

Agreement and Recovery of 2017/18 BSIS

National Grid BSUoS Charging Circular

5th December 2017

This circular provides information on a consultation we are running with BSUoS (Balancing Services Use of System) participants on how the 2017/18 BSIS (Balancing Services Incentive Scheme) will be recovered. As well as this paper explaining the current situation and details of the consultation, we will be holding a Webinar on Friday 8th December at 1pm to help explain this further.

If you wish to take part in the webinar please email BSUoS.Queries@nationalgrid.com with “Webinar Invite” in the subject field and an invitation will be sent to you prior to the event.

The parameters for this year’s BSIS were formally agreed with Ofgem on the 29th November 2017 (The formal approval letter can be found at the following link <https://www.ofgem.gov.uk/publications-and-updates/approval-issued-national-grid-electricity-transmission-plc-2017-18-so-methodology-statements> National Grid has so far not recovered the BSIS element of the scheme and there are several ways this can be done and this paper explains these options available and we would like our customers to give us feedback on the option they would prefer.

Background

The Balancing Services Incentive Scheme (BSIS) provides a focus on key areas where National Grid is able to create value for the industry and consumers by minimising balancing costs and improving the accuracy and provision of information for use by the industry to better facilitate the market.

On April 12th 2017 we advised BSUoS participants that the BSIS for the current 2017/18 financial year had not yet been agreed with Ofgem and that discussions were ongoing. At that time we believed that we would have the scheme parameters agreed and finalised by June this year but unfortunately that wasn’t the case.

With no formal agreement in place and with significant changes in the scheme parameters this year we felt unable to reasonably predict the amount we should be recovering/paying from BSUoS participants so this has so far been excluded from our BSUoS calculations and invoicing.

Key information

Now that the BSIS parameters have been agreed with Ofgem we are in a position to run calculations from the start of the financial year until now and recover the BSIS element of this year’s scheme.

Based on current estimates the incentive element of the scheme this year currently stands at £5.3m but this could move significantly over the remainder of the financial year. The cap and floor limits of the scheme are +/- £10m.

The 2017/18 BSUoS charges to date works out at roughly £2.60 per megawatt hour. The current £5.3m incentive element would equate to approximately 2 pence per megawatt hour (MWh) or <1% of the total BSUoS charge to date.

Agreement and Recovery of 2017/18 BSIS

National Grid BSUoS Charging Circular

5th December 2017

Decision

The current scheme incentive could be recovered in one of two ways which we have detailed below.

Our usual method of recovery (and what we would consider to be most suitable this year also) would be to smear the total BSIS incentive amount over the remainder of the SF runs yet to be billed from the current scheme year. We do however recognise that this year's scheme has been agreed later than usual and that this means that the costs will be smeared over a smaller period of time than what is normally the case. Because of this we are keen to hear feedback from BSUoS parties on the possible options for recovery as detailed below.

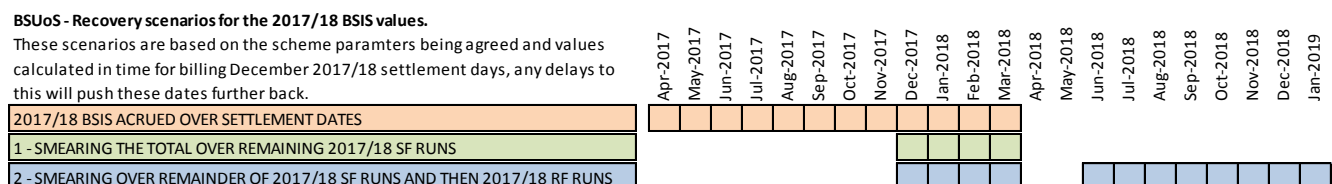
Option 1 – Recovery of BSIS in remaining SF runs of 2017/18 financial year. We will smear the total amount of the incentive over the remaining SF runs yet to be processed this year.

- Invoiced between Dec 2017 through to March/April 2017
- Approximate additional cost = 6 pence per MWh

Option 2 – Recovery of remainder of the year in SF runs, with the YTD being recovered via RF runs. YTD incentive value will be smeared across the RF runs with the unbilled remainder of the year's incentive being smeared across SF runs.

- Invoiced between Dec 2017 Through to Mar/Apr 2017 then Jun 2018 to Jan 2019
- Approximate additional cost = 2 pence per MWh

The graphic below shows how each of the options above would be applied within billing runs.



Webinar Details

The purpose of the webinar will be to further explain BSIS and the recovery methods available.

Invitation: If you wish to take part in the webinar please email BSUoS.Queries@nationalgrid.com with "Webinar Invite" in the subject field and an invitation will be sent to you prior to the event.

Date: Friday 8th December 2017

Time: 1pm (GMT)

If you are unable to attend this event please feel free to give us feedback before or after the event via the following email address. BSUoS.Queries@nationalgrid.com

Please mark your email "BSIS 2017/18 Feedback" in the subject line.

Agreement and Recovery of 2017/18 BSIS

National Grid BSUoS Charging Circular

5th December 2017

What happens next?

We will review all feedback from the industry and publish our intent to the BSUoS Charging Circulars distribution list as well as publishing the information on our website at the following link <http://www.nationalgrid.com/bsuos/>

We would kindly like to ask that all BSUoS customers provide feedback by no later than Friday 15th December 2017 so that we can publish our intent to the industry the following week and before the break for the holiday period.

BSUoS Circulars

If you wish to receive BSUoS circulars via email please send an email to BSUoS.Queries@nationalgrid.com asking to be added to our distribution list. Please mark your email with the subject line **“Please ADD me to BSUoS Circulars”**

If you receive BSUoS circulars but no longer wish to do so please email BSUoS.Queries@nationalgrid.com asking to be removed from the distribution list. Please mark your email with the subject line **“Please REMOVE me from BSUoS Circulars”**

Further Questions?

If you have any queries regarding this issue please contact the BSUoS team using the details below:

Email: BSUoS.Queries@nationalgrid.com¹

Tel: 01926 654 613

Website: <http://www.nationalgrid.com/bsuos/>

¹ Please help us keep our records up to date by informing us of any changes in contact details via the email address