

# BSIS Scheme Review

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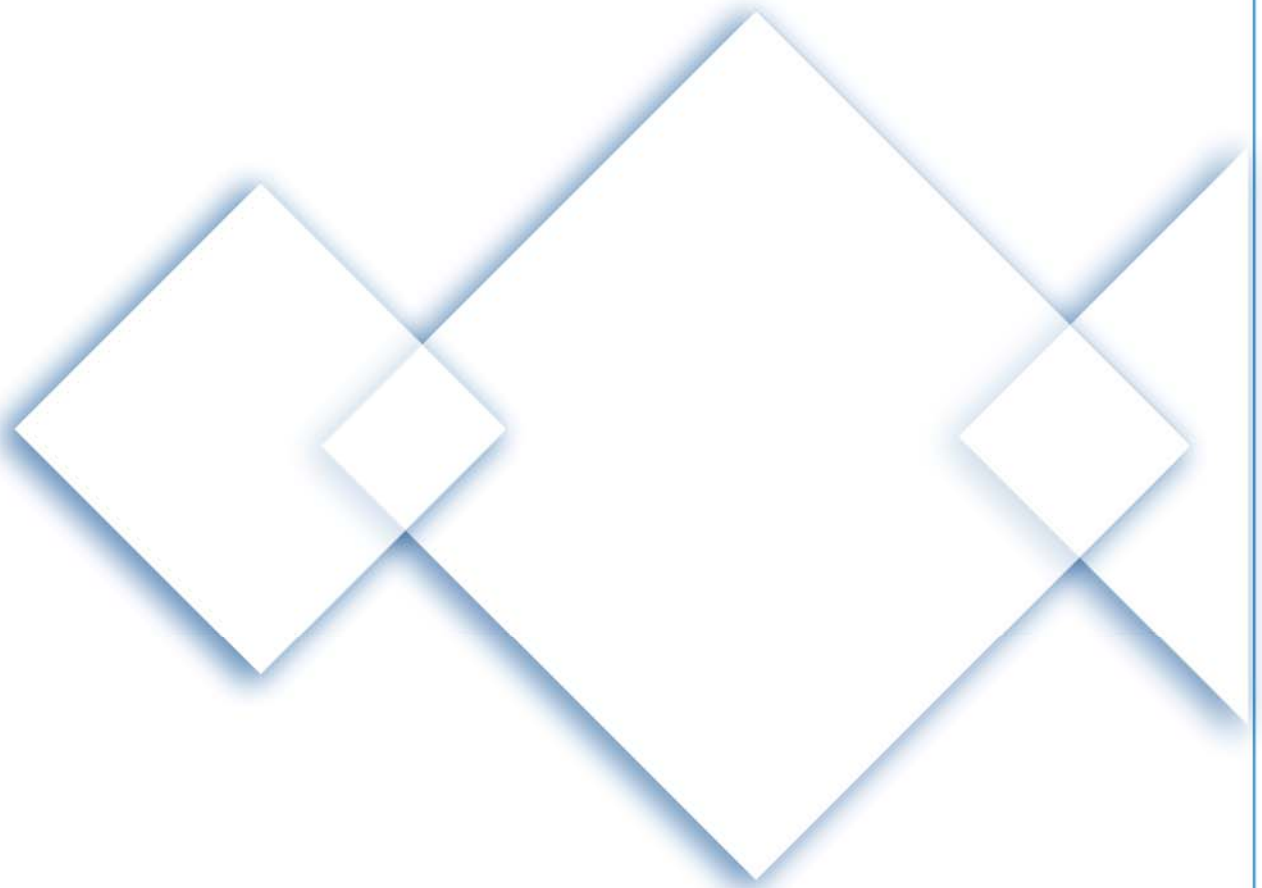
Malcolm Arthur

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## Ofgem Open letter – priorities

- ◆ Develop longer term incentive proposal
- ◆ Develop indexation
- ◆ Unbundling
- ◆ Handling of differential in risk profiles of the BSIS components
- ◆ Differentiating incentive periods of the BSIS components
- ◆ Implementation of Transmission Access and the SO / TO incentives
- ◆ Increased information provision



Longer term scheme

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# Development of a longer term scheme

## Aim to develop longer term incentive

### Benefits outlined in Ofgems letter are:

- ◆ Consider actions that would have longer pay back time
- ◆ Further development of strategic operating view
- ◆ Better information transparency
- ◆ More targeted incentive
- ◆ Reduction in administration burden

