

# Ofgem's Electricity Capacity Assessment

Andrew Wright  
Senior Partner, Markets

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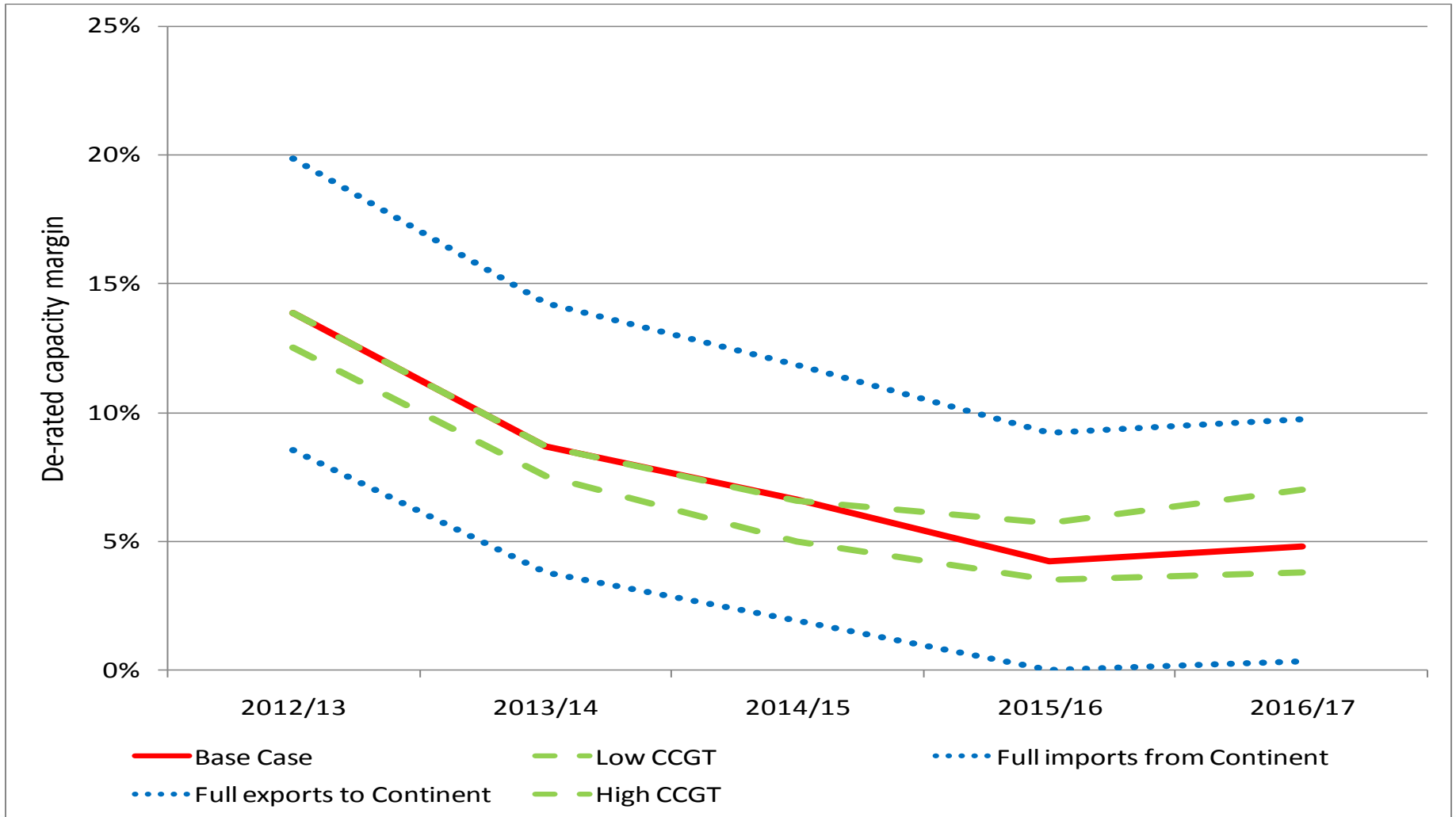
## Background

- Ofgem is required by law to provide the Secretary of State with an assessment of electricity capacity margins by 1<sup>st</sup> September each year
- Ofgem has, today, published the first of these reports for 2012, which represents the output of extensive analysis and modelling by Ofgem and National Grid.
- This report will provide an important input into key Government decisions on EMR and the design and timing of any capacity mechanism.

## Drivers of the de-rated capacity margin

- Demand is projected to be broadly flat over the period, with energy efficiency offsetting underlying growth in activity
- Plant closures before the end of 2015 result in tighter margins
  - Closures and mothballing of older, less efficient CCGTs driven by poor economics
  - Closures of opted-out coal stations under the LCPD
  - Offset by new renewable capacity
- Key uncertainties drive the range of projected margins
  - When will mothballed gas-fired generation return to service, if at all?
  - How will the interconnectors be relied on to support the GB market at peak?
  - Will any of the proposed new-build power stations be completed during the forecast period?
  - Will demand forecasts differ from those assumed in the base case?

