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Dear Ms Squicciarini

Electricity System Operator incentive schemes from 2013: disallowing costs and the efficiency in system operations reward scheme

I am writing connection with the above and the Ofgem overview document published in late October 2012. Our particular area of interest is in relation to the proposal to introduce a financial incentive on the accuracy of the System Operator's (SO's) balancing cost forecasts.

We agree with your view that such an incentive could be complimentary to our proposals under CUSC Modification CMP208 and we would support the introduction of such an incentive.

However, the current proposal for the timing of the forecast submission by the SO to the Authority (14 days ahead of the start of a scheme year) gives us cause for concern. There is a risk that such a short deadline ahead of a scheme year for the submission of the forecast could lead to a step change in BSUoS forecasts published by the SO very close to the start of a scheme year. In our view this would negate the benefits that CMP208 would bring to the industry if it were implemented, i.e. better and earlier visibility of NGET's future view of BSUoS charges.

In developing your final proposals next year, we would urge you to consider a significantly earlier deadline for forecast submission by the SO. In addition, you should consider specifying in more detail the granularity of the "year-ahead" forecast (e.g. monthly average). Finally we would like to suggest that you consider whether this incentive should operate on a discrete "scheme year" basis or whether a rolling mechanism would work better for all parties – customers, suppliers and the SO.

If you have any questions please get in touch – we would be pleased to meet with you to discuss further.

Yours sincerely

Sent via email

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