# Industry / consumer benefit

## Aim to minimise costs to the consumer

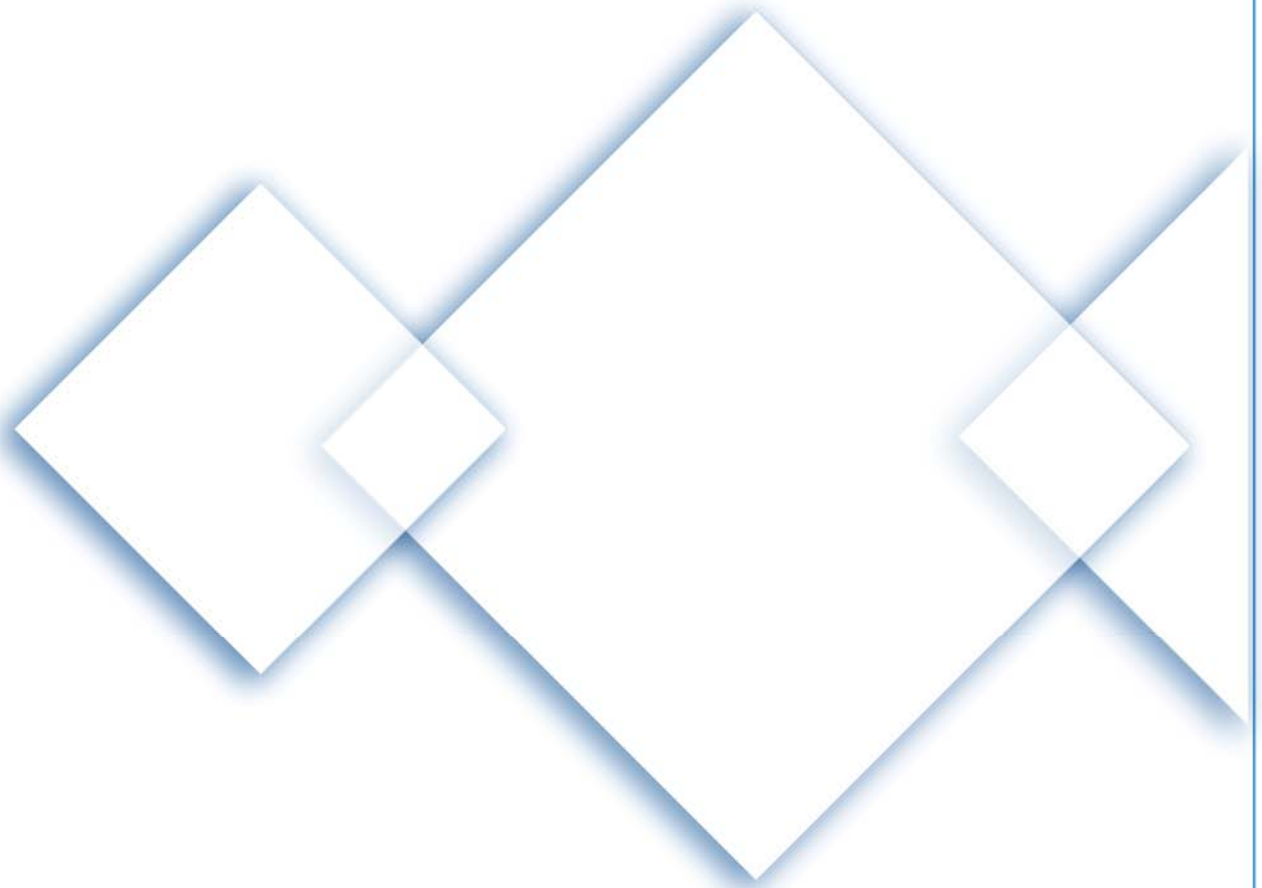
- ◆ Greater transparency of longer term costs
- ◆ Stability of incentive
- ◆ Should reduce costs longer term



# Development of a longer term scheme

## Some things to consider:

- ◆ Addressing externalities
  - Power price
  - Market length
- ◆ Market changes
  - Introduction of modifications such as Transmission Access
- ◆ Can all components be bundled
  - Constraints
  - Transmission Losses
- ◆ Additional incentivisation outside of BSIS
  - Wind forecasting



