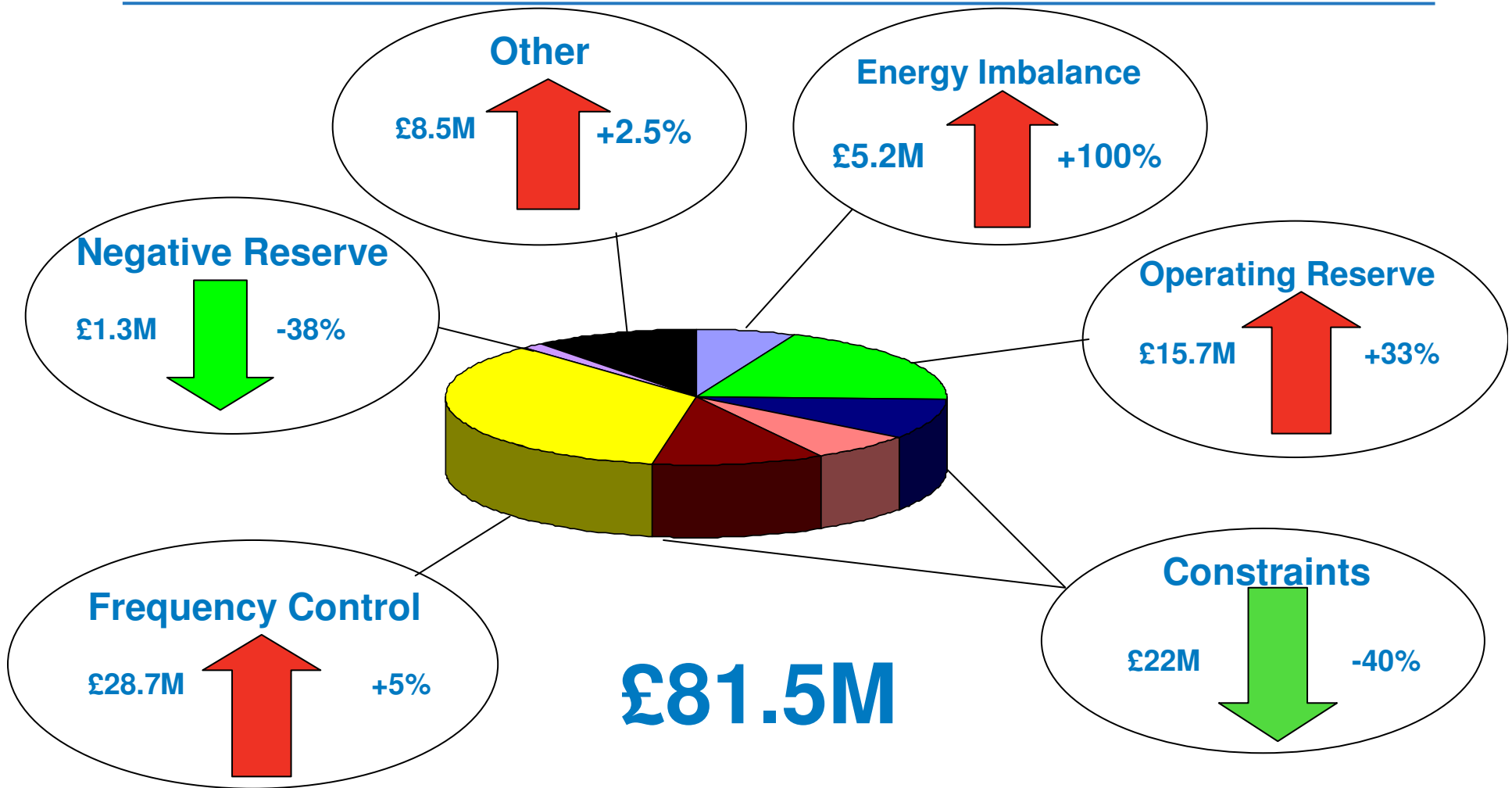


Operational & System Operator Cost Update



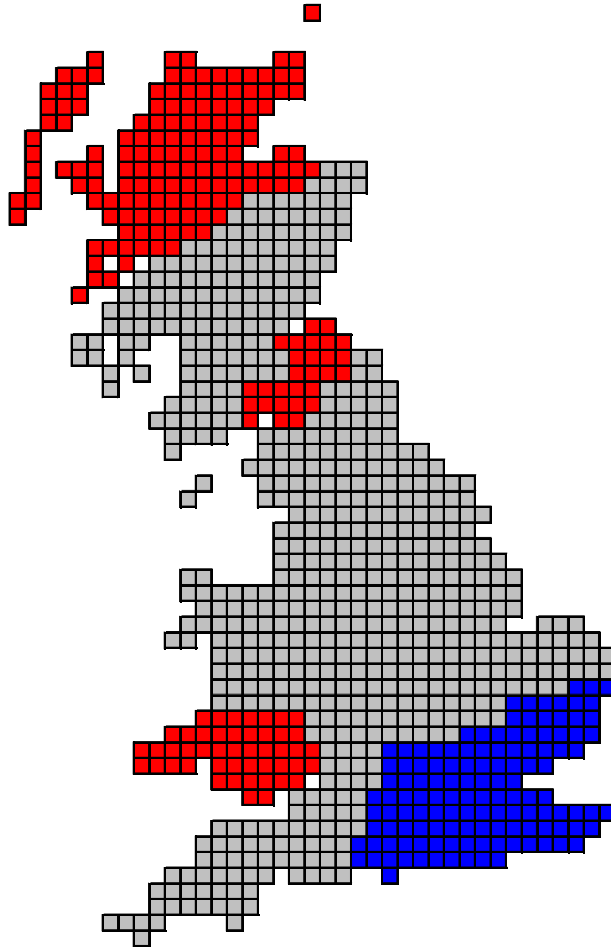
Iain McIntosh - Electricity Incentives Development Manager

