

2013/15 Balancing Services Incentive Scheme



Iain McIntosh - Electricity Incentives Development Manager

Cost Outturns for April & May 2014

Cost Category	April 2014 (£M)	May 2014 (£M)
Energy	34.1	31.4
Constraints	11.8	8.1
Others	9.0	10.1
Total Cost	54.9	49.5

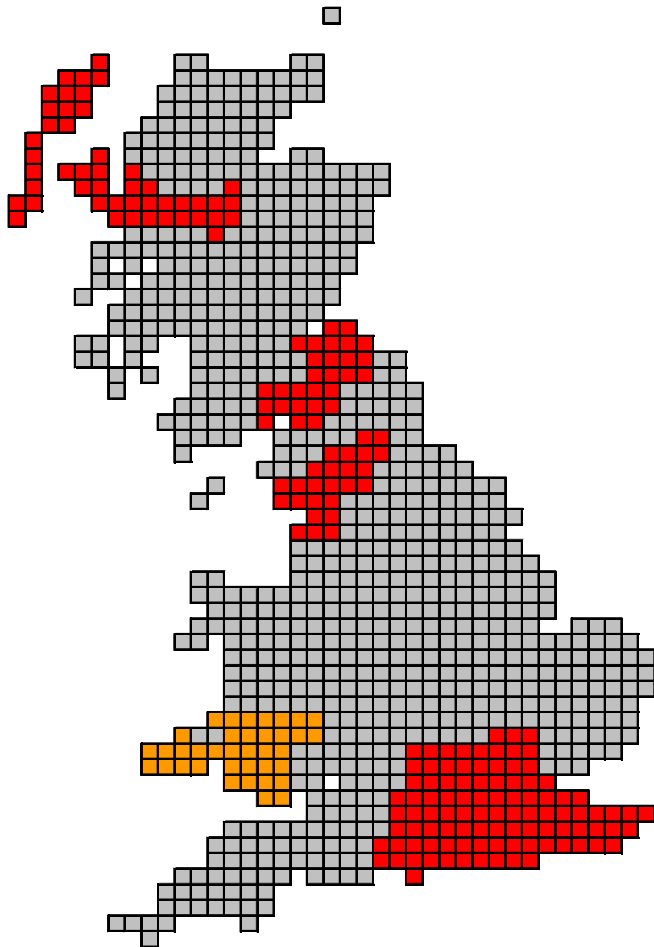
Cost Outturns for April

- Tighter margin over the last 2 weeks of April
- Energy Imbalance – short markets first and last weeks 27th and 28th big losses DNGB and IFA – yet again Sunday losses not corrected which impacted in Monday market length
- Response – lower – contracting strategy
- Constraints
 - Scotland ERRO-FAUG wind driven
 - Currie-Smeaton
 - E&W – voltage overnight

