



# **P205 Analysis**

**David Lewis**  
**Elexon**  
**14<sup>th</sup> August 2006**

# Introduction

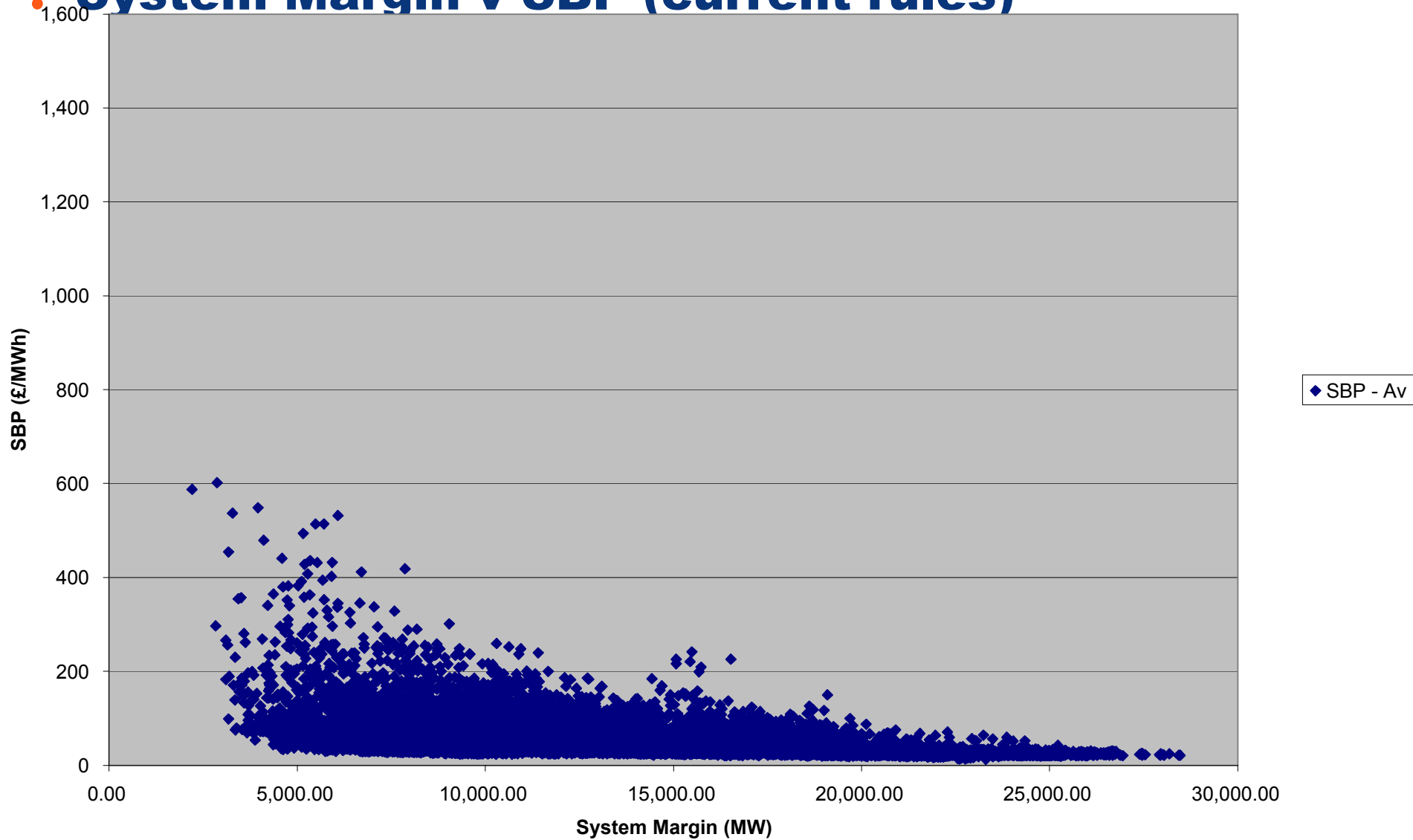
- In implementing P194, Ofgem expressed concerns:
  - *“That the effects of the tagging imperfections could be increased as a result of the implementation of P194 pricing” and*
  - *“There could be an increased risk that the proposal provides greater opportunity for gaming”*
- This analysis seeks to show the seriousness of these issues under a PAR 100 methodology using data from 05/06
- It also shows some of the deficiencies of P194 when the market is Short but the system is well supplied