Actual Cost for September 2013



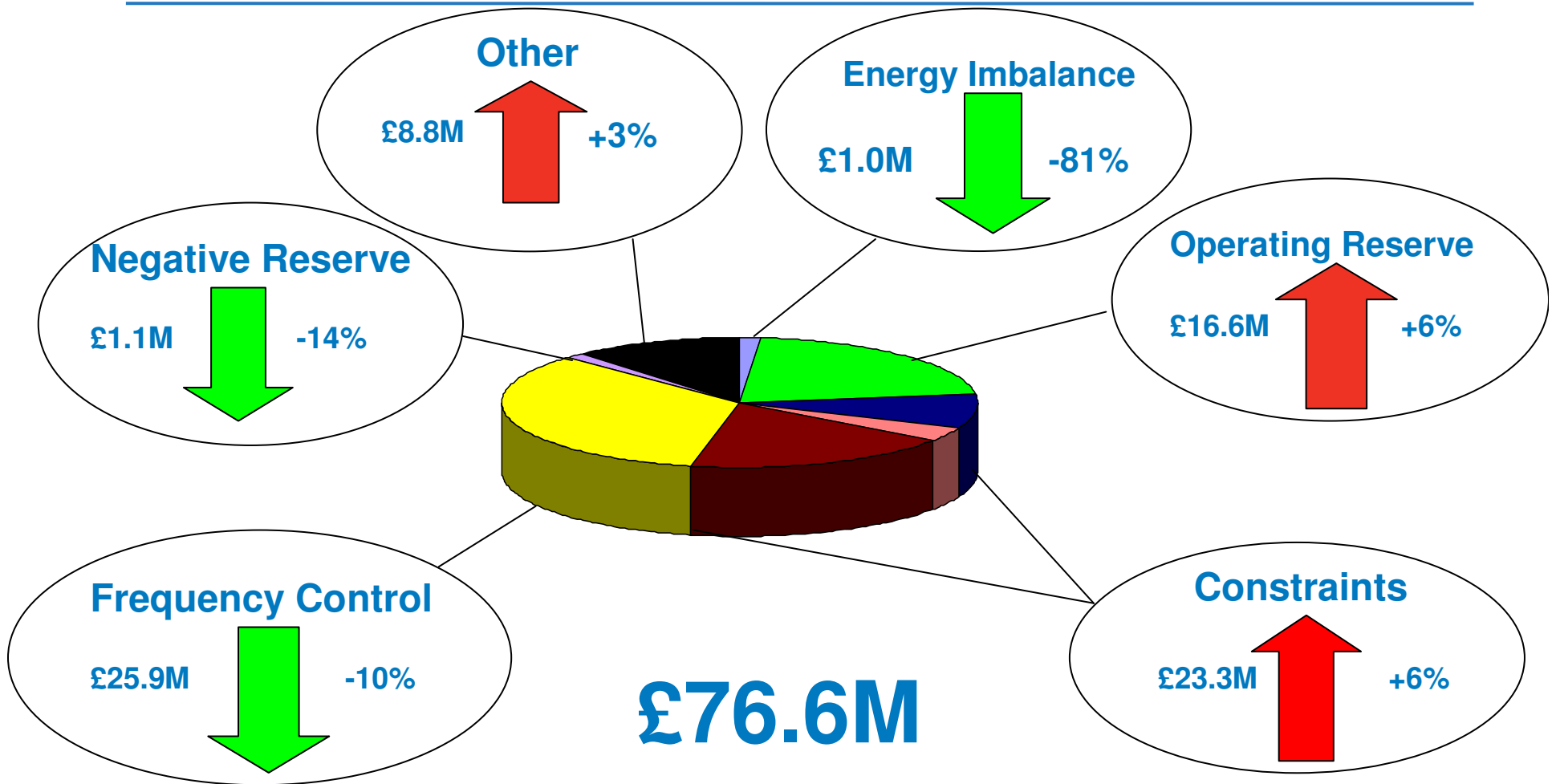
All comparisons against August 2013

September – Constraint Issues



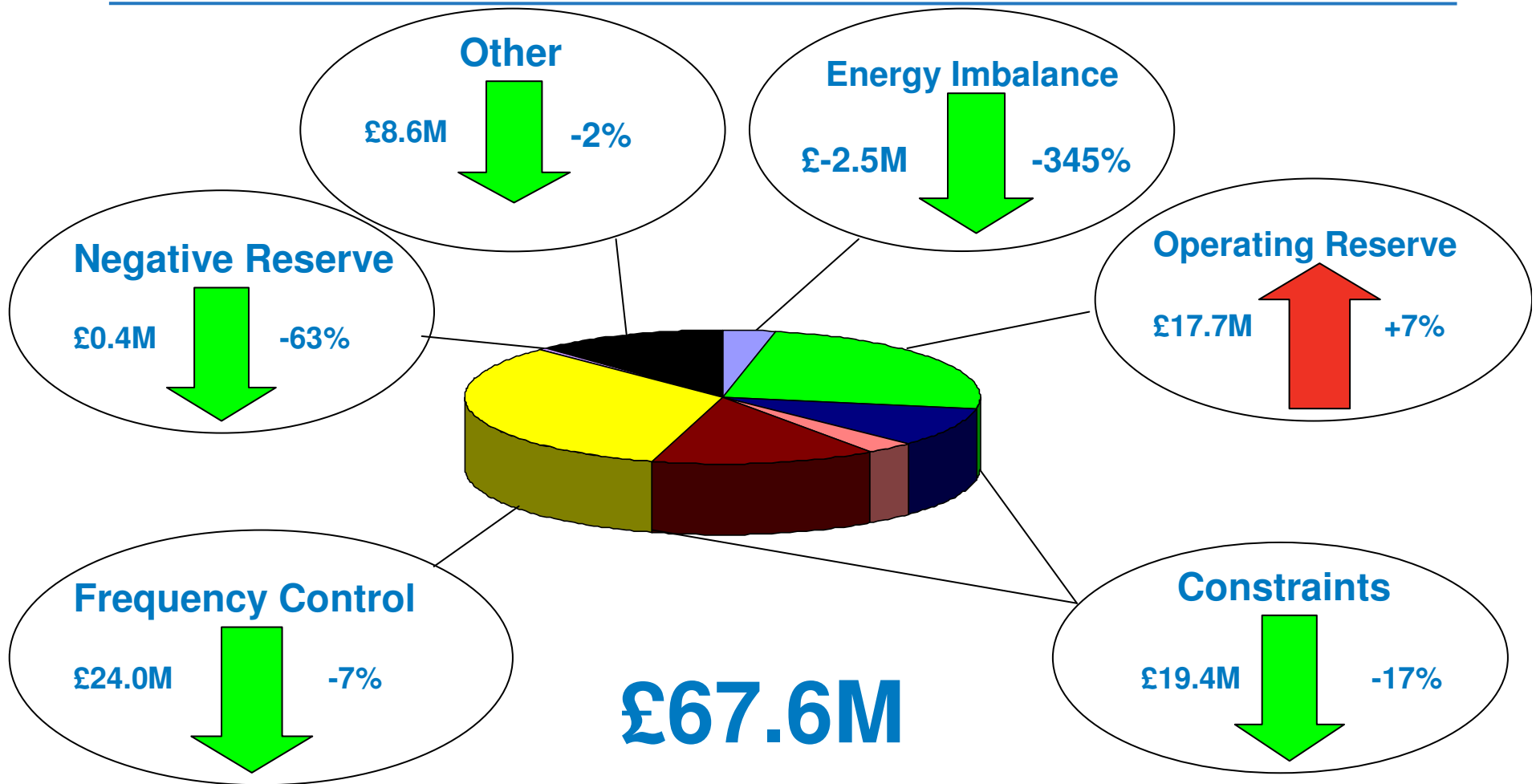
- Constraint costs fell from August from ~£35M to ~£22M
- Constraints active for first week in Scotland – northern Scotland driven by circuit outage
- First two days accrued ~£7M of cost – high generation output levels
- E&W costs drove cost for the remainder of the month – S.Wales and voltage management

