

## **Electricity SO Incentives BSUoS Seminar**

**Tuesday 15 February 2011  
Ardencote Manor Hotel**

### **Summary of Questions and Answers**

#### ***Introduction and Overview of SO Review process (David Smith):***

No questions asked.

#### ***BSUoS methodology (Colin Williams):***

No questions asked.

#### ***Energy cost components (Katharine Clench):***

1. Clarification was sought regarding what comprises BM response and AS response costs. NGET noted that the BM response element related to the costs incurred in the Balancing Mechanism to position generation at an output level where it can provide response, whilst the AS response costs represent the costs associated with mandatory response capability, firm frequency response provision and other response ancillary services.

Further detail can be found in the Monthly Balancing Services Summary report, available [here](#).

#### ***Constraint costs (Guilherme Susteras):***

1. It was asked whether it would be possible to translate the forecast costs presented at the seminar into a £/MWh BSUoS price forecast. NGET responded that, subject to further assumptions relating to market volumes and its internal incentive scheme, it should be possible to derive some numbers. These will be published on the [SO Incentives webpage](#) in due course.
2. It was asked whether it was possible to run the Plexos software for longer periods (for example five years). NGET responded that the software can be run over as many years as data exists for, although different assumptions on transmission boundary capabilities (for example those set out in the Seven Year Statement) would need to be used. NGET further noted the intention to use the Plexos model for costing SQSS derogations required under the Connect & Manage regime.

It was asked whether the single annual constraints cost forecasts could be split by constraint boundary. NGET noted that boundary-specific reporting is currently made possible by the use of bespoke, boundary–

specific models. The new approach to modelling, featuring the GB-wide fundamentals model for generation and demand, will represent a better modelling solution, but will need time to development and implement the necessary functionality.

NGET noted that an efficient means by which the Plexos software could automatically report on constraint costs by boundary was under development with the makers of Plexos (Energy Exemplar) – currently it is only possible to determine the ‘constrained off’ or ‘constrained on’ element of the constraint costs on a ‘per boundary’ basis; not the replacement energy costs as well.

NGET noted that it may be possible to run the model on a ‘per boundary basis’, rather than applying all boundary conditions in a single constrained run, however it was noted that this would be a significant computational burden.

The Plexos implementation is still being refined – the aim is to establish the ability to report constraint costs by boundary in time for the commencement of the new incentive scheme.

3. It was asked whether it would be possible to provide a month by month constraint forecast. NGET noted that it should be possible to do so, subject to the necessary functionality being available within Plexos.

***BSUoS reporting (Jo Faulkner):***

1. It was asked whether it would be possible for NGET to provide tables containing the numbers that drive the charts presented at the Operational Forum, so as to save the need to approximate the relevant values by reading the charts themselves. NGET noted that this should be possible and that it would look into the most appropriate mechanism for publication.
2. It was suggested/requested that the numbers could be updated routinely and provided on the web in Excel format, in addition to the charts presented in the Operational Forum updates.
3. It was also suggested that it would be useful for a routine (e.g. six-monthly) update regarding how the ex-ante relationships within the BSIS models are holding up. NGET suggested that such analysis should be possible.
4. It was noted that the forecast constraint costs seemed high. NGET reiterated that the costs presented at the seminar (for both energy and constraints) were based on a range of assumed values for variables that will, due to their uncertainty, ultimately be treated as ex-post inputs into the models that will determine NGET’s incentivised cost target.