## ⋮ **Tagging Imperfections and other PAR 100 deficiencies**

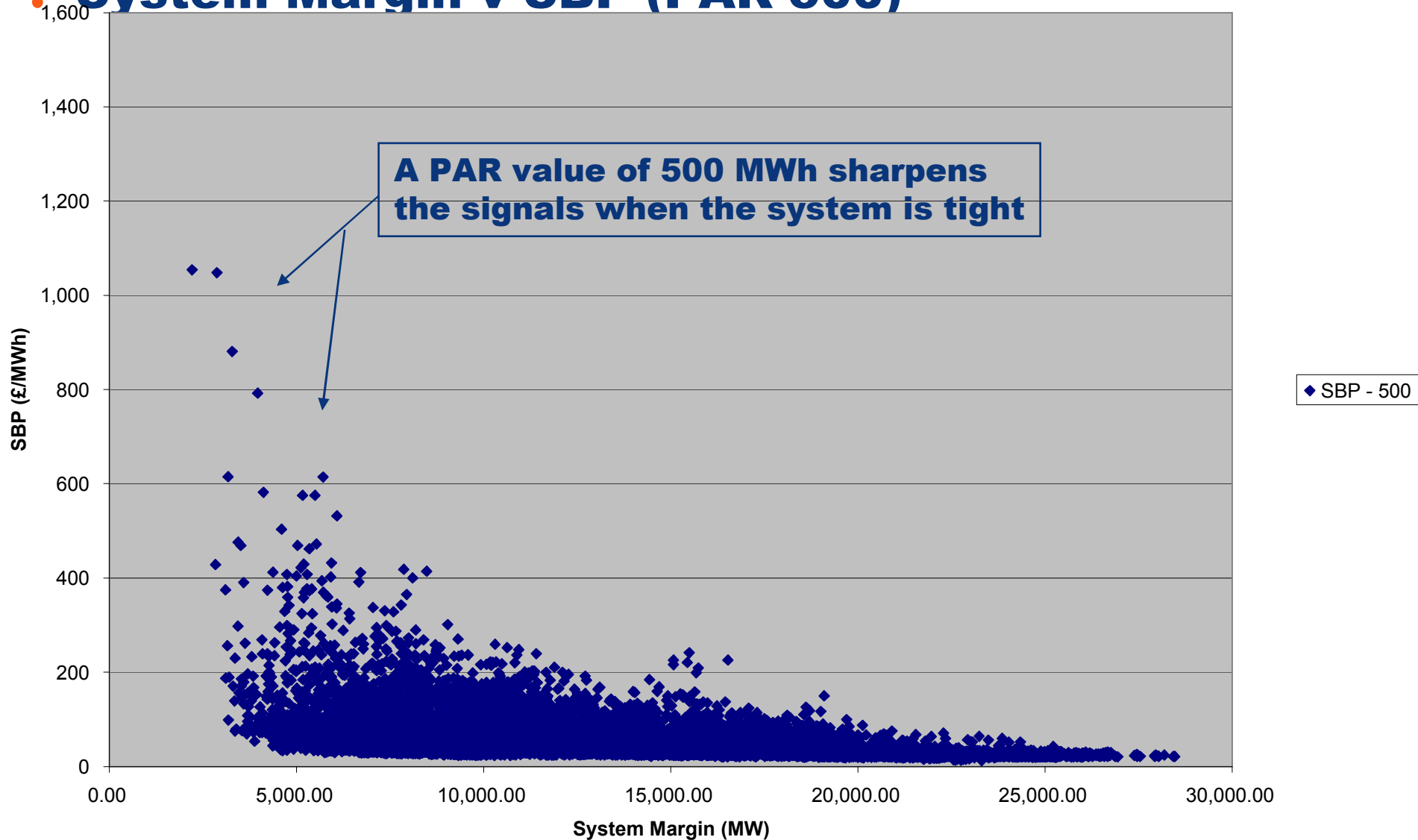
⋮                      ⋮                      ⋮                      ⋮



