

Overrun

Concept models

Models

- ◆ Ex post price / ex post settlement
- ◆ Ex ante price / ex post settlement

- ◆ Ex ante price includes risk premium
- ◆ Ex post Settlement is MWh charging
- ◆ Pricing and settlement are two different functions

- ◆ The models are there to illustrate the issues and allow discussion....

Model 1 Ex post (1)

- ◆ Prices are posted after the event
 - ◆ E.g. working day +1 or 2
- ◆ Prices are calculated for pre defined zones using an agreed process
 - ◆ Involves engineering judgement – which actions and why
 - ◆ Based on current constraint identification tools
 - ◆ Constraint cost combined with volume to establish zone price
 - ◆ XX boundaries (20 to 40)
 - ◆ Zonal price is sum of boundary costs
- ◆ No constraint / no boundary / no charge

Model 1 Ex post (2)

- ◆ Half hourly resolution of prices
- ◆ Price set for cost recovery not signal
 - ◆ Not marginal price
- ◆ Automation would reduce time, but would be expensive and would still need some level of manual input given the dynamic nature of optimisation (the tagging debate)
- ◆ Access imbalance settlement
 - ◆ Establish overrun
 - ◆ Multiply by overrun price to establish charges
 - ◆ Settlement
- ◆ No charge / benefit for importing groups
- ◆ Revenues feed into BSUoS
 - ◆ Cash received is negative item in BSUoS recovery

Model 1 Ex post (3)

- ◆ Price setting established using an agreed methodology
 - ◆ Externally auditable process
 - ◆ What data is valid
 - ◆ Engineering judgement required

Model 2 Ex ante (1)

- ◆ Price is set a number of hours before real time
 - ◆ Balance lead time w. risk
 - ◆ Development of price in operational timescales
- ◆ Price is firm
- ◆ Price set for cost recovery, plus premium
- ◆ Price setting more difficult to audit than Model 1

Model 2 Ex ante (2)

- ◆ Charge calculated on actual overrun
- ◆ Access imbalance settlement (as Model 1)
 - ◆ Establish overrun
 - ◆ Multiply by overrun price to establish charges
 - ◆ Settlement
- ◆ No charge / benefit for importing groups
- ◆ Revenues feed into BSUoS

Assessment of models

- ◆ Impacts on Codes
- ◆ Impact on IS
 - ◆ NGET
 - ◆ Customers
- ◆ Pros and Cons
 - ◆ all