## Industry engagement

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# Industry engagement

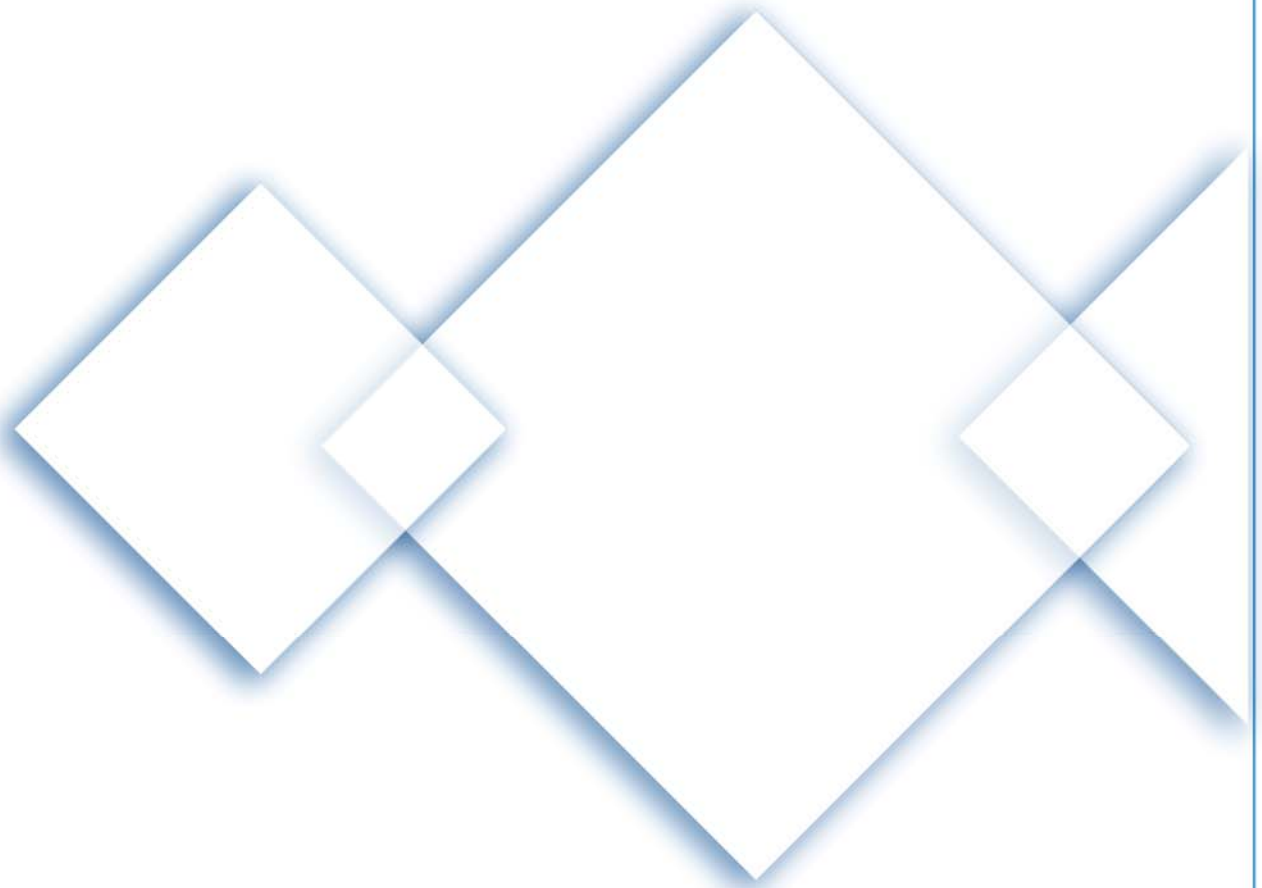
**We are looking to improve industry engagement**

**Looking to present at industry meetings**

- ◆ Your thoughts on relevant meetings would be appreciated

**Workshops held where appropriate**

**Bi-lateral meetings**



## Fixed price BSUoS

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## Develop fixed price BSUoS

