

BSUoS CIRCULAR

To: BSUoS Customers

From: Rob Smith
Regulatory Frameworks
National Grid

Ref: BSUoS-003/06

Date: 28/09/2006

Subject: 2005/6 IAE Cost Adjustment

This note is intended to detail the effect that the income adjusting events (IAE), granted by the Authority as part of the 2005/06 SO Incentive Scheme, will have on BSUoS charges for that Incentive Scheme period.

The IAE relates to £29.5 million of costs in the scheme year 2005/6. These costs are in relation to three specific areas.

- Costs associated with constraints across the Cheviot boundary
- Costs associated with constraints within Scotland (Internal Scotland constraints)
- Costs associated with CUSC Amendment Proposal 047 (CAP047)

Ofgem approved these costs as an IAE in accordance with Special Condition AA5A Part 2(i), paragraph 12(a) of the Transmission License in September 2006. More information on the Income Adjusting Event can be found on the OFGEM website at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16856_171_06.pdf?wtfrom=/ofgem/index.jsp

The effect of the IAE on BSUoS charges will be to remove these costs from the calculated Incentivised Balancing Costs (IBC).

The total increase in annual BSUoS costs as a consequence of the impact of the adjustment on IBC will be £5.9 million pounds.

These changes in costs will be reflected in the Final Reconciliation (RF) BSUoS charges, for settlement days, commencing the 10/08/05.

In accordance with our charging principles, National Grid has determined that the appropriate manner to recover these costs is by allocating them across the remaining settlement days of the BSC and BSIS scheme year for which the RF run is yet to occur in a way that, as far as practicable, reflects when they were incurred. Specifically they will be allocated on those remaining RF settlement days upon which categories of such costs were incurred.

For each remaining day an allocation weighting has been calculated based on the costs incurred for the respective categories as a proportion of the total costs incurred for those categories for all days in which the RF run is yet to be issued.

The values of the adjustment will be apportioned across those remaining settlement days in accordance with this weighting.

The settlement days / dates that are influenced by this IAE, as well as the effect that the IAE will have on the daily BSUoS charge for these days, are listed in Appendix 1a and 1b.

If you have any queries regarding this issue or any other BSUoS query then please contact the LogicaCMG BSUoS Helpdesk on 0870 607 1112.

Appendix 1a SETTLEMENT DATE / CORRESPONDING IAE BSUoS COST

Aug 05 Days	IAE BSUoS Cost	Sep 05 Days	IAE BSUoS Cost	Oct 05 Days	IAE BSUoS Cost	Nov 05 Days	IAE BSUoS Cost
		01/09/05	£0.00	01/10/05	£0.00	01/11/05	£6,261.04
		02/09/05	£20,338.31	02/10/05	£0.00	02/11/05	£5,949.21
		03/09/05	£42,217.61	03/10/05	£0.00	03/11/05	£6,098.06
		04/09/05	£55,040.19	04/10/05	£0.00	04/11/05	£6,112.52
		05/09/05	£30,486.12	05/10/05	£0.00	05/11/05	£6,284.74
		06/09/05	£44,164.09	06/10/05	£0.00	06/11/05	£5,855.79
		07/09/05	£0.00	07/10/05	£0.00	07/11/05	£5,900.78
		08/09/05	£0.00	08/10/05	£0.00	08/11/05	£7,440.88
		09/09/05	£0.00	09/10/05	£0.00	09/11/05	£37,453.26
10/08/05	£7,732.00	10/09/05	£0.00	10/10/05	£8,790.63	10/11/05	£69,767.21
11/08/05	£1,009.39	11/09/05	£0.00	11/10/05	£0.00	11/11/05	£53,910.74
12/08/05	£0.00	12/09/05	£0.00	12/10/05	£43,256.71	12/11/05	£60,041.16
13/08/05	£0.00	13/09/05	£0.00	13/10/05	£0.00	13/11/05	£47,946.77
14/08/05	£0.00	14/09/05	£0.00	14/10/05	£34,889.15	14/11/05	£50,497.10
15/08/05	£0.00	15/09/05	£0.00	15/10/05	£0.00	15/11/05	£73,030.81
16/08/05	£0.00	16/09/05	£828.53	16/10/05	£0.00	16/11/05	£59,452.31
17/08/05	£1,724.68	17/09/05	£0.00	17/10/05	£53,147.52	17/11/05	£39,695.06
18/08/05	£214.77	18/09/05	£0.00	18/10/05	£170,255.70	18/11/05	£6,401.94
19/08/05	£0.00	19/09/05	£11,853.21	19/10/05	£66,809.28	19/11/05	£5,223.09
20/08/05	£0.00	20/09/05	£3,329.32	20/10/05	£53,130.20	20/11/05	£5,775.24
21/08/05	£0.00	21/09/05	£13,889.10	21/10/05	£10,067.46	21/11/05	£6,127.43
22/08/05	£244.95	22/09/05	£41,972.38	22/10/05	£0.00	22/11/05	£16,839.03
23/08/05	£913.78	23/09/05	£68,170.46	23/10/05	£280.99	23/11/05	£6,490.94
24/08/05	£6,758.49	24/09/05	£0.00	24/10/05	£0.00	24/11/05	£28,924.70
25/08/05	£0.00	25/09/05	£0.00	25/10/05	£0.00	25/11/05	£32,767.64
26/08/05	£0.00	26/09/05	£85,544.26	26/10/05	£0.00	26/11/05	£16,154.36
27/08/05	£0.00	27/09/05	£99,129.97	27/10/05	£0.00	27/11/05	£27,960.41
28/08/05	£0.00	28/09/05	£2,537.59	28/10/05	£0.00	28/11/05	£17,351.18
29/08/05	£0.00	29/09/05	£0.00	29/10/05	£0.00	29/11/05	£20,233.49
30/08/05	£0.00	30/09/05	£0.00	30/10/05	£0.00	30/11/05	£10,784.15
31/08/05	£0.00			31/10/05	£0.00		

