

Operational Update

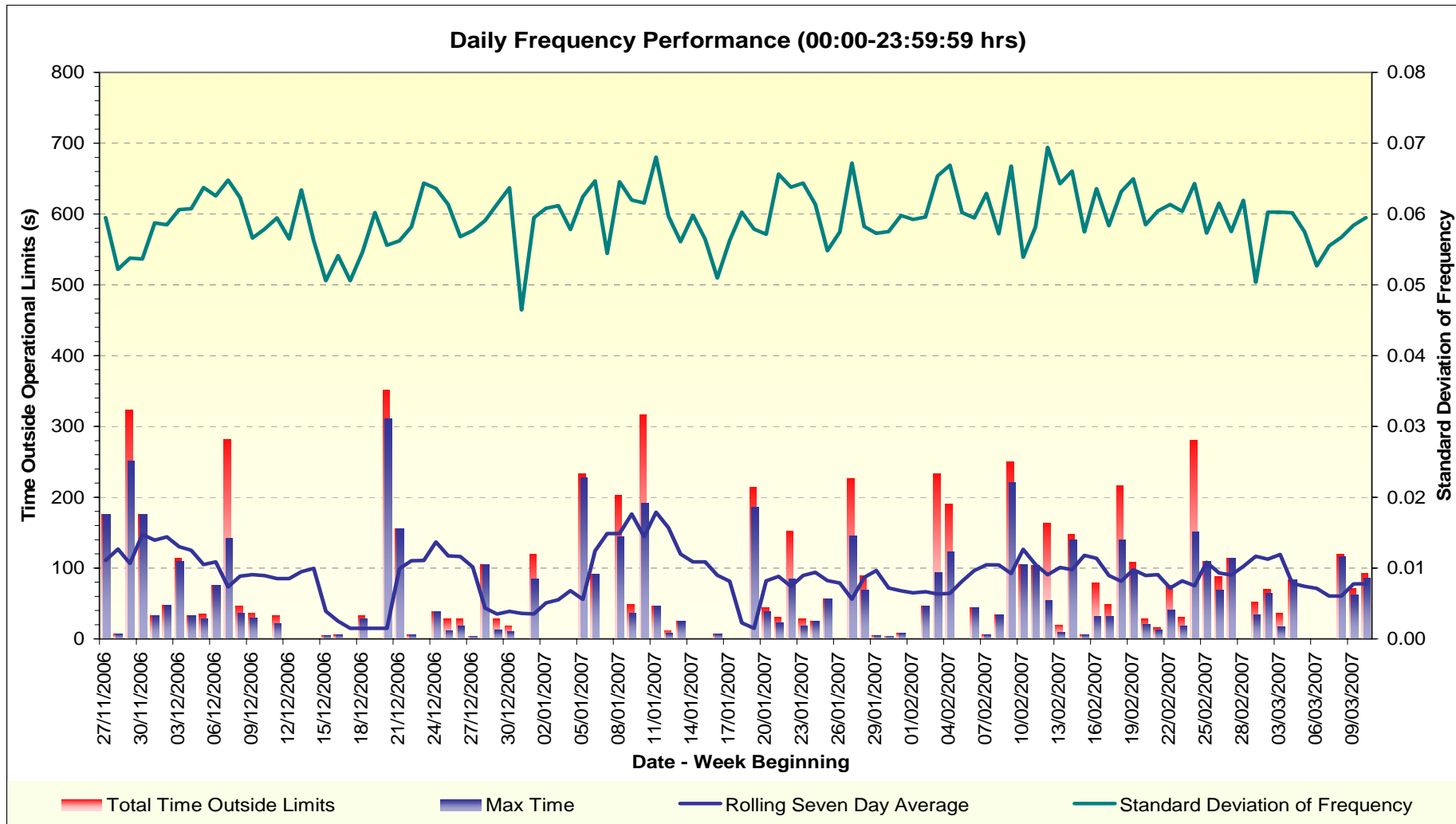
Paul Auckland
Network Operations

Agenda

- Recent Operational Performance
- System Operator cost update
- Forecast BSUoS outturn for 2006/7
- Impact of P205 on NIV
- STOR

