

# Electricity SO Incentives Review



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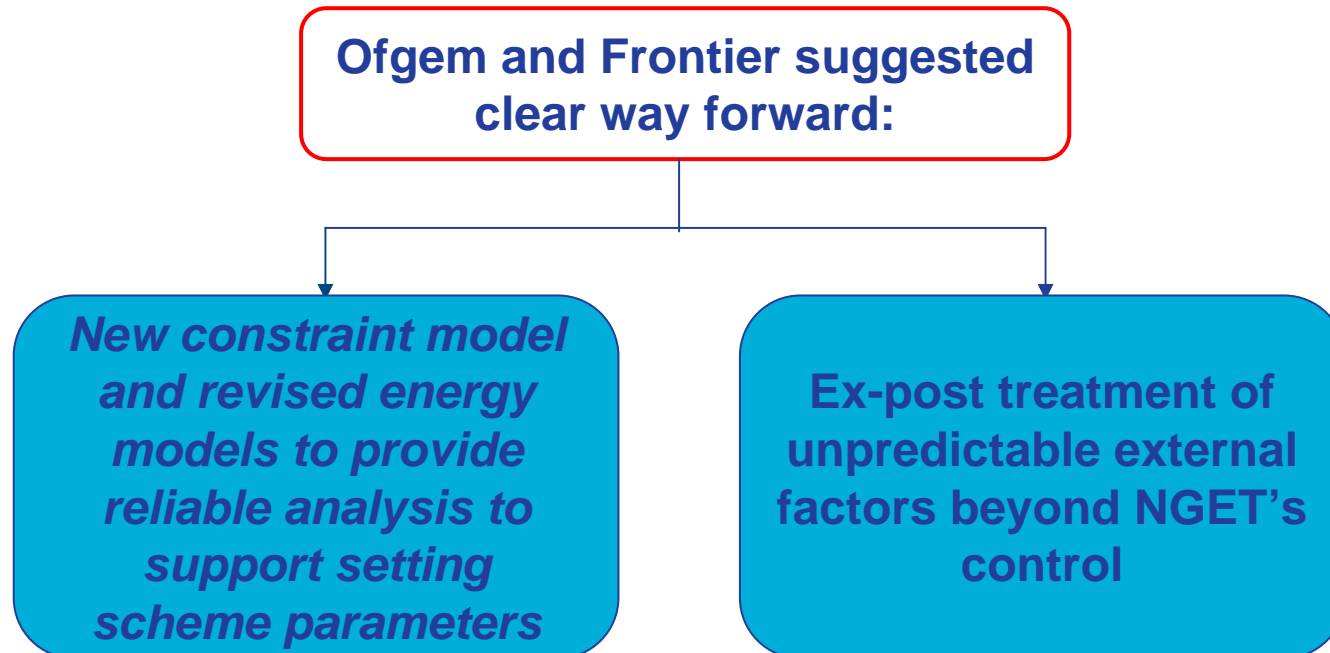
Operational Forum, October 2010

