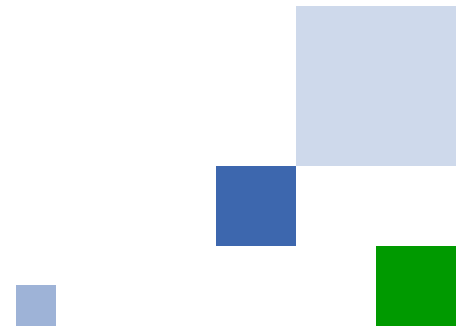


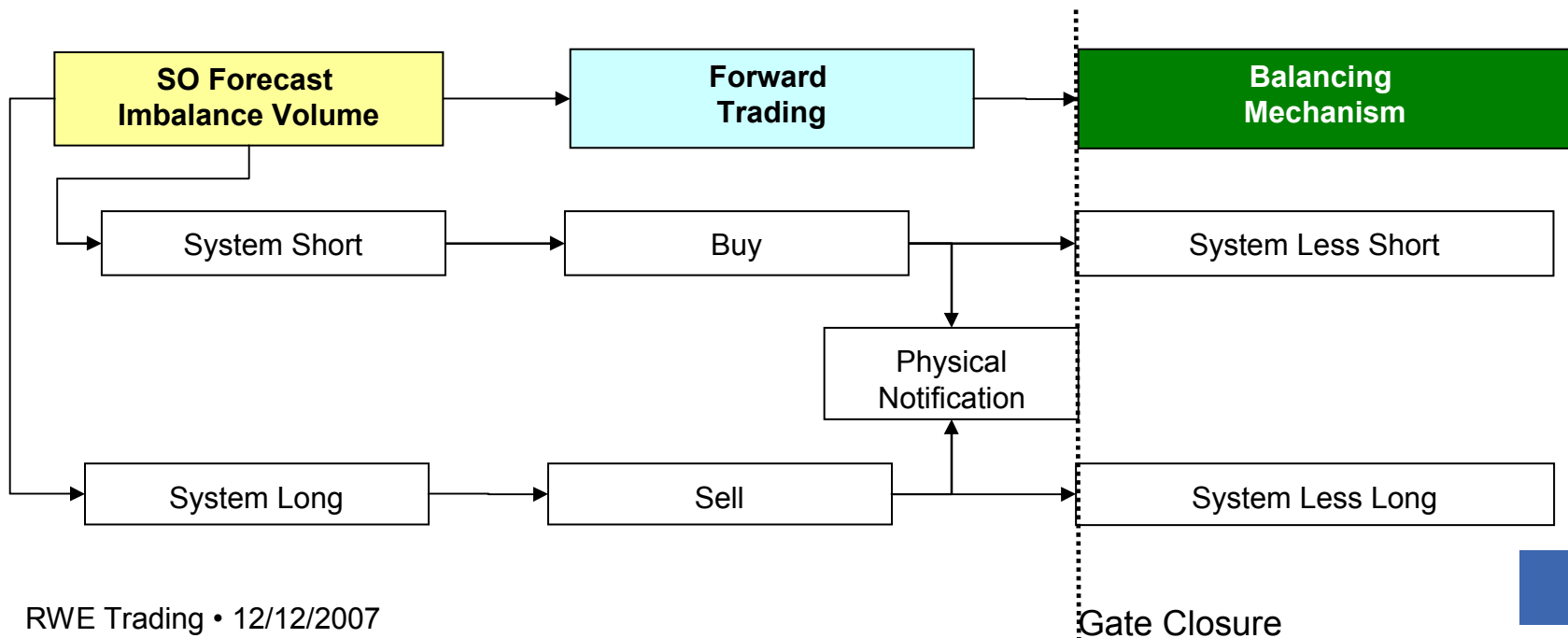
# **BSAD in BM Cashout**

## **Effects on the Market - A view**

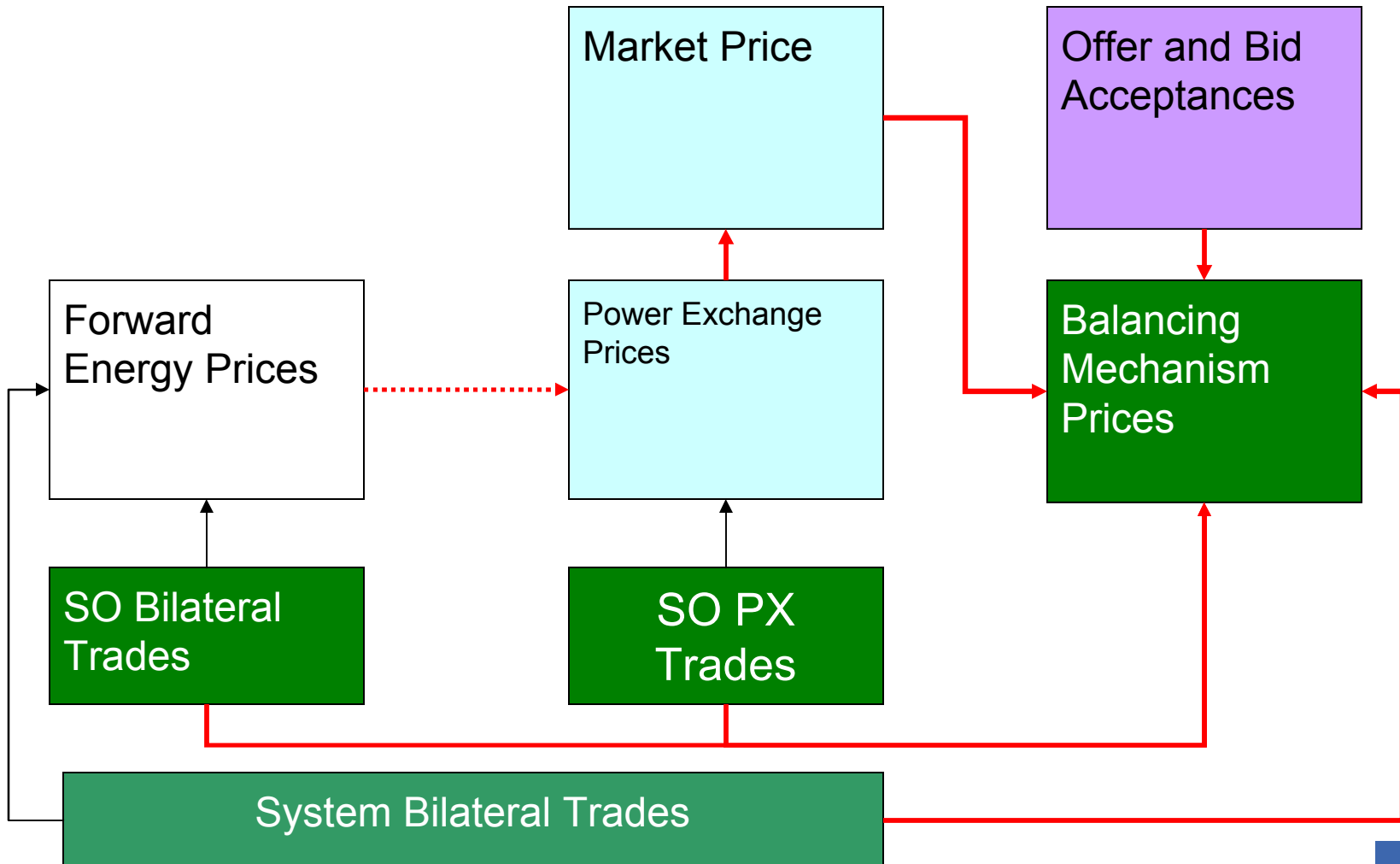


# Rationale for Forward Energy Trades

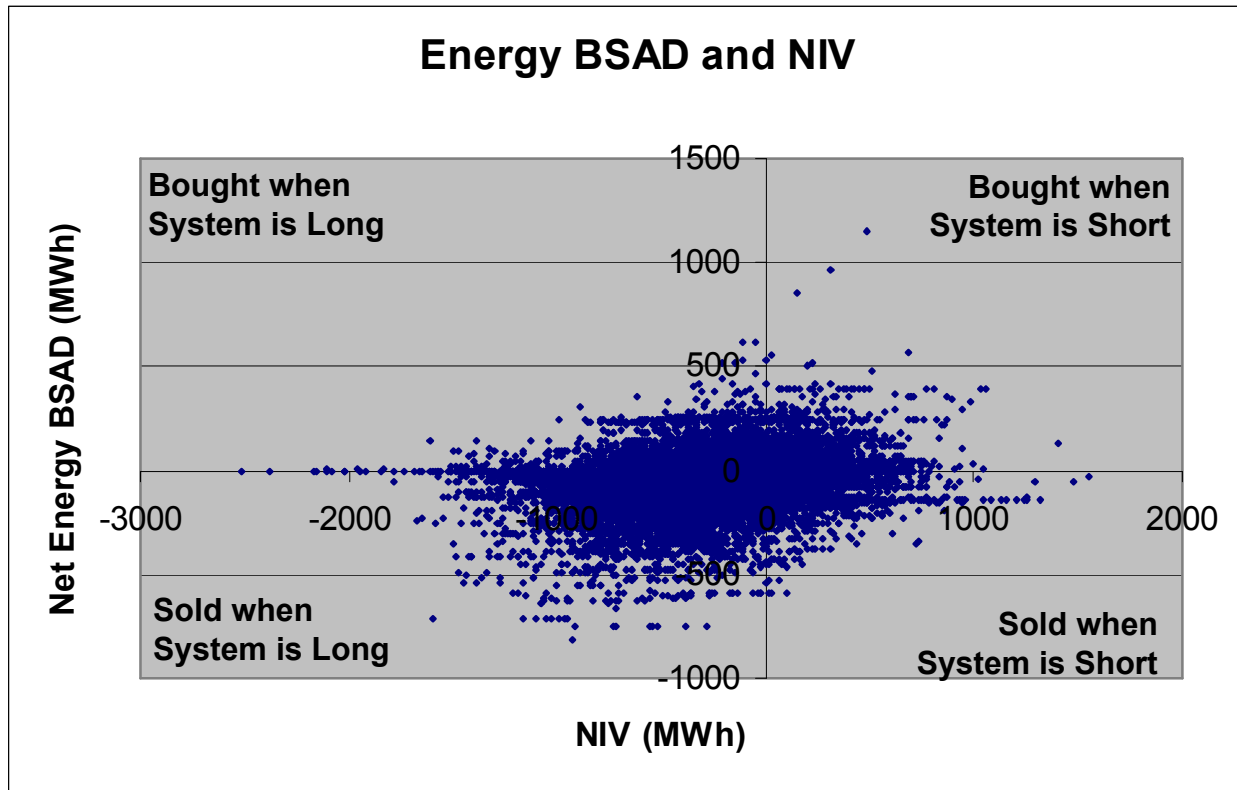
- Trading ahead of Gate Closure (GC) seeks better price than will be expected in the Balancing Mechanism (BM).
- Volume traded reduces activity required in BM.
- Therefore, trading is an efficient way of balancing the system.