Cost Outturns for May

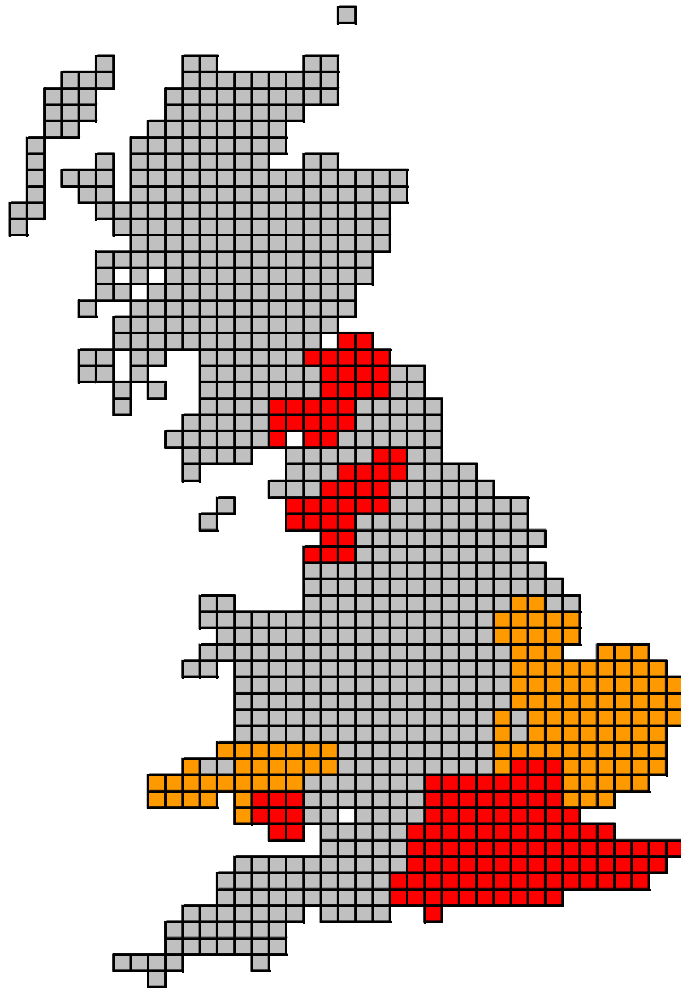
- Healthier margin over first two weeks of May – some in merit constrained as a result of circuit outages.
- OM costs generally higher in last week of May – lower wind over BH led to shorter system. 3x the volume of May 2013
- Frequency control costs higher overnight – additional response for system inertia
- Fault outage on Blyth- Eccles-Stella West. Planned outage cancelled. Likely to introduce cost later in year – high Scottish exports could impact on costs
- E&W constraint costs mainly associated with voltage – contracts to manage

Active constraints - April



- E&W outages predominantly voltage related.
- Thermal restrictions in NW England and S. Wales – outage related
- Scotland – ongoing outages in Central-East – impacting Cheviot but dependent on wind output.
- NW Scotland – outage related and wind dependent

Active constraints - May



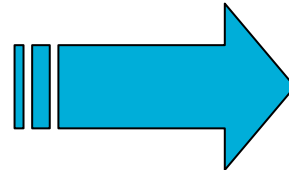
- E&W outages predominantly voltage related.
- Thermal restrictions in NW England and S. Wales – outage related
- Scotland – ongoing outages in Central-East – impacting Cheviot but dependent on wind output.
- NW Scotland – outage related and wind dependent

How have NGET delivered..?

Activity

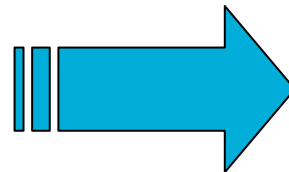
Action

FFR Tender



Contracted Ratcliffe & RLtec

DRIVE



South Coast Volts (optional) Marchwood

South East Volts Grain (optional) & Medway (firm)

