System Operator (SO) Incentives

Iain McIntosh - Electricity Incentives Development Manager
Challenges and drivers 2013-2015

- Increasing challenge in cost management driven by;
  - Delivering a challenging transmission investment programme
  - Voltage profiles – impacted by changing demand and by generation mix/plant economics
  - Lower demands – driven by embedded generation which also impact on charging volume.
  - Energy balancing increasingly challenging with changing generation mix
Value delivered by NGET vs models

- Despite these challenges, we have delivered significant BSUoS savings across the 2 year scheme;

- Significant value delivered through optimisation across multiple energy contracts whilst constraint costs have been minimised through contract innovation and placement strategies.

2013-2014: £90.6m

2014-2015: £90m - £100m (actual to end Jan 2015)
Estimated Two year savings - gross

<table>
<thead>
<tr>
<th>Category</th>
<th>Estimated Gross Savings (£M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constraint Management</td>
<td>57.2</td>
</tr>
<tr>
<td>OM (Cont Str &amp; Trading)</td>
<td>45.4</td>
</tr>
<tr>
<td>STOR</td>
<td>-3.6</td>
</tr>
<tr>
<td>Frequency Control</td>
<td>75.2</td>
</tr>
<tr>
<td>Other (Rocof/Dwn Reg)</td>
<td>40.1</td>
</tr>
</tbody>
</table>
Wind Forecasting Performance

[Bar chart showing mean absolute error and incentive revenue over time from April 2013 to February 2015.]

- Outturn Error
- Target Error
- Incentive Revenue