

Actions from meeting 2 on 12 May 2010

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nationalgrid

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Summary of actions

1. **National Grid to look at how the requirements are defined and consider how more transparency can be provided in addition to being economic and efficient.**
2. **National Grid to investigate the option of aligning BMRS zones with OC2 zones.**
3. **National Grid to check how information, if any, is sent out and what can be done to make the information more widely available.**
4. **National Grid to investigate options for identifying an appropriate governance framework to include provisions for market information.**
5. **National Grid to provide more details on tagging under P217, including the inconsistency with System Operator Notification and Reporting System (SONAR) data. [To be taken forward](#)**
6. **National Grid to explain cost allocation methodology for identifying direct and indirect costs.**
7. **National Grid to check feasibility of reporting on boundary flows 1-2 months ahead of real-time.**
8. **National Grid to check that future meeting dates have been circulated to all attendees.**

Aligning BMRS zones with OC2 zones – previous work

- ◆ Issue: discontinuity between short term (5 BMRS zones) and longer term (8 OC2 zones) zonal information
- ◆ BSC issue 17 raised in 2005
- ◆ Proposal to increase BMRS zones from 5 to 8
 - ◆ With flexibility to add more zones
(BSC agent costs \approx £260k, 27 weeks lead time)
- ◆ Recommendation to BSC Panel for a wider review
- ◆ Way forward (2006)
 - ◆ Detailed comparison of BMRS and OC2 zones
 - ◆ Justification for alignment - market benefits
- ◆ Next step
 - ◆ Industry views on market benefits?

TOGA outage information

- ◆ Pre-TOGA communications
 - ◆ Emails
- ◆ Post-TOGA communications
 - ◆ ‘Self-service’ reports
 - ◆ Replacement for emails
 - ◆ Information only available to TOGA users
- ◆ Market benefits?

TOGA outage information (cont.) - example

= Forecast demand + boundary limit

Own Output Usable (OU)

Total OU

= Col 4 – Col 2

'*****' means constraint possible

EXPORT Date	Zone: MaxGen Usable	Own Output Usable (OU)	Total OU	Total Availability	Zonal Surplus	Problem
20/06/2010	17286	912	912	23476	6190	*****
21/06/2010	18970	911	911	25185	6215	*****
22/06/2010	19043	911	911	25350	6307	*****
23/06/2010	18922	911	911	25770	6848	*****
24/06/2010	18946	911	911	25350	6404	*****
25/06/2010	18801	911	911	25350	6549	*****
26/06/2010	17446	911	911	25356	7910	*****
27/06/2010	17252	911	911	25356	8104	*****
28/06/2010	18922	911	911	24783	5861	*****
29/06/2010	18922	910	910	24293	5371	*****
30/06/2010	18922	910	910	24241	5319	*****
01/07/2010	18922	898	898	23339	4417	*****
02/07/2010	18825	898	898	23915	5090	*****

Governance framework – Existing market information provisions

- ◆ BSC, Section Q6: Operational data
- ◆ Grid Code: Information exchange with Grid Code Users only
- ◆ CUSC, Section 4: User consent to disclosure of information
- ◆ Procurement Guidelines, Part E: balancing services data
- ◆ Bi-lateral agreements

- ◆ Licence obligations

- ◆ Economic and efficient obligation v benefit of information transparency

Constraint cost allocation methodology

- ◆ Main principle of methodology
“what actions the SO would have taken if the constraint was not active”
- ◆ Influencing factors
 - a) Price of a constraint action relative to the price of potential actions in a non-constrained area
 - b) Effect on energy balance (favourable or adverse)
 - c) Effect on services (‘sterilisation’)

Constraint cost allocation methodology (cont.) – example 1

Assume long market (Net Imbalance Volume, NIV, < 0), export constraint

Only 2 bids available:

- ◆ 100MWh at £10/MWh - resolves both constraint and NIV
- ◆ 100MWh at £25/MWh – only resolves NIV

➤ Accepted 100MWh at £10/MWh

Cost = -100MWh * £10/MWh = -£1,000 (i.e. income)



Separating energy and constraint costs

'Ideal' cost of resolving NIV = -100MWh*£25/MWh = -£2,500 (i.e. income)

Cost of resolving constraint = -£1,000-(-£2,500) = £1,500 (expense)

Or constraint cost = volume * (Price accepted – 'reference' price)

Constraint cost allocation methodology (cont.) – example 2

Assume short market (Net Imbalance Volume, $NIV > 0$), export constraint

Reference price 'P0' = volume-weighted average of **feasible** offers to meet NIV i.e.
 $P0 = (60 \cdot 50 + 40 \cdot 25) / (60 + 40) = \text{£}40/\text{MWh}$

Cost of energy imbalance

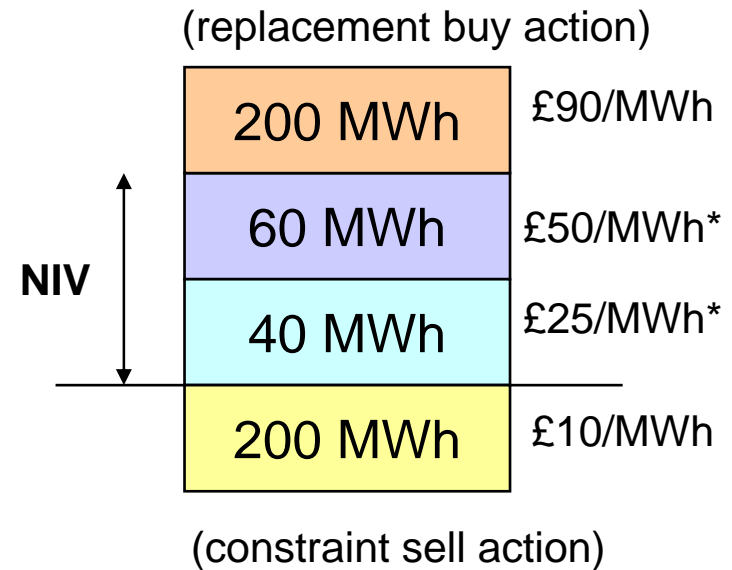
$$= NIV \cdot P0 = 100 * 40 = \text{£}4,000$$

Cost of constraint action

$$= -200 \cdot (10 - 40) = \text{£}6,000$$

Cost of replacement action

$$= 200 \cdot (90 - 40) = \text{£}10,000$$



* Feasible offers

Boundary flows at 1-2 months ahead

- ◆ Longer-term strategic analysis
 - ◆ 5 years to around two months ahead
 - ◆ Data feed to BSIS

- ◆ Highly detailed (at Picasso level) analysis starts at around 2 months ahead
 - ◆ Need to check quality of data at 1 month ahead
 - ◆ Draft version may be available at 2 weeks ahead

Working Group Report

Working Group Report – main topics

- ◆ Constraint management service
- ◆ Ex-ante information on constraint boundaries
- ◆ Ex-post constraint cost allocation
- ◆ Alignment of BMRS zones and OC2 zones
- ◆ Governance / disclosure of information