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Issue 30
RCRC analysis

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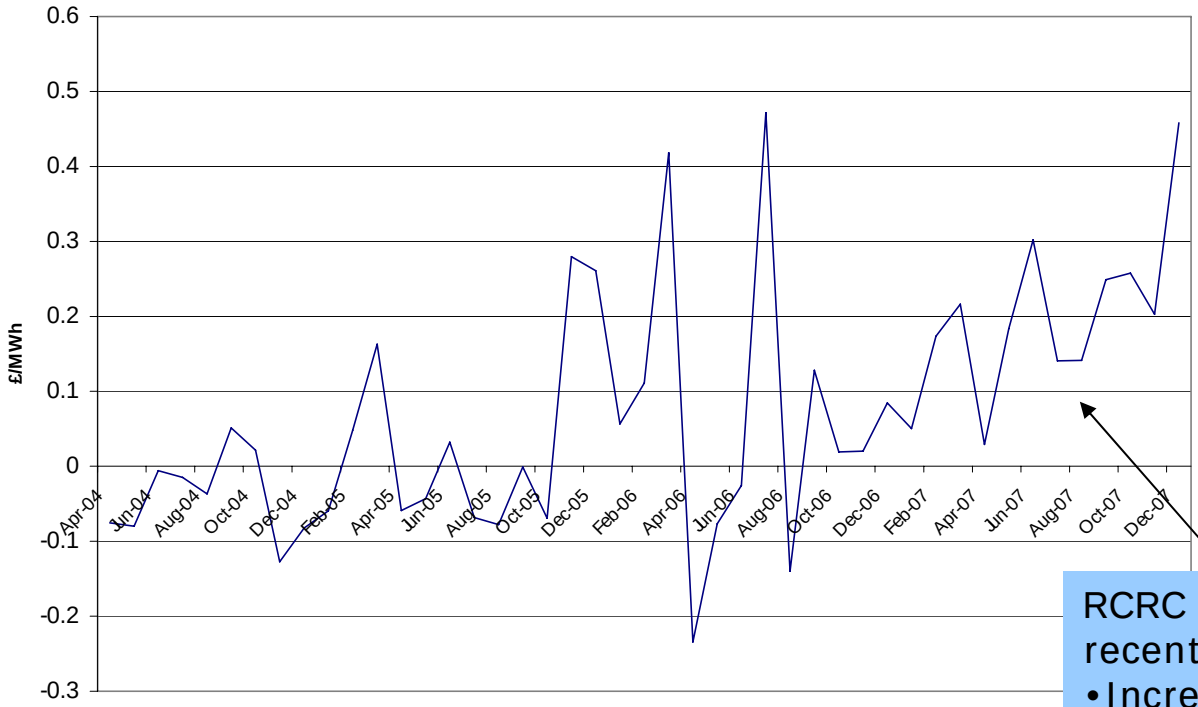
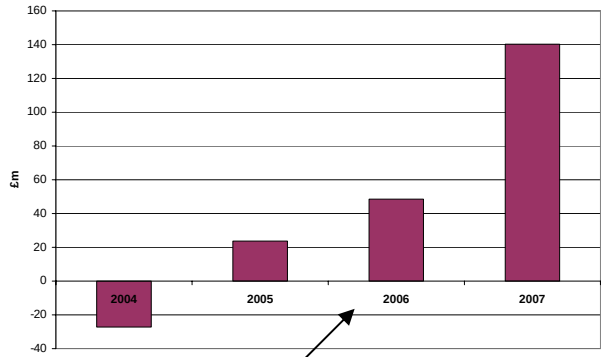
- Relationship between RCRC and BSUoS
- Estimated breakdown of contributors to RCRC under current arrangements
- Example of impact of different cash-out price calculation on RCRC generation