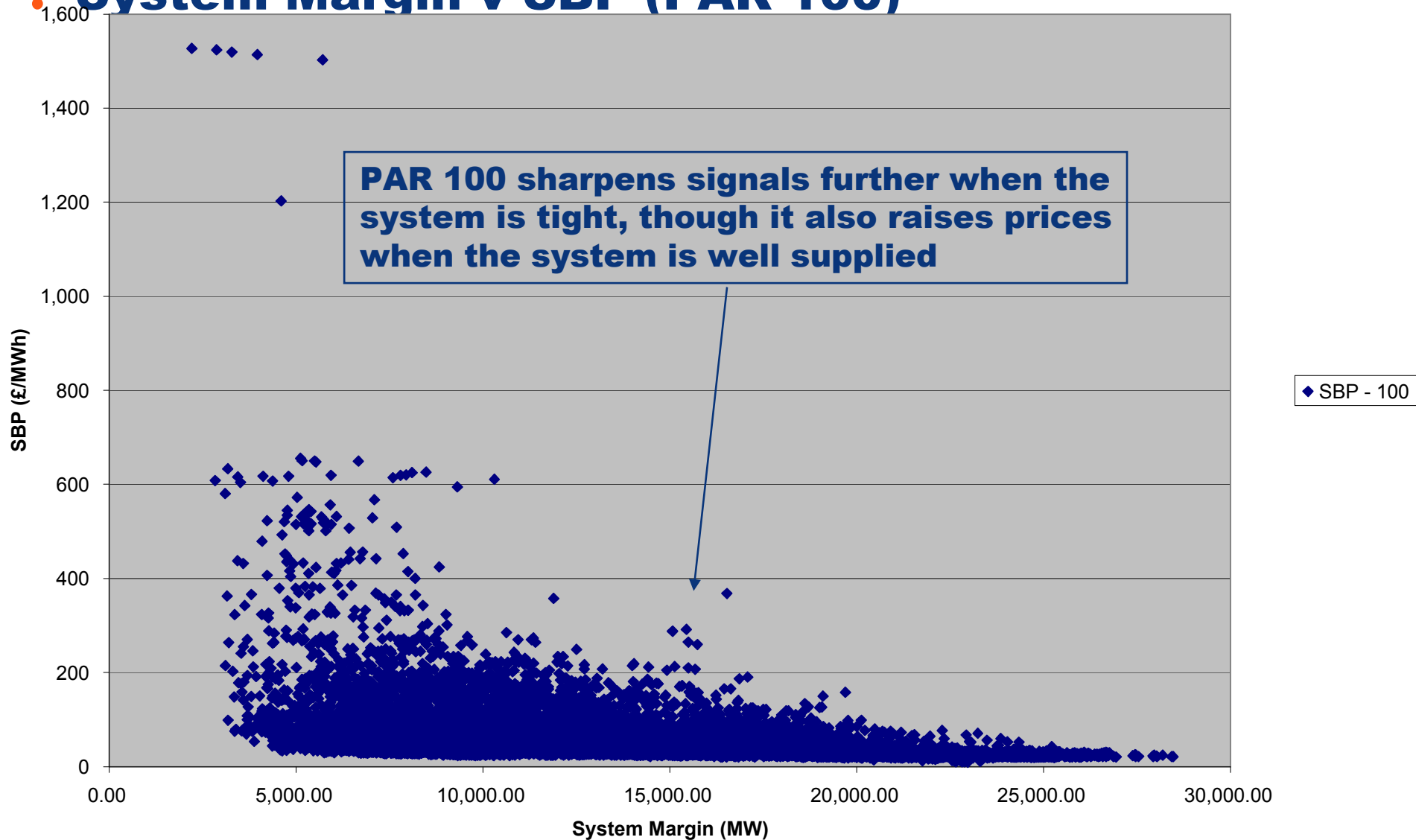
# System Margin v SBP (current rules)



