National Grid Connections Update

John Twomey

Electricity Commercial Contracts Manager
National Grid

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- Viability of contracted projects
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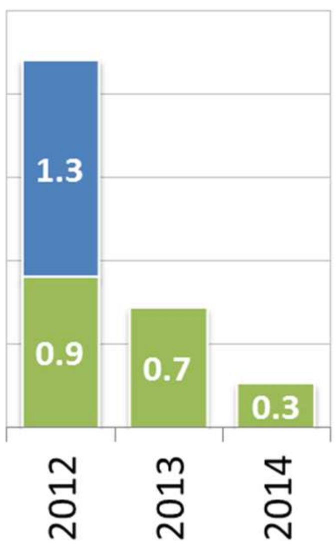
- Focus on viable projects

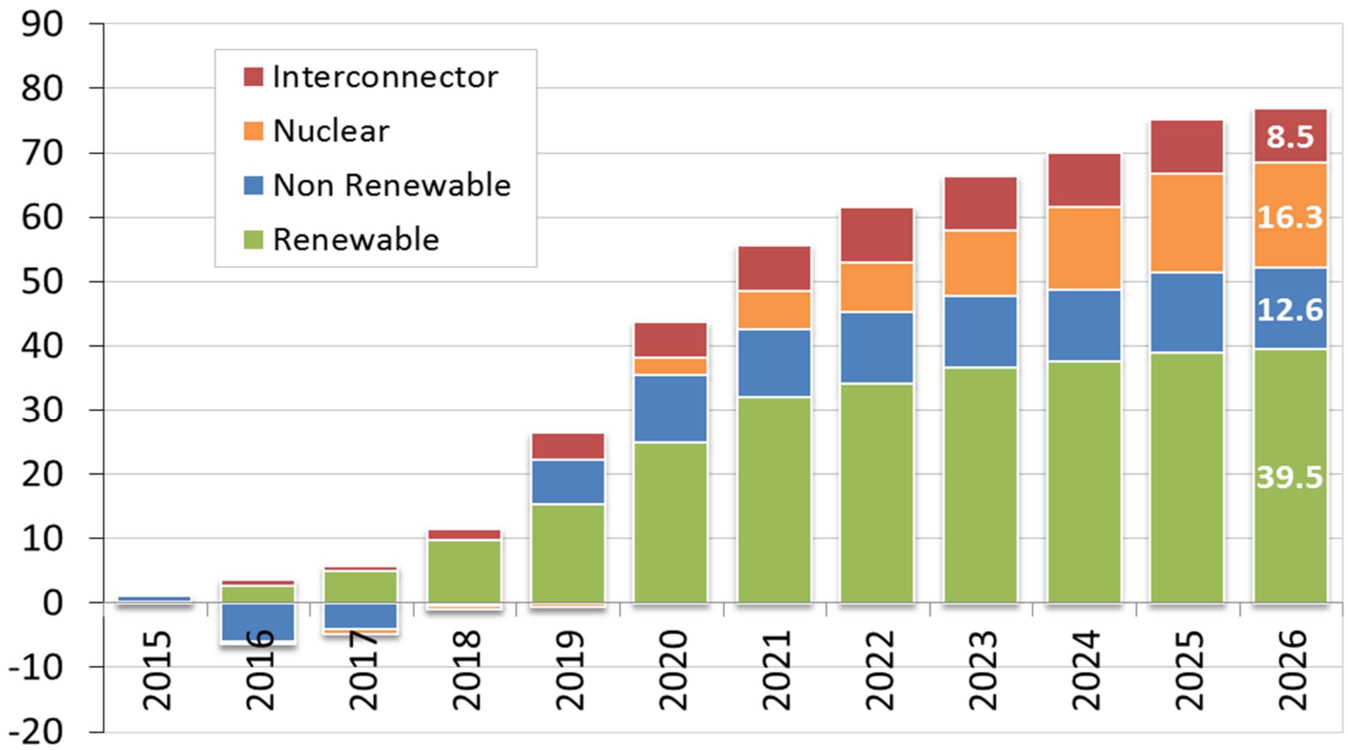
Policy uncertainty hasn't yet resulted in major changes to contracted background…

- **74.5GW** connected as at November 2015
- **~79GW** contracted to connect by 2026

Connected (GW)



Contracted (cumulative GW)



