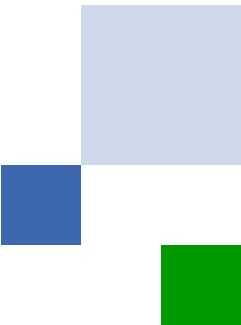


Reflecting “Reserve” costs at times of “System Stress” - Strawman

Bill Reed



Introduction

- Strawman to illustrate reflect the cost of “reserve” during times of system stress
- Builds on discussions on various modification proposals and at the CORWG
- Illustrative at this stage

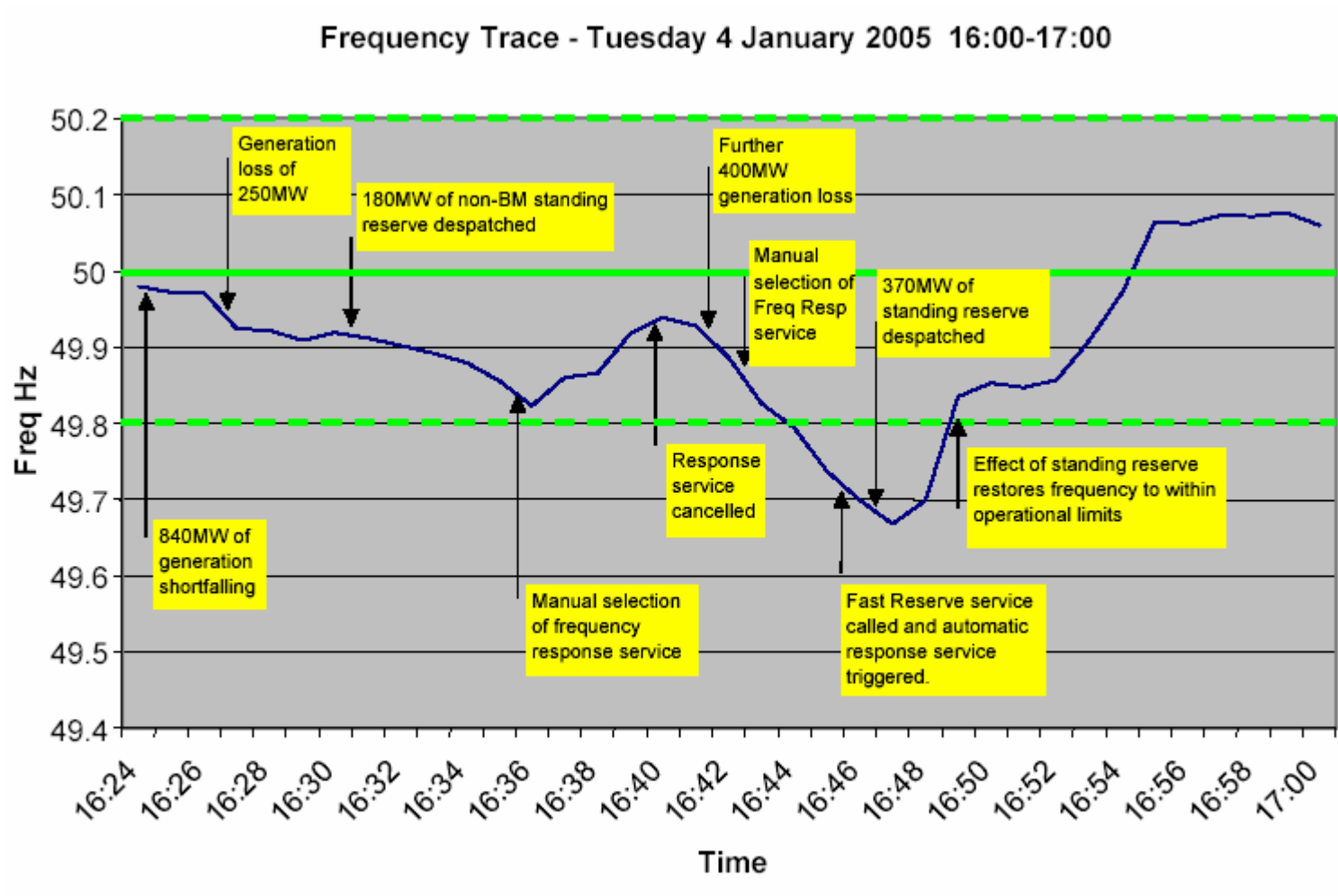
Current treatment of Reserve

- NGET as system operator procures reserve in forward market
- Reserve required to “secure” the transmission system as a “bundled” (system and energy) product
- Reserve is despatched in the BM according to Utilisation Prices agreed in contract
- Reserve Option Fees reflected into cash out as a “Buy Price Adjuster” - added to SBP