Frequency Performance

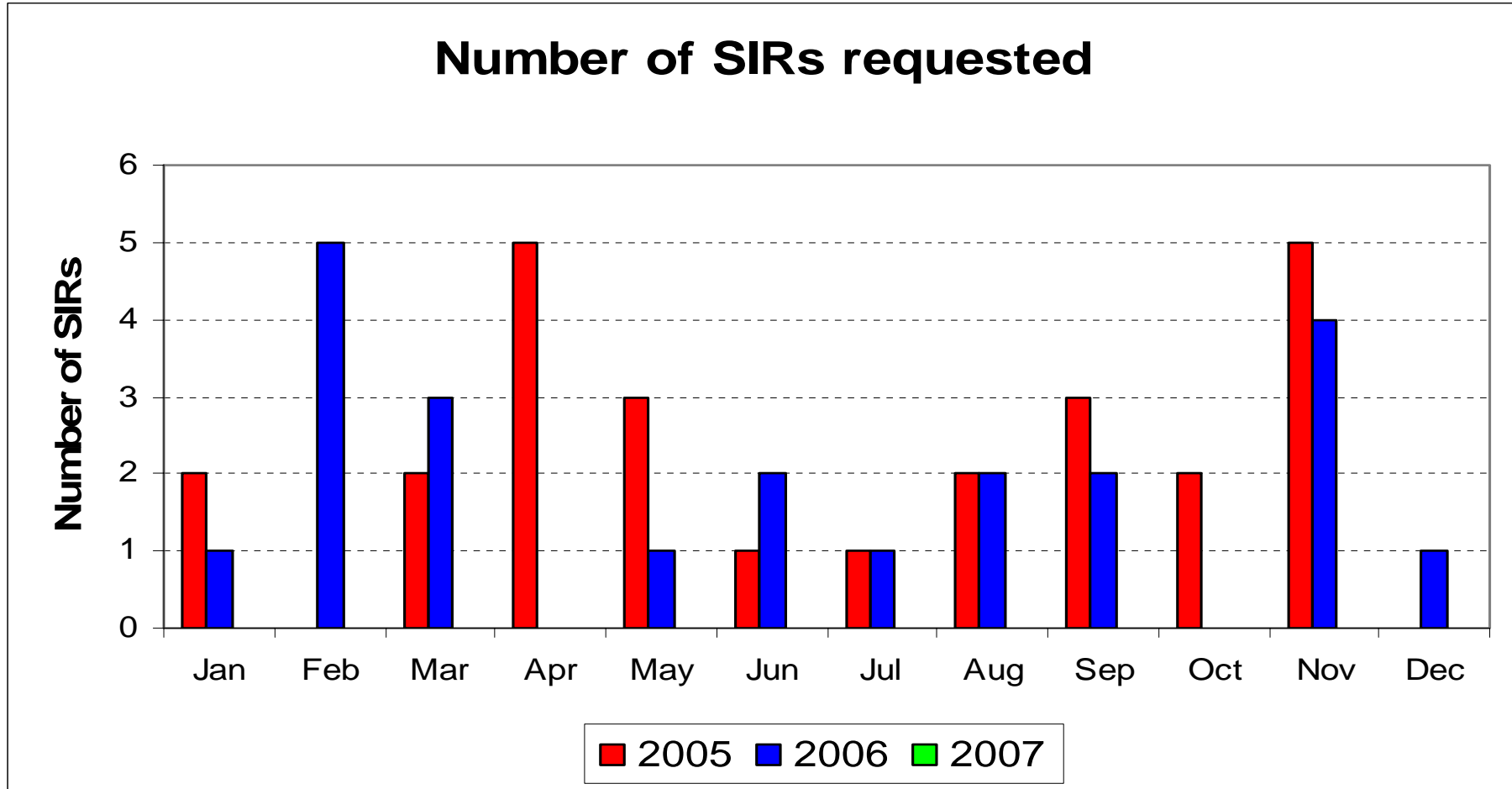
Recent Daily Excursions



- **No significant frequency deviations to report in Feb/Mar**

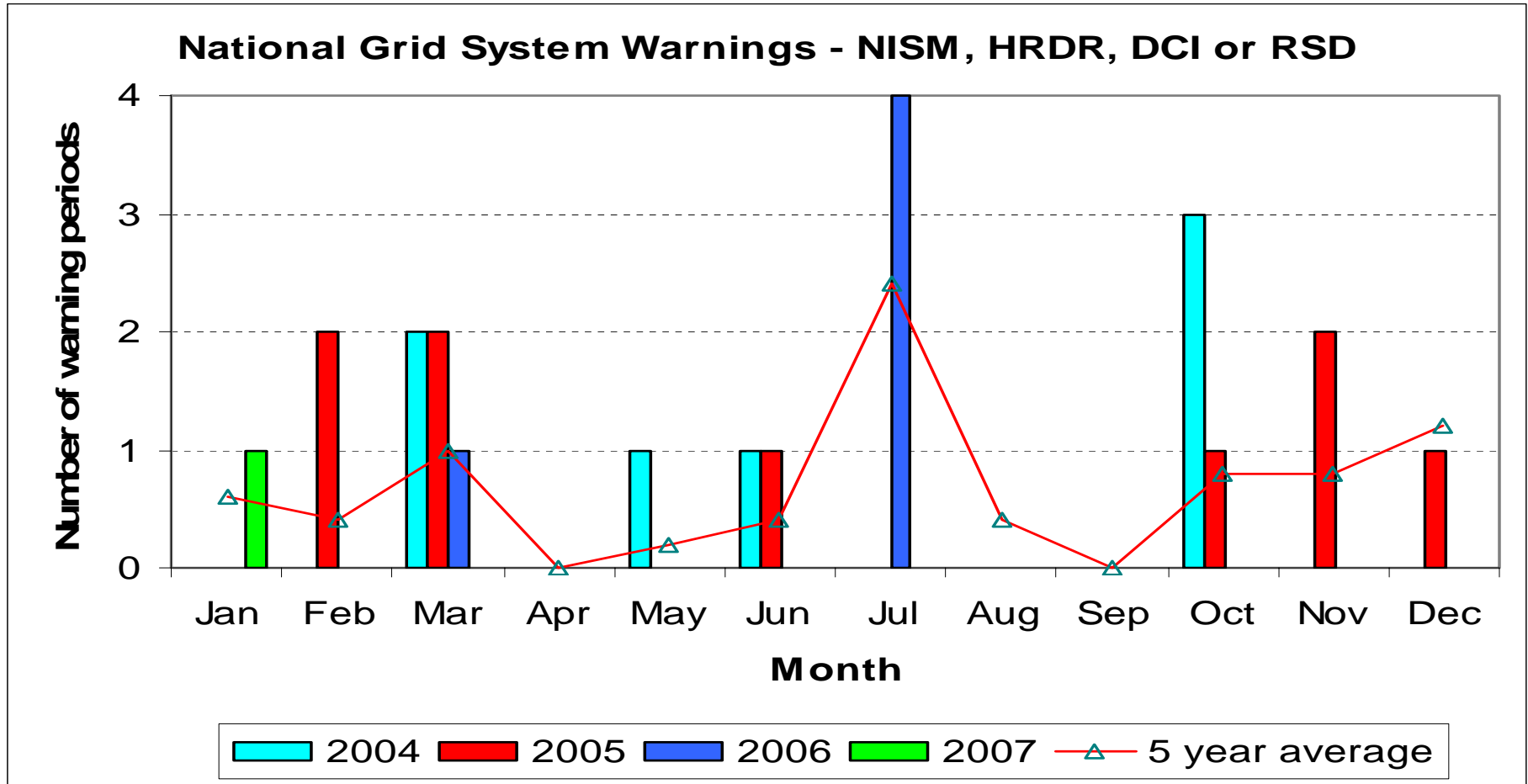
Generator Performance

SIR performance



- No SIRs in 2007 so far
- An excellent start to the year!

System Warnings

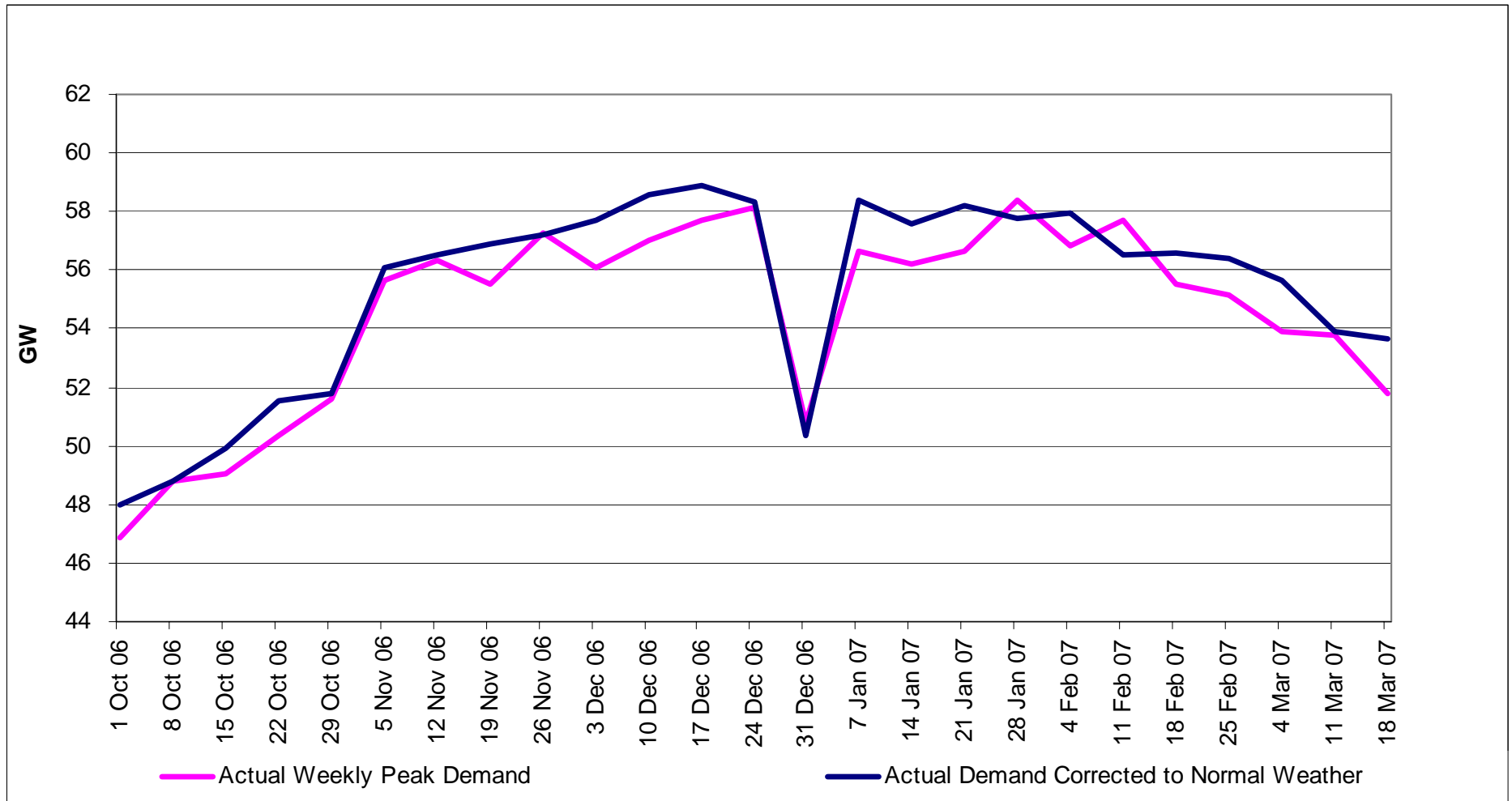


- No system warnings issued this winter (except Risk of System Disturbance 18 Jan). Last NISM issued 27 Jul 06.

February / March Operational summary

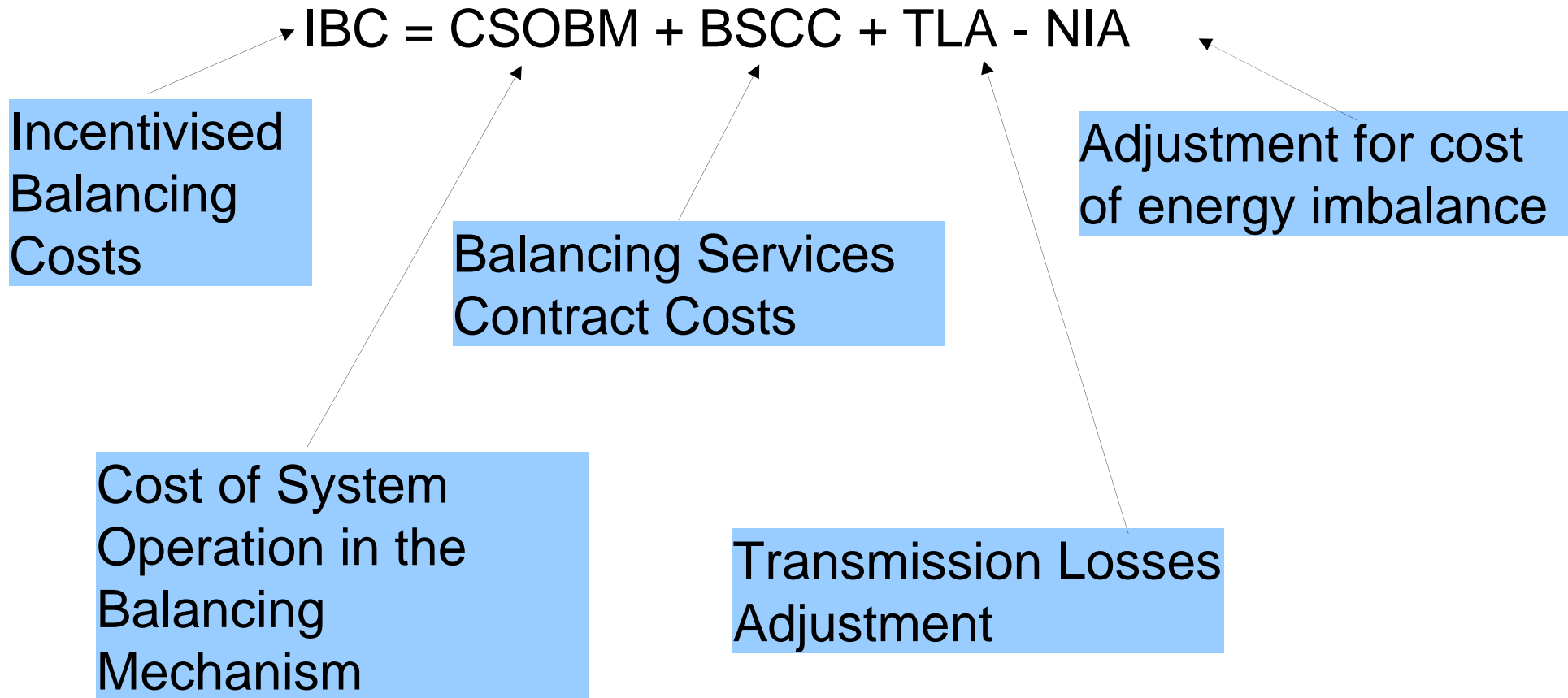
- ◆ A quiet couple of months with little to report
- ◆ Generally mild weather conditions but some cold spells in February and late March
- ◆ Generally long markets, but shorter over the peaks
- ◆ Demands mostly below normal levels
- ◆ No significant plant margin issues