# Summary of Phase 1 key findings

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Aim: **Multi-year scheme:**

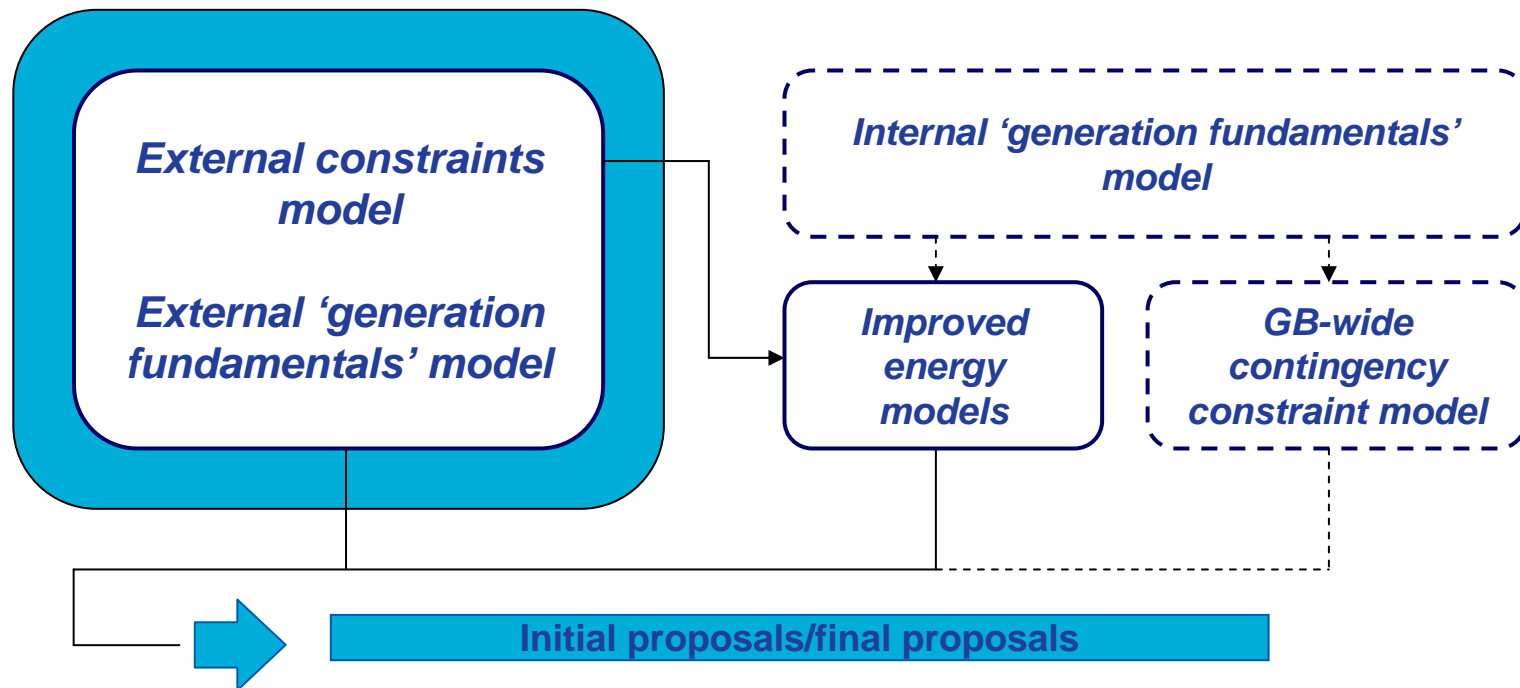
- Promote system operation efficiency
- Reduce regulatory and industry burden



# Modelling cost components

*Procured via tender:*

*Developed internally*



- Tender awarded to Energy Exemplar
- Contingency generation/constraints solution developed 'in house' to manage delivery risk

# Treatment of model inputs

## Ability to forecast:

Based on:

- Availability of data
- Volatility of data
- Applicability of historic data trend analysis

## Ability to control:

Using:

- BM
- Trades
- Balancing Services contracts
- Transmission planning/operation
- Changes to operating policy
- Information provision

