

P78 & BSAD

Robert Smith

Agenda

- **P78**
 - **Methodology**
- **BSAD**
 - **Explanation of Component Parts**
- **P78**
 - **Mechanics of Formula**
- **Price & Market Trends**
 - **Pre & Post P78 Comparisons**

Why P78?

- **Aim to resolve concerns identified in previous pricing formula Predominantly the impact of high cost system actions on SBP volatility.**
- **Introduced 11th March 2003**

P78 Methodology

- **Inclusion of all NGC traded actions gives a better indication of market length and a truer picture of the volume of actions used to resolve energy imbalance.**
- **P78 reverse stack price - now calculated using a “market index energy price”**

What is the “Market Price”?

- **Market Price derived from Market Index Data Providers (Subject to minimum volumes)**
- **Market Index Data Providers are UKPX and APX**
- **Participants whose energy Imbalance is opposite to market length imbalance have similar exposure as resolving contractual imbalance in forward markets**

Balancing Services Adjustment Data (BSAD) Under P78

- **BSAD is designed to reflect NGC total non BM actions**
- **8 Defined Components**

Balancing Services Adjustment Data

- The Eight BSAD Variables
- SBVA Net Buy Price Volume Adjustment (system)
- SSVA Net Sell Price Volume Adjustment (system)

- EBVA Net Buy Price Volume Adjustment (energy)
- ESVA Net Sell Price Volume Adjustment (energy)
- EBCA Net Buy Price Cost Adjustment (energy)
- ESCA Net Sell Price Cost Adjustment (energy)
- BPA Buy Price Price Adjustment
- SPA Sell Price Price Adjustment

BSAD Designated System Actions

- **SBVA (Buy System Actions)**
- **SSVA (Sell System Actions)**
- **WHAT ARE THEY ?**
- **These are actions used to resolve transmission constraints, Downward Regulation Issues etc**
- **They are included in the volume used to derive NIV**
- **They are zero priced so that they have no direct impact on Cash Out Price**

What are SBVA & SSVA Tagged Actions

- **PGBT & BMU**

- Specific Forward Trades taken for system reasons
- Including Trades done with counter-parties across the French Inter-connector.
- Current French Gate Closure cut off times mean these are limited to day ahead time-scales

- **SO to SO Trades between NGC & RTE**

- Only instrument that gives us flexibility to move the output of the French link within day.