Historic RCRC

Monthly average RCRC



Approximate annual RCRC

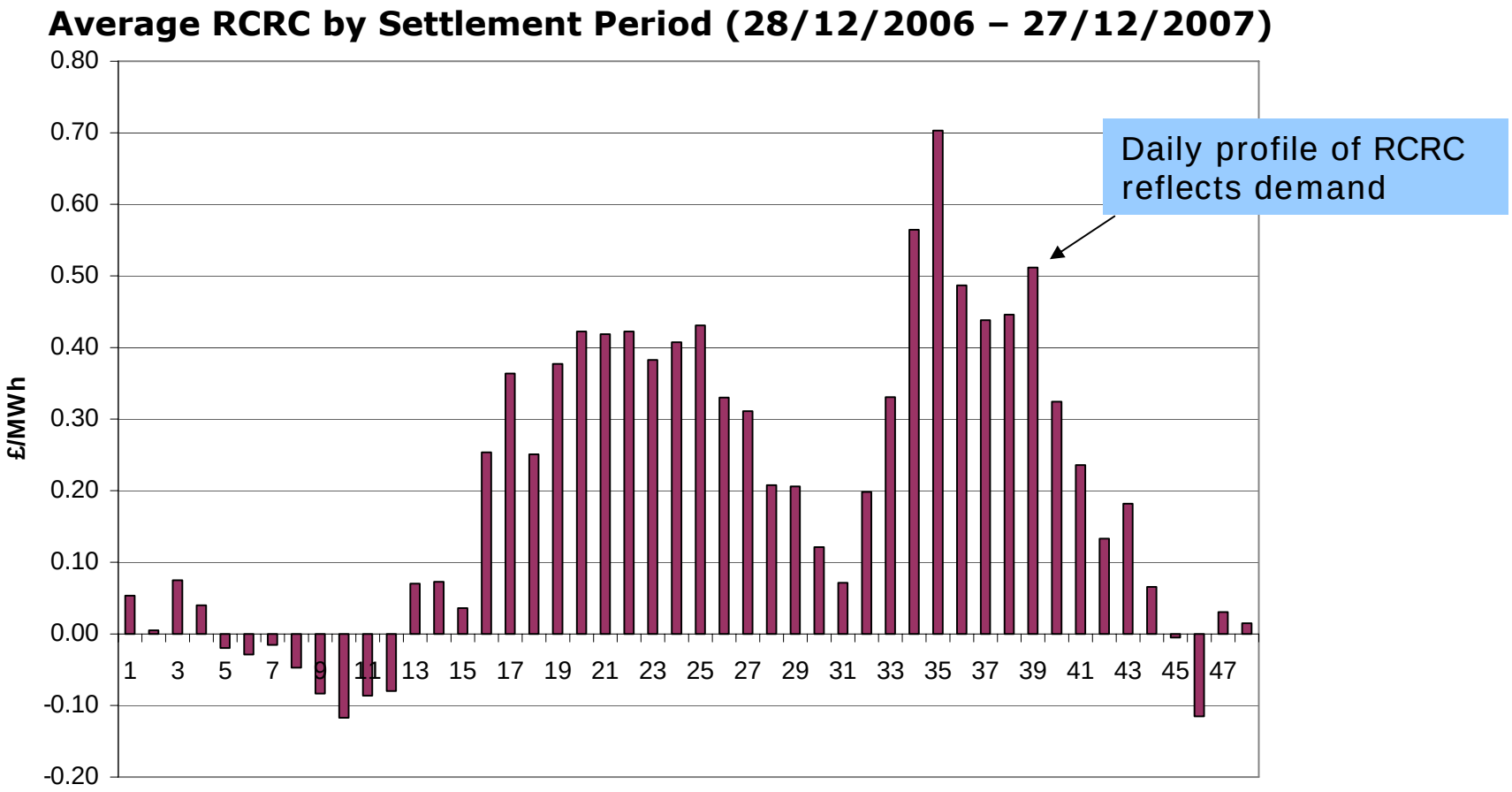


RCRC has steadily increased in recent years