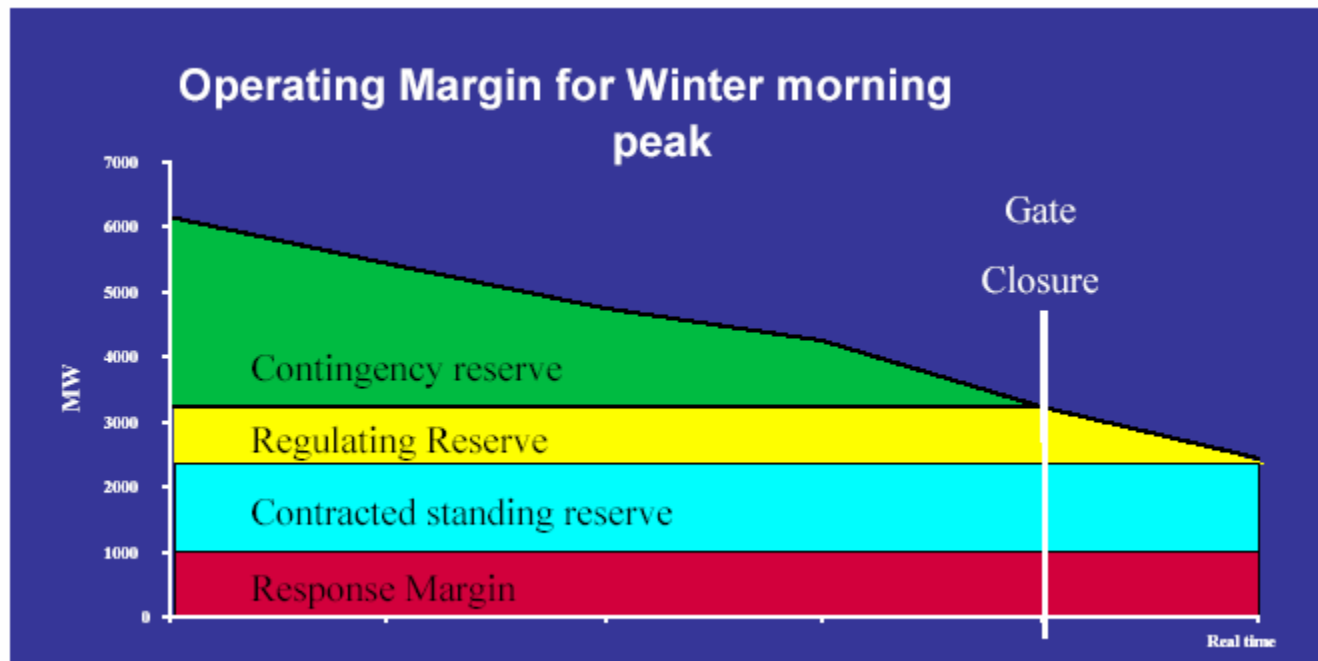
NGC require “reserve” to “cover losses in the BM window”



