



## Alkane Energy PLC

# Alkane Wins National Grid Contracts

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#### **Alkane wins National Grid demand side balancing contracts for 2014/2015**

Alkane Energy plc ("Alkane") is delighted to announce that it has been successful in winning some of the first demand side balancing contracts for the 2014/15 winter season. These contracts are part of National Grid's Demand Side Balancing Reserve ("DSBR") programme which is designed to provide additional balancing services to the UK electricity market during periods of high demand and will provide a new income stream for Alkane.

The contracts are to supply 56MW capacity to National Grid during periods of high system demand over the winter season running from 1 November 2014 to 28 February 2015. They are among the very first contract awards under interim measures introduced by National Grid to ensure that as System Operator, it has the tools to deal with tightening margins in the coming winters.

This award is a reflection of Alkane's cost effective, flexible and highly reliable operating assets. The current generating fleet provides an ideal partner to National Grid in meeting its security of supply targets and gives Alkane confidence in bidding into the capacity market and other balancing services in the coming years.

The winter of 2014/15 will be the first year of operation of this new initiative with the overall programme being designed to cover the winter peak period from 4pm to 8pm each weekday between November and February. Alkane will receive a two hour warning from National Grid if it is required to generate. Alkane is not expecting any significant additional capital expenditure or operating costs to service this new

market, which will be accommodated by Alkane's existing power response fleet.

Neil O'Brien, Alkane's CEO, commented:

*"Our power response strategy is built on being a reliable, cost effective and flexible partner for National Grid. I am delighted to see that this strategy is continuing to develop as planned. Starting from a base in the STOR market in 2011 we have expanded operations into winter running and now DSB. All of this will be serviced from our existing engine capacity which can be swiftly deployed to respond to a range of market demands."*

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**Background information**

Alkane is one of the UK's fastest growing independent power generators. The Company operates mid-sized "gas to power" electricity plants providing both base load and fast response capacity to the grid. Following the recently announced acquisition of three power response sites from Carron Energy Limited and Dragon Generation Limited, Alkane has a total installed generating capacity of 140MW and an electricity grid capacity of 160MW.

Alkane's base load operations, where power is generated 24/7, are centred on a portfolio of coal mine methane ("CMM") sites. Alkane has the UK's leading portfolio of CMM licences, enabling the Company to extract gas from abandoned coal mines.

As CMM declines at any one site, Alkane retains valuable generating capacity and a grid connection which can be redeployed to power response. Power response sites are connected to mains gas and produce electricity at times of high electrical demand through peak running, or in order to balance the electricity grid through participation in the National Grid's short term operating reserve programme ("STOR"). Participants in STOR are paid premium rates when called upon by the Grid to meet temporary supply shortages. Alkane now operates 93MW of power response, one of the UK's largest power response businesses, with contracted revenues extending out to 2025.

The Group operates from 27 mid-size (up to 25MW) power plants across the UK, 15 CMM only, 8 mains gas only, 3 using both fuel sources and 1 using kerosene only. Alkane uses standard modular reciprocating engines to generate the electricity and sells this power through the electricity network. The engine units and other plant are designed to be flexible and transportable allowing additional capacity to be brought onto growing sites and underutilised plant to be moved to new sites to maximise efficiency.

Alkane transferred in June 2014 its shale gas interests to Egdon Resources plc. Alkane received 40m Egdon shares making us the largest shareholder in Egdon, a significant player within the UK shale industry.

Alkane has a range of core skills encompassing the entire project development cycle including planning and permitting, sourcing plant and managing the build and commissioning stage. This has enabled Alkane to establish a design, build and operate ("DBO") business for third party clients in the biogas and oil & gas industries.

The Group has circa 800km<sup>2</sup> of acreage under various onshore Petroleum Exploration and Development Licences ("PEDLs").

More information is available on our website [www.alkane.co.uk](http://www.alkane.co.uk)

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