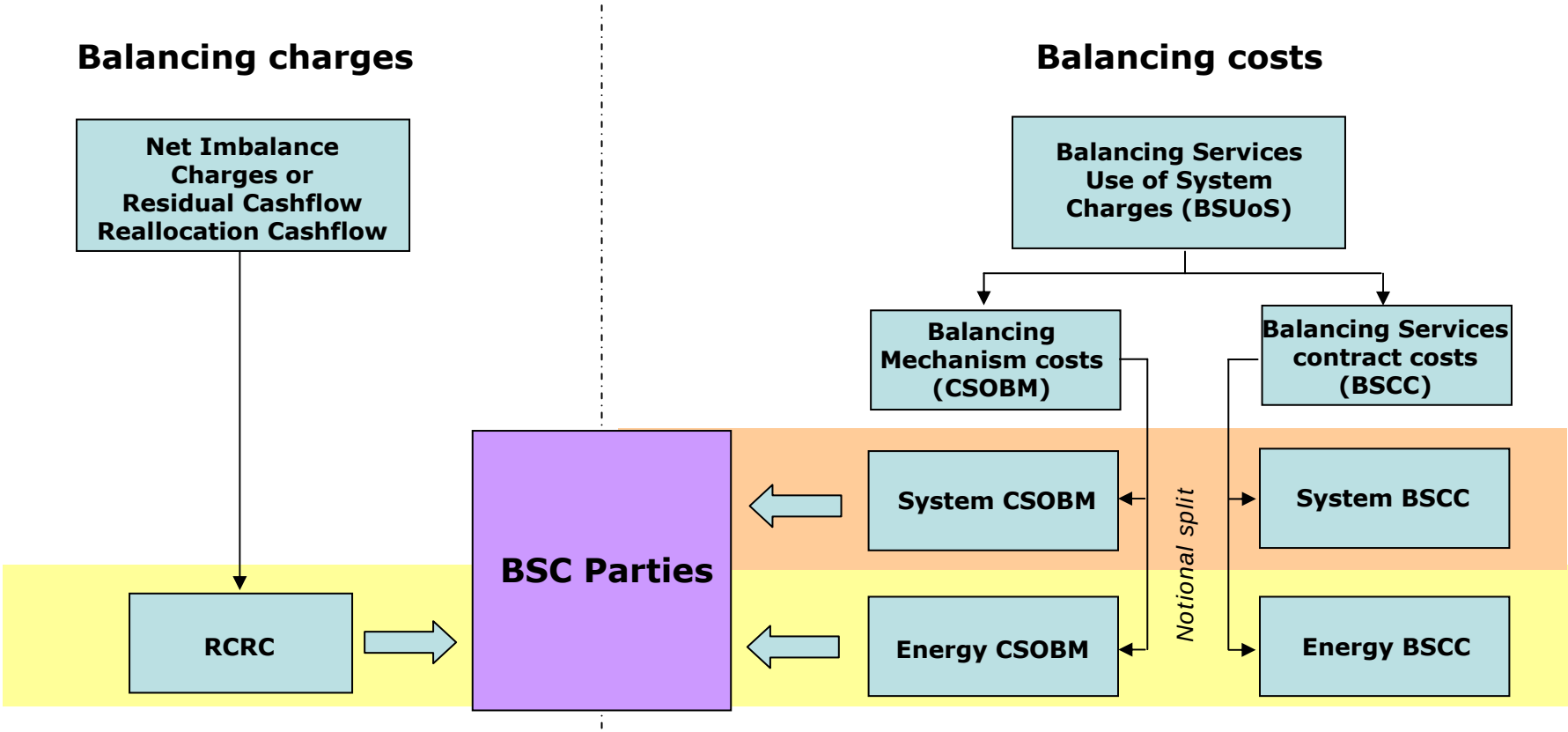
- Increasing commodity prices
- NIV becoming less long

With annual RCRC running at over £100m, can it still be considered a reconciliation amount?

