

Appendix C - Consultation Questions

National Grid invites responses to this consultation by 10 August 2012. The responses to the specific consultation questions (below) or any other aspect of this consultation can be provided by completing the following proforma.

Please return the completed proforma to soincentives@nationalgrid.com

Respondent:	Andy Manning
Company Name:	British Gas
Does this response contain confidential information? If yes, please specify.	No

No	Question	Response (Y/N)	Rationale
1	Do you agree with the proposed approach to modelling the voltage constraints experienced since the commencement of the current scheme?	N	<p>In general, we believe that once incentive schemes have been agreed to, these should only be changed in very exceptional circumstances. If networks have the opportunity to change the rules when they are in an adverse position the incentive ceases to be symmetric in nature, as we believe it unlikely that networks will be keen to highlight favourable modelling issues, and cease to be good value for consumers.</p> <p>In this instance, the issue that is causing the addition of £9.3bn to the constraint, together with the high swings National Grid have witnessed in the output to the model, clearly demonstrates an exceptional impact that requires addressing in a transparent and open process.</p> <p>We believe this should be addressed in a way that has the minimum effect on the remainder of the workings of the scheme and so only the changes relating to Generator Modelling should be made . This is a scheme of National Grid's design which should be adhered to wherever possible and certainly a wholesale review mid-scheme, as this appears to be, is not acceptable.</p> <p>The principles being developed for use with RIIO:T1 incentives are a useful reference point, but cannot be employed retrospectively to re-design an existing scheme.</p> <p>National Grid's primary focus should be on improving performance against the incentive scheme by reducing costs, rather than considering the detailed workings of the scheme.</p>

No	Question	Response (Y/N)	Rationale
2	Do you have any suggestions as to how we could better model these effects on the transmission system?		We are additionally concerned at the lack of clarity over the proposed solution in this area. National Grid state 'logical rules' will be applied. Parties need to know what those logical rules are to be able to comment and logical rules would need to be outlined in detail in the methodology. It is vital that any changes to the model are made in an open and transparent manner to ensure that the balance of risk and reward remains the same, and that one side does not benefit over the other in either the short or long term.
3	Do you agree with the proposed approach to reassess generation availability as an ex post rather than an ex ante input to the Constraint model and that it serves to increase Constraint model accuracy?	N	See answer to Q1
4	Do you have any suggestions as to how we could better model generation availability on an ex ante basis?	N	See answer to Q1
5	Do you agree with the proposed changes to the methodology statement in relation to boundary flow model setup errors?	N	See answer to Q1
6	Do you agree that Ofgem are best placed to audit and approve these changes in future?	N	All aspects of the incentive scheme should be transparent to all affected parties. Changes should only be considered in exceptional circumstances and must be subject to industry scrutiny.
7	Do you have any comments on the proposed changes to the modelling methodology for Interconnectors availability?	N	See answer to Q1
8	Do you agree that moving Interconnector flows to an ex post input is appropriate and provides a more accurate modelling methodology?	N	See answer to Q1
9	Do you agree that this clarification should be made to the modelling methodology?	N	See answer to Q1
10	Do you agree with the proposed changes to the modelling methodology that allow us to detect and seek amendment to material differences in generator running patterns compared to model forecasts?	Y	We accept that these changes are necessary to correct the exceptional issues relating to the additional £9.3bn.

No	Question	Response (Y/N)	Rationale
11	Do you agree with treating commissioning generation as an ex-post input for a period of 6 months while the generator undertakes its commissioning programme?	Y	We accept that these changes are necessary to correct the exceptional issues relating to the additional £9.3bn.
12	Do you agree with our proposal to change these optimiser settings?	N	See answer to Q1
13	Do you agree with the approach that Ofgem oversee and approve any future optimiser setting amendments?	N	All aspects of the incentive scheme should be transparent to all affected parties. Changes should only be considered in exceptional circumstances and must be subject to industry scrutiny.
14	Do you agree that if a market participant submits erroneous data in error that we should have the ability to remove the error such that the target cost remains unaffected?	N	See answer to Q1
15	Do you agree with the approach that Ofgem oversee and approve these changes?	N	All aspects of the incentive scheme should be transparent to all affected parties. Changes should only be considered in exceptional circumstances and must be subject to industry scrutiny.
16	Do you consider that there is value to the industry from publication of BSIS model outputs e.g. modelled MWh per BMU versus actual BMU output?	Y	All aspects relating to the BSIS model should ideally be published- including inputs, outputs and the model itself.