Weekly peak demands – winter 2006/7

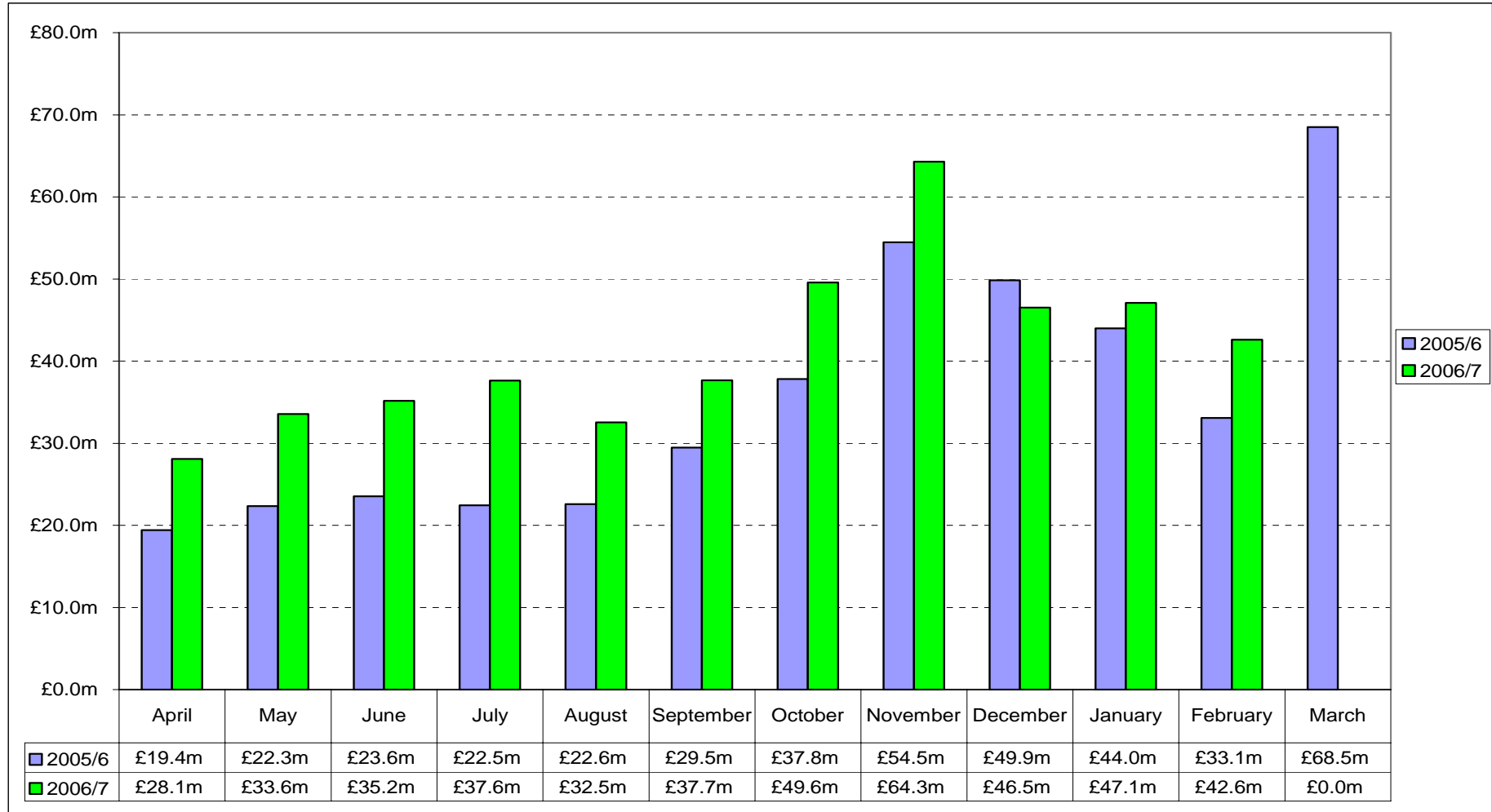


System Operator cost update

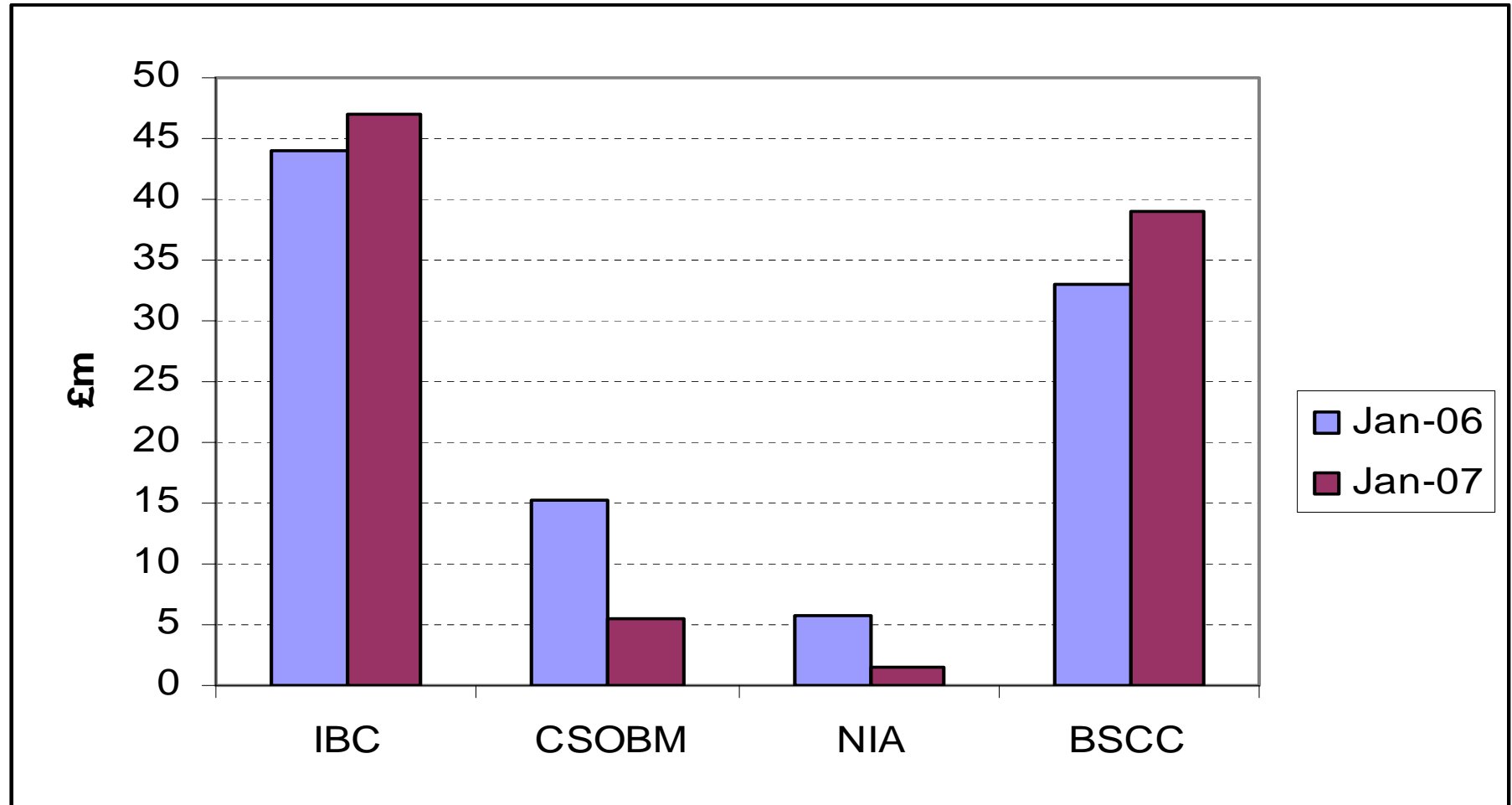
IBC Component Breakdown



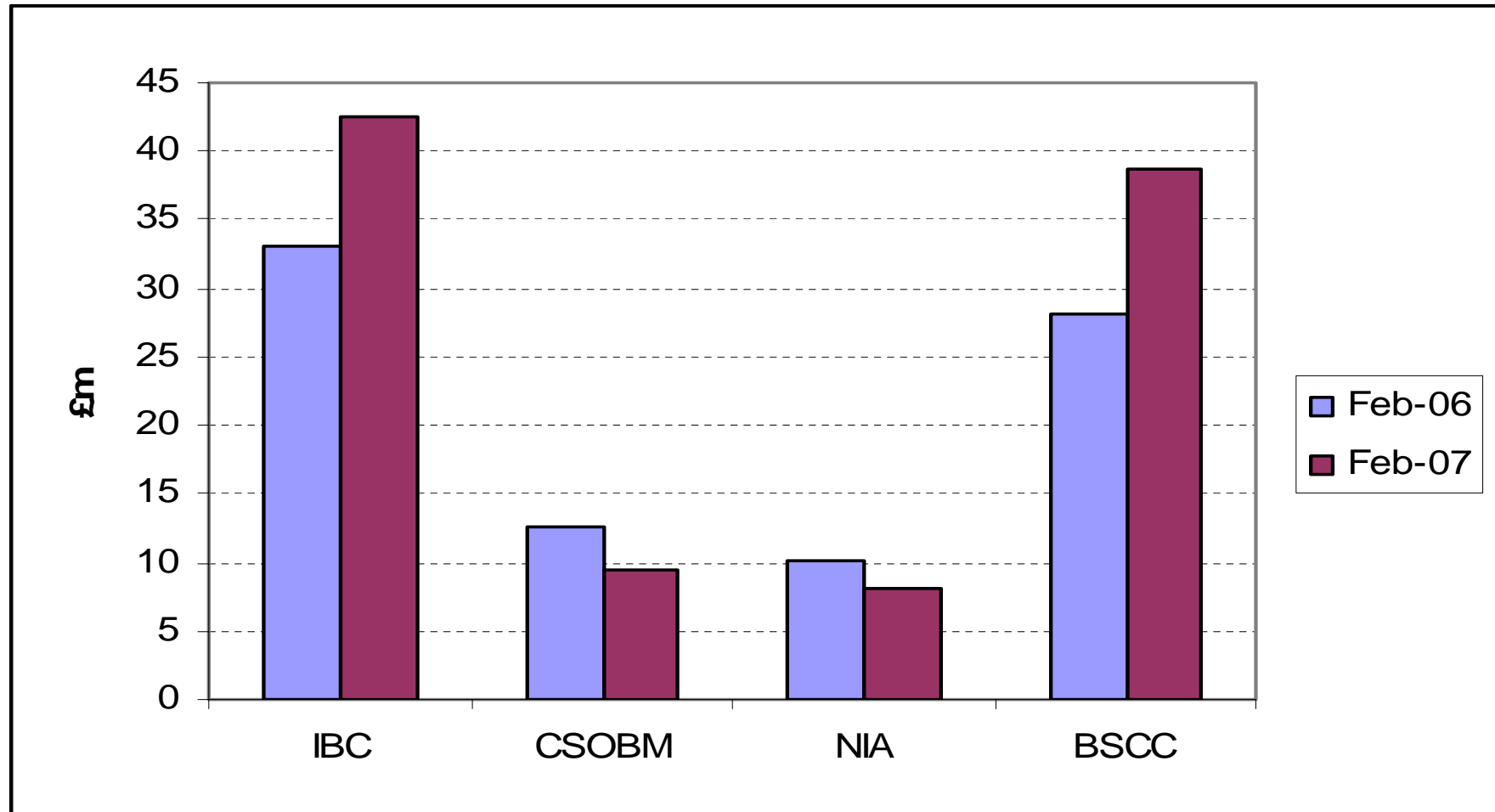
2005/6 and 2006/7 monthly IBC



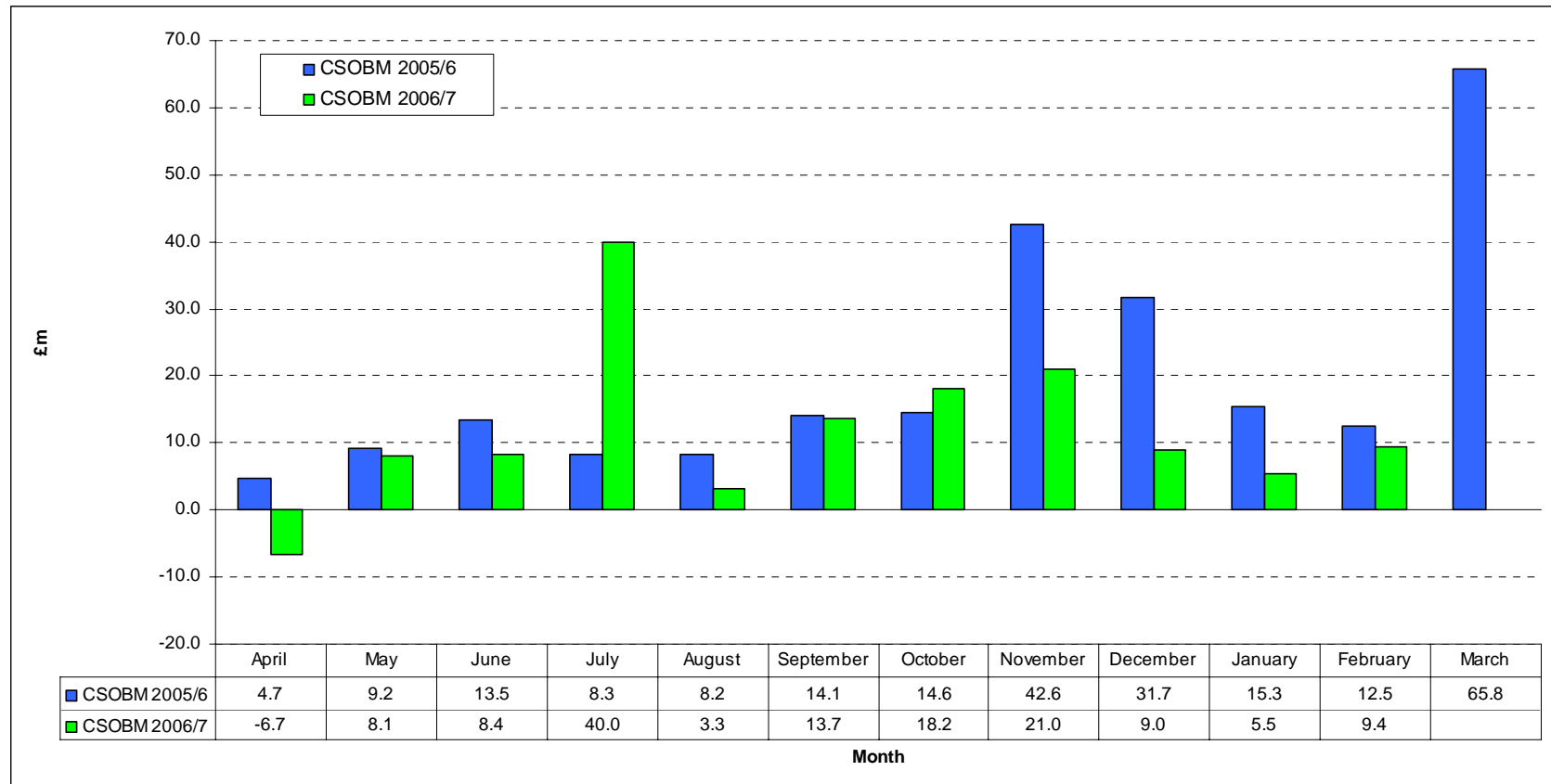
IBC component comparison- Jan 2006 vs 2007



