



Impact of Congestion Management Guidelines on System Balancing

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Agenda

- ◆ Current Mechanisms to Manage Capacity on Interconnection
- ◆ Key Aspects of Congestion Management Guidelines
- ◆ Issues for the System Operator
- ◆ Way Forward

Current Mechanisms to Manage Capacity on Interconnectors

- ◆ Capacity is auctioned with firm Connection rights
 - ◆ No formal use it or lose it mechanism or established secondary market
- ◆ Tools used to manage flows on IFA:
 - ◆ Intra-Day Transfer Limits (ITLs)
 - ◆ Trades to increase/decrease nominated flows
 - ◆ Post Gate Ancillary Services
- ◆ Need to manage constraints in South East

Pre gate closure trades and ITLs are key because they allow National Grid to sterilise capacity at no cost pre gate closure

Key Aspects of Congestion Management Guidelines

- ◆ Commission Decision 9th November 2006 outlines binding guidelines on management and allocation of capacity on interconnection
- ◆ Primary purpose is to maximise utilisation of capacity of interconnectors
- ◆ NGIL and RTE analysis prove present methods are non compliant
- ◆ New methods for managing allocation of interconnector capacity to be implemented from summer 2009
- ◆ These methods facilitate “Use It or Lose It” arrangements over the England-France Interconnector

Issues for the System Operator

- ◆ Loss of ability to trade pre-gate closure
- ◆ Present Intra-day Transfer Limit (ITL) mechanism not compliant with EU Law
- ◆ Potential Increase in within-day flow changes
- ◆ Alternative action to secure system has significant impact on SO costs
- ◆ Ancillary Service Contract with RTE available but not firm
- ◆ For IFA, cost of managing the system following implementation of products to support this legislation is forecast to be **£21m** for 2009/2010 BSIS year

Note the upcoming connection of BritNed, East West Cable One (Imera Power) and the East West Interconnector (Eirgrid) between 2010 and end of 2011

Way Forward

- ◆ Work with regulators and connected TSOs to establish a viable solution
- ◆ Development of a mechanism to allow the SO to trade on interconnector approved by OFGEM and CRE as compliant with the CM Guideline
- ◆ Contracts with relevant generators to secure constraints

Removal of trades and ITLs with no alternative leads to increased costs

Summary

- ◆ National Grid currently have the ability to sterilise capacity pre-gate
- ◆ New guidelines on Congestion Management introduces a “Use It or Lose It” regime
- ◆ The loss of ability to trade and set Intraday Transfer Limits pre gate
- ◆ Anticipated cost £21 m for BSIS year 2009/10
- ◆ Need to work closely with Ofgem to establish a viable solution

For more detailed information on the impact of a Use It or Lose it Regime please see the Electricity SO Incentives Initial Proposals Consultation

<http://www.nationalgrid.com/uk/Electricity/soincentives/docs/>