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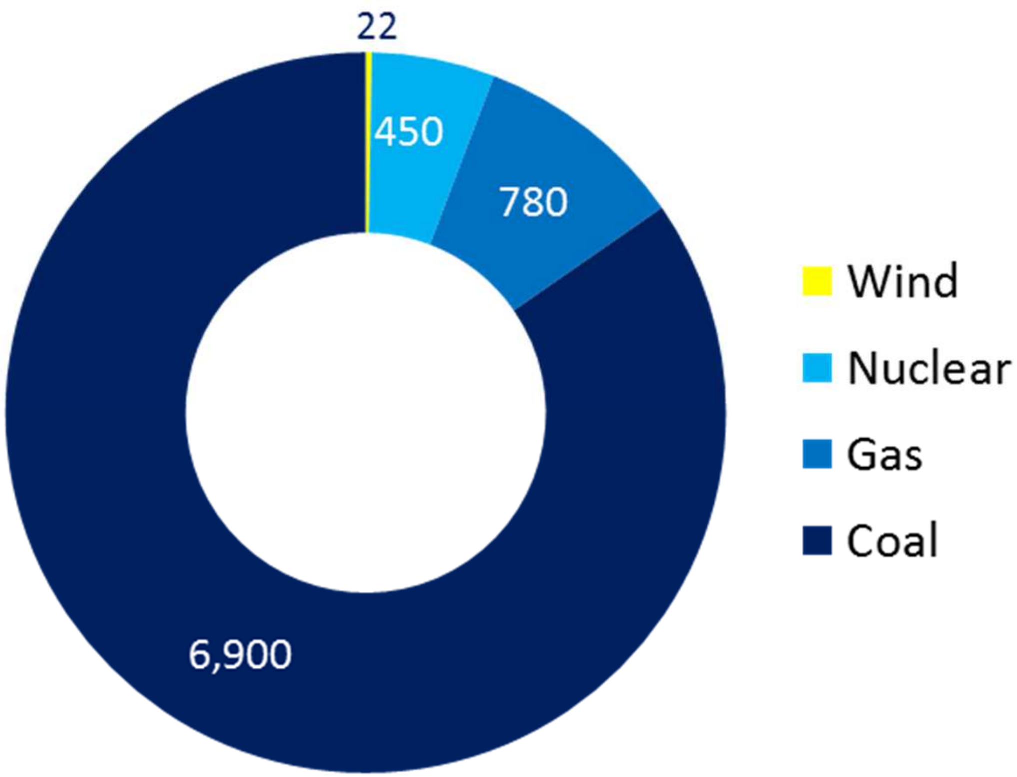
We are, however, seeing the closure of some existing power stations…

TEC Reduction of 1.4GW notified in March 2015

TEC Reduction of 6.7GW notified during the recent CMP213 Judicial Review

A total of 8.1GW reducing from April 2016

TEC Reductions by fuel type (MW)



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Supplies of electricity are tight yet manageable…

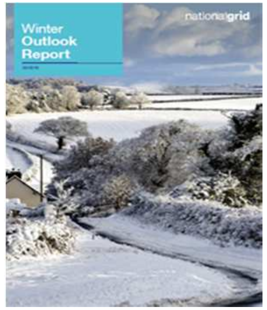
Reduction in generation capacity for this winter and further reductions ahead of next winter

Forecast peak demand broadly in line with last year

5.1% margin is manageable, with a range of established tools available to help balance the system

Procured 2.56GW of Supplemental Balancing Reserve and Demand Side Balancing Reserve for this winter