Appendix 1b SETTLEMENT DATE / CORRESPONDING IAE BSUoS COST

Dec 05 Days	IAE BSUoS Cost	Jan 06 Days	IAE BSUoS Cost	Feb 06 Days	IAE BSUoS Cost	Mar 06 Days	IAE BSUoS Cost
01/12/05	£15,636.44	01/01/06	£12,868.07	01/02/06	£14,634.11	01/03/06	£19,176.09
02/12/05	£26,622.98	02/01/06	£12,622.46	02/02/06	£14,911.76	02/03/06	£18,276.87
03/12/05	£18,580.60	03/01/06	£12,662.16	03/02/06	£15,296.20	03/03/06	£44,832.83
04/12/05	£11,613.28	04/01/06	£13,297.42	04/02/06	£14,034.31	04/03/06	£20,314.86
05/12/05	£37,253.86	05/01/06	£13,023.06	05/02/06	£14,010.63	05/03/06	£18,666.92
06/12/05	£30,435.50	06/01/06	£13,052.91	06/02/06	£15,340.29	06/03/06	£28,400.62
07/12/05	£30,609.66	07/01/06	£13,899.66	07/02/06	£15,296.70	07/03/06	£26,137.75
08/12/05	£36,502.93	08/01/06	£5,354.96	08/02/06	£15,836.89	08/03/06	£24,821.38
09/12/05	£31,092.57	09/01/06	£171,957.39	09/02/06	£15,832.24	09/03/06	£22,681.21
10/12/05	£6,708.58	10/01/06	£57,434.55	10/02/06	£14,907.32	10/03/06	£25,531.13
11/12/05	£6,133.75	11/01/06	£128,302.60	11/02/06	£14,238.37	11/03/06	£23,435.65
12/12/05	£8,573.53	12/01/06	£122,279.03	12/02/06	£14,813.34	12/03/06	£21,745.55
13/12/05	£26,901.43	13/01/06	£139,952.69	13/02/06	£16,304.48	13/03/06	£61,050.96
14/12/05	£22,467.64	14/01/06	£12,837.43	14/02/06	£15,427.81	14/03/06	£527,927.36
15/12/05	£25,648.37	15/01/06	£13,761.80	15/02/06	£15,703.51	15/03/06	£376,854.10
16/12/05	£34,125.03	16/01/06	£51,484.56	16/02/06	£15,167.50	16/03/06	£123,275.33
17/12/05	£14,622.92	17/01/06	£23,898.26	17/02/06	£87,280.89	17/03/06	£33,024.64
18/12/05	£6,101.59	18/01/06	£13,829.98	18/02/06	£22,524.28	18/03/06	£61,454.78
19/12/05	£33,043.05	19/01/06	£14,586.56	19/02/06	£15,498.73	19/03/06	£31,609.13
20/12/05	£26,607.82	20/01/06	£14,475.21	20/02/06	£19,427.60	20/03/06	£45,307.37
21/12/05	£65,548.69	21/01/06	£12,454.08	21/02/06	£36,094.08	21/03/06	£25,878.36
22/12/05	£43,888.64	22/01/06	£13,322.21	22/02/06	£14,250.77	22/03/06	£52,858.81
23/12/05	£12,337.56	23/01/06	£19,636.53	23/02/06	£13,978.28	23/03/06	£32,331.79
24/12/05	£12,090.70	24/01/06	£13,137.20	24/02/06	£15,497.98	24/03/06	£34,755.29
25/12/05	£12,049.76	25/01/06	£36,134.22	25/02/06	£14,206.58	25/03/06	£29,586.46
26/12/05	£12,293.40	26/01/06	£41,536.61	26/02/06	£15,721.47	26/03/06	£24,635.91
27/12/05	£12,848.26	27/01/06	£70,203.04	27/02/06	£15,363.67	27/03/06	£22,521.09
28/12/05	£12,541.86	28/01/06	£11,106.90	28/02/06	£15,763.51	28/03/06	£22,687.60
29/12/05	£11,842.12	29/01/06	£11,695.42			29/03/06	£21,832.17
30/12/05	£12,495.34	30/01/06	£12,498.22			30/03/06	£21,360.86
31/12/05	£12,394.49	31/01/06	£12,658.30			31/03/06	£22,630.10

The total reconciling correction amounts to £5,900,000.00