Demand Side Balancing Reserve & Supplemental Balancing Reserve Update

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Progress since March

- Updated Volume Requirement, Procurement and Operational Methodology documents published following approval by Ofgem
- Ofgem approval for the recovery of SBR and DSBR costs for 14/15 winter
- DSBR Composition survey results published
- Tender Round 2 closed for both services on 7th May
- Tenders assessed and market update on volume procured published on 3rd June (DSBR volume validation ongoing)
- Claire Spedding joins the Contingency Balancing Reserve team
2015/16 Tender Round 2 results

- SBR – 20 tenders, from 7 companies, representing 5.2GW across 11 different power stations
- DSBR – 25 Units tendered, from 15 companies, representing 325MW across 163 MPANs

Many thanks again for the high levels of participation across both services

- Optimal procurement volume requirement determined as 2.5GW

DSBR Results

- Contracts to be offered for up to 300MW (subject to volume validation and contract acceptance)
2015/16 Tender Round 2 results

SBR Results

- Contracts offered for a total volume of 1,784MW (de-rated) to the following power stations

<table>
<thead>
<tr>
<th>Unit</th>
<th>Owner</th>
<th>De-Rated Capability (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peterhead CCGT (2 x 375MW)</td>
<td>SSE</td>
<td>675</td>
</tr>
<tr>
<td>Killinghome CCGT (1 x 660MW)</td>
<td>Centrica</td>
<td>660</td>
</tr>
<tr>
<td>Deeside CCGT (Additional 250MW)</td>
<td>GdF Suez</td>
<td>250</td>
</tr>
<tr>
<td>Uskmouth (1 x 100MW Coal Unit)</td>
<td>Uskmouth Power</td>
<td>90</td>
</tr>
<tr>
<td>Fiddlers Ferry GTs (2 x 17MW )</td>
<td>SSE</td>
<td>32</td>
</tr>
<tr>
<td>Ferrybridge GTs (2 x 16MW)</td>
<td>SSE</td>
<td>30</td>
</tr>
<tr>
<td>Keadby GT (1 x 23MW)</td>
<td>SSE</td>
<td>22</td>
</tr>
<tr>
<td>Rugeley GT (1 x 25MW )</td>
<td>GdF Suez</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>SSE</strong></td>
<td><strong>1,784</strong></td>
</tr>
</tbody>
</table>
2015/16 – Current contracted position

<table>
<thead>
<tr>
<th>Tender</th>
<th>Total Capability (MW)</th>
<th>De-Rated Capability (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSBR Round 1</td>
<td>215</td>
<td>65</td>
</tr>
<tr>
<td>SBR Round 1</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>DSBR Round 2</td>
<td>300*</td>
<td>112</td>
</tr>
<tr>
<td>SBR Round 2</td>
<td>1,874</td>
<td>1,784</td>
</tr>
<tr>
<td>Total</td>
<td>2,989</td>
<td>2,561</td>
</tr>
</tbody>
</table>

* Subject to DSBR volume validations and contract acceptances

- A 3rd tender round for 2015/16 is currently not envisaged
Consultation on future of services

- Margins look set to remain tight in 2016/17 and 2017/18 winters
- Upcoming consultation to consider:
  - Whether the existing services should be extended
  - What changes to these services should be considered
  - Whether an alternative to SBR should be considered
  - Potential interactions between Capacity Mechanism Transitional Arrangement and DSBR
- Views welcome on what should be included in the consultation and what options should be considered
Pricing SBR and DSBR into cash-out

- NGET circulated an Open Letter to market on 15th June regarding treatment of SBR and DSBR in cash-out
  - This followed an earlier Open Letter, an Industry Workshop and a BSC Issue Group (Issue 56)
  - High-level proposal is for both services to be priced at VoLL (£3000/MWh) as they can be considered a proxy for Demand Control
  - Finalised changes will be implemented via the C16 statements (e.g. BSAD, SMAF etc…)
  - BSC modification also required to enable changes to SBR imbalance treatment can be made without affecting BM Cash-flow

- Responses encouraged by 3rd July to BalancingServices@nationalgrid.com
  - However, any comments wished to be reflected in the BSC mod proposal need to be received no later than 12:00 noon on 24th June
  - In case of questions, please contact alex.haffner@nationalgrid.com
Q&A

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