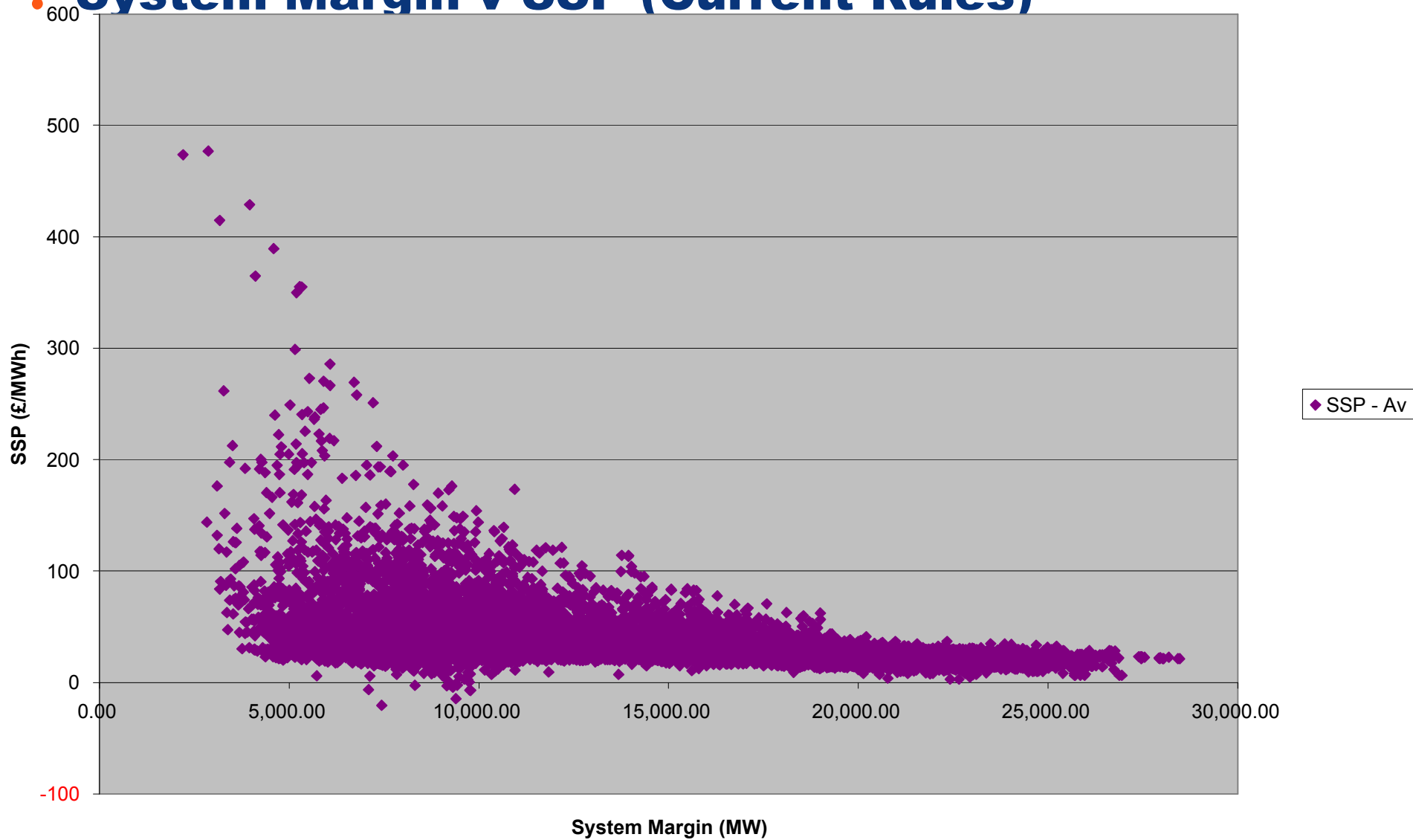
# System Margin v SBP (PAR 500)