Daily pattern of RCRC

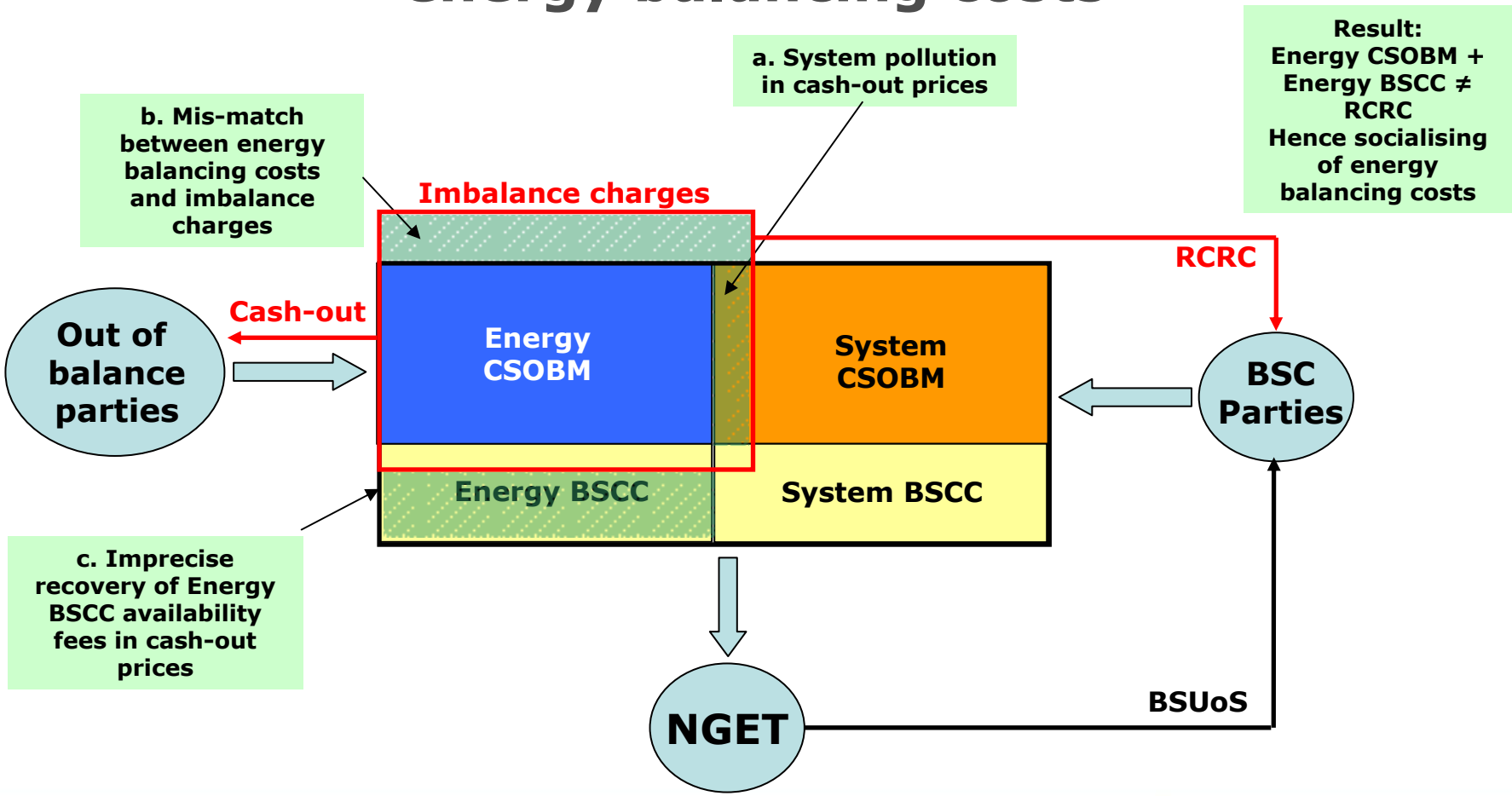


RCRC and BSUoS



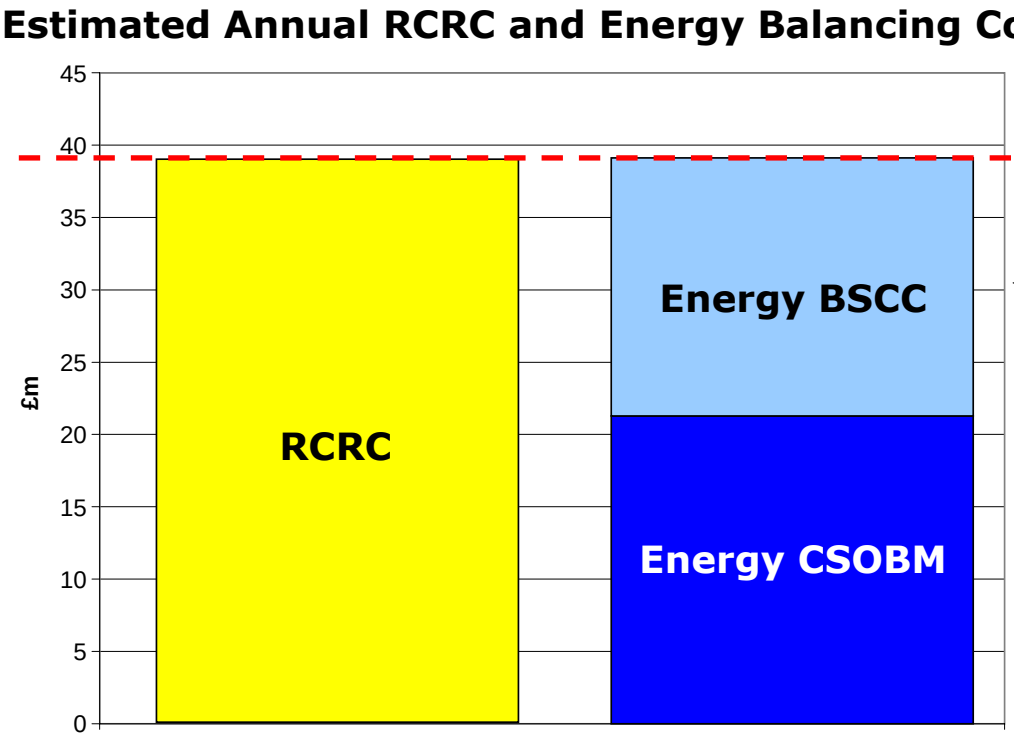
Theoretically total imbalance charges (RCRC) should equal SO's energy balancing costs
BSUoS net RCRC would then cover only system costs

