

The background of the slide features a large, semi-transparent white 'X' that spans the entire width and height. Behind the 'X', there is a collage of images: on the left, a blue-tinted image of solar panels; on the right, a close-up of a gas burner with a blue flame; and in the center, a blurred image of a hand holding a pen over a document.

Issue 30 BSAD analysis

Contents

- BSAD introduction
- Recovery of reserve availability fees (BPA, SPA)
- Targeting the costs of reserve creation

BSAD introduction

- Some aspects of BSAD have already been discussed during the P217 Definition Phase
 - Inclusion of BSAD volumes and prices in cash-out
 - Reserve availability fees (BPA, SPA)
 - BSAD disaggregation
- We analysed the recovery of reserve availability fees for the P211/P212 IA
- BSAD could also provide a solution to the cost targeting problem for reserve creation

Reserve availability fees

- Estimate that £19m (27.5%) of reserve availability fees recovered through cash-out in 2006/07
- Reasons for partial recovery:
 - BPA only added to SBP when system short (26% of periods in 2006/07)
 - Not all contracted reserve is utilised
 - BPA excludes BM Start-up used for constraint management

Balancing Service	Availability Fees (2006/07)
STOR	£58m
Warming/BM Start-up	£11m
Total	£69m

Reserve availability fees

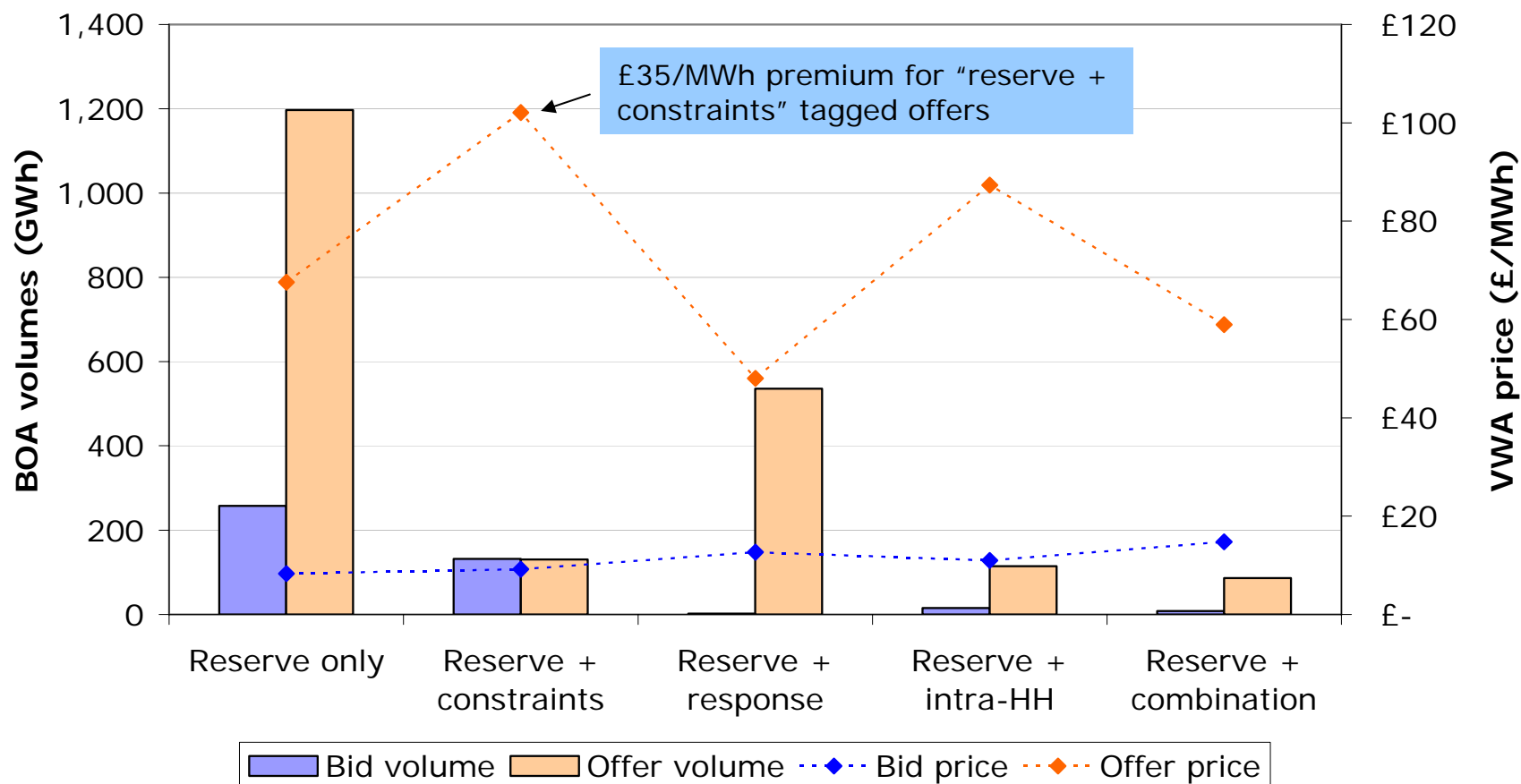
Approach	Fee recovery through cash-out	Potential rationale
Current methodology	>0%, <100%	Out-of-balance parties should only be charged for the availability fees of reserve and BM Start-up to the extent that they use the service through their energy imbalances.
Fully charged to out-of-balance parties	100%	STOR and BM Start-up are primarily required for energy balancing. It is appropriate that these premia are fully recovered from parties who are contributing to the requirement for reserve.
Charged to all parties based on throughput	0%	STOR and BM Start-up are an insurance policy for the whole system and hence the availability fees should not be targeted at out-of-balance parties.