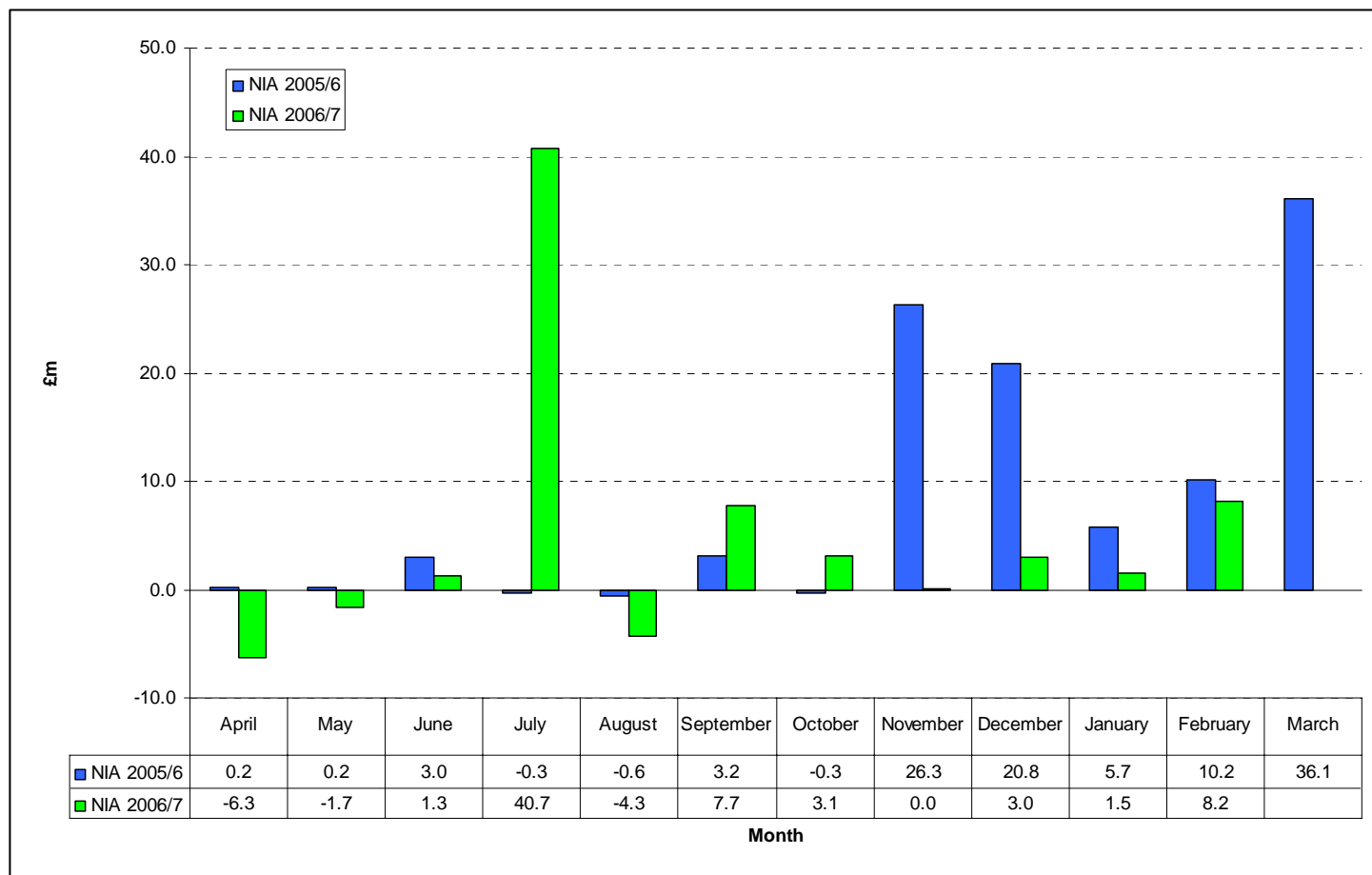
IBC component comparison- Feb 2006 vs 2007



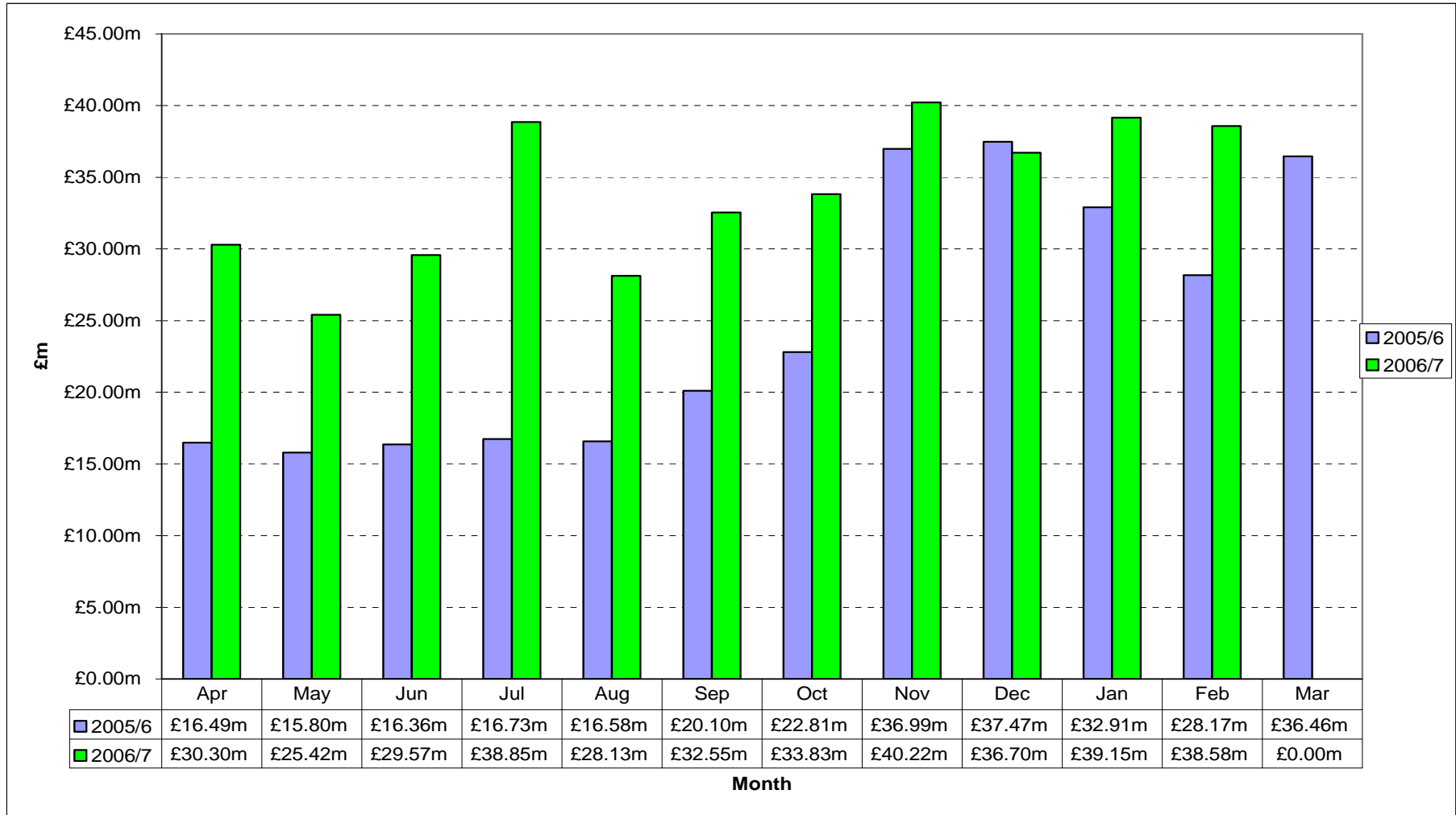
Balancing Mechanism Spend (CSOBM) 2005/6 and 2006/7 to date