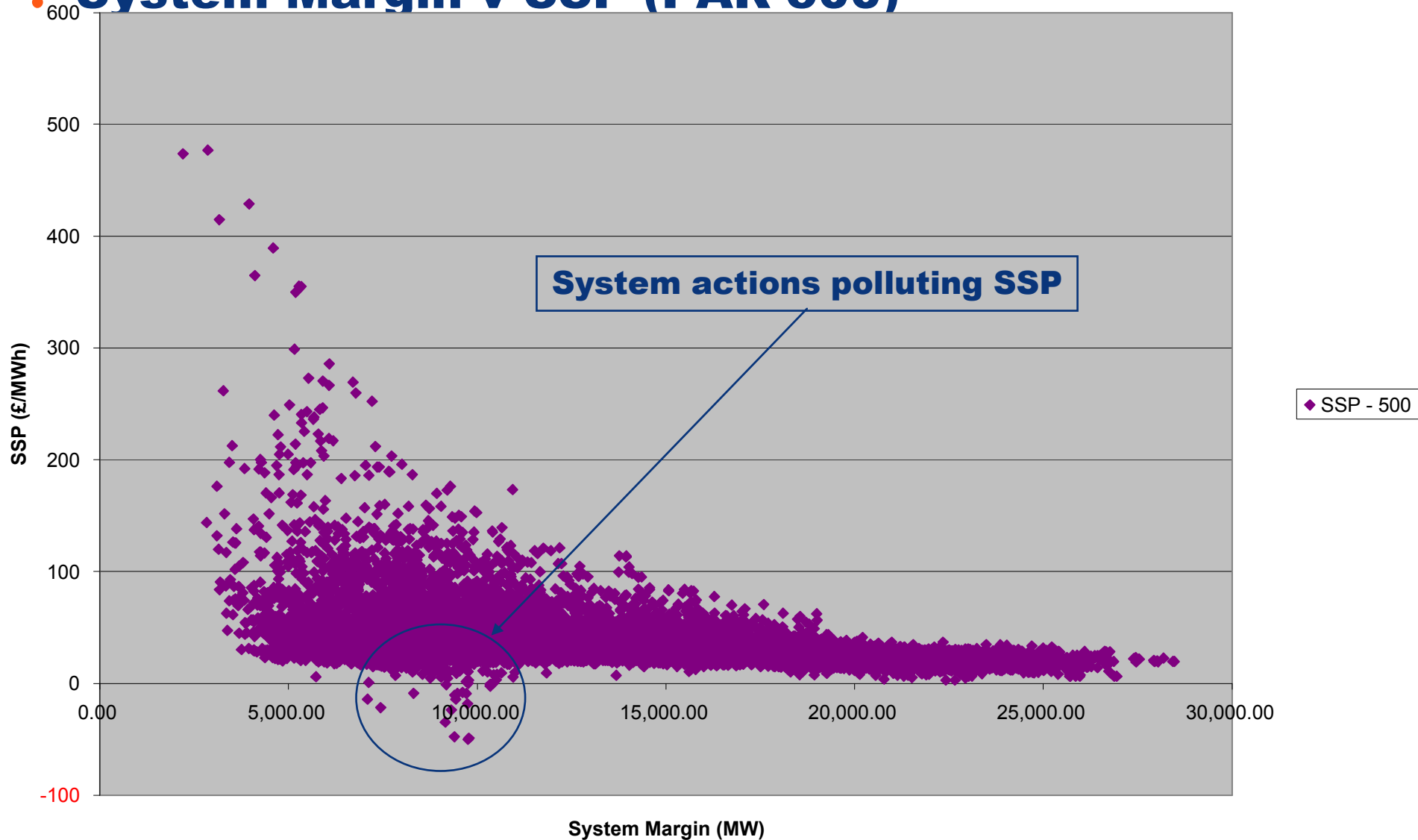
# System Margin v SBP (PAR 100)



