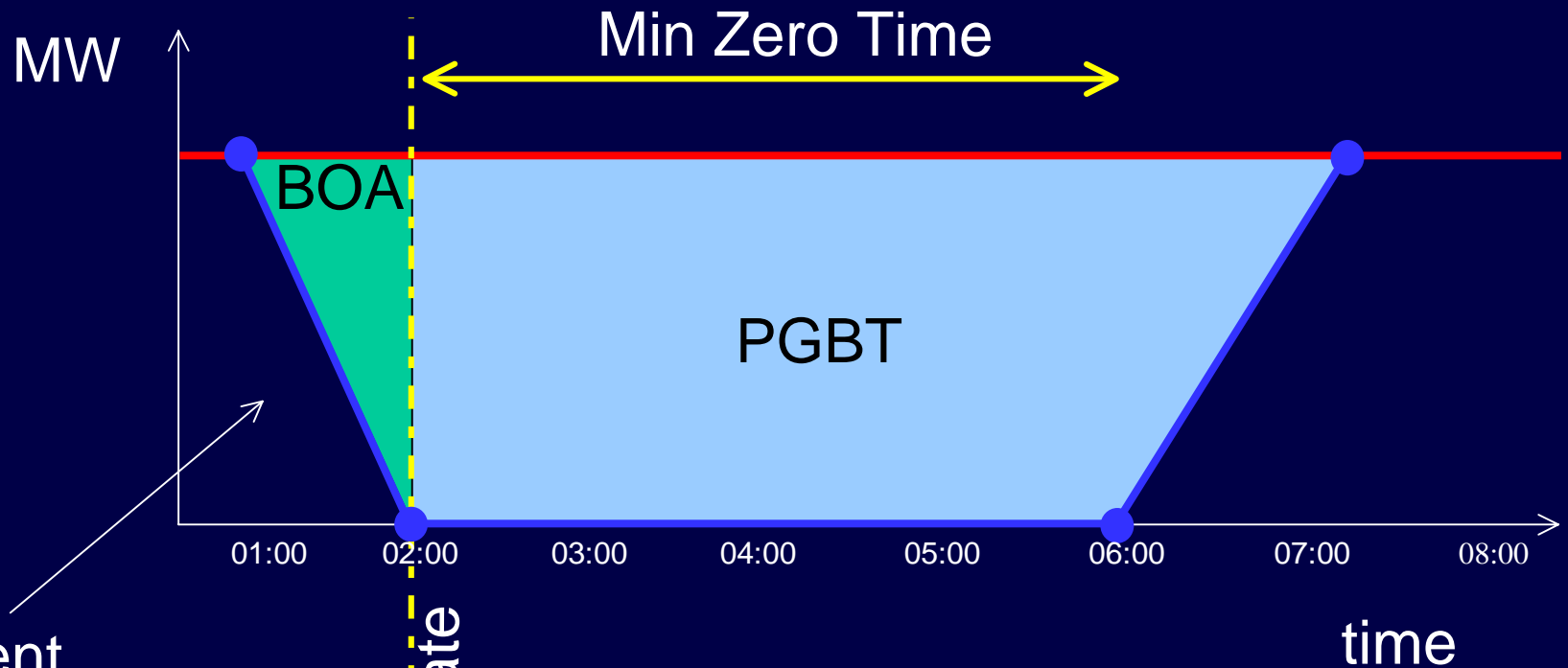
To PGBT or Not?

- ◆ ... Or use a PGBT?

To PGBT or Not?

- ◆ **Will use PGBTs if**
 - ◆ **better cost than in the BM for equivalent services**
 - ◆ **necessary to bring plant into the BM**
- ◆ **May be used to manage workload of balancing engineers at busy times**
- ◆ **May be used for two-shifting plant**