Reasons for mismatch between RCRC and energy balancing costs



In reality there are several reasons why RCRC and energy balancing costs do not match

RCRC under single cleared marginal price

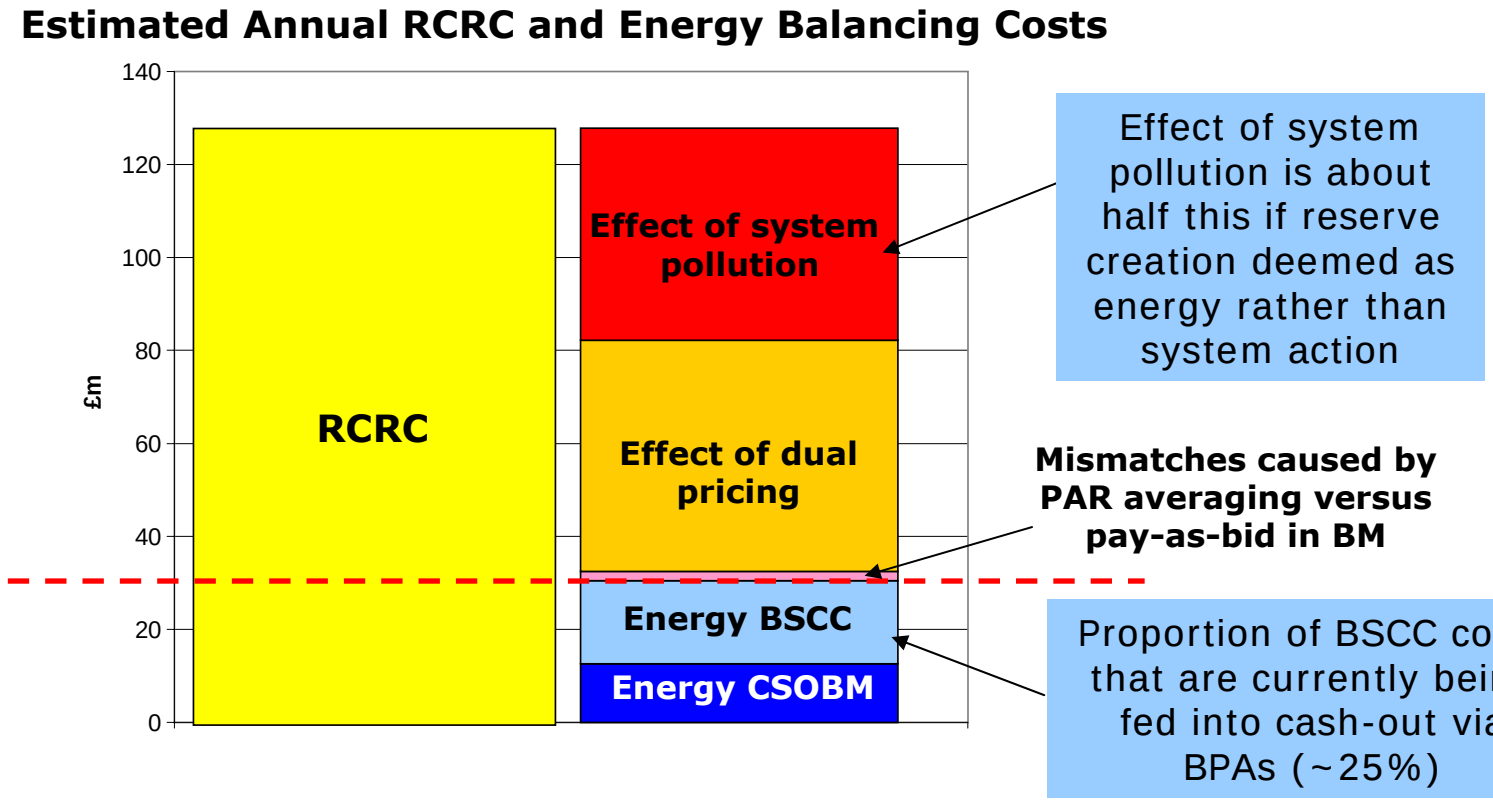


Assumes current BSAD methodology is allocating correct proportion of BSCC costs into cash-out via BPA (approx. 25%): this may or may not be the case