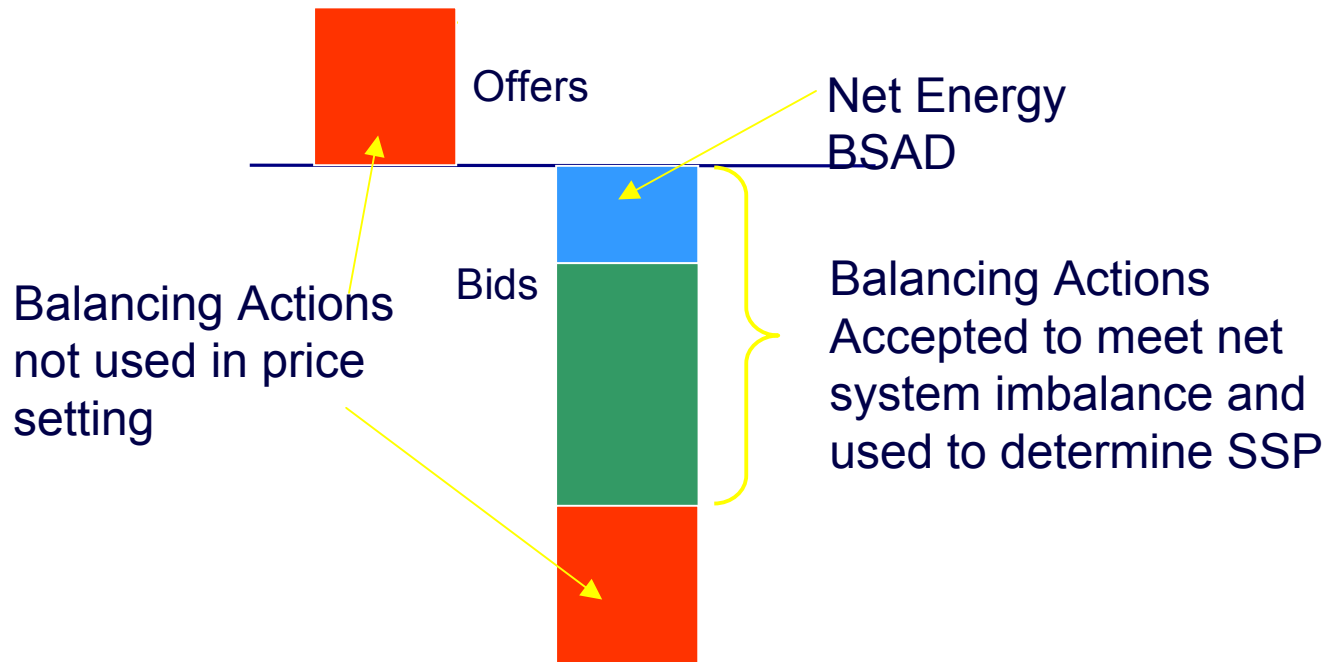
BMU - SPECIFIC TRADES

- **What is required In order to trade with NGT**
 - required schedules of GTMA signed
 - appropriate credit ratings or provisions

- **Extra Requirement to trade across French Inter-connector**
 - Must have an Inter-connector BMU ID
 - Must have sufficient allocated Inter-connector capacity