Actual Cost for October 2013



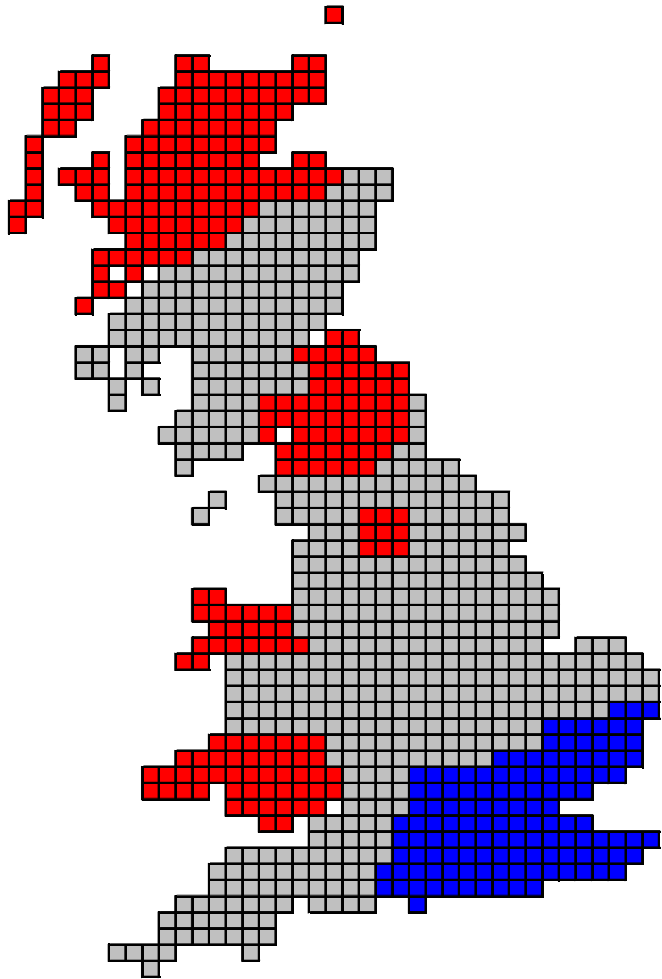
All comparisons against September 2013

Actual Cost for November 2013



All comparisons against October 2013

October/November – Constraint Issues

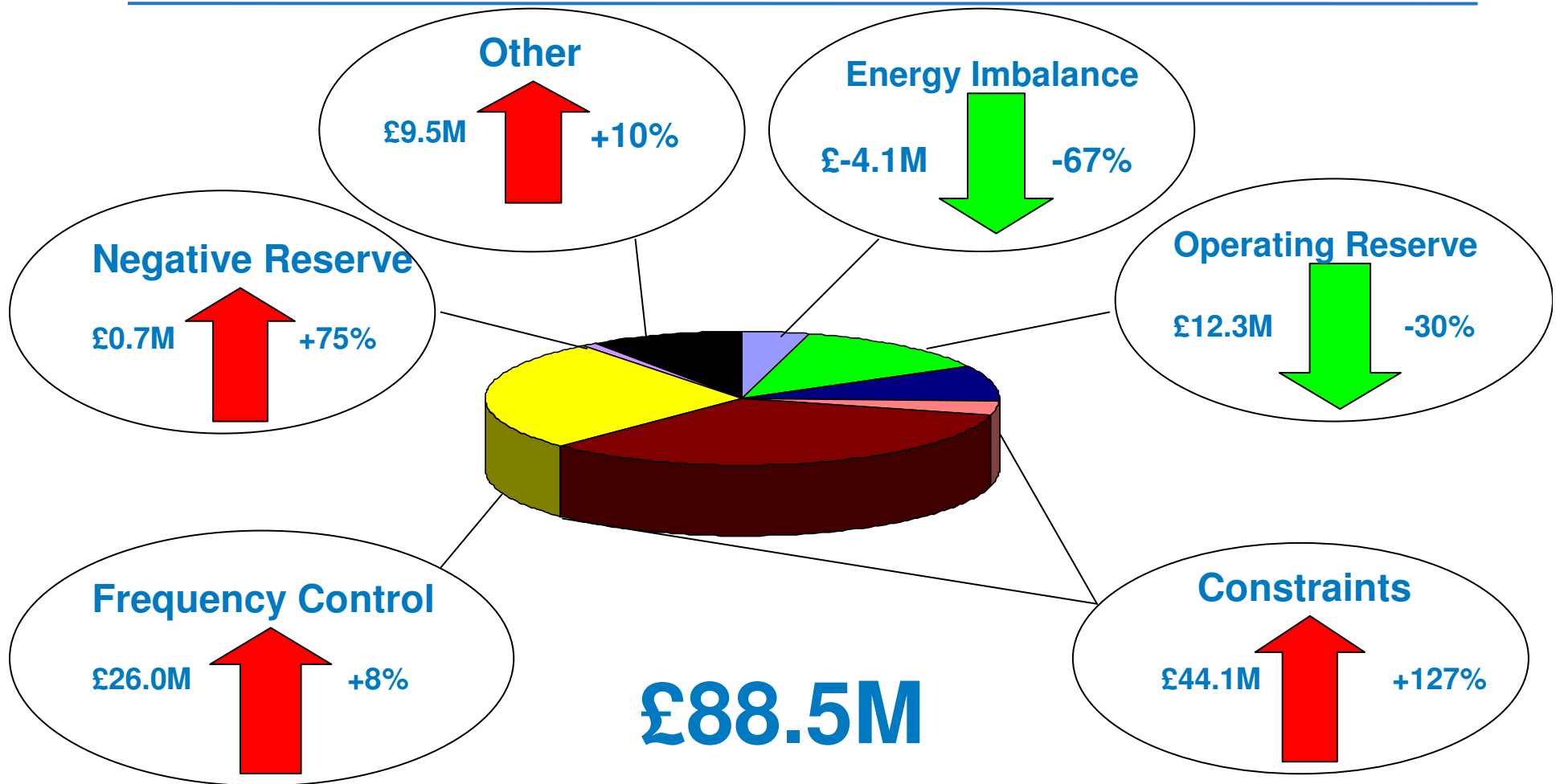


- Costs in line with September ~£23M
- Cost accrued over first and last 10 days of the month
- More active constraints in E&W, including North Wales/Snowdon – replacement tower work
- Additional southern plant run on 28th October for security during storm period
