



## National Grid ESO warns of tight margins across weekend



Commentary

Adam Green,  
Operations Manager at New Stream

### Recent backdrop :

- A month ago on the 15th September National Grid ESO issued a Capacity Market notice.
- National Grid warning the margin had dropped below its 500MW threshold.
- This was swiftly cancelled an hour later.
- Prices spiked to over £500/MWh that night due to low wind generation.
- In March there was a bigger spike to £2,242/MWh again following lower than expected wind generation.



### A mix of low wind and generator outages will create tighter margins - warns National Grid ESO

As New Stream have outlined in previous client updates it is house opinion that there are fundamental reasons why there should be a market priced risk premium for potential shocks as we enter winter.

- There is clearly issues in France with their nuclear generation that could have wider implications across European energy markets including the in the UK.
- Fundamentally gas (LNG supply) and carbon remain strong. The current tightness in UK power supply /demand adds additional bullish value sentiment to this.

Earlier in the week we saw that National Grid had said that spare capacity had been reduced as a result of the “unusually” low levels of wind generation as well as a number of outages on the transmission level. We are now seeing these tighter margins play out in the market

National Grid said :

**“We are exploring measures and actions to make sure there is enough generation available to increase our buffer of capacity”.**

Yesterday they went on to comment :

**“They remain adequate today and that it is continuing to monitor the situation for Friday 16 October and the weekend”. They said that they were "in touch with providers in the market" so as to "make sure there was as much generation available as possible to operate the system securely today".**

From an operational perspective we are making sure that all of our clients with flexibility are aware of pricing and manage their position accordingly. That means that those clients that can export do so and those that have ability to reduce load also make necessary changes into this evening and the weekend.

This shouldn't be much of a surprise to anyone. As more renewables come onto the system the intermittency of the technologies is going to create challenges. But this also created opportunities for those holding flexibility.