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## **National Grid Electricity Transmission System Operator Incentives from 1 April 2010**

EDF Energy welcomes the opportunity to respond to this Final Proposals Consultation. The key points made in our response are as follows:

- We have actively engaged with National Grid (NG) in the development of SO incentives scheme for April 2010;
- We support Ofgem's conclusions in respect of the forecasting methodology used by NG and welcome the new special licence condition requiring NG to co-operate in the review of the methodology;
- EDF Energy agrees with the proposed scheme target and options for 2010-11;
- We have always supported the development of multi-year schemes and are keen to engage with NG and Ofgem in this future work.

### **Introduction**

We have actively engaged with NG during this process as we view it as highly relevant for all system users. It is important to have industry involvement in the setting of balancing services incentive schemes.

### **Forecasting methodology**

In our response to NG's Initial Proposals Consultation we provided our own analysis of data and discussed this with NG bilaterally. In reviewing the detailed assumptions that NG uses in its forecast, we were concerned about the over reliance on a certain period of historic data as a predictor of the future. Therefore, we support Ofgem's conclusions in respect of the forecasting methodology used by NG and welcome the new special licence condition.

It is unfortunate that, despite early notification of the timetable of work for setting 2010-11 incentives, it will be necessary for these proposals to be applied retrospectively, on the assumption that they are accepted by NG. However, we hope that the use of a separate licence condition to review NG's forecasting methodology will address the reasons for the delays to this year's process.

### **2010-11 target and scheme options**

We welcome the proposed target proposed by Ofgem of £577.5m for 2010-11 and the approach that has been taken in its assessment. We have seen considerable adjustment to NG's forecast since November 2009 and felt that the initial scheme proposal from NG had a target which was too high.

The downward adjusters of £53m in respect of new wind generation connections in Scotland and IFA exports to account for their impact on the forecast cost of constraint seems a reasonable approach.

We agree with the approach Ofgem has taken in proposing minimum changes to the current scheme design and welcome the revised sharing factors. We believe that it represents a fair balance of risk and reward.

#### **Future work**

EDF Energy supports the development of multi-year schemes and, although we recognise why this has not been possible for 1 April 2010, we welcome future work in this respect. We would expect there to be sufficient opportunity for wider debate and assessment of any proposals, and, where appropriate, transparency of forecasting techniques and costs. We are keen to be involved in this work.

If you have any queries on this response please do not hesitate to contact Rob Rome on 01452 653170, or myself.

Yours sincerely

A handwritten signature in blue ink, appearing to read "D. Linford", with a long horizontal flourish extending to the right.

**Denis Linford**  
Corporate Policy and Regulation Director