

Options for Energy Buyers

A Graphless presentation !

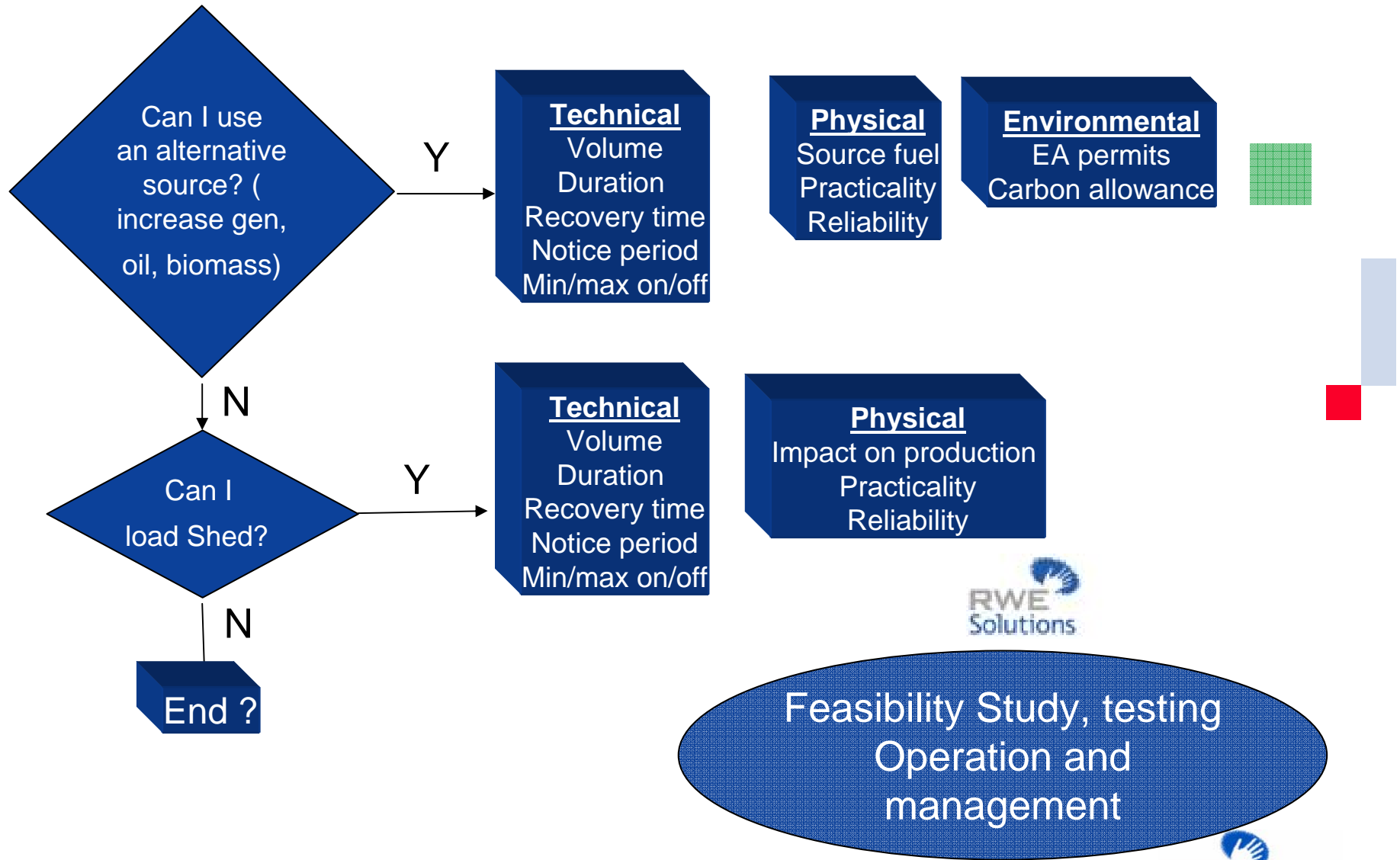
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Options for Energy Buyers



Preparation - Physical



Preparation - Financial



■ Understand Costs of DSR

- Fuel
- Lost production
- Permits
- Staff
- Wear and Tear

■ Evaluate Benefits of DSR

- **Emergency action**
none
- **Voluntary**
Sell back previously
bought volume
Avoid high DA prices
- **Contracted**
Supplier
NGT?



Contracted DSR

■ Supplier

- **Site/plant management**
Fee paid for flexibility supplier exercise and fulfil.
- **Call option**
In return for fee, supplier has right (but not obligation) to call for delivery for agreed volume and duration at price.
 - Need to buy to sell back
 - Penalty for non delivery
 - Availability & utilisation fee.

■ NGT

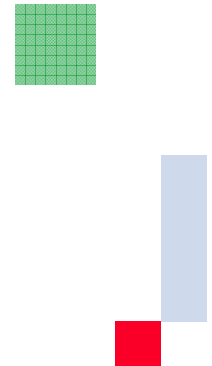
- **Frequency response**
- **Standing reserve**
- **Demand turndown**
 - No longer available
- **Proposed Gas Reserve**
 - Penalty for non delivery.
 - Availability & utilisation payment



Issues:
 Primary/residual balancer
 Distressed buyer
 Acting too early.
 Cost recovery.
Pro:
 Not linked to supply

Npower's position as a Power and Gas Supplier

- Power
 - Supply volume 55TWh (33TWh business)
 - Full spectrum of customers domestic, industrial & commercial.
- Gas
 - Supply volume 51TWh. (13TWh business)
 - Large domestic volume, smaller volume of I&C volume.
- Market leader in Power and Gas flexible purchase contracts.
- Backed by RWE trading (RWET) activities.
 - 33TWh of power generation.
 - No upstream U.K. gas production



Experience of 2005 - Electricity

- Frequency response and Standing reserve
 - FR 1300MW generation + >100 MW demand side
 - Standing Reserve 500MW generation + 20 MW demand side
- Successful participation in “Demand Turndown Trial”
 - Aggregator >140MW during fixed windows.
 - Disappointed not materialise into permanent scheme.
- Call option
 - Load shed or increased generation.
- Day ahead and within day sell back
 - Earnings in excess of £20K per MW (depending on parameters)
 - Established management, utilisation and reporting and monitoring.



Experience of 2005 - Gas

- Some embedded commercial interruption rights in existing firm contracts.
 - not automatically exercised.
 - Never previously used
 - Customer contacted individually to agree provision.
- Call options
 - Contract offered – but can't sell if you haven't bought.
- I&C customers on flexible contracts
 - Avoidance of high Day ahead prices
- >12% of I&C load provided DSR.



Expectations for 2006.

- High expectation of a requirement for DSR on Gas and Opportunity for DSR on Power.
 - Advance preparation is essential
 - Assist customers to assess feasibility of DSR
 - Testing and proving of capabilities
 - Preparation of incentives for DSR
 - Sell back/Call option/Plant management.

