

# BSIS 2010/11

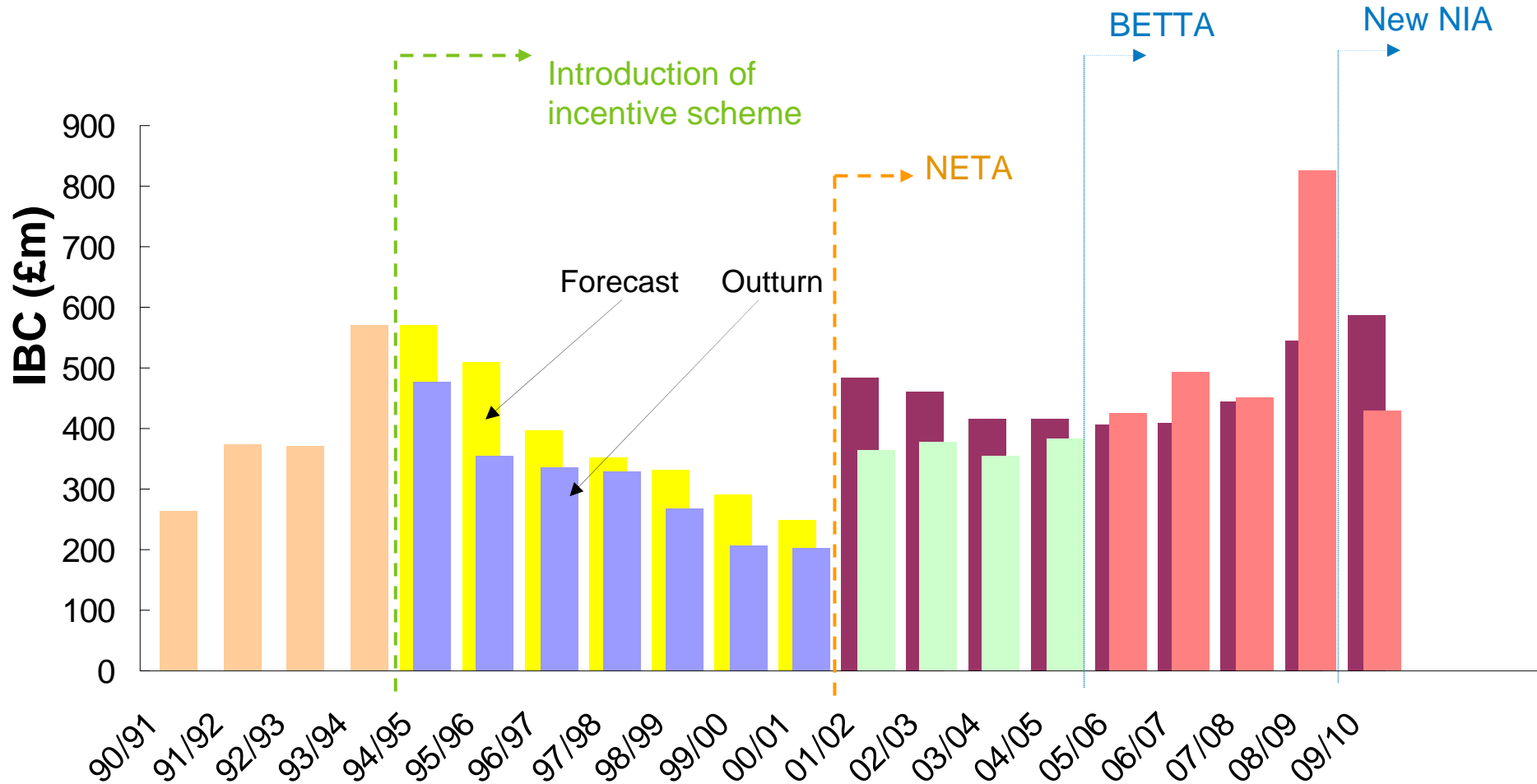
David Smith, Electricity Codes Manager



