Options for Energy Buyers

A Graphless presentation !

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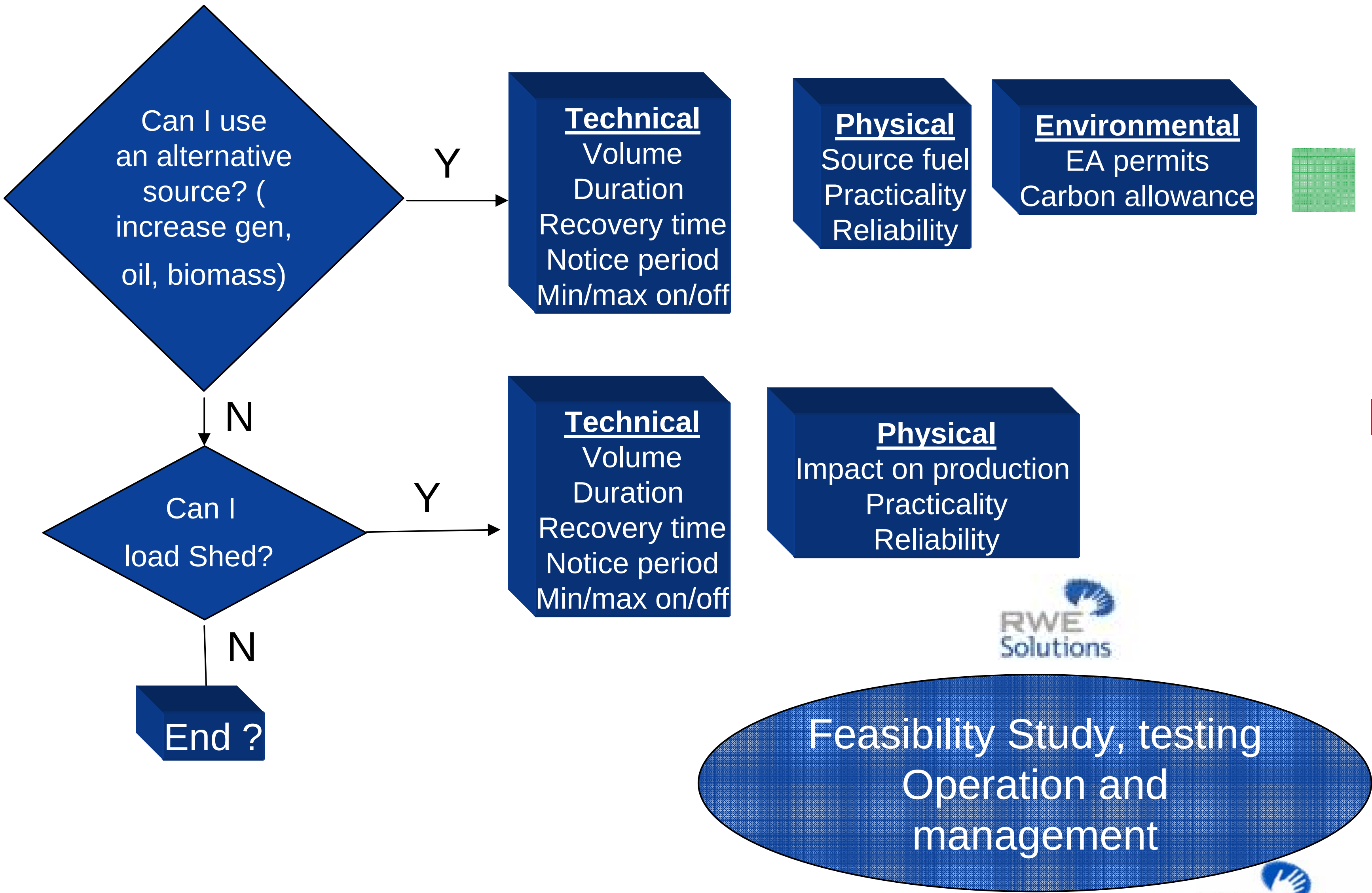
Preparation - Physical



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.