- Cost in November accrued for similar reasons, high exports from Scotland and South Wales, voltage control in South East

Pentir-Traws

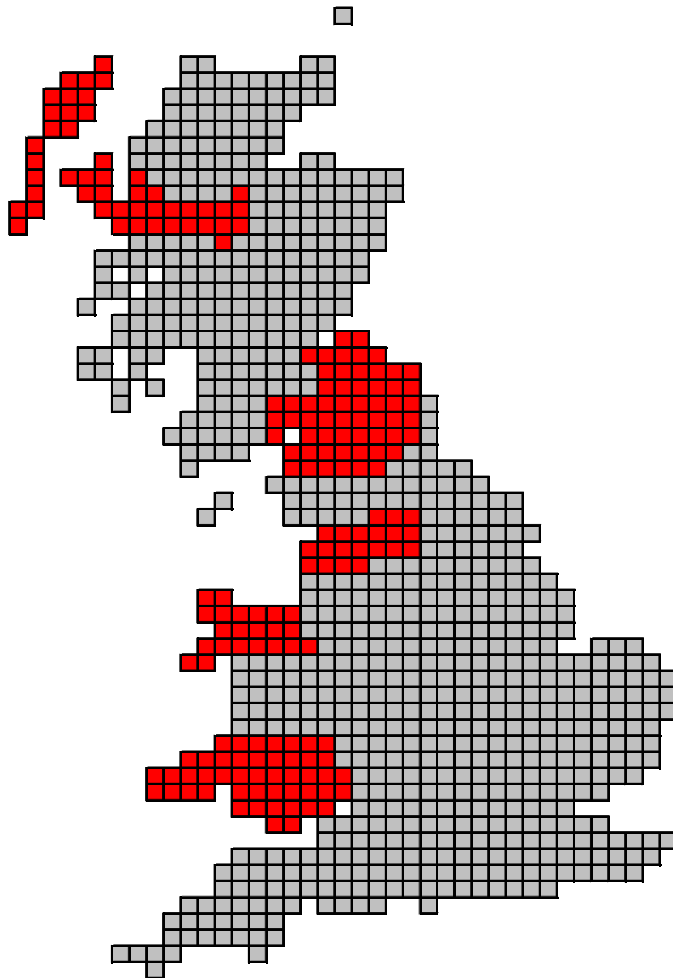
- Unplanned outage was required in October – subsidence under tower on Pentir- Trawsfynydd 400kV - safety concerns paramount
- Significant generation capacity in group including Dinorwig, Gwynt y Môr & Wylfa
- Potential impact on;
 - supply margins
 - system security
 - operating costs through (Dec to Feb) period
- Specific team of engineers was formed to expedite the repair—circuit was returned to service by end of November