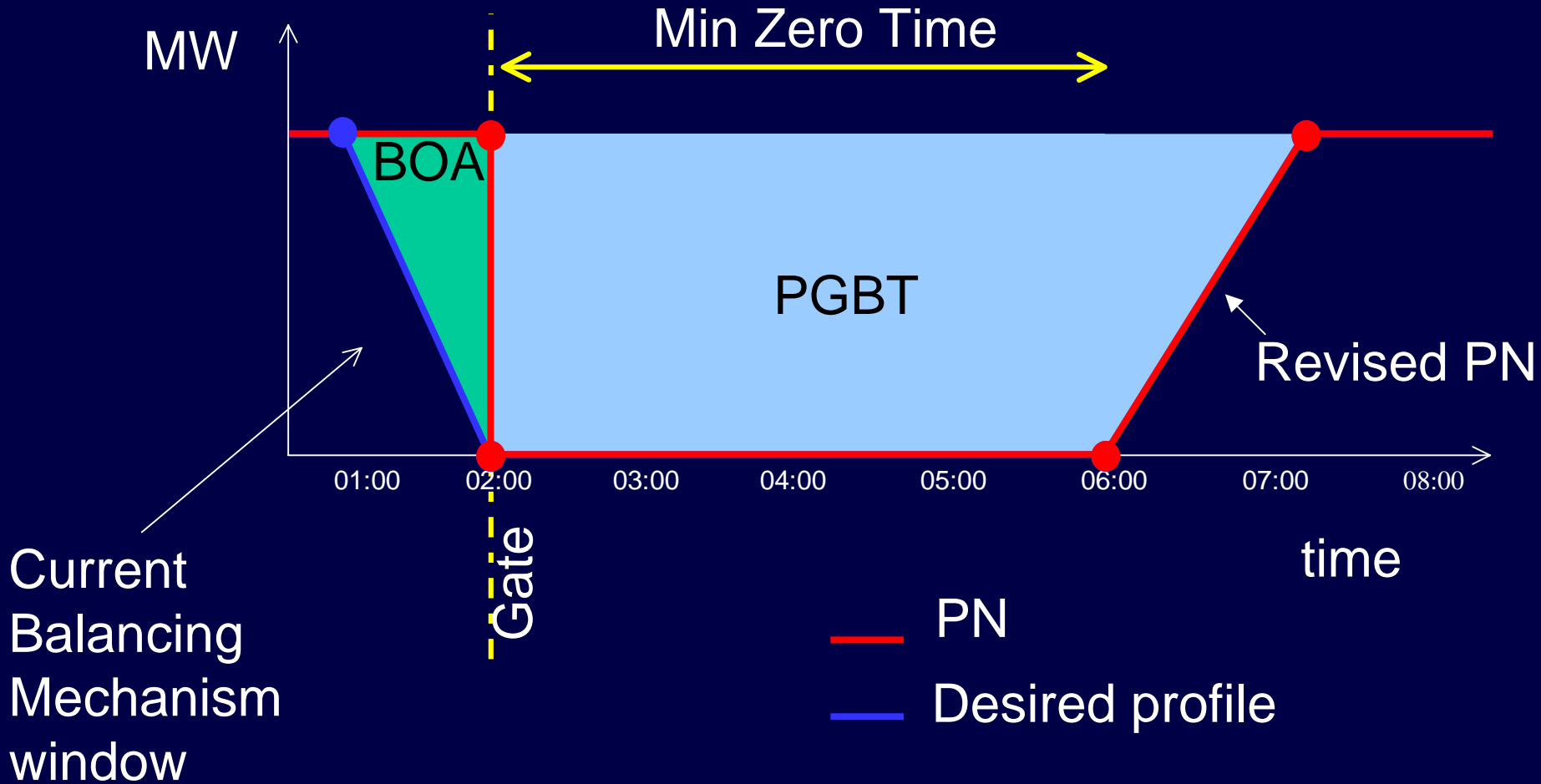
To PGBT or Not?



Current
Balancing
Mechanism
window

— PN
— Desired profile

To PGBT or Not?



To PGBT or Not?

- ◆ **Only used if the price is right**
- ◆ **PGBT gives indicative time for resynchronising two-shifted plant**
- ◆ **Single market participant contacted when used in conjunction with BOA**
 - ◆ **Accounts for 29% of PGBTs**

Review of PGBT Process

- ◆ **Before one hour gate closure we envisaged up to 20 PGBTs per day**
- ◆ **Current processes introduced because of timescales for one hour gate closure**
- ◆ **Based on this we foresaw a need to review the PGBT process**
- ◆ **We knew we would need to involve**
 - ◆ **current power exchange providers**
 - ◆ **market participants**

Balancing Principles Statement

- ◆ **Potential issues to address**
 - ◆ **Improved mechanism for indicating National Grid's requirements**
 - ◆ **More timely indication of all offers**
 - ◆ **Experience of operating the market under one hour gate closure**

Procurement Guidelines

- ◆ **Recent consultation covered information transparency and presentation of data**
 - ◆ **included a question on PGBTs**
- ◆ **In summary respondents commented on**
 - ◆ **Mechanism for tendering for offers**
 - ◆ **BSAD flag in real time reporting**
 - ◆ **Presentation/format of PGBT data**
 - ◆ **Clarification of PGBT process**

The Way Forward

- ◆ **Arrange industry workshop**
- ◆ **Follow-up consultation**
- ◆ **Continue discussions with current exchange providers**
- ◆ **Identify and assess different ways of publishing our PGBT requirement**
 - ◆ **including cost-benefit assessment**
- ◆ **Monitor use of PGBTs over the winter**
- ◆ **Report back on progress to next Operational Forum**