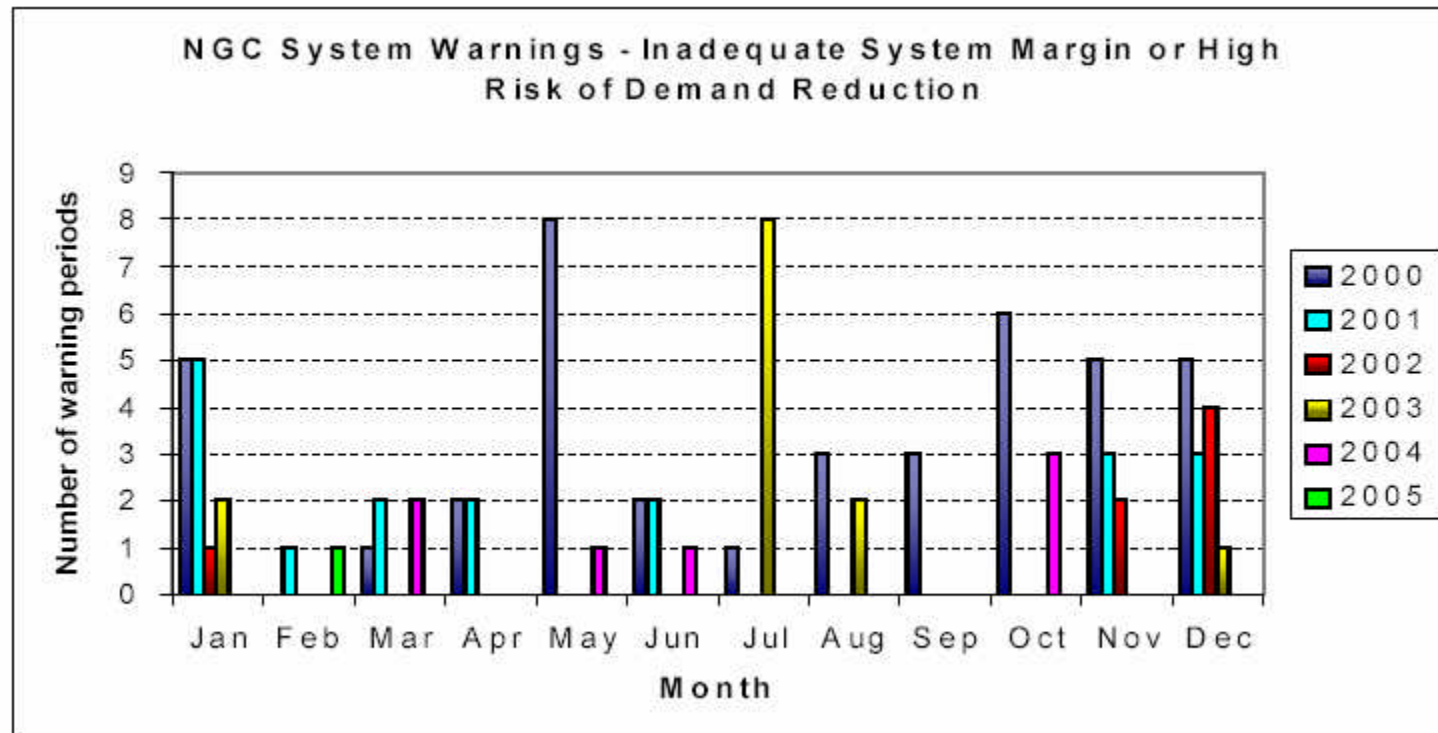
RWE



NGC require “reserve” to meet “demand variations”



