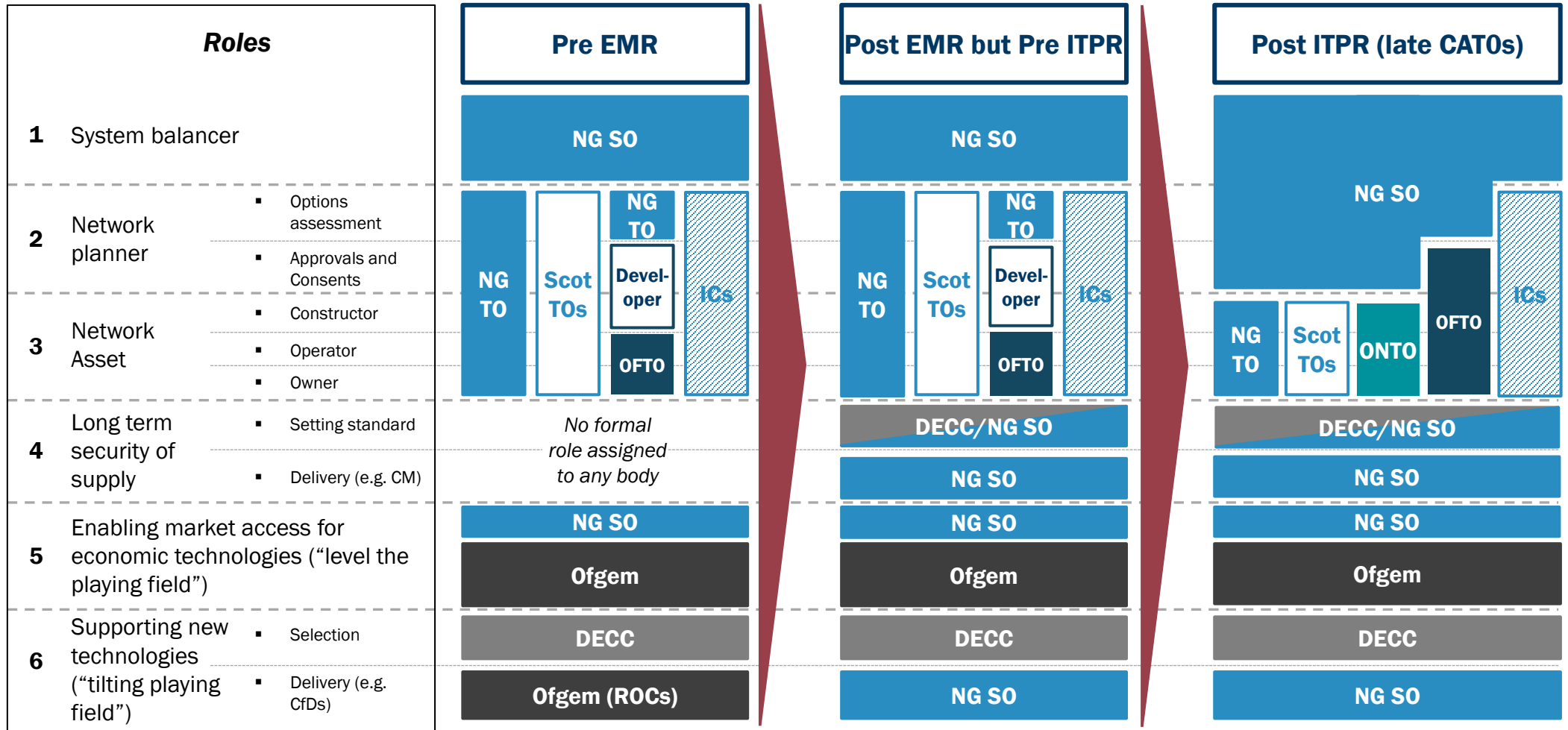


Costs and benefits of introducing an independent system operator in Great Britain

Assessment of the appropriate model for the future GB SO

The current role of the NG SO has evolved following first EMR and then more recently ITPR...



...although (pending outcome of the early vs late CATOs debate) there is still some uncertainty as to the "depth" of enhanced SO role

Given expanding role and changing system reasonable to ask whether ISO is a better model

Possible costs of ISO

Loss of system balancing and network planning synergies between SO and TO role

Lack of high powered incentives

Implementation costs and short term uncertainties



Introducing LMPs mitigates some of potential costs of introducing ISO...
.....but risks increasing implementation costs and uncertainties

Possible benefits of ISO

Removal of potential conflicts of interest in onshore competition and interconnectors

Removal of bias towards “transmission heavy solutions”

Potential for greater clarity on Security of Supply

4 factors strengthen case for ISO over time

- Increasing decentralisation of generation
- Introduction of LMPs
- Successful roll out of ONTOs
- Resolution to current security of supply concerns

Critical Thinking at the Critical Time™
