2013/15 Balancing Services Incentive Scheme

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## Cost Outturns for April & May 2014

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>April 2014 (£M)</th>
<th>May 2014 (£M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>34.1</td>
<td>31.4</td>
</tr>
<tr>
<td>Constraints</td>
<td>11.8</td>
<td>8.1</td>
</tr>
<tr>
<td>Others</td>
<td>9.0</td>
<td>10.1</td>
</tr>
<tr>
<td>Total Cost</td>
<td>54.9</td>
<td>49.5</td>
</tr>
</tbody>
</table>
Cost Outturns for April

- Tighter margin over the last 2 weeks of April
- Energy Imbalance – short markets first and last weeks 27\textsuperscript{th} and 28\textsuperscript{th} 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

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How have NGET delivered..?

**Activity**

- FFR Tender
- DRIVE

**Action**

- Contracted Ratcliffe & RLtec
- South Coast Volts (optional) Marchwood
- South East Volts Grain (optional) & Medway (firm)
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)
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
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