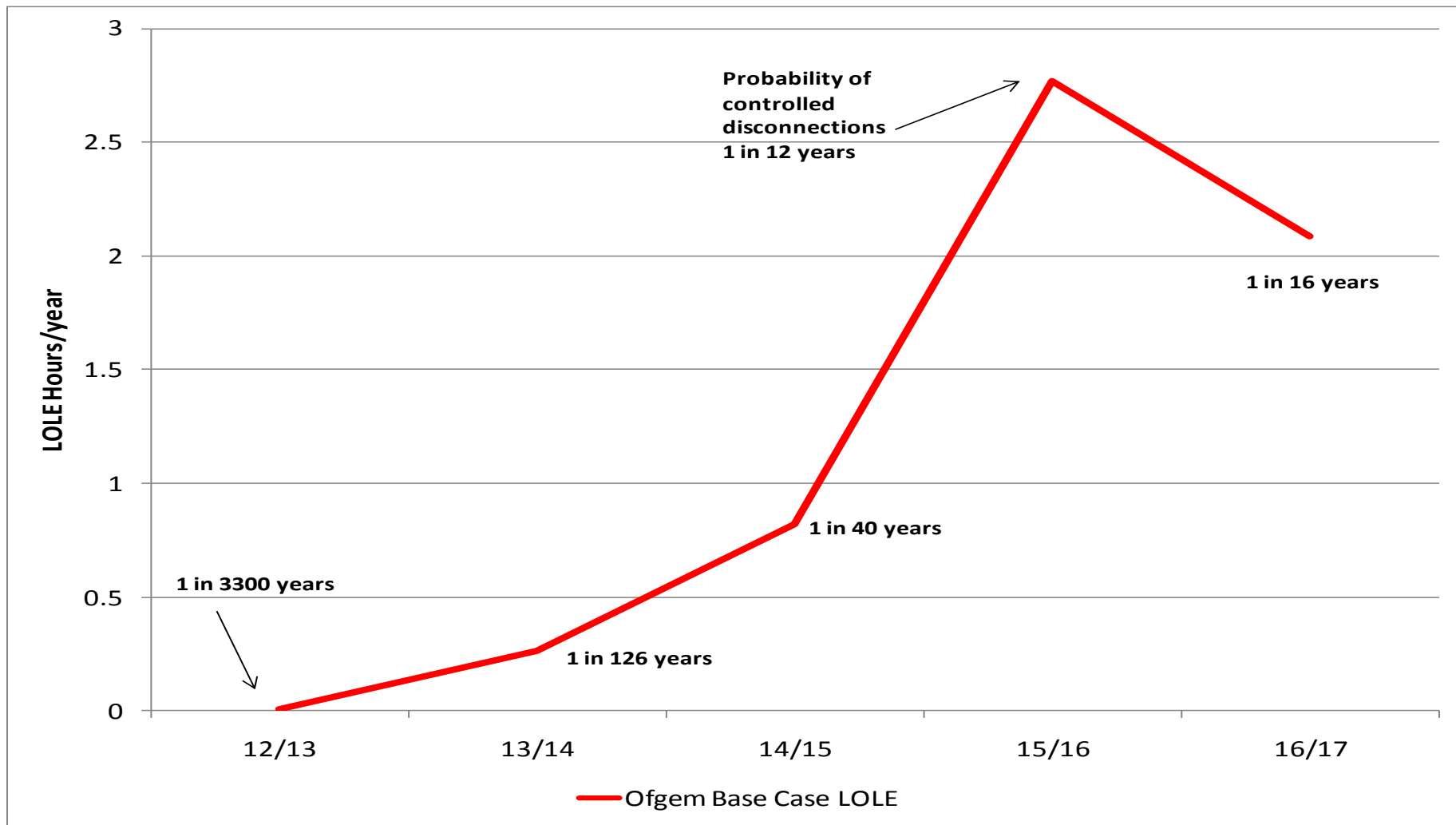
# De-rated capacity margins



## Security of Supply

- De-rated capacity margin is an easily understood proxy for a broader, richer statistical modelling of security of supply trends
- Statistical security of supply indicators are at least as important
  - Loss of load expectation (hours/year)
  - Expected energy unserved (GWh/year)
  - Probability of controlled disconnection
- These measures show a reduction in security of supply over the period, but still remaining within typical international security standards

# Loss of Load Expectation



## Ofgem's messages

- In 2010 Project Discovery highlighted the exceptional challenges facing the GB energy markets in delivering secure, affordable and sustainable energy
  - We proposed radical reform of energy markets, which are now being delivered by Ofgem and Government
- Our analysis shows that, for electricity, these challenges remain
  - Plant closures have come earlier and on a greater scale
  - But electricity demand is lower than we had previously forecast
- There is no room for complacency
  - Government is taking forward its Electricity Market Reform in the upcoming Energy Bill

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

*ofgem*

Promoting choice and value  
for all gas and electricity customers