Net Imbalance Adjustment - 2005/6 and 2006/7



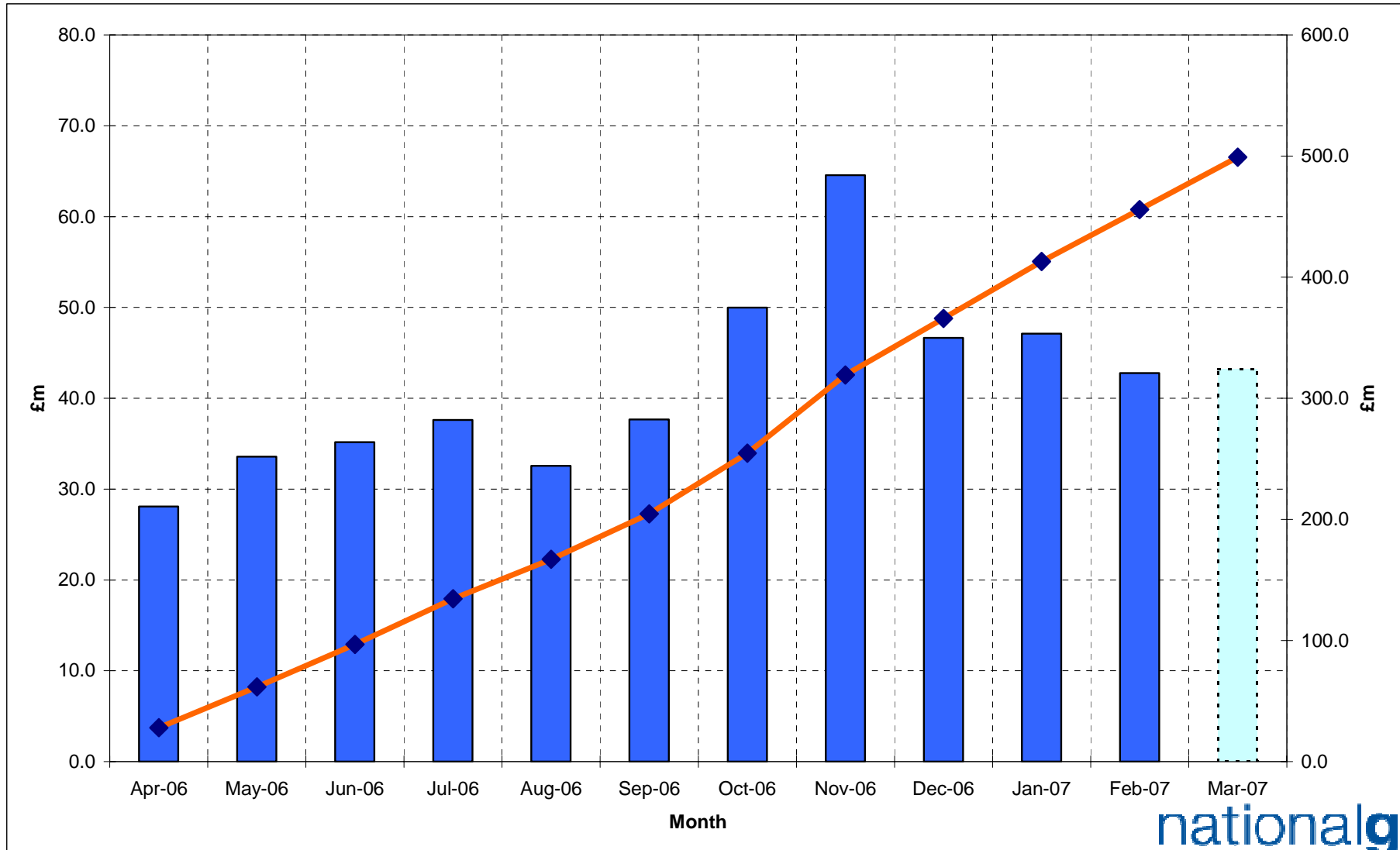
Balancing Service Contract Costs



Forecast 2006/7 outturn

- ◆ During 2006/7, a BSIS incentive scheme for external costs is not in place
- ◆ Ofgem is scrutinising our system operation costs to confirm our economic and efficient system operation
- ◆ The latest forecast for financial year 2006/07 IBC outturn is **£498m**
- ◆ Our year end forecast has remained steady since the last Forum in February.

