



## Appendix Historic Costs

### Appendix to NGET SO Incentive Initial Proposals – Historic Costs

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 table provides an overview of the BSIS costs since BETTA go-live.

The forecast data is our internal forecasts made in March each year in the light of the latest information available at that time. This information is used for internal monitoring incentive performance. This will not be the same as the agreed forecast due to the latest information available to us at the time.

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 Response costs following the introduction of CAP047.

For 2005/06 to 2008/09 there is no historic calculation for New NIA. We have used the relevant yearly assumptions and data where available to forecast New NIA. A forecast model used prior to 2008/09 does not lend itself to accurate post-event calculation.

We have not calculated the potential profit and loss under New NIA for 2005/06 and 2006/07. The implementation of New NIA would have changed the incentive target, risk profile and sharing factors. Therefore using the schemes as agreed would give inaccurate information.

Category <sup>1</sup>	05/06		06/07		07/08		08/09		09/10	09/10 forecast - 08/09 outturn
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Latest forecast	Forecast	
Margin	178	173	234	152	157	184	258	417	430	12
STOR	67	47	67	69	76	58	65	74	93	19
Operating reserve	90	119	157	71	66	112	178 <sup>2</sup>	328	314	-15
Warming / BM start up	21	7	10	12	15	15	15	15	23	8
Footroom	6	-5	8	9	6	5	4	8	7	-1
Fast reserve	39	51	52	58	53	58	60	60	69	9
Response	72	137	93	161	155	158	145	226	216	-10
Reactive	55	54	61	53	41	47	63	62	83	20
Black start	17	14	18	15	18	14	17	18	21	3
Unclassified BM	17	18	25	10	10	11	9	15	18	3
Losses	-9	-5	-11	9	0	7	0	0	0	0
BM+AS general	5	1		4	4	1	4	-1	3	4
Energy Imbalance	-55	6	-117	-28	-21	20	42	-25	-16	9
Constraints	36	84	57	108	82	70	124	194	307	114
E&W	15	13	15	28	24	29	24 <sup>3</sup>	24	86 <sup>4</sup>	62
Cheviot	11	44	17	25	30	22	70	125	161	37
Within Scotland	10	26	25	55	29	20	35	44	81	36
Reconciliation	0	4	0	7	0	3	0	2	0	-2
<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>976</b>	<b>1158</b>	182
Current NIA	-4	-104	35	-65	-65	-128	-196	-206	-167	39
<b>Incentive costs</b>	<b>358</b>	<b>427</b>	<b>454</b>	<b>495</b>	<b>440</b>	<b>451</b>	<b>535</b>	<b>770</b>	<b>991</b>	221
New NIA	-110	-270	-244	-183	-179	-278	-389	-544	-402	143
<b>Incentive costs using New NIA</b>	<b>251</b>	<b>262</b>	<b>175</b>	<b>377</b>	<b>326</b>	<b>301</b>	<b>342</b>	<b>432</b>	<b>757</b>	325
Payment to/from NGET under current NIA		-9.9 <sup>5</sup>		No scheme		-1.1		-15		
Payment to/from NGET under new NIA				No scheme		5.4		-15		
Annual average baseload wholesale price	29	44	53	31	30	37	56	78	63	

<sup>1</sup> Correction term between CSOBM+BSCC total and per category breakdown. This is a result of differing data sources/timescales.

<sup>2</sup> Includes £10m for LCPD reserve and £10m for Wind reserve

<sup>3</sup> Includes £5m for LCPD constraints

<sup>4</sup> Includes £21m UIOLI

<sup>5</sup> Does not include IAE claim for Scottish constraints