

System Operator (SO) Incentives 1 April 2010/11

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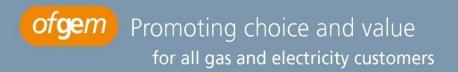
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Outline

- Gas SO Incentive Schemes 2010 onwards
 - Overview
 - Details
 - The way forward
- Electricity SO Incentive Scheme 2010/11

Gas SO Incentives 2010 onwards Overview

- Set (mostly) two-year schemes, i.e. residual balancing, demand forecasting, data publication
- Schemes (mostly) based on continuous improvement, i.e. demand forecasting, residual balancing
- Introduction of Special Condition C27: requires NGG to consider the introduction of a gas linepack trading product and the resetting of the "default" gas cash-out price values. NGG is required to undertake this work in consultation with the industry



Gas SO Incentives 2010/11 onwards Details

	Incentive target		
	2010/11	2011/12	
Residual Balancing	LM: 2.8mcm PPM: 2.5%	LM: 2.8mcm PPM: 1.5%	
Demand Forecasting	2.85% absolute daily error	2.75% absolute daily error	
Environmental	3007 tonnes	_	
Data Publication	Availability: 99.3% Timeliness: 90.5% within 10 mins	Availability: 99.3% Timeliness: 90.5% within 10 mins	
Operating Margins	No Scheme Currently in place		
NTS Shrinkage	Cost Target based on St Fergus flows and reference price		
UAG	Incentive Target: 2862 GWh		

Gas SO Incentives 2010/11 onwards The way forward

Going forward

- Expect NGG to put initial proposals forward for OM and Environmental incentive schemes to be in place from April 2011
- Ofgem will consider options for the entire Gas scheme from April 2012 (bundling and potential links with price control)
- Special Condition C27: NGG raised the UNC review group (UNC 291), thus expect NGG and the Industry to develop, if appropriate, a gas linepack product and consider "default" cash out prices

Electricity SO Incentive 2010/11

Annual bundled scheme in place

	Incentive Target	Deadband	Sharing Factors	Cap/Floor
Scheme	£577.7m	£550m-£605m	15%	£15m

 Introduced licence condition which requires NGET to cooperate with the Authority in undertaking a review of the methodology for developing its forecast



Promoting choice and value for all gas and electricity customers