Should energy managers be concerned about security of supply this winter?

26th October 2017

As the winter months approach, energy managers across the UK look to National Grid’s Winter Outlook to provide a clear perspective on the security of our energy supply.

This year, the winter forecast is relatively positive:
- The surplus power margin is now 6.2 GW (10.3%) vs 3.7-4.9 GW that National Grid forecast in June.
- It’s also a more comfortable margin than that of winter 2016/17, which was 5.7%.

Margins have increased largely because:
- It’s the first full year of the Capacity Market, so there are a number of generators on hand to supply electricity capacity when needed.
- Several power generators not in the capacity market, including three combined cycle gas turbines (CCGTs) and two biomass plants have also indicated that they will be able to provide power to the Grid.

Gas demand is also expected to be lower than 2016, at 51 billion cubic metres (bcm) mainly due to the reduction in the amount of gas being used for power generation. Moreover, Grid expect lower export demand from Ireland and Europe, and although Rough is closing, we could see withdraws of around 1 bcm of recoverable gas from it this year.

However, whilst National Grid is confident that the system will balance, even if this winter is considerably colder than previous winters, there are still several risks to be mindful of, including:
- Higher reliance on intermittent renewable generation creates potential for periods of volatility
- European Gas storage is c.12% lower compared to this time last year
- French nuclear power plant safety concerns may continue to provide bullish support
- Gas & power day ahead prices have risen by c16% & c3% respectively since the start of October

What does this mean for energy managers?
Although the winter outlook seems promising at this stage, energy managers still need to carefully consider their consumption as we move into the colder months.

While the Capacity Market will be instrumental in ensuring that National Grid can meet demand this winter, it comes at a cost. Next month, businesses will see a new charge on their bill – the Capacity Market levy – and part of this charge will be based on time of use. Those on half-hourly meters face charges of around £31/MWh for all the electricity they use between 4pm-7pm on weekdays from November 2017 to February 2018.
We’ll also be in Triad season from November, and while we can never say precisely when a Triad will occur, it’s a good idea for energy managers to understand the trends when it comes to Triads. For instance, Monday is the most common day for a Triad, and there has never been one on a Saturday or Sunday. With a single Triad period costing anything from £9,000-£18,000/MW of demand, it pays to avoid these costly time periods.

**Next steps**
There are many well-established ways of avoiding the energy cost rises that come with the winter weather, from participating in demand management schemes to securing a fixed procurement contract while prices are low.