*Ex-ante treatment*

*High  
Medium*

*Suitable for incentivisation*

*Ex-post treatment*

*Low  
None*

*Unsuitable for incentivisation*

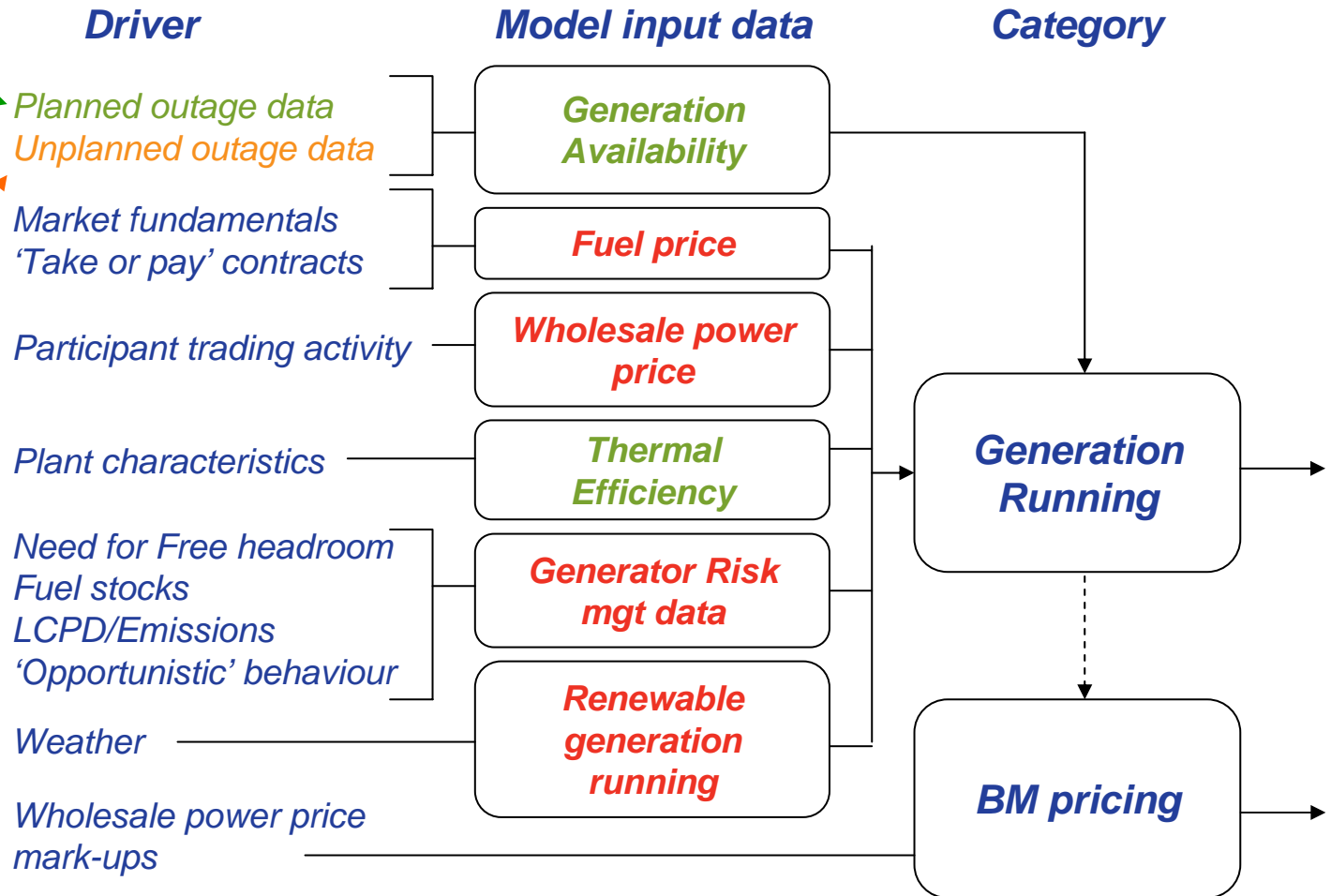
# Ex-ante or ex-post?