Increased likelihood balancing tools will be used



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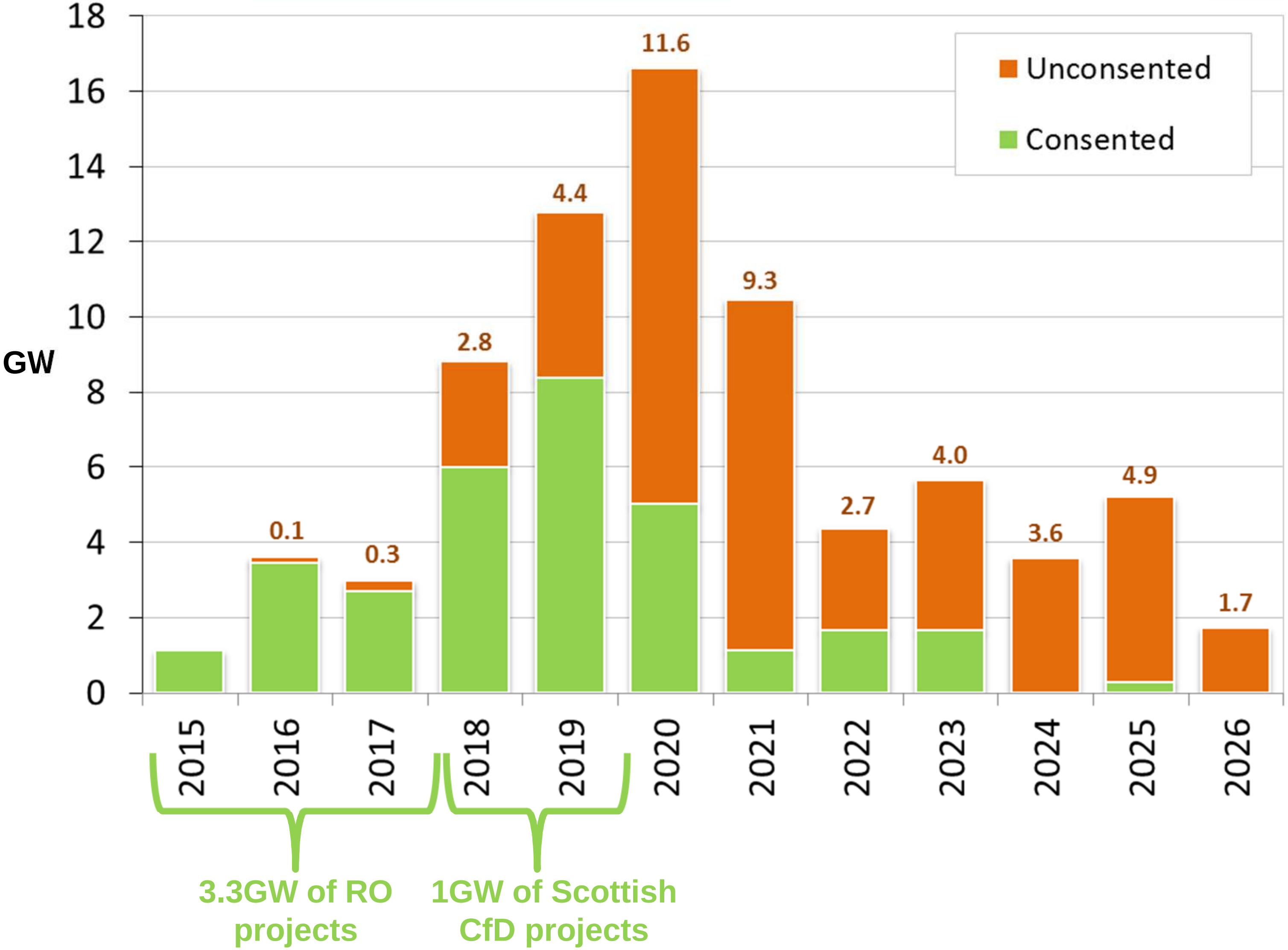
Delivery of some contracted capacity is uncertain…



There are a number of financial obligations to keep in mind…

Potential liability for an increasing Cancellation Charge upon either termination or reduction in TEC (of Developer Capacity)

Security under User Commitment Methodology -

- **100% before Trigger Date; 42% without consents from Trigger Date and 10% with consents from Trigger Date**
- **Security percentages will change for any embedded projects from 1st April 2016 to become 45% and 26%**

Potential One-Off Charge and/or a ‘Transmission Charge’ for delay or backfeed which is currently being debated though CMP249

Please let us know ASAP if you are thinking of either delaying or terminating your project, or amending your contracted position

To allow focus on the most viable projects we will be robustly applying contract terms…

- **Proactive engagement on key milestones**
- **Backstop Date**
- **Focus on contracted vs planned**

- Where possible, we will support Interim Restrictions on Availability to consented projects i.e.
  - Via Intertripping Schemes
  - Via ANM Schemes

And importantly,

- Regular dialogue between SO and TO and developer in relation to the project and the progress towards the connection date

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Summary

Recent policy uncertainty has not yet resulted in major change to the contracted background

TEC Reductions April 2016 - margins remain tight but manageable

In Scotland 3.3GW with consent currently able to connect under RO and 1GW with consent able to connect in Scotland via CfD

Capacity could still be being held by potentially uncertain projects

There are a number of contractual risks and to allow viable projects to progress and we will be applying contract terms more robustly

We are innovating to accommodate developers of viable projects and want to encourage ongoing dialogue with developers