Note:
Analysis based on cash-out simulation model used in P211/P212 IA – calibrated to 2006/07 historic data

RCRC *would* match energy balancing costs under a single marginal price for cash-out and BOAs (assuming no system pollution)

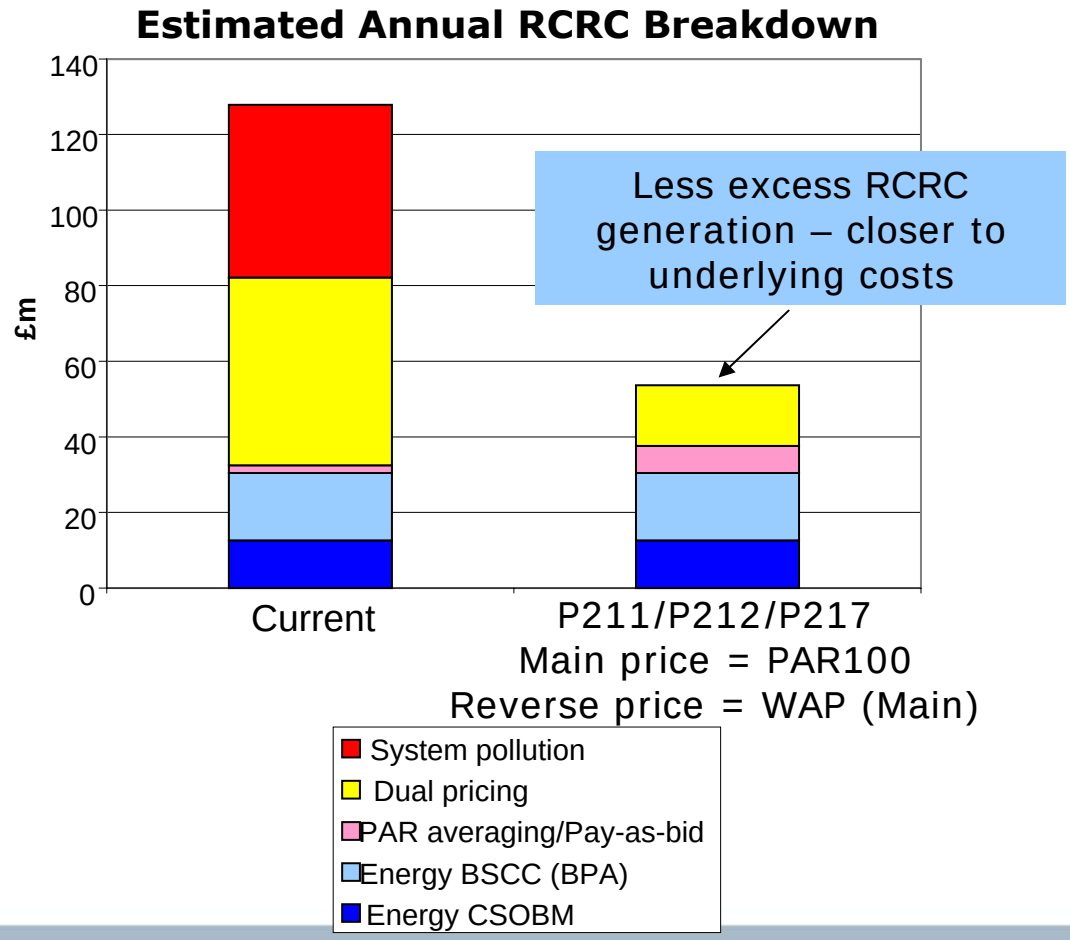
Approximate breakdown of RCRC under current arrangements



RCRC significantly inflated by system pollution and dual pricing
Counter-argument: cost of energy related reserve not fully reflected in cash-out price

Impact of changing reverse price definition

- Live mods designed to address system pollution
- Single cash-out price would remove RCRC generated by spread but leads to risk of "spill"
- Another possible approach? – set main price to e.g. PAR100 and reverse price to WAP of main stack:
  - Reduces RCRC generation
  - Maintains incentive to balance/participate in BM

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