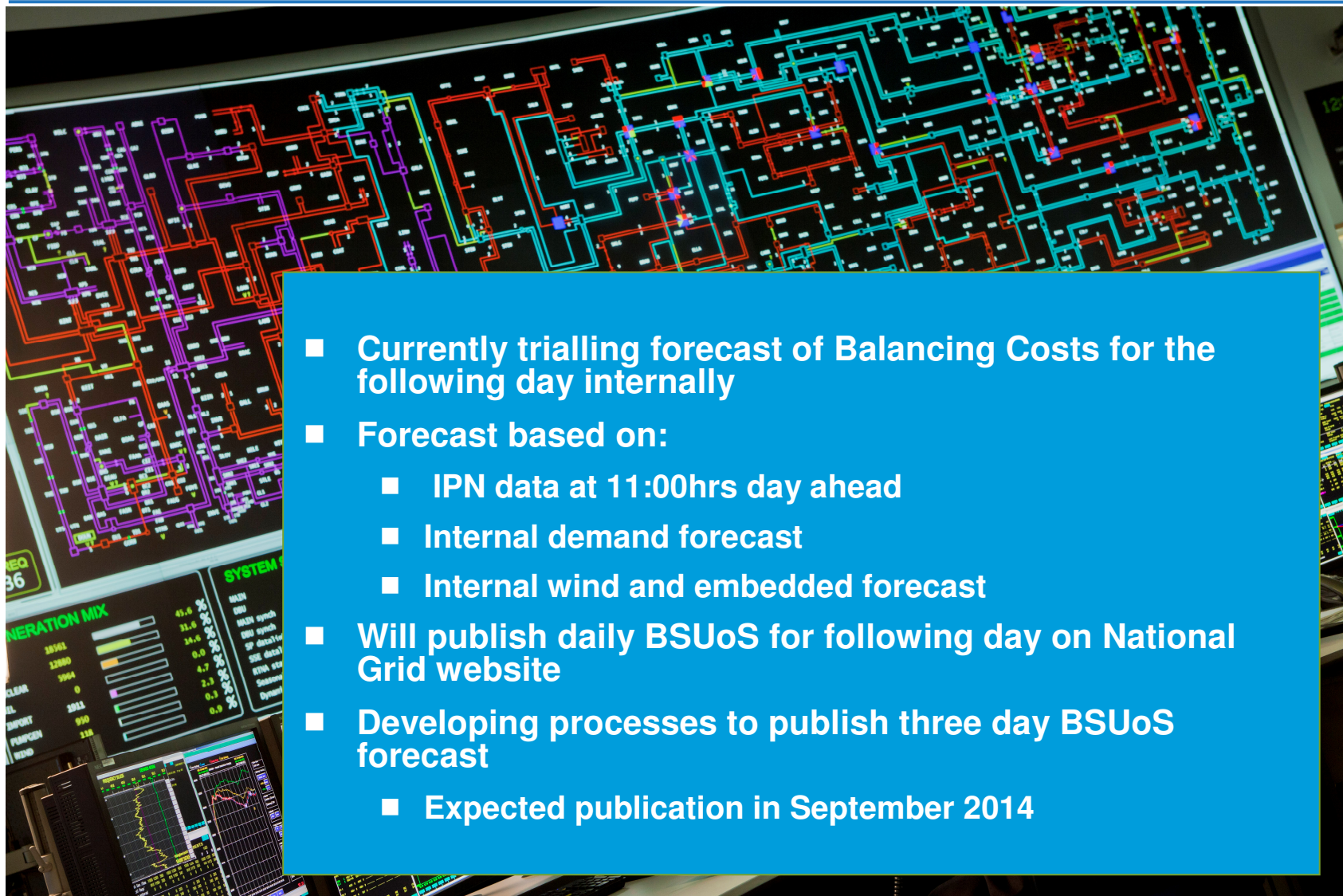
BSUoS Forecast Update 2014/15



BSUoS Forecast 2014-15

- External BSUoS costs estimated to be: ~£804m
- Internal Costs £141.3M
- Total BSUoS costs estimated to be: ~£945.3M
- Total Charging Volume:615TWh
- Est. BSUoS Charge: £1.54/MWh (range of £1.37/MWh to £1.70/MWh)

BSUoS Forecasting



- Currently trialling forecast of Balancing Costs for the following day internally
- Forecast based on:
 - IPN data at 11:00hrs day ahead
 - Internal demand forecast
 - Internal wind and embedded forecast
- Will publish daily BSUoS for following day on National Grid website
- Developing processes to publish three day BSUoS forecast
 - Expected publication in September 2014

Future SO Incentives






Future SO Incentives

Current Scheme

- ✓ Models are familiar to stakeholders
- ✓ Drives the right behaviours from SO, with NGET demonstrating how value is added for customer benefit
- ✓ Additional incentives bought in for 2013-15 scheme
- ✓ Innovation mechanism introduced to assist in development of future services to the enduring benefits of consumers

Considerations

-  Introduction of EMR & SCR
-  OFGEM projects Future Trading Arrangements (FTA) and Integrated Transmission Planning Regulation
-  During next two years undertake a full review of incentives to ensure right behaviours for SO in changing role

Future SO Incentives - 2

- Therefore propose to extend the current scheme from April 2015 to March 2017
- Interested in stakeholder views on SO transparency – recognising significant information already published
- Any considerations that should be accounted for in confirming the appropriate length of the extension of current framework

Any Questions

Contact

Iain McIntosh

iain.mcintosh@nationalgrid.com