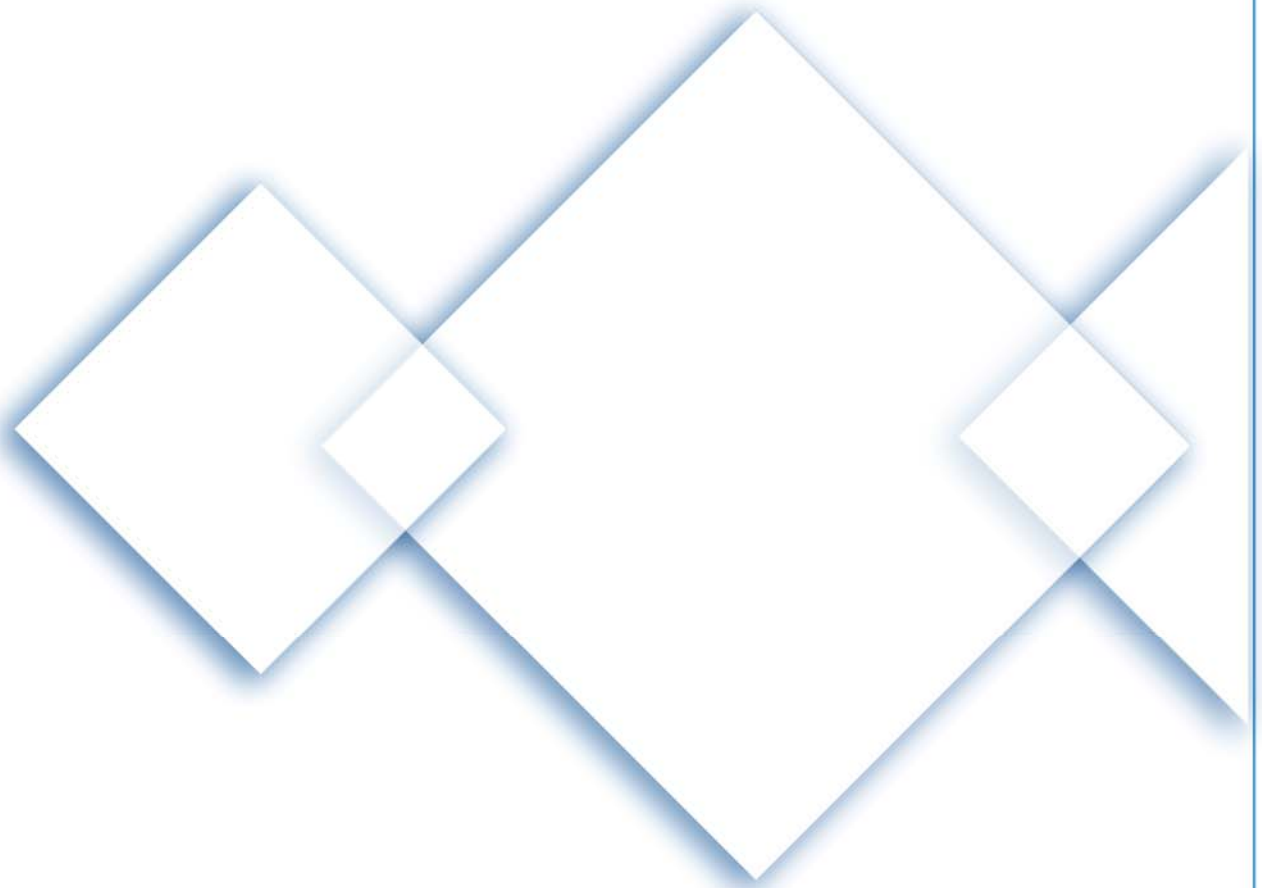
**Industry requested that we consider the development of a methodology to reduce the volatility of BSUoS costs**

**Preliminary work showed potential issues**

- ◆ Presents a risk to National Grid - significant under (and over) recovery
- ◆ Whether it would better meet licence objectives

**Additional suggestions made by industry to overcome these issues**

**Potential alternatives such as a BSUoS price forecast incentive**



## Indicative timeline

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## Indicative timeline

- ◆ June / July 2009 Launch process, discussion on themes at relevant industry meetings
- ◆ July to September Mini consultations on key issues
- ◆ October Publish initial proposals consultation documents
- ◆ November Present proposals to interested parties
- ◆ November Ofgem to provide initial comments
- ◆ December Initial proposals consultation closes
- ◆ Feb 2010 National Grid Consultation Report (inc final forecast and scheme)
- ◆ Feb / March Ofgem issues licence directions
- ◆ April Incentives schemes implemented

# Indicative timeline

**2010 timetable**

## Our Contact Details

**Electricity SO Incentives webpage:**

**<http://www.nationalgrid.com/uk/electricity/>**

**To register your interest in receiving future SO communications please email: [SOIncentives@uk.ngrid.com](mailto:SOIncentives@uk.ngrid.com)**

**Contact Malcolm Arthur**

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