- Merits in partial recovery but is the current methodology appropriate?

Reserve creation

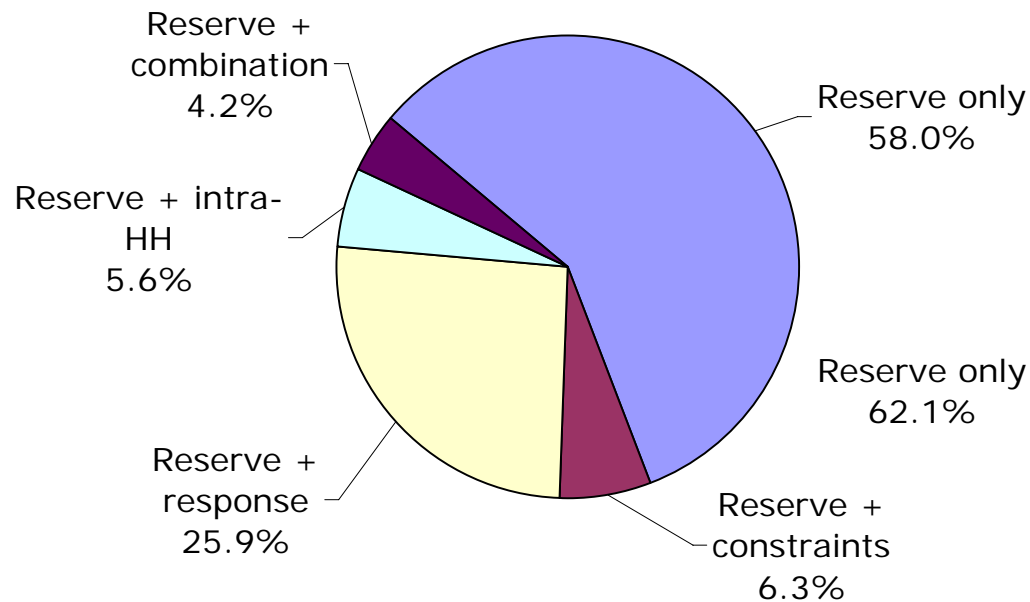
- Cost targeting is problematic for reserve creation
 - Costs of creating reserve may be incurred in settlement periods prior to the period in which reserve is utilised
 - The costs of reserve creation are incurred regardless of how much reserve is actually utilised
- Although the majority of created reserve is ultimately used to resolve energy imbalances, system balancing considerations also relevant
 - Actions taken by NGET for reserve may be combined with other balancing requirements
 - System constraints can distort the merit order for reserve actions

Reserve tagged actions (Jan-Sep 2007)

