

## Historic and Forecast Balancing Services Incentive Scheme Costs

*This note provides information on the historic BSIS costs and the performance against the forecast. In addition, the note covers our initial forecast for balancing costs in 2010/11 and 2011/12.*

Table 1 contains a component by component breakdown of forecast and outturn Balancing Service Incentive Scheme (BSIS) costs for each BSIS year since 2005/06.

The forecast data for 2005/06 to 2008/09 is our internal forecasts made in March each year using the latest information available at that time. This information is used for internal monitoring of incentive performance. This will not be the same as the forecast used to determine the incentive target.

It must be noted that the nature of some components has changed over the years, and so it is potentially misleading to seek to compare different years. For example, the change in payments for starting a BMU from Warming payments to BM Start Up payments resulted in movement of costs between the Warming / BM Start up and Operating Reserve components. Similarly, the basis of some component costs changed due to changes in market arrangements, such as the increased Frequency Response costs following the introduction of CAP047 and the change in the NIA calculation methodology implemented in 2009/10.

The forecast for 2010/11 and 2011/12 reflects the proposed development of a two year incentive scheme for implementation in April 2010. Details of our Initial Proposals can be found on our web site<sup>1</sup>.

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<sup>1</sup> <http://www.nationalgrid.com/NR/rdonlyres/519DEB34-5CCE-40D6-9980-9DE23A41E666/38228/ElectricitySOIncentivesInitialProposalsConsultatio.pdf>

Category <sup>2</sup>	05-06		06-07		07-08		08-09		09-10 Latest forecast		10-11	11-12
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	forecast	Forecast	Forecast
Margin	178	173	234	152	157	184	258	358	300	262	367	414
STOR	67	47	67	69	76	58	65	75	88	96	120	139
Operating reserve	90	119	157	71	66	112	178 <sup>3</sup>	254	191	141	219	243
Warming / BM start up	21	7	10	12	15	15	15	29	21	25	29	33
Footroom	6	-5	8	9	6	5	4	5	7	23	23	24
Fast reserve	39	51	52	58	53	58	60	61	72	71	72	77
Response	72	137	93	161	155	158	145	201	197	182	197	212
Reactive	55	54	61	53	41	47	63	62	56	46	46	51
Black start	17	14	18	15	18	14	17	17	21	18	23	22
Unclassified BM	17	18	25	10	10	11	9	20	18	19	26	28
Losses	-9	-5	-11	9	0	7	0	0	0	0	0	0
BM+AS general	5	1		4	4	1	4	3	5	3	4	5
Energy Imbalance	-55	6	-117	-28	-21	20	42	-72	-48	-27	26	30
Reconciliation	0	4	0	7	0	3	0	3	0	2	0	0
<b>Total Balancing Costs (Excl. Constraints)</b>	<b>325</b>	<b>448</b>	<b>363</b>	<b>450</b>	<b>423</b>	<b>509</b>	<b>424</b>	<b>658</b>	<b>628</b>	<b>600</b>	<b>785</b>	<b>863</b>
NIA <sup>4</sup>	-4	-104	35	-65	-65	-128	-196	-94	-292	-236	-300	-339
<b>Incentivised Energy Costs</b>	<b>321</b>	<b>344</b>	<b>398</b>	<b>385</b>	<b>358</b>	<b>381</b>	<b>228</b>	<b>564</b>	<b>336</b>	<b>364</b>	<b>485</b>	<b>524</b>
RIA <sup>5</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-46	-51
<b>Incentivised Energy Costs Inc. RIA</b>	<b>321</b>	<b>344</b>	<b>398</b>	<b>385</b>	<b>358</b>	<b>381</b>	<b>228</b>	<b>564</b>	<b>336</b>	<b>364</b>	<b>439</b>	<b>473</b>
Constraints	36	84	57	108	82	70	124	263	279	206	477	
E&W	15	13	15	28	24	29	24 <sup>6</sup>	31	70 <sup>7</sup>	55	187	- <sup>8</sup>
Cheviot	11	44	17	25	30	22	70	178	139	106	180	
Within Scotland	10	26	25	55	29	20	35	54	70	45	110	
<b>Total balancing costs</b>	<b>361</b>	<b>532</b>	<b>419</b>	<b>560</b>	<b>505</b>	<b>579</b>	<b>731</b>	<b>920</b>	<b>907</b>	<b>807</b>	<b>1262</b>	<b>863<sup>9</sup></b>
<b>Total Balancing Costs (Inc. NIA &amp; RIA)</b>	<b>358</b>	<b>427</b>	<b>454</b>	<b>495</b>	<b>440</b>	<b>451</b>	<b>535</b>	<b>827</b>	<b>615</b>	<b>570</b>	<b>916</b>	<b>473<sup>10</sup></b>
Payment to/from NGET		-9.9 <sup>11</sup>		No scheme		-1.1		-15		4 <sup>12</sup>	-	-
Annual average baseload wholesale price	29	44	53	31	30	37	56	74	50	38	43	48

<sup>2</sup> Correction term between CSOBM+BSCC total and per category breakdown. This is a result of differing data sources/timescales

<sup>3</sup> Includes £10m for LCPD reserve and £10m for Wind reserve

<sup>4</sup> Revised NIA calculation methodology implemented in April 2009

<sup>5</sup> Reactive adjustment proposed from 2010

<sup>6</sup> Includes £5m for LCPD constraints

<sup>7</sup> Includes £21m UIOLI

<sup>8</sup> Constraints forecast for 2011/12 will be published on 11 December 2009

<sup>9</sup> Total does not include constraint costs

<sup>10</sup> Total does not include constraint costs

<sup>11</sup> Does not include IAE

<sup>12</sup> Includes adjustment of scheme target for changes to UIOLI and availability of balancing services providers