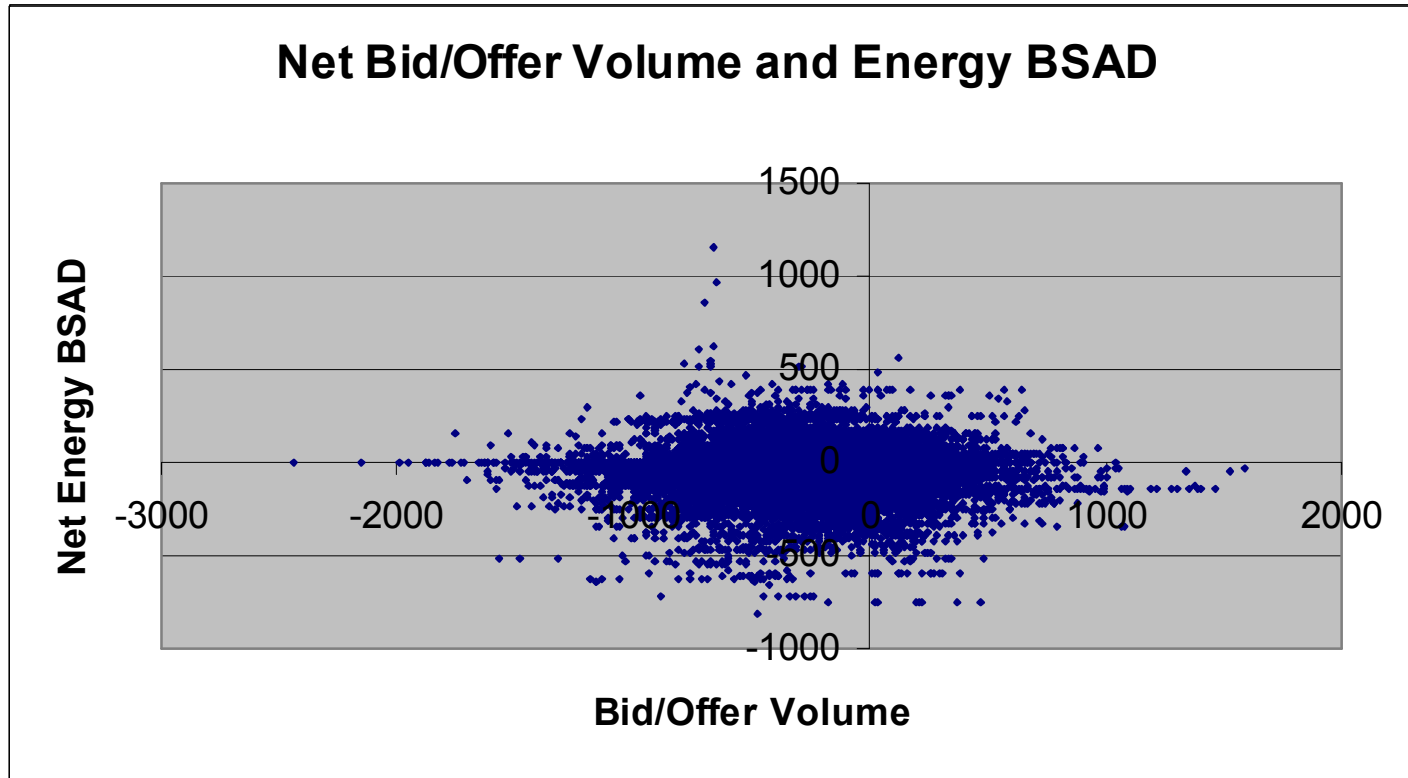
# Forward Trading - Impact on Prices



