

## BSIS 2009/10 Key Forecast Assumptions

### Monthly Power Price

Monthly power prices used in the 2009/10 BSIS Forecast are:

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Baseload	£ 59.84	£ 57.11	£ 64.85	£ 65.07	£ 57.25	£ 57.68	£ 51.09	£ 64.01	£ 75.64	£ 70.90	£ 65.51	£ 70.19
Peaks	£ 72.18	£ 68.89	£ 78.23	£ 78.51	£ 69.08	£ 69.61	£ 60.10	£ 75.31	£ 88.99	£ 89.21	£ 82.42	£ 88.31

These are based on quarterly prices quoted on the 17<sup>th</sup> October 2008 in Argus and phased between the months based on historic data.

### Market Length (NIV)

Market length is forecast based on historic outturn data per month from April 2005 to September 2008. Each month's forecast was then a result of a weighted average per EFA block with this weighting favouring the most recent data. This gives a 4:3:2:1 weighting for the months in BSIS years 08/09 : 07/08 : 06/07 : 05/06 respectively. This results in monthly mean market lengths of:

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Central Case	-298	-356	-203	-94	-263	-275	-407	-423	-250	-371	-334	-221	-291

for the central case forecast. This is slightly longer than 2008/9.

### Bid and Offer Prices

Available Bid and Offer prices are generally expected to vary with wholesale prices except in specific circumstances such as units competing in Operating or Fast Reserve markets.

### Operating Reserve

#### Op. Reserve Volumes

Operating Reserve volume in 2009/10 is forecast to be 4TWh. This is 0.3TWh lower than the current forecast for 2008/9 with the reduction based on slightly higher free headroom availability and a longer market.

#### Forecast Free Headroom

Free Headroom is forecast to be slightly higher than in 2008/9 but still lower than the levels seen further back in history.

### Price of Additional Units for Operating Reserve

Analysis of historic pricing of the units run for margin gives rise to some different relationships between Offer price and underlying factors depending on the fuel type of the unit

- Coal – price variation most consistent with wholesale prices;
- CCGT – price variation most closely related to gas prices;
- Oil – no correlation with underlying fuel costs or wholesale prices, therefore we have assumed two fixed prices, one for the summer and one for the winter;
- Hydro – Fixed price throughout the year

As the price of additional CCGT or Hydro units does not vary consistently with wholesale price this leads to an increase between the price of BM actions, which do vary with wholesale prices, and additional units where these are gas fired.

### STOR Availability Volumes and Prices

Contracted capacity under STOR contracts is expected increase in BSIS year 2009/10 and prices are anticipated to rise in line with previous levels.

## Fast Reserve

Fast Reserve forecast volume has been based on an extrapolation of the underlining trends since 2005/6, as was the 2008/09 forecast which remains on track with current outturns. Price is driven by tendered contract prices and is largely independent from changes in power price. Forecast tendered contract prices have been based on historic tendered and contracted prices.

## Gas Prices

GAS		
	Dirty	Clean
p/therm	£/MWh e	£/MWh e
60.30	41.88	49.08
58.70	40.77	47.97
70.05	48.65	55.85
78.15	54.28	61.60

## European Energy Prices

France			
Baseload		Peaks	
€/MWh	£/MWh e	€/MWh	£/MWh e
62.75	48.44	85.35	65.89
63.50	49.02	94.50	72.95
94.65	73.07	127.35	98.31
97.03	74.91	132.69	102.44

Based on quote date 17<sup>th</sup> October in Argus

## Scottish Constraint Assumptions

- Increase in generation connections within Scotland, mostly above the a number of current constraint boundaries
- This is mainly new wind powered generation
- A number of outages are currently planned after the Autumn clock-change
- Location of a number of constraints means that the Cheviot I/T can not be used to resolve the constraint

This leads to an increased volume of constraints compared to 2008/9 at 3.5TWh giving £242m of costs.

## England & Wales Constraints

England and Wales constraints are forecast to increase by some £40m compared to the current expectation for 2008/9. This is mainly due to the placement of construction outages associated with new generation connections. These outages remove key circuits from major constraint boundaries for a significant portion of the summer.

## Reactive

Volume forecast to be 24TVarH. Reactive prices are mainly based on default pricing formula within the CUSC and aforementioned power price assumptions.

## RPI

The RPI value used for the Reactive Default Price was 4.5%

## Frequency Response

The reduction in Frequency Response is a result of improved commercial service provider availability and lower volume of BM actions, both compared to the 2008/9 BSIS year.

## £/€ Exchange Rate

At the time of the forecast the exchange rate was £0.772/€

## “Use It or Lose It”

“Use It or Lose It” is scheduled for implementation during the summer of 2009. This is forecast to remove the ability to manage French Interconnector flows pre-gate with the result that BM actions are required to manage certain constraints in England. The cost of these additional actions are estimated at £21m for BSIS year 2009/10.

### ***Transmission Access Arrangements***

Transmission Access is assumed to be unchanged for BSIS year 2009/10.

### ***Single Price Net Imbalance Reference Price (SPNIRP)***

The definition of SPNIRP is assumed to be unchanged from its current definition.

### ***Transmission Losses***

Transmission Losses are based on forecast generation output. This has been based on historic output modified by the latest OC2 data submissions for generation outages at the time of the forecast. This presents a central forecast for Transmission Losses of 6TWh for BSIS year 2009/10.

### ***Imbalance Prices***

Imbalance Prices are not forecast to materially change following the introduction of P217 in October.

### ***Black Start***

Contract renewals, both already agreed and in discussion, lead to increased Black Start costs of £21m compared to £17 in 2008/9.