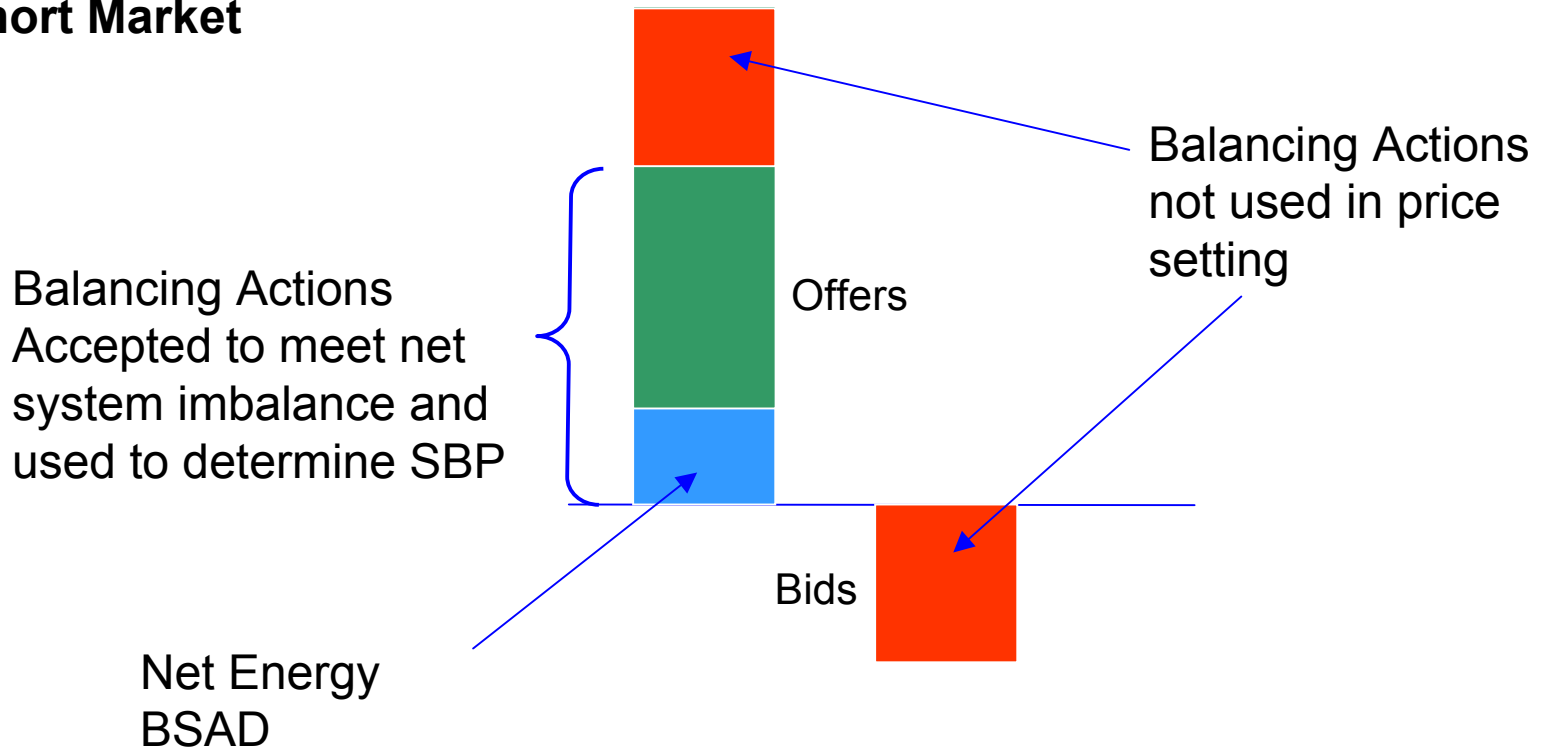
Mechanics of P78 Price Formula

Long Market



Mechanics of P78 Price Formula

Short Market



Calculation of SBP under P78

In a Long Market

SBP = "Market Price"

In a Short Market

SBP = Volume weighted average of Offers/Buy trades
to meet net system imbalance

Calculation of SSP under P78

In a Long Market

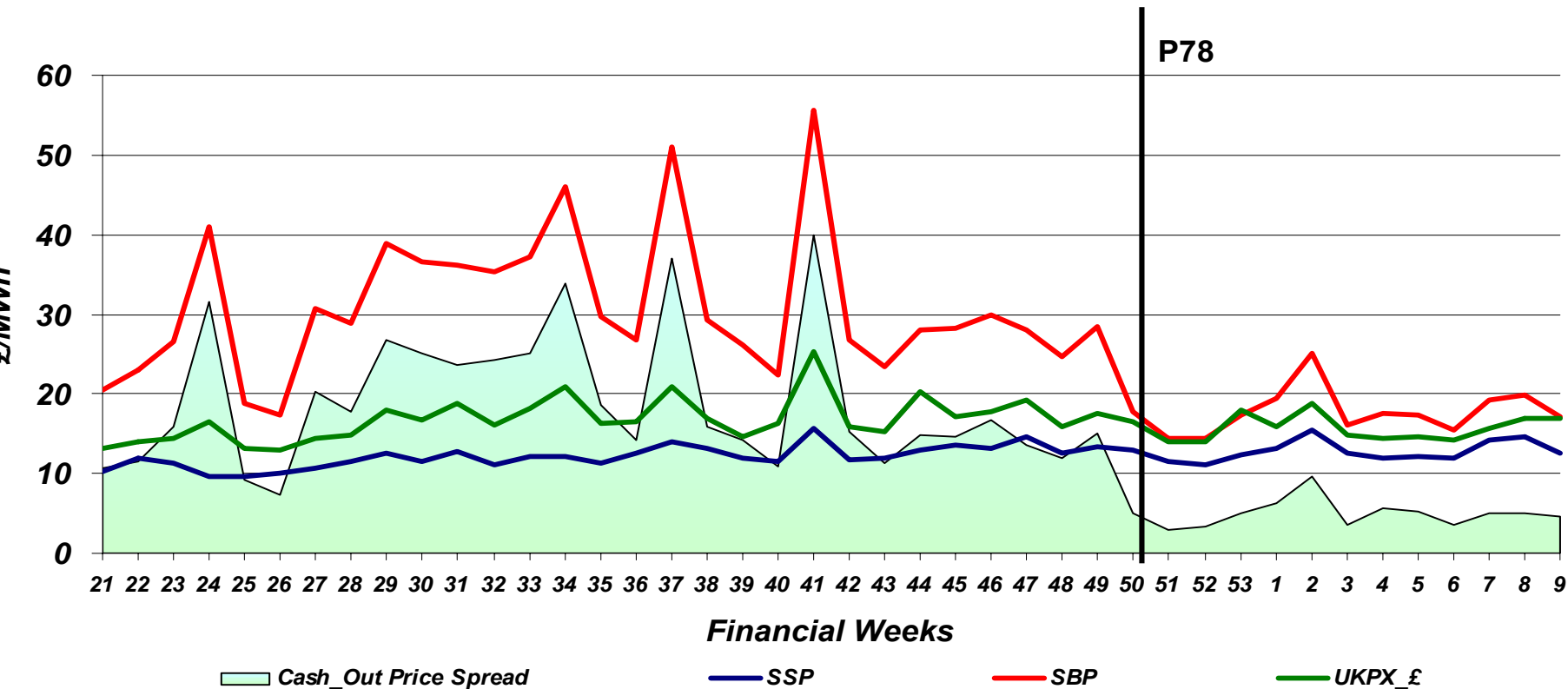
SSP = Volume weighted average of Bids/Sell trades
to meet net system imbalance