# System Margin v SSP (Current Rules)

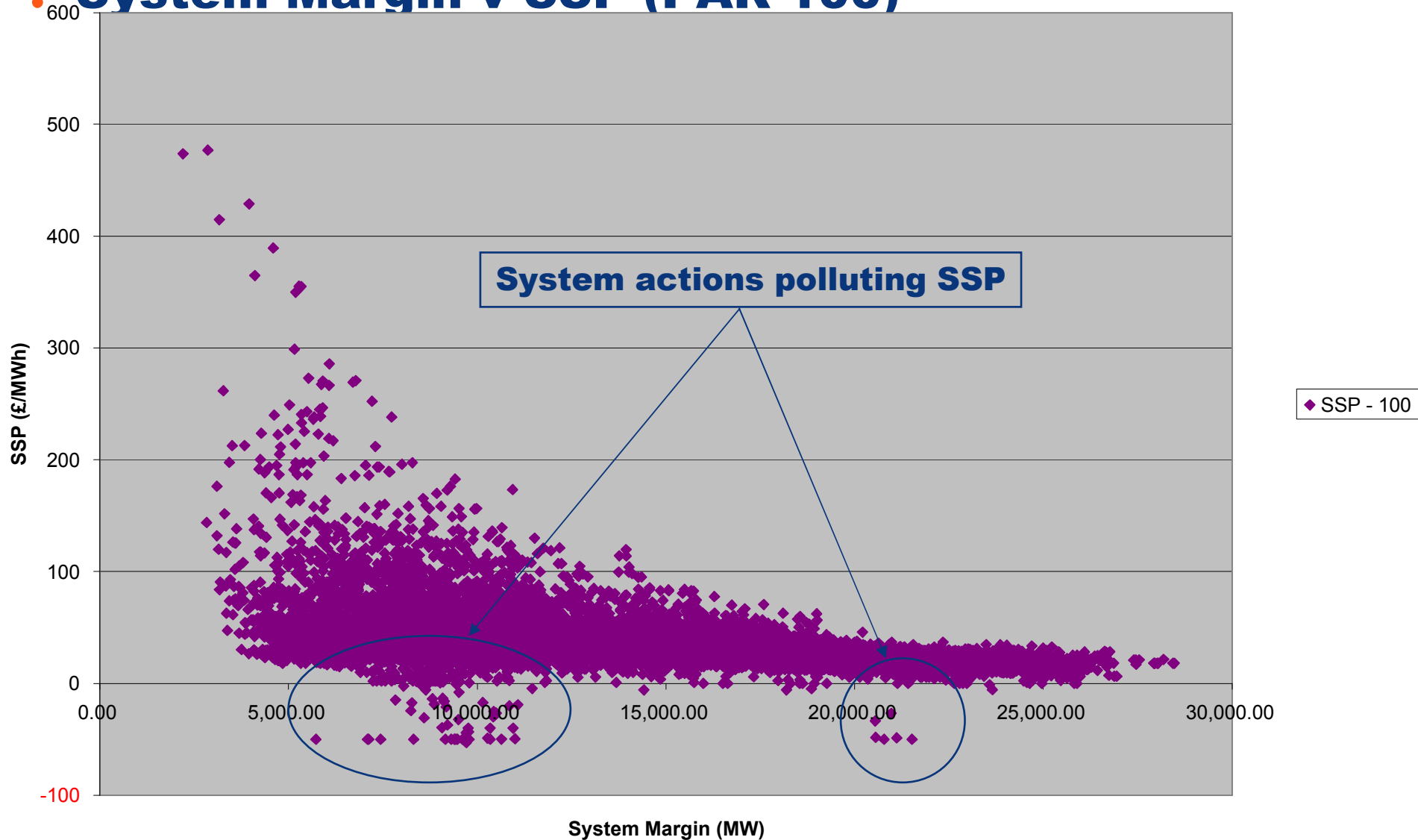


# System Margin v SSP (PAR 500)





# System Margin v SSP (PAR 100)



## ⌘ Increased risk of gaming

⋮ ⋮ ⋮ ⋮



# ❖ Stack Calculation Example (Market Short)

Settlement Period 37 29<sup>th</sup> December 2005

**Buy Stack:  
(Offers)**

**NIV**

T_CNQPS-1	71.67	1,487.22
T_GRAI-4	105.00	1,487.22
T_PEHE-4G	8.00	1,437.64
T_FAWL3	110.00	550.27
E_TAYL2G	31.89	267.70
E_TAYL3G	29.90	257.78
T_GRAI1G	13.50	257.78
T_FERR-5G	2.41	247.90
T_GRAI4G	13.50	247.87
E_BSAD	315.00	246.75
T_ABTH8G	2.69	200.26
T_ABTH9G	2.69	196.29
E_COWE2	35.00	188.38
E_COWE1	35.00	183.42
T_ROCK-1	1.58	121.21
T_INDQ-1	67.50	94.19
M_SLOY-4	15.00	64.45

**P194 = vol. weighted av. of most  
Expensive 100MWh of stack +  
BSAD adjustment**  
Existing tagging rules  
are applied as per the  
current baseline which

**P78 = vol. weighted av. of whole  
Stack + BSAD adjustment**  
leavesighted

**= Price set by 2 trades;  
1 corporate group**  
£570/MWh

**Sell Stack:  
(Bids)**

T_ROCK-1	-1.58	49.57
T_ROCK-1	-9.63	40.65
T_CDCL-1	-3.67	40.40
T_HUMR-1	-1.48	37.67
T_DEEP-1	-3.72	31.73
E_BRGG-1	-1.92	29.51
T_DRAXX-6	-28.58	24.86
T_DRAXX-1	-7.75	24.84

# ❖ Stack Calculation Example (Market Long)

Settlement Period 19 26<sup>th</sup> September 2005

**Buy Stack:  
(Offers)**

T_USKM-15	17	69.41
T_SHBA-1	2.6	41.65

**NIV**

E_DERW-1	-8.08	26.27