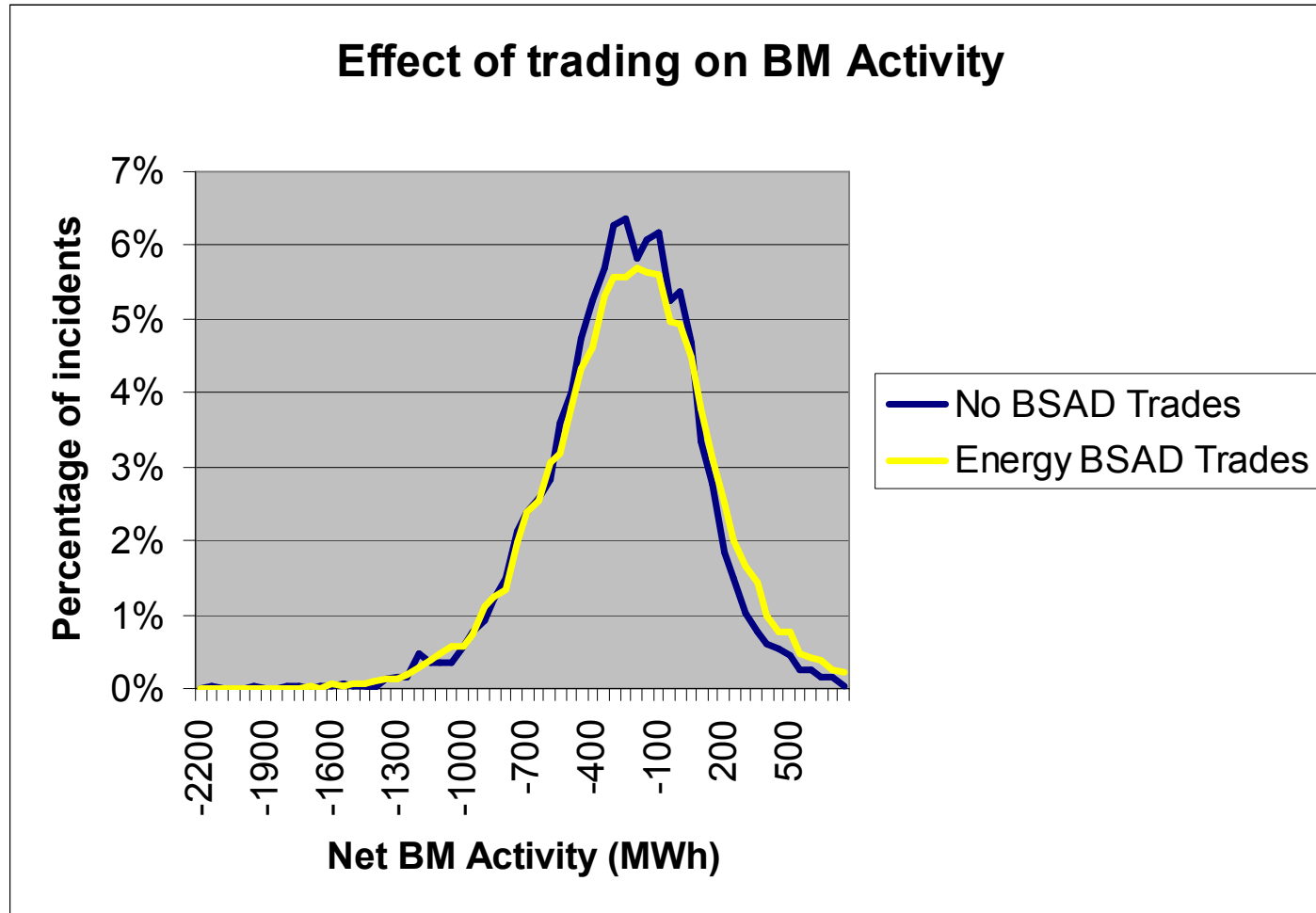
# Correlation between Energy BSAD and NIV 2003/04