Actual Cost for December 2013



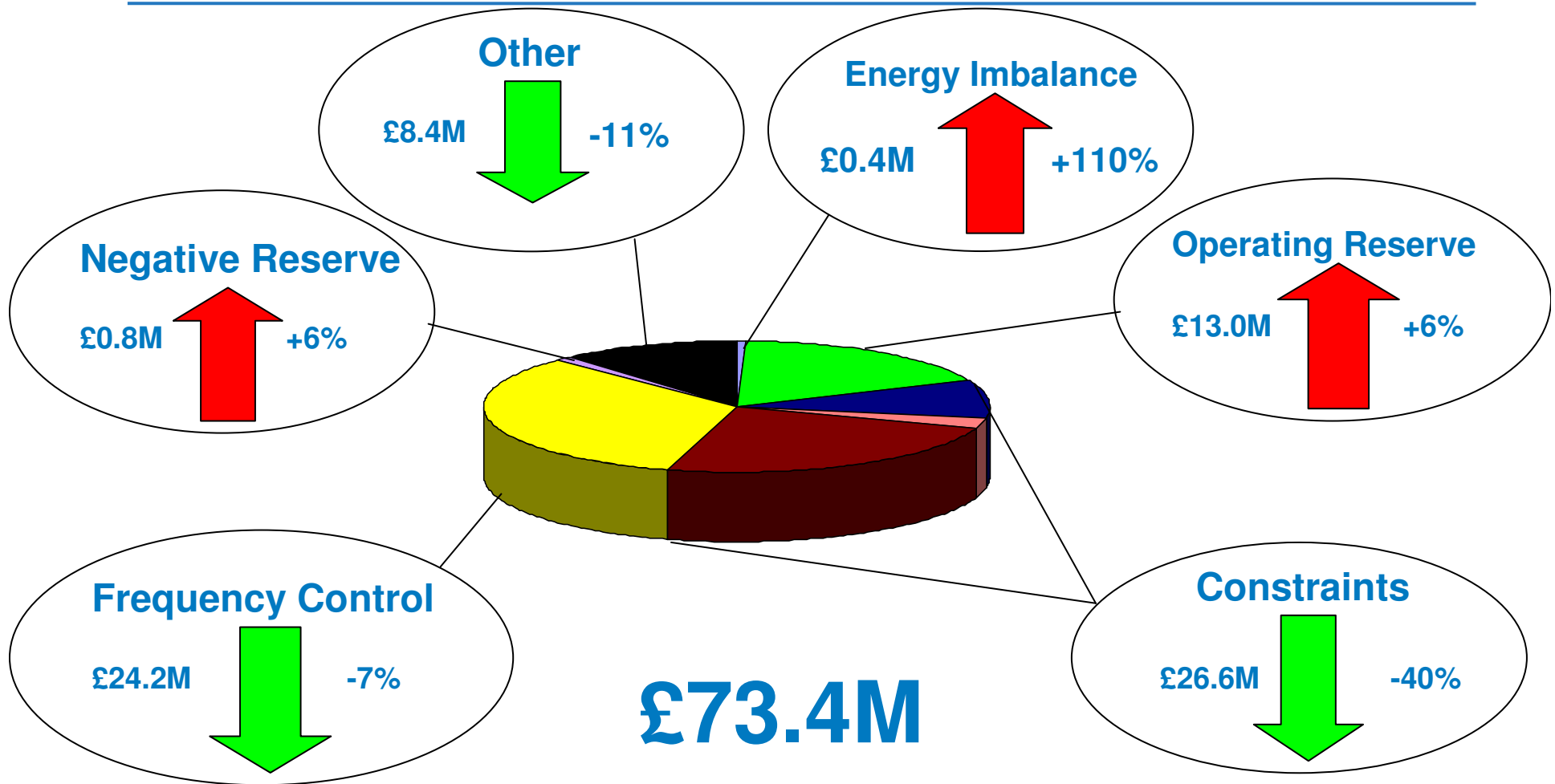
All comparisons against
November 2013

December– Constraint Issues



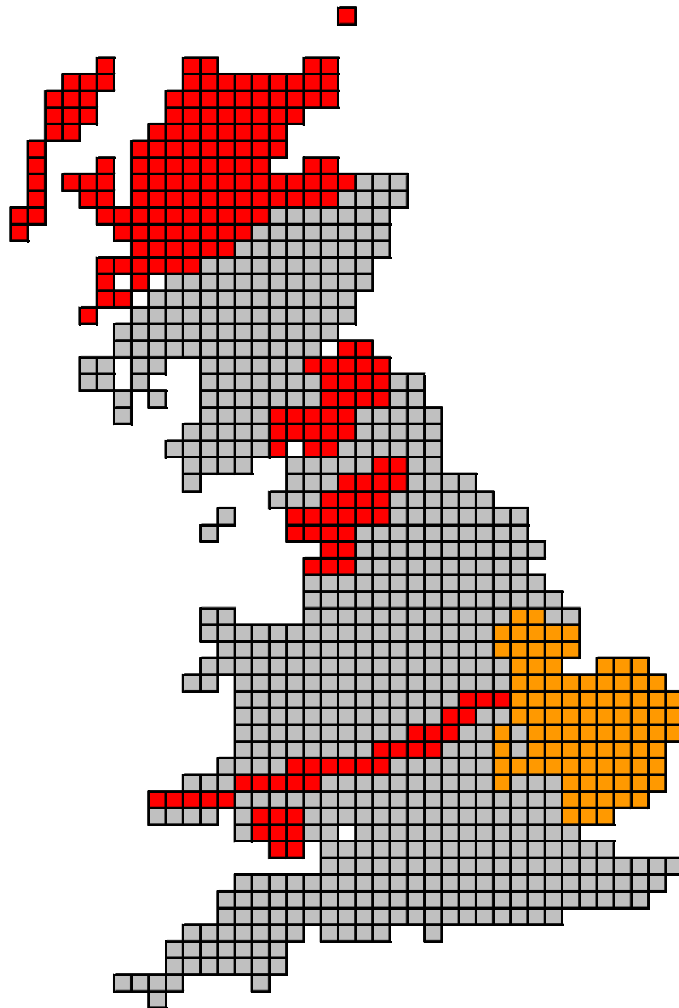
- Significant costs through December at ~£44M
- High and sustained exports from Scotland resulted in significant volume of actions to manage Cheviot boundary – £17.9M accrued to a broadly intact system
- Voltage support requirement and high precipitation in Scotland impacted on available options
- Actions taken across all types of plant.
- Fault outage occurred in North of Scotland coincident to planned outage (£0.9M)
- MERSCON constraint – fault outage (£0.6M)