T_COTPS-1	-10.66	25.78
T_COTPS-4	-13.47	25.78
T_COTPS-4	-20.17	25.78
T_COTPS-1	-3.64	25.78
T_DIDC4	-12.04	25.38
T_IRNPS-2	-3.29	24.79
T_FIDL-2	-4.44	24.64
T_WBUPS-1	-24.17	24.47
T_WBUPS-1	-12.98	24.47
T_DRAXX-4	-4.00	24.46
T_TILB-9	-28.20	24.34
T_FERR-4	-12.26	24.29
T_TILB-8	-9.11	24.09
T_TILB-8	-4.14	23.99
T_RUGPS-7	-37.00	22.90
T_FERR-4	-14.83	21.81
T_FIDL-2	-1.06	21.81
T_SHBA-1	-4.54	16.12
T_COCK-1	-132.50	9.92
T_LOAN-1	-108.08	4.96
T_LOAN-2	-113.33	1.98
T_COCK-3	-125.00	1.98
M_CAS-KILO	-17.00	-29.75
T_FINL-1	-8.00	-30.32
M_SLOY-1	-15.00	-30.32
M_SLOY-4	-15.00	-30.32
T_SLOY-2	-15.00	-30.32
T_SLOY-3	-15.00	-30.32
T_PEHE-2	-31.95	-102.13
S_BSAD	-2.10	0.00

**P78 = £2.44/MWh**

**Price set by 8 trades;  
1 corporate group**

**Sell Stack:  
(Bids)**

**P194 = -£53.26/MWh**

## ❖ Conclusions

- PAR 100 causes SBP to rise when the system is well supplied... is it necessary to impose more penal cash out prices on parties when this is the case?
- 05/06 data set shows that PAR 100 will increase the impact of system actions and that PAR 500 will mitigate this effect
- The number of trades setting the main price is irrelevant if those trades have all been made with the same corporate group
- It is not clear that Ofgem considered this as part of their IA, although they do note that the CORWG did not take this into account in their analysis
- This may require more investigation