In a Short Market

SSP = “Market Price”

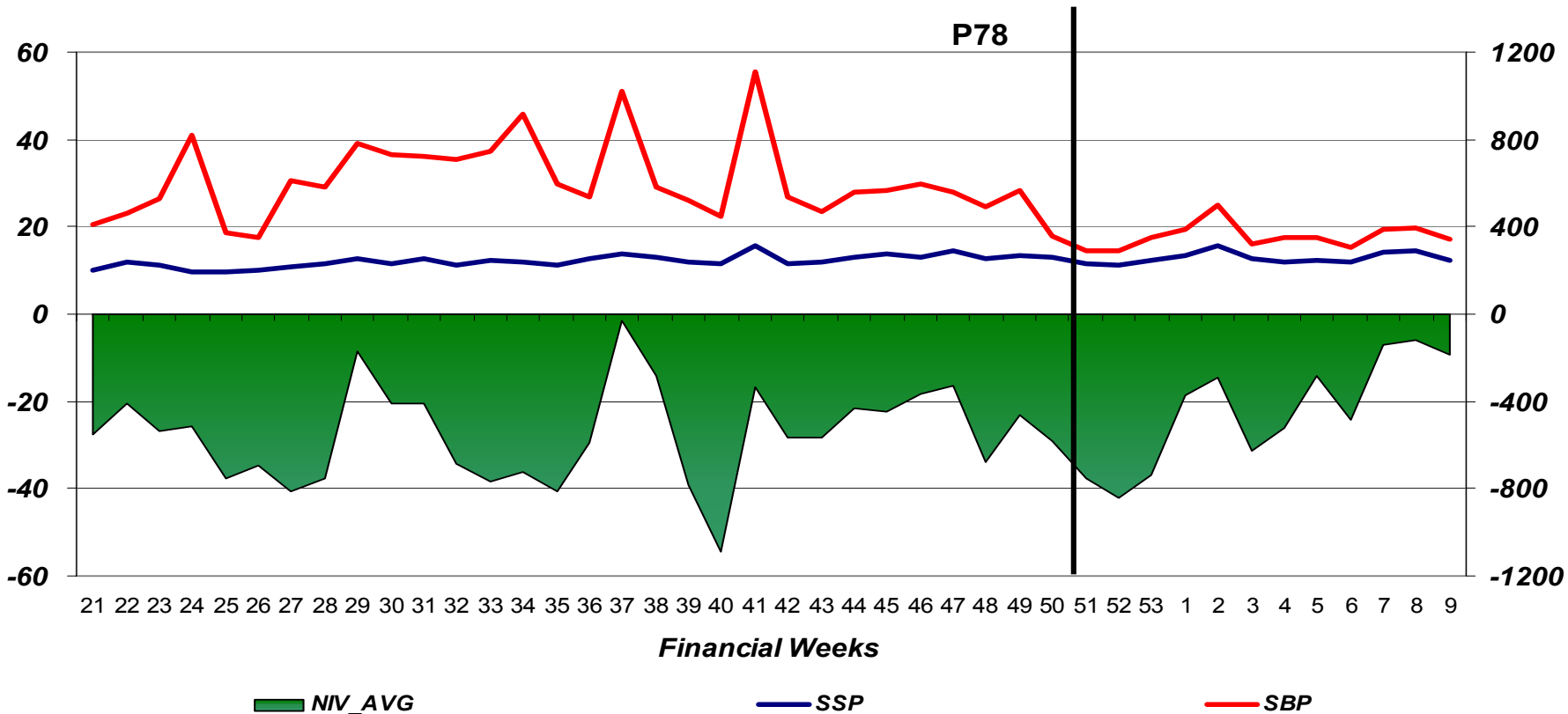
SSP & SBP Price Trends Pre & Post P78

*Weekly Average SBP, SSP AND UKPX
pre and Post P78*



NIV Trends Pre & Post P78

Weekly Average SBP, SSP And NIV pre and Post P78



P78 “More Statistics”

(£/MWh)	AVG SBP	STD DEV SBP	AVG SSP	STD DEV SSP
01-Apr-02 to 10-Mar-03	29.91	33	10.93	3.72
11-Mar-03 to 25-May-03 *	17.84	11.98	12.87	3.96

** Post P78 Statistics*

Conclusions

- **P78 has significantly reduced SBP, both in size and Volatility.**
- **There has been some indication of a reduction in the average length of NIV Post P78.**