

Winter Contingency Contracts

Purpose

This document provides additional detail on the Winter Contingency Contracts that ESO have entered into at the request of BEIS.

Context

As a prudent system operator, ESO are taking steps to ensure we are well prepared to maintain safe and secure operation of the electricity system throughout Winter. These steps include actions to build our resilience and mitigate the potential impact to electricity customers in Great Britain.

Winter Contingency Contracts

Name	Volume	Date
West Burton A	2 x 400MW	1 Oct 2022 – 31 Mar 2023
Drax	2 x 570MW	1 Oct 2022 – 31 Mar 2023
Ratcliffe	1 x 480MW	Nov 2022 – 31 Mar 2023

1. The latest cost forecast of these contracts is in the region of £340m to £395m which is subject to the procurement of coal. If, and when the units are run, there will be an additional cost due to the cost of carbon allowance.
2. The cost of these contracts will be recovered through BSUoS between October and March with cost spread equally between these days. At the end of the contracts, should any residual coal be left, this will be sold back to the market with proceeds returned to BSUoS payers.
3. For the avoidance of doubt, the units will not be available in the open market and will only be dispatched at the request of the ESO. They will be dispatched through a BOA in the Balancing Mechanism or a trade priced at £0/MWh.
4. We are in the process of raising an urgent code mod to ensure that the impact on cashout is mitigated. This would mean that post event, ESO will withdraw the BOA and replace through BSAD with a price of £99,999/MWh.
5. The effect of the proposed workaround is that both Imbalance Prices and Imbalance Charges would be calculated correctly; but because the volumes have been reported to Settlement as BSAD rather than a BOA the Generator would not receive an additional payment relating to the BOA.
6. It is highly unlikely there will be any requirement to use these contracts prior to clock change.
7. All warming and dispatch notifications will be through the normal channels, e.g. SONAR, BMRS. Warming times for each unit are between 12 & 48 hours