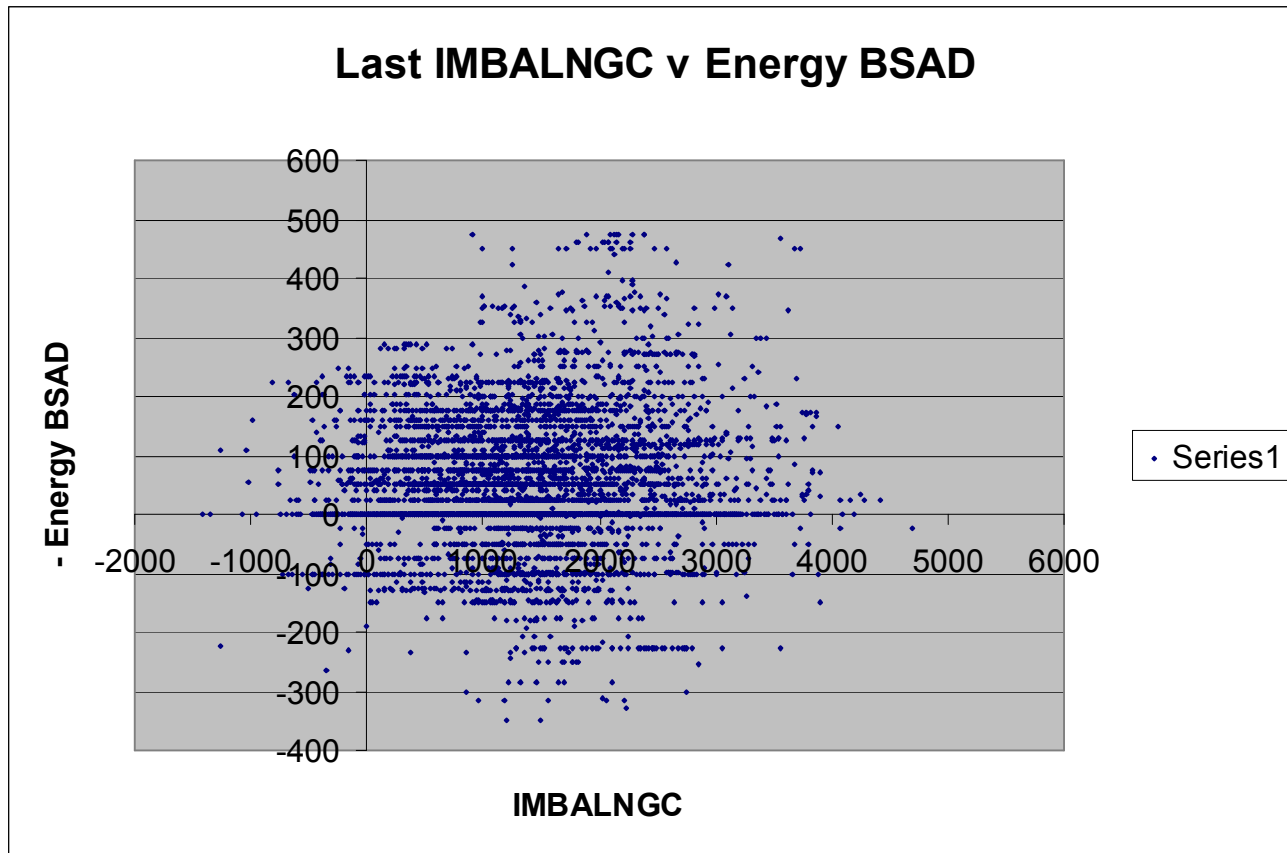
# Correlation between Energy BSAD and BM Activity