Frequency of NGC Notices



Possible treatment of Reserve in Cash Out

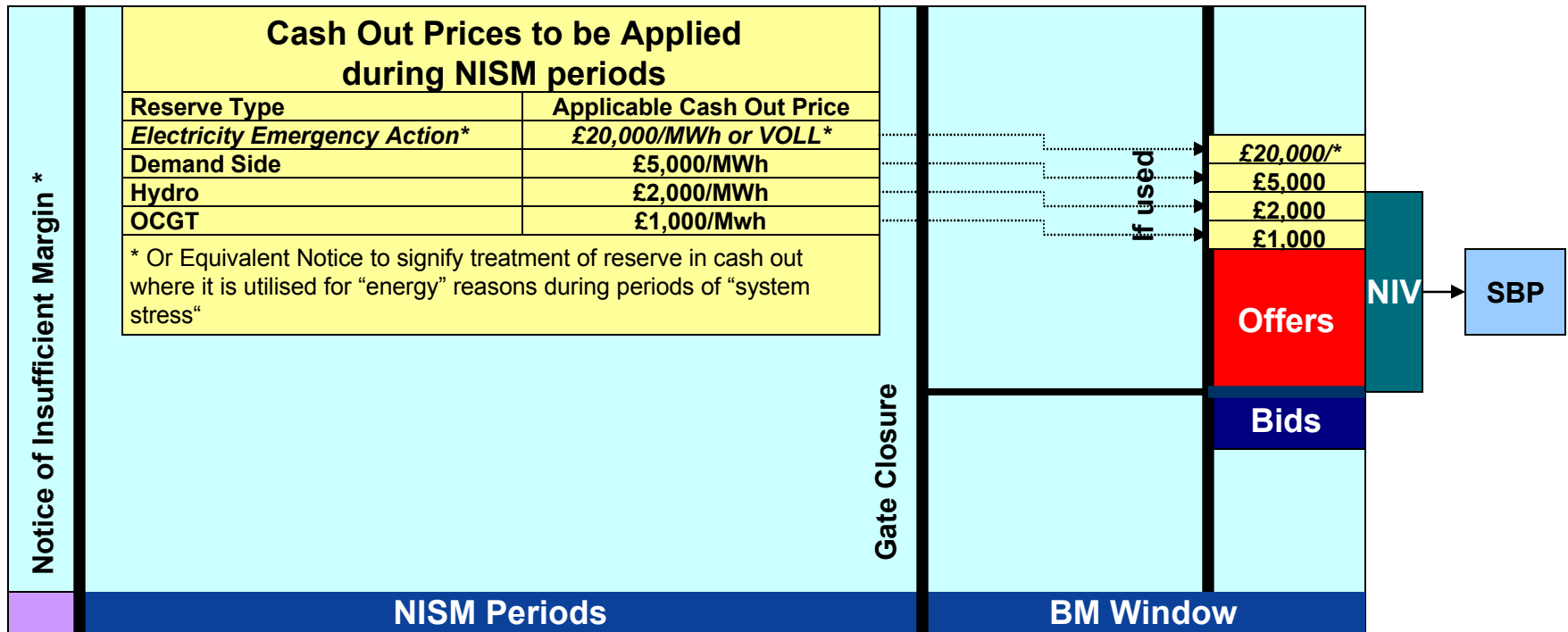
- NGET procures reserve on current basis (or as revised under reserve review) with Annual Option Fees and Utilisation Fees
- Reserve utilised outside periods of “system stress” reflected in Cash Out on current basis
 - reserve used typically within Gate Closure timescales, therefore cannot be hedged
 - BPA added to SBP - possibility of reverting to a “flat” BPA
- Revised treatment in cash out for reserve utilised for “energy” reasons during periods of “system stress”....

Reserve during periods of “system stress”

- Different treatment of reserve utilisation prices in cash out during periods of System Stress, defined as follows:
 - periods following a Notice of Insufficient System Margin (NISM)
 - periods following a Notice of Demand Control Imminent
 - periods following a “Notice of System Stress” - to be defined?
- Reserve utilisation prices reflected in cash out at a published schedule of prices for these periods eg:

Reserve Type	Applicable Cash Out Price*
OCGT	£1,000/Mwh
Hydro	£2,000/MWh
Demand Side	£5,000/MWh
<i>Electricity Emergency Action*</i>	<i>£20,000/MWh or VOLL</i>

Possible Treatment in NISM periods



Possible Treatment in Cash Out

CURRENT			
			SBP £172/Mwh
T_BMU 7	30MWh	£460	NIV
T_BMU 6	30MWh	£215	
T_BMU 5	30MWh	£200	
T_BMU 4	30MWh	£165	
T_BMU 3	30MWh	£165	
T_BMU 2	25MWh	£100	
T_BMU 1	50MWh	£70	
T_BMU 8	-30MWh	-£15	

Possible during NISM				
				SBP £702/Mwh
T_BMU 3	30MWh	£2000	Hydro	NIV
T_BMU 6	30MWh	£2000	Hydro	
T_BMU 4	30MWh	£1000	OCGT	
T_BMU 7	30MWh	£460		
T_BMU 5	30MWh	£200		
T_BMU 2	25MWh	£100		
T_BMU 1	50MWh	£70		
T_BMU 8	-30MWh	-£15		

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