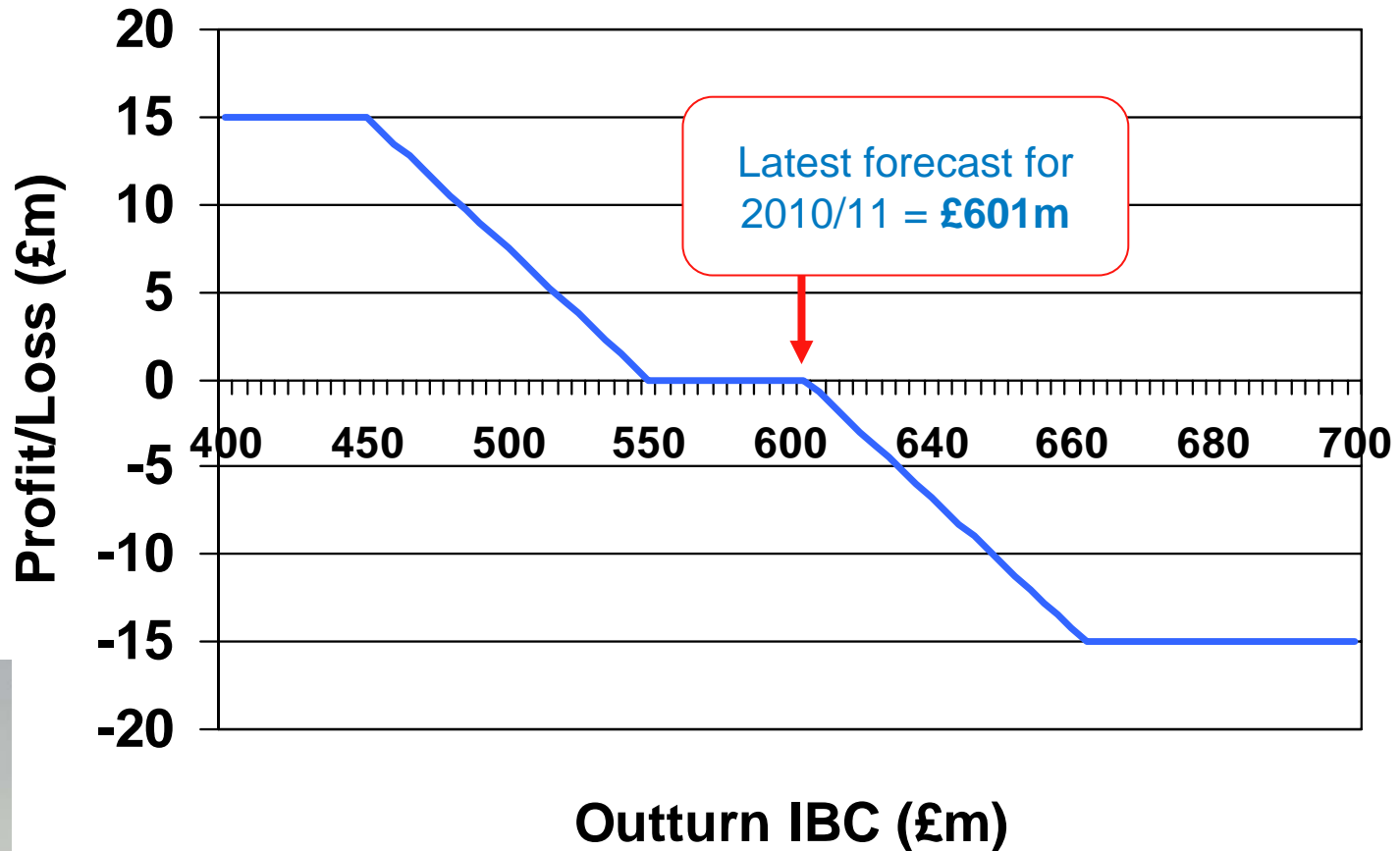
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# Electricity SO External Incentive Schemes