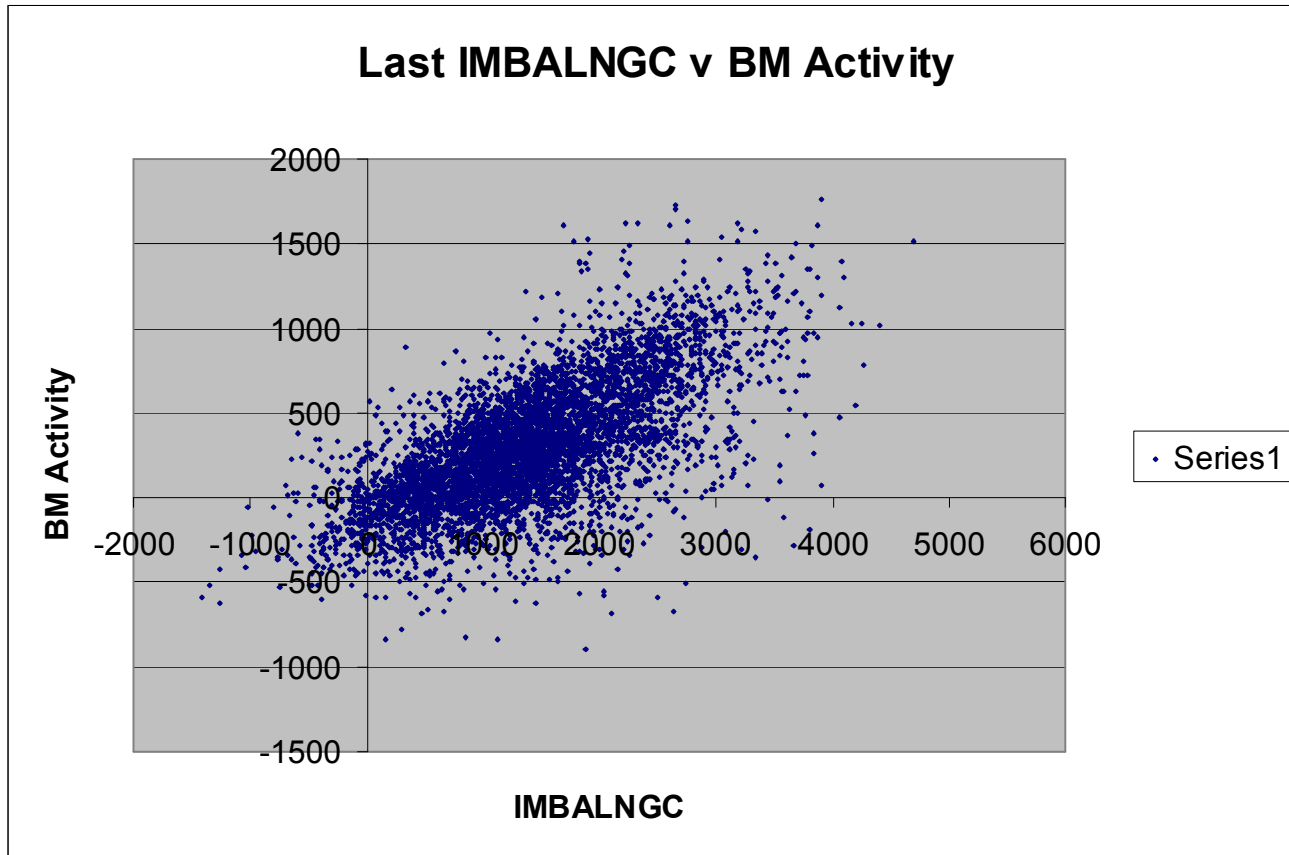
# Effect of Trading on BM Activity



# Traded Energy v Forecast Imbalance



# Quality of Final Imbalance Estimate





# Effect on Market

- NGT a significant player in 2003/04
  - NGT traded at least 1,479 GWh net energy BSAD
  - Market Index Volume traded in exchanges: 5,072 GWh
  - BM traded 7,740 GWh Bids, 3,012 GWh Offers
- NGT able to sell without regard to cost of production
- NGT has potential to distort the market
  - Reduces incentive to balance
  - Reduces market liquidity