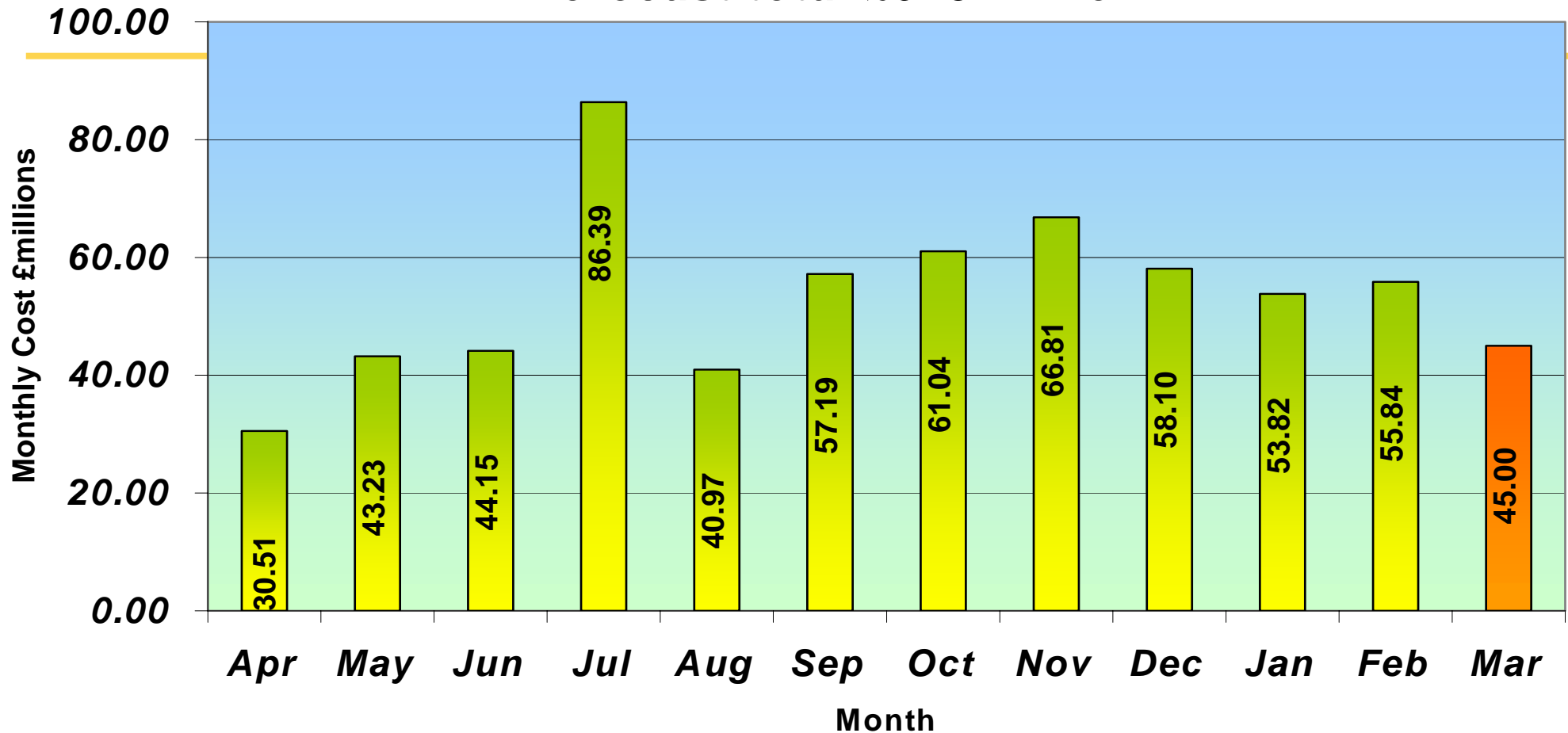
Monthly and Cumulative IBC 2006/7



BSUoS costs

Actual & Forecasted Monthly BSUoS Costs 2006-07

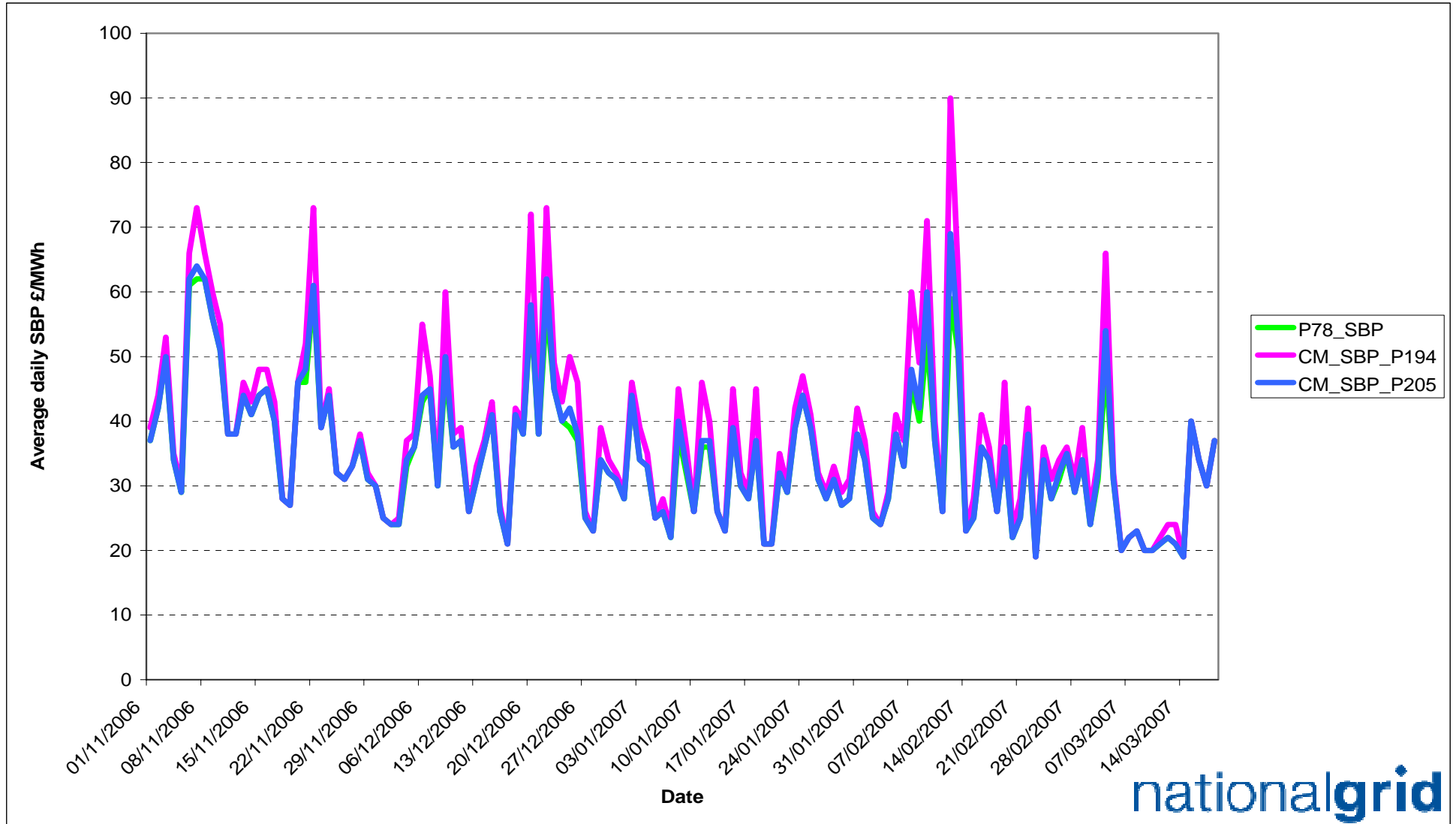
Forecast total £648 million



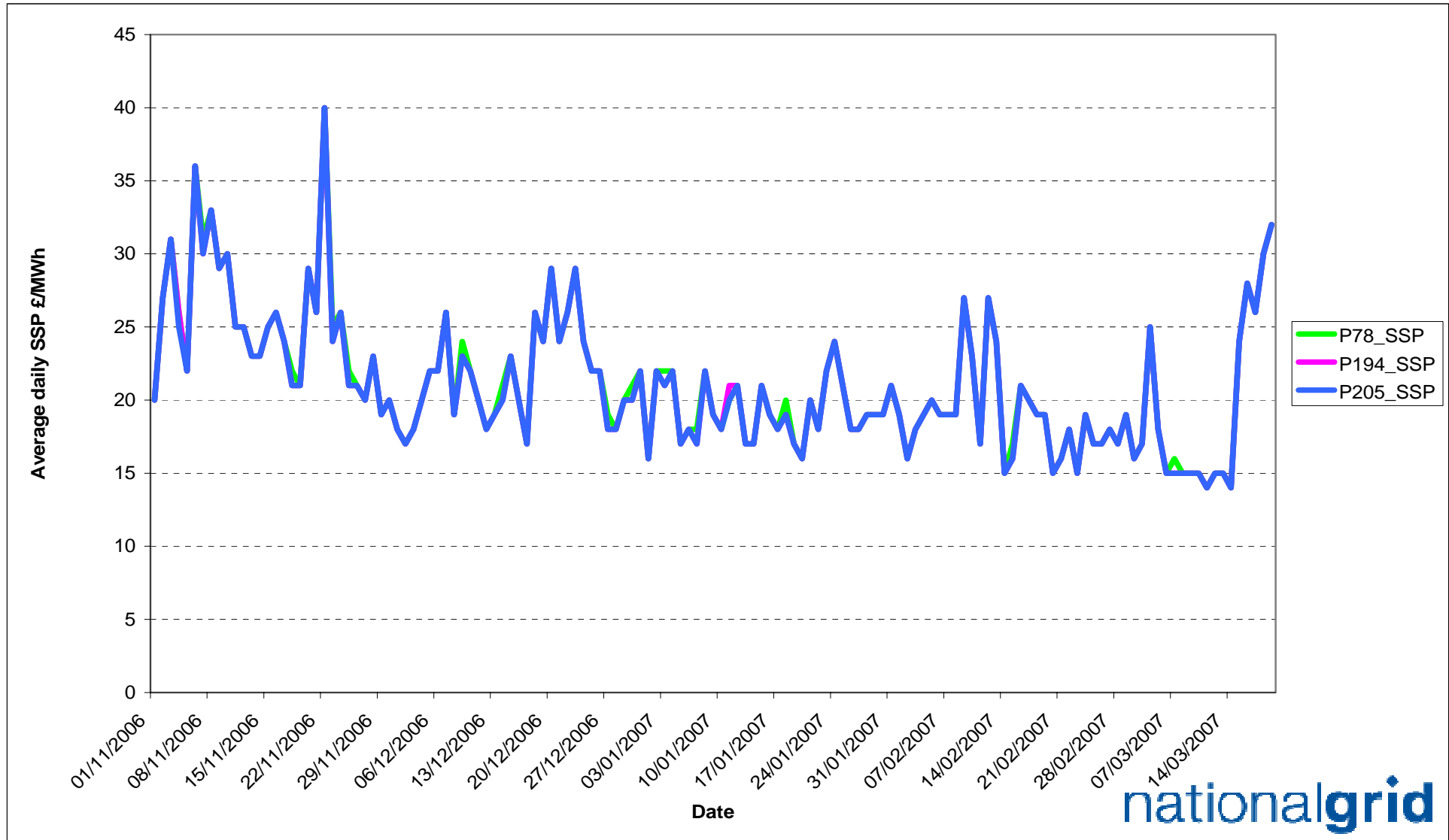
- ◆ All costs are actual Initial Outturns except Mar 07 (cost Forecast of £45 million)
- ◆ Forecast Total Cost £648 million
- ◆ Mar 07 Forecast utilises MWh volume of Mar 06 to enable estimate of average BSUoS cost
- ◆ Estimated Average BSUoS cost FY 06/07 £0.96/MWh

Post P205 Market Behaviour

Comparison of System Buy Price for Winter 2006/7 under P78, P194 & P205 methodology



Comparison of System Sell Price under P78, P194 & P205 methodologies



Short-Term Operating Reserve (STOR) Tender Round 07-01 Results

Covering Apr07-Apr-09