*NGET can look to co-ordinate generator planned outages with transmission work*

*NGET has no ability to forecast or generator faults*

*May require specific mechanism to deal with significant 'one-off' events*

**Ex-ante**  
**Ex-post**  
*Not necessarily clear-cut*

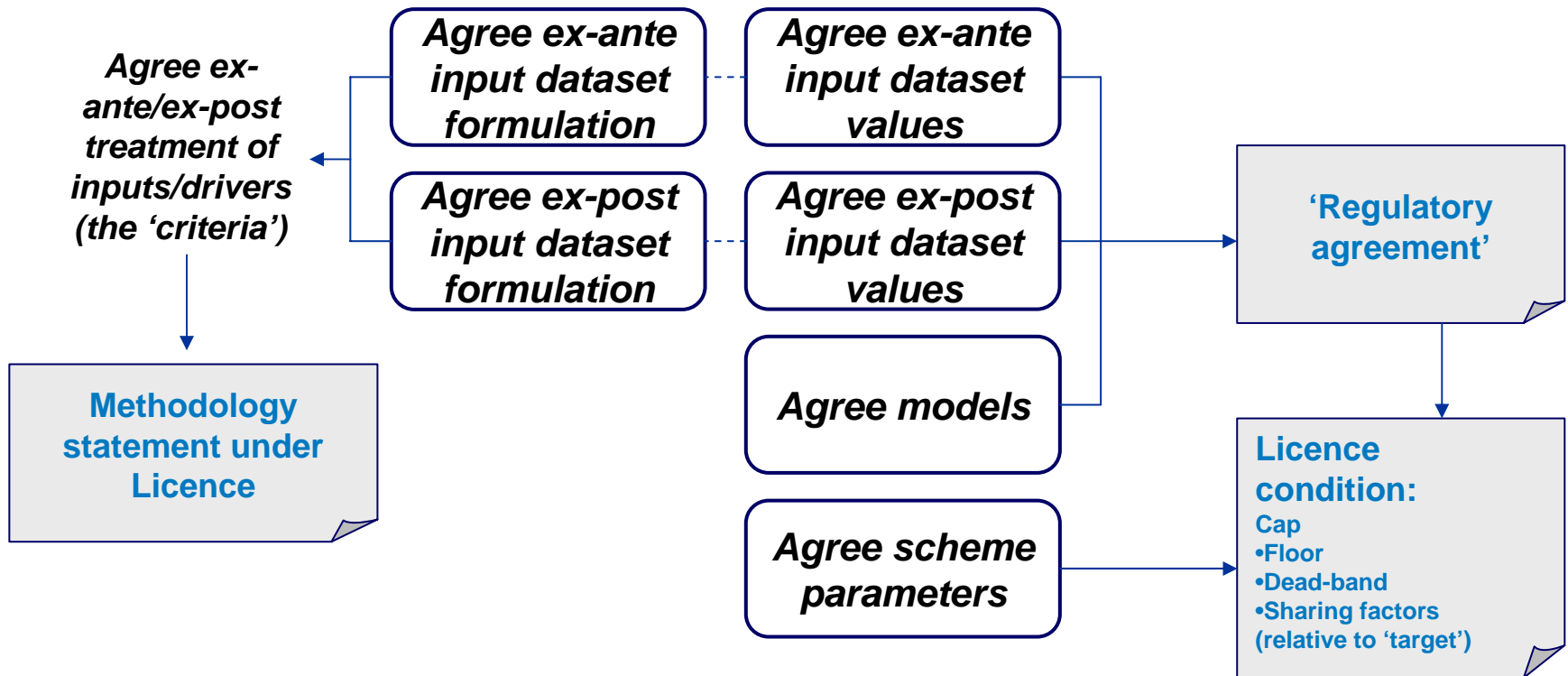




# Scheme governance: prior to start

**No ex-ante cost target agreed...**

*...instead, need to agree **models** and **inputs**:*



# Timeline and next steps

**Phase 2**  
(ends 15<sup>th</sup> Oct)

**Phase 3 (8 weeks): Review of NGET's proposed methodology (Ofgem-led with consultancy support)**

**Development of Initial Proposals**

***We value and seek industry views on the development of this significant shift in SO incentivisation***

- NGET consultation on:***
- Ex-ante/ex-post criteria***
  - Modelling approach***
  - Model inputs***
  - Scheme structure***
  - Scheme governance***
  - Scheme parameters***

## Contact details

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### On the web:

Our dedicated web pages for electricity SO incentives are available at the following addresses:

<http://www.nationalgrid.com/uk/Electricity/soincentives/>

### Talk to us:

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