Actual Cost for January 2014



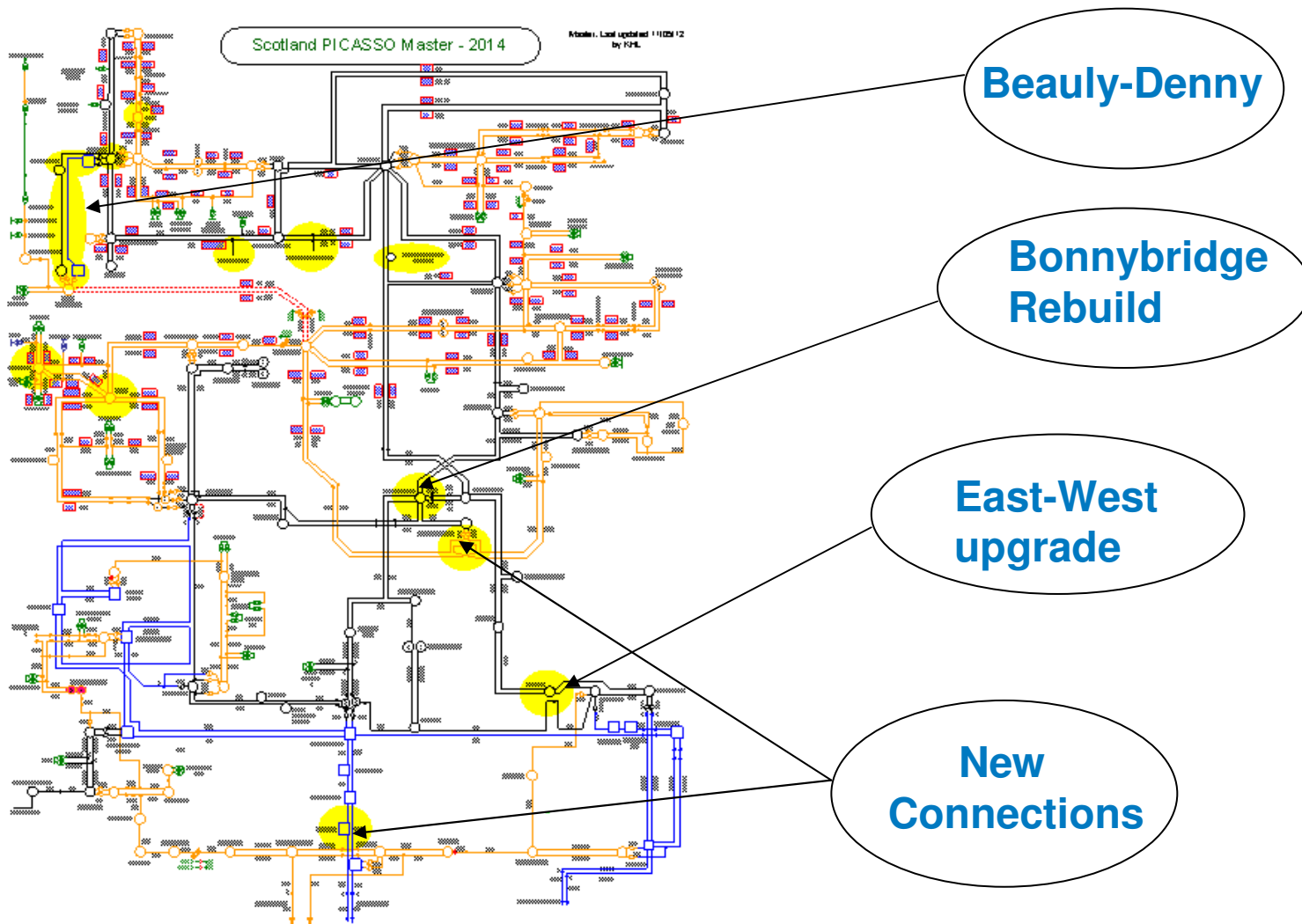
All comparisons against
December 2013

January – Constraint Issues



- Significant costs through January at ~£26.6M
- High exports from Scotland resulted in significant volume of actions to manage Cheviot boundary – £8.8M accrued to a broadly intact system
- Actions taken across all types of plant.
- Continuing fault outages in Scotland and north of England

Investment schemes - Scotland



BSUoS Forecast Update 2013/14 and 2015



BSUoS Forecast 2013-14

- External BSUoS costs (incl incentive performance) estimated to be: ~£878.2m
- Internal Costs £132.6M
- Total BSUoS costs estimated to be: ~£1010.8M
- Total Charging Volume: 608.6TWh
- Est. BSUoS Charge: £1.66/MWh (Range of £1.62/MWh to £1.71/MWh)

Year ahead 2014-15

- Large investment programmes continue across GB network, therefore potential for significant deviation from plans – significant change witnessed through 2013-14
- Programme delivery can be impacted by delays due to impact on critical path. Significant chance of outages being taken through winter period. Associated impact on constraint costs
- Potentially reduced constraint costs due to plant availability changes/outages
- Expect similar trends to this year in balancing costs – but margins tightening therefore potential increase in operating margin costs

BSUoS Forecast 2014-15

- External costs ~£820M – main risks
 - Substantial outage plan – risk that winter outages required
 - Tightening margins
 - Black Start requirements
 - Interconnector trading arrangement changes
- Internal costs unchanged
- Central forecast £1.55/MWh – range of £1.37/MWh to £1.70/MWh



Q&A

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