# Scheme Design for 2010/11



David Smith



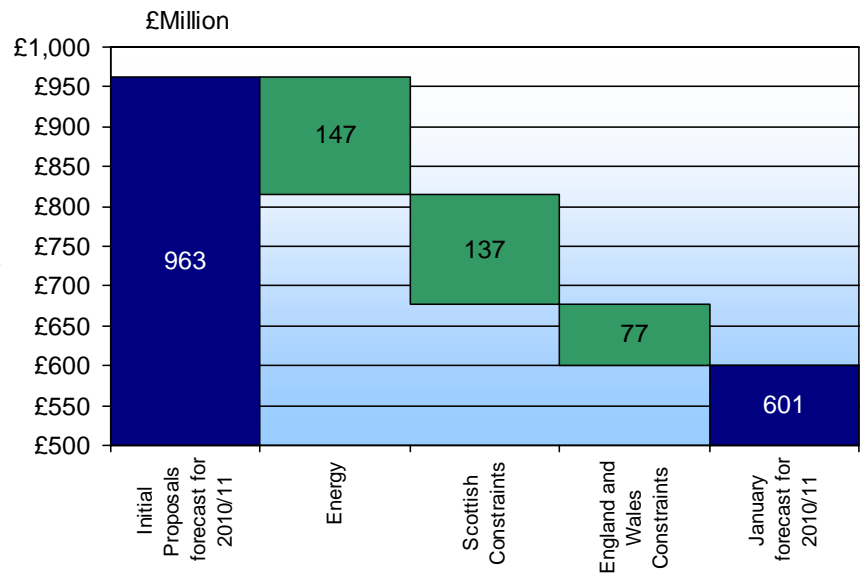
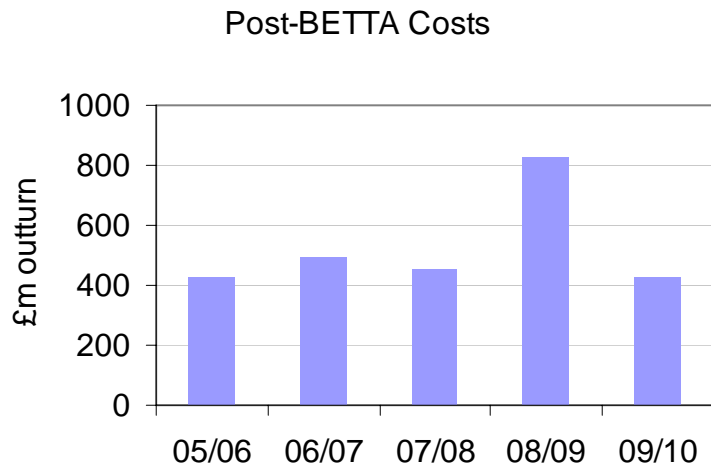
Interim Operational Forum April 2010

# Forecast for 2010/11 versus target

Category	2010/11 Forecast (£m)	2010/11 Scheme Target (£m)
Energy Imbalance	15.7	15.7
NIA	-282.3	-282.3
Margin (Reserve)	292	292
Footroom	29	29
Reactive Power	46	46
Frequency Response	191	191
Other	48	48
<b>Sub total excluding constraints</b>	<b>338</b>	<b>338</b>
Constraints:	263	263
<i>Cheviot</i>	67	67
<i>Scotland (internal)</i>	86	86
<i>England &amp; Wales</i>	110	86.5
<b>Total including constraints</b>	<b>601</b>	<b>577.5</b>

Difference in view regarding E&W constraints

# Volatility of cost components: Contributing factors



- ◆ Historic cost volatility feeding through into forecast
- ◆ Lead-time between creation of Initial forecast and initial proposals
- ◆ Timing of model revisions/developments
- ◆ But we don't solely rely on historic trends:
  - ◆ Latest view of power prices, contract prices, plant availability, market length

**We welcome the opportunity to review our modelling approach**

# Review of forecasting methodology

- ◆ Licence condition regarding review of forecasting methodology
  - ◆ Increasing volatility since BETTA makes forecasting costs more difficult
  - ◆ Consultancy support to advise on an enduring framework for development of multi-year incentives (in time for 2011/12 Initial Proposals)