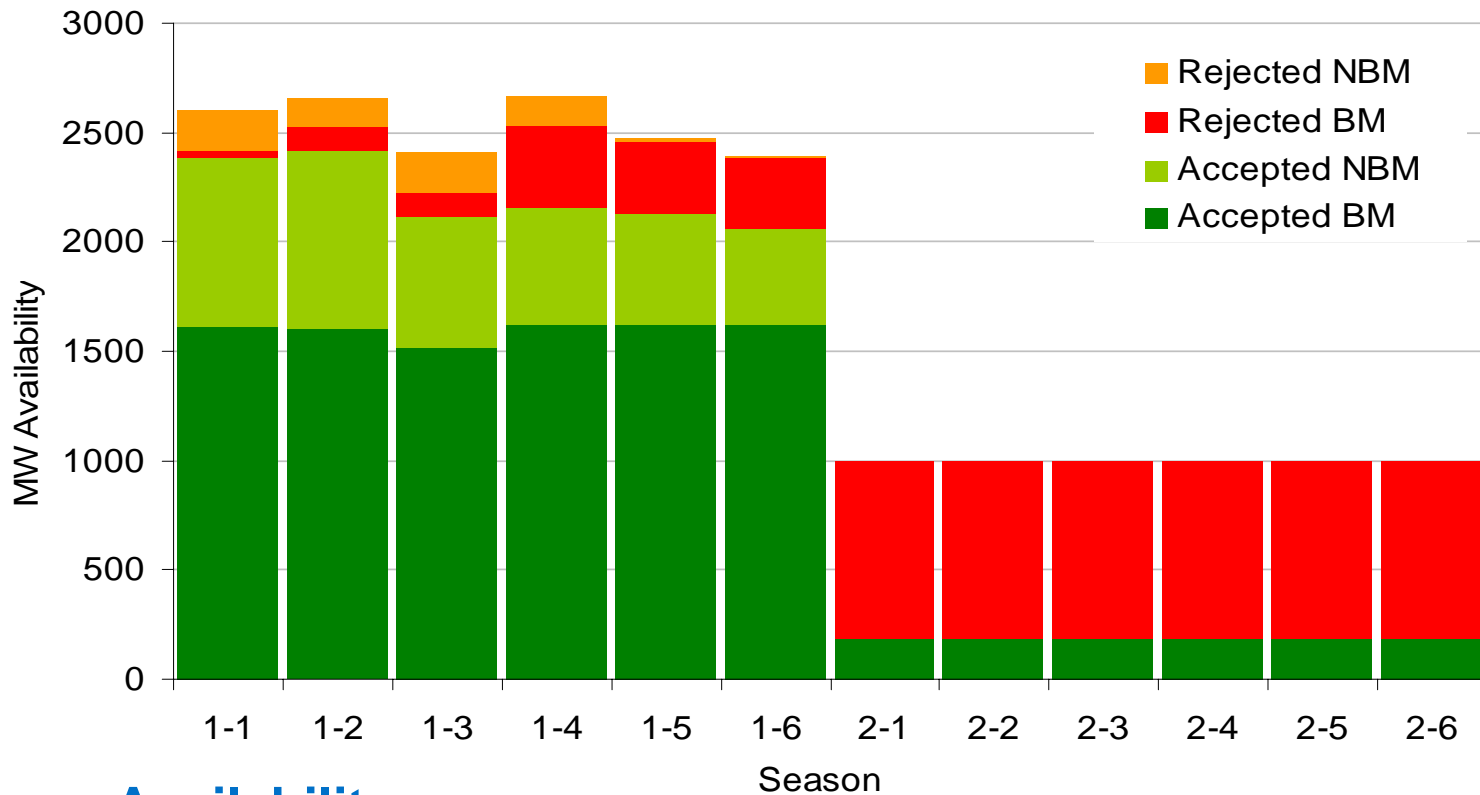
Introduction

- ◆ As part of the results and conclusions of National Grid's reserve review conducted over 2005, Short Term Operating Reserve has been introduced as a replacement for Standing Reserve with contracts commencing on the 1st April 2007.
- ◆ The Invitation to Tender Pack for Tender Round 1 was issued in December 2006 and had a market day of the 19th January 2007.
- ◆ The following slides act as a pre-cursor to the full market report on tender round 1 to be published early April 2007.
- ◆ For more information on the changes to the Service please consult the balancing services section of our website:

<http://www.nationalgrid.com/uk/Electricity/Balancing/services/commercial/stor/>

Accepted & Rejected STOR Availability

Tender Round 07-01 BM/ Non-BM (NBM)

