

## Laura Cork

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**From:** Helen Bray [BrayH@cia.org.uk]  
**Sent:** 25 August 2006 18:09  
**To:** wholesale markets  
**Subject:** Potential IAE under NGET's 2005/06 system operator incentive scheme

Hello,

Please find attached a rather short response from CIA. We appreciate Ofgem's work in this area. We note that NGET's SO Costs was expected to increase following the commencement of BETTA.

We note in relation to the internal scotland constraint costs 2005/06 that there was a significant risk that certain gas-fired plant would choose not to run over winter, and we agree that it could have been more economic to contract ahead to manage this constraint. Unfortunately, we do not have any evidence to back-up this statement.

With respect to the Cheviot constraint, we note that the BM was used to manage this constraint and this may not have been the most economic.

Also, we have concerns, like Ofgem, that NG are over stating the increase in frequency response costs.

I am sorry that CIA is not able to provide further evidence, but we wanted to submit support to this line of work to ensure NG is appropriately incentivised.

Kind regards,

Helen

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