

To:
Generators, Shippers, Suppliers, Customers,
Transmission and Transportation System Owners and
other Interested Parties

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Dear Colleague,

National Grid Electricity Transmission and National Grid Gas System Operator Incentives from April 2009

Background

National Grid is again this year leading on the consultation process associated with the development of Initial Proposals for SO Incentives commencing 1 April 2009. The high level process and timetable was set out in our open letter of 23rd May 2008¹. The consultation process commenced this year with separate Gas and Electricity workshops on the 25th and 26th June². The next stage in the process is for National Grid to prepare mini-consultation documents to allow further industry debate. The output of these consultations would then be used to assist us in preparing a full set of Initial Proposals for SO incentives in early November.

To assist market participants with planning over the summer period, this letter provides an overview of the planned mini-consultation documents and the consultation timetable.

Electricity mini-consultations

It is our intention to issue two mini consultation documents on the development of electricity SO incentives. In line with comments received from the industry workshop, the two consultations will be on:

- the development of BSIS scheme target indexation methodology
- the development of a fixed price BSUoS proposal

We will stagger the publication of these consultations to be two weeks apart with the indexation methodology consultation being published first.

¹ <http://www.nationalgrid.com/NR/rdonlyres/2572C7FB-EFCC-45FA-BCD1-3C6A870BB817/26070/SOInitialProposalsTimetableOpenLetterMay2008.pdf>

² Workshop Slides are available at <http://www.nationalgrid.com/uk/Gas/soincentives/IndustryWork/>

Gas mini-consultations

At the June workshop and at subsequent meetings, we have received feedback that the mini-consultations should include information on the interaction between Shrinkage and Residual Balancing activities and for Operating Margins (OM) the interaction with the OM contestability project.

It is our intention to issue two mini consultation documents on the development of gas SO incentives. In line with comments received from the industry workshop, the two consultations will be on:

- OM, covering both contestability and OM incentive issues
- Residual Balancing and Shrinkage, including the interaction between incentives

Timetable

The preparation of the mini-consultation documents has commenced and we are working towards publication by mid August, with a 4 week consultation period on each. As the documents will be stand alone, they will be published on our website as soon as they are available.

E-mails will be sent out via the SO Incentives distribution list and the Gas Governance distribution lists (as appropriate) to notify the industry of publication of mini-consultation documents. If you would like to be added to the SO Incentives distribution list, to receive updates on SO incentive issues, please contact us using the e-mail address at the end of this letter.

If you would like to discuss any aspect of this letter or the wider review please do not hesitate to get in contact with myself or use the contact details below.

Yours sincerely,

Duncan Burt
Acting Regulatory Frameworks Manager
National Grid

Contact us:

To register your interest in receiving future communications on this consultation process please email: SOIncentives@uk.ngrid.com

On the web:

Dedicated web pages for this process are available at the following addresses:

Electricity SO Incentives: <http://www.nationalgrid.com/uk/Electricity/>

Gas SO Incentives: <http://www.nationalgrid.com/uk/gas/>

Talk to us:

Gas

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