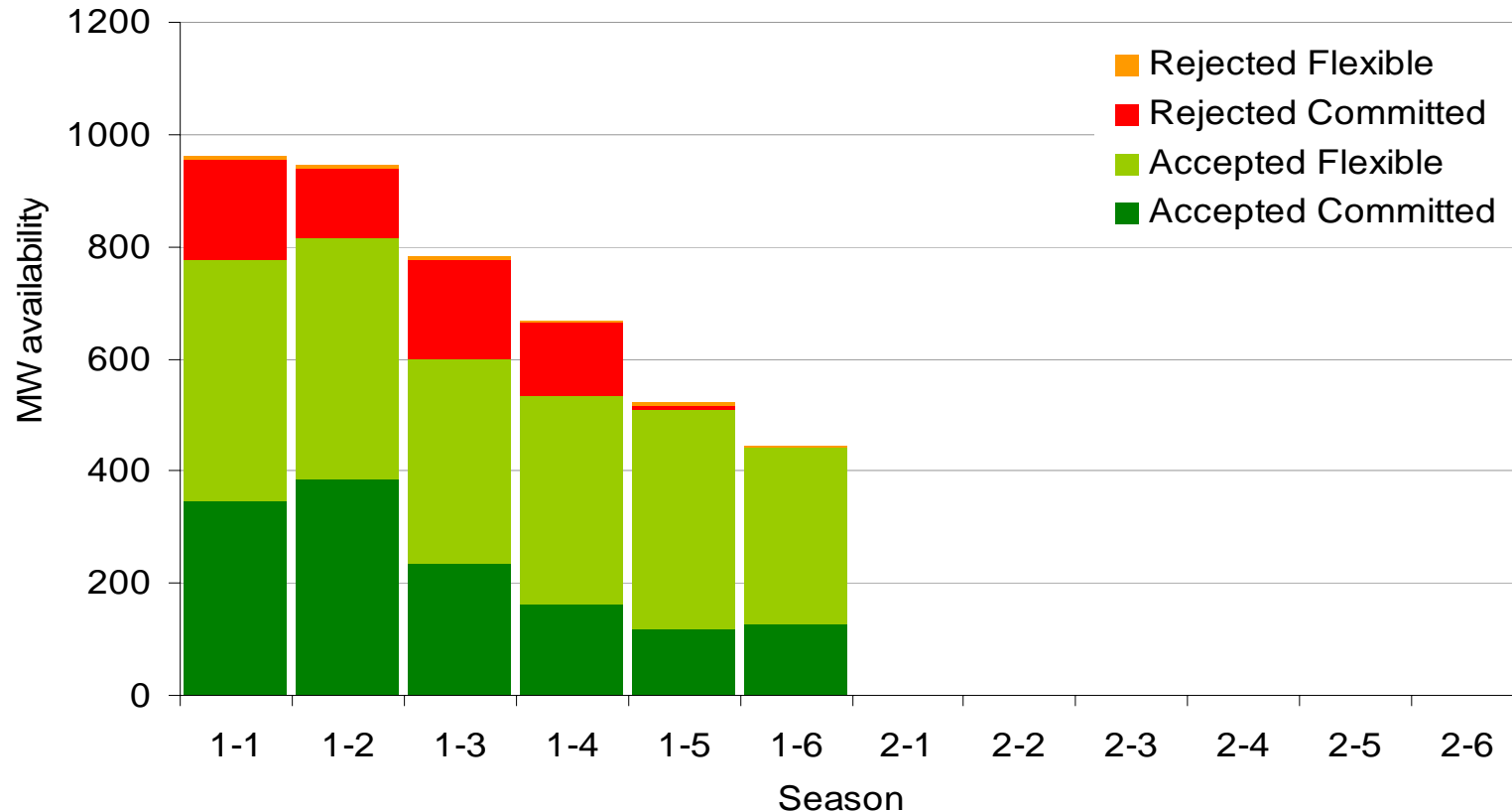


Availability:

- Varied by season – a change from Standing Reserve
- No NBM tendered for year 2
- 20% assessed uneconomic over the winter seasons

Accepted & Rejected STOR Capacity

Tender Round 07-01:NBM Split Flexible/Committed

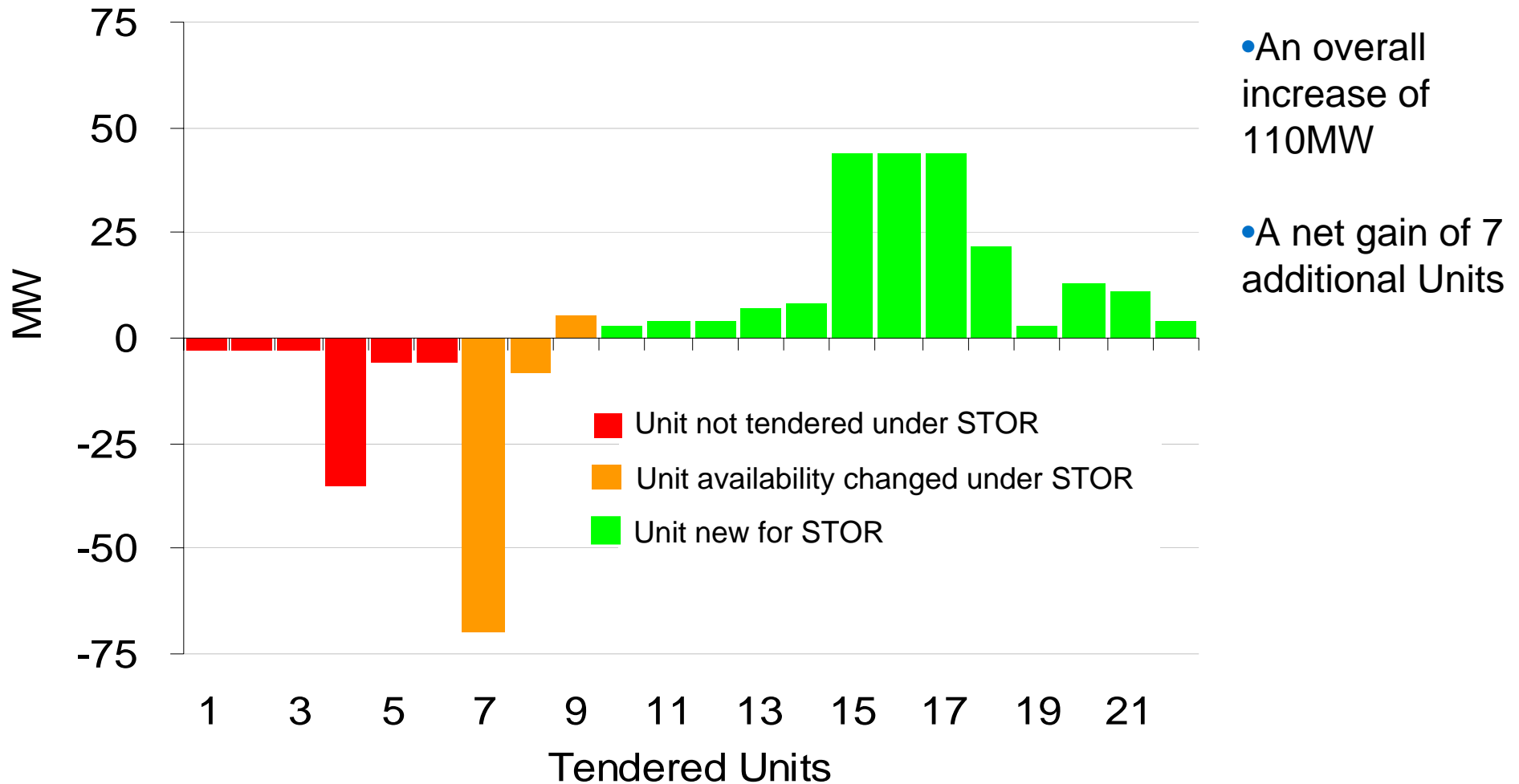


Availability:

- A substantial proportion has not tendered for this winter [yet?]
- More committed in comparison to Standing Reserve
- A larger proportion is flexible during the winter

Non-BM STOR Capacity changes

Tender Round 07-01: Changes from Standing Reserve 2006



- An overall increase of 110MW

- A net gain of 7 additional Units

* Unit defined as a STOR BMU or Site

STOR Tender Rounds

Tender Round Dates

Tender Round	Key Tender Round Dates				Seasons Available in Tender Round											
					2007/08						2008/09					
	Tender sheets available by	Market Day	Results Day	Market Report Published by	1-1	1-2	1-3	1-4	1-5	1-6	2-1	2-2	2-3	2-4	2-5	2-6
2007 TR1	11/12/2006	19/01/2007	02/03/2007	13/04/2007	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2007 TR2	18/05/2007	22/06/2007	20/07/2007	03/08/2007			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2007 TR3	27/07/2007	31/08/2007	28/09/2007	05/11/2007					✓	✓	✓	✓	✓	✓	✓	✓

Next Key Dates

Tender Round 1 Market Report Published by: Friday 13th April
Tender Round 2 Market Day: Friday 22nd June

For more information on STOR please go to the Tenders & Reports Section of National Grids' Electricity Balancing Services Section <http://www.nationalgrid.com/uk/Electricity/Balancing/tenderreports/>.