

Additional electricity capacity for winter 2015/16

Three power stations to be offered winter 2015/16 Supplemental Balancing Reserve contracts to manage tightening margins

15 Dec 2014

National Grid is to offer contracts to three power stations to provide additional reserve during winter 2015/16. This follows the first tender round for Supplemental Balancing Reserve (SBR) for 2015/16, which ran from 3 November 2014 to 5 December 2014.

These contracts are part of National Grid's approach to managing tighter winter margins in the middle of this decade. The additional reserve requirement for 2015/16 of a total of 1,800MW was initially set out in June 2014.

Plant that will be offered contracts for 2015/16 are as follows:

- South Humber Bank CCGT Power Station, owned by Centrica (providing 40MW of extra capacity)
- Corby CCGT Power Station, owned by Corby Power Ltd (total capacity of 353MW)
- Barry CCGT Power Station, owned by Centrica (total capacity of 227MW)

Supplemental Balancing Reserve providers will be required to be available between 0600hrs and 2000hrs between November and February, and would be held under the direct control of National Grid in its role as System Operator.

Contracts will also be awarded for up to 300MW of Demand Side Balancing Reserve (DSBR) which was tendered at the same time. The details of these contracts will be available early in 2015.

This first tender round represents the initial procurement of reserve for winter 2015/6. A further tender round for winter 2015/16 SBR and DSBR will take place in spring 2015. We also maintain the option to extend the existing SBR contracts that have been put in place for winter 2014/5.

Cordi O'Hara, National Grid's Director of UK Market Operation, said:

"We might be in the middle of this winter, but as a prudent system operator, it's vital that we plan ahead to next year and beyond.

"We already know that the margin between supply and demand next winter is expected to be tight, mainly due to plant closures. These contracts represent a prudent initial step, which will support us in balancing supply and demand.

"A second tender early in 2015 will help build up our reserve requirement as the outlook for next winter becomes clearer."

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Notes for Editors:

1. For more information about Supplemental Balancing Reserve and Demand Side Balancing Reserve, see <http://www2.nationalgrid.com/UK/Services/Balancing-services/System-security/Contingency-balancing-reserve/>
2. Ofgem's Electricity Capacity Assessment 2014 set out that margins are expected to tighten in winter 2015/16: <https://www.ofgem.gov.uk/publications-and-updates/electricity-capacity-assessment-2014>
3. SBR and DSBR will only be used as a last resort to balance the system in the very unlikely event that there is not sufficient generating capacity available in the market. This would act as a safety net to safeguard consumer interests against the risk of tightening margins. These measures are expected to add less than £1 per year to the average domestic consumer electricity bill.
4. National Grid has proposed for these services to be available in the mid-decade until the Capacity Market - established in the Energy Act 2013 - takes effect. Auctions for the 2018/9 Capacity Market will begin on Tuesday 16th December 2014.
5. For 2014/15 National Grid has contracts in place with Peterhead, Littlebrook and Rye House power stations to provide Supplemental Balancing Reserve. Taken together, and alongside contracted Demand Side Balancing Reserve, these add 1.1GW of additional reserve to capacity this winter.
6. National Grid's initial assessment of additional reserve required for the middle of this decade was set out in June 2014. See <http://www2.nationalgrid.com/Mediacentral/UK-Press-releases/2014/National-Grid-to-contract-for-new-balancing-services/>
7. Read National Grid's market update on 2015/16 SBR at <http://www2.nationalgrid.com/UK/Services/Balancing-services/System-security/Contingency-balancing-reserve/>
8. National Grid is one of the largest investor-owned energy companies in the world and has been named Responsible Business of the Year 2014 by Business in the Community. We own and manage the grids that connect people to the energy they need, from whatever the source. In Britain and the north-eastern states of the US we run systems that deliver gas and electricity to millions of people, businesses and communities. In Britain, we run the gas and electricity systems that our society is built on, delivering gas and electricity across the country. In the North Eastern US, we connect more than seven million gas and electric customers to vital energy sources, essential for our modern lifestyles.
9. National Grid in the UK:
 - We own the high-voltage electricity transmission network in England and Wales, operating it across Great Britain
 - We own and operate the high pressure gas transmission system in Britain
 - Our gas distribution business delivers gas to 10.9 million homes and businesses
 - We also own a number of related businesses including LNG importation, land remediation and metering
 - National Grid manages the National Gas Emergency Service free phone line on behalf of the industry - 0800 111 999 (all calls are recorded and may be monitored).
 - Our portfolio of other businesses is mainly concerned with infrastructure provision and related services where we can exploit our core skills and assets to create value. These businesses operate in areas such as Metering, Grain LNG Import, Interconnectors and Property. National Grid Carbon Ltd is a wholly owned subsidiary of National Grid. It undertakes Carbon Capture Storage related activities on behalf of National Grid.

Find out more about the energy challenge and how National Grid is helping find solutions to some of the challenges we face at www.nationalgridconnecting.com

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Notes for editors

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National Grid is pivotal to the energy systems in the UK and the north eastern United States. We aim to serve customers well and efficiently, supporting the communities in which we operate and making possible the energy systems of the future.

National Grid in the UK:

- We own and operate the electricity transmission network in England and Wales, with day-to-day responsibility for balancing supply and demand. We also operate, but do not own, the Scottish networks. Our networks comprise approximately 7,200 kilometres (4,474 miles) of overhead line, 1,500 kilometres (932 miles) of underground cable and 342 substations.
- We own and operate the gas National Transmission System in Great Britain, with day-to-day responsibility for balancing supply and demand. Our network comprises approximately 7,660 kilometres (4,760 miles) of high-pressure pipe and 618 above-ground installations.
- As Great Britain's System Operator (SO) we make sure gas and electricity is transported safely and efficiently from where it is produced to where it is consumed. From April 2019, Electricity System Operator (ESO) is a new standalone business within National Grid, legally separate from all other parts of the National Grid Group. This will provide the right environment to deliver a balanced and impartial ESO that can realise real benefits for consumers as we transition to a more decentralised, decarbonised electricity system.
- Other UK activities mainly relate to businesses operating in competitive markets outside of our core regulated businesses; including interconnectors, gas metering activities and a liquefied natural gas (LNG) importation terminal – all of which are now part of National Grid Ventures. National Grid Property is responsible for the management, clean-up and disposal of surplus sites in the UK. Most of these are former gas works.

Find out more about the energy challenge and how National Grid is helping find solutions to some of the challenges we face at <https://www.nationalgrid.com/group/news>

National Grid undertakes no obligation to update any of the information contained in this release, which speaks only as at the date of this release, unless required by law or regulation.

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- > [Press Releases](#)
- > [Media contacts](#)

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- > [Our business](#)
- > [Electricity](#)
- > [Gas](#)
- > [Operating responsibly](#)
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- > [Presentations and webcasts](#)
- > [Annual reports](#)
- > [Biographies](#)

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- > [Our business](#)
- > [Operating responsibly](#)
- > [Investor factsheets](#)
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- > [Biographies](#)