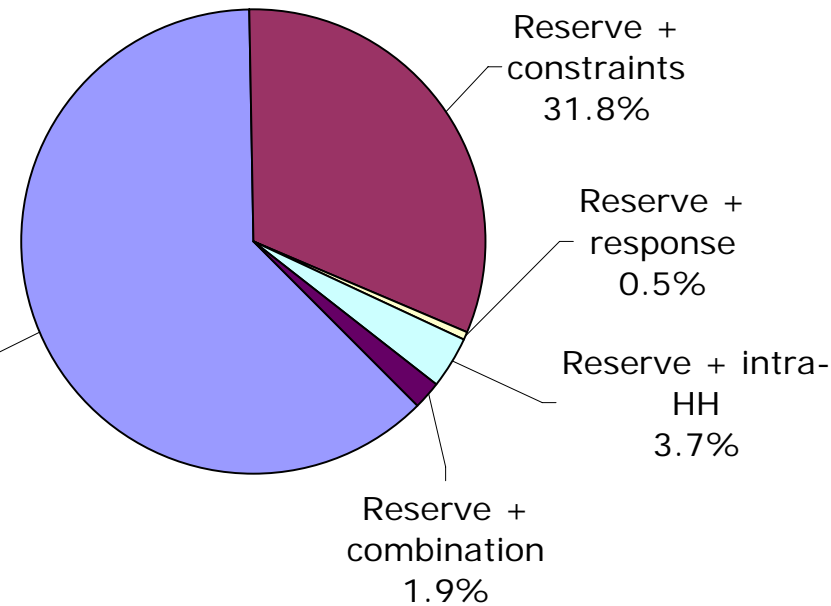


Reserve tagging analysis

**Offers by volume
Jan - Sep 2007**

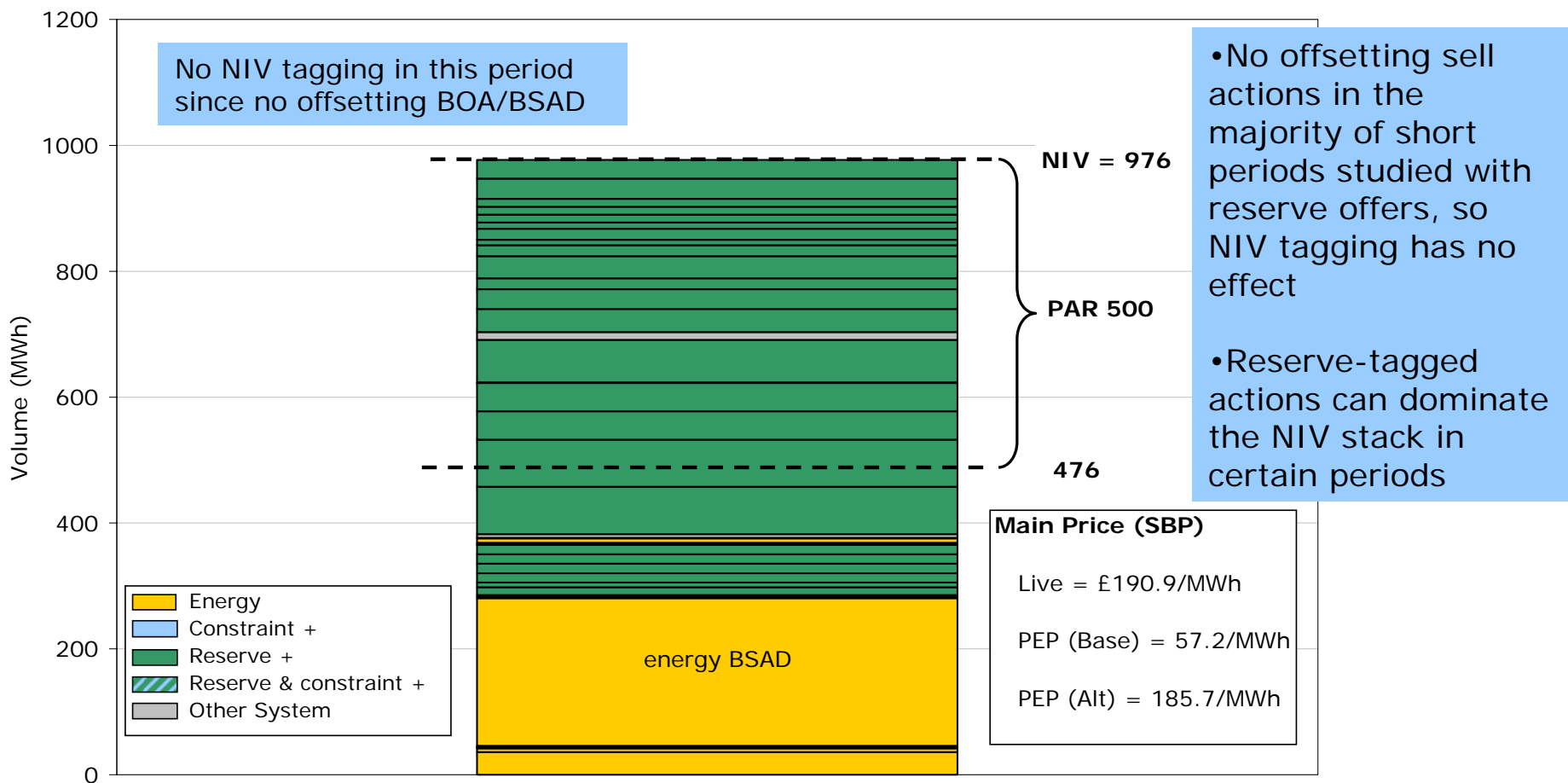


**Bids by volume
Jan - Sep 2007**



Over a third of reserve actions are also tagged for other balancing purposes

Reserve actions & NIV tagging (24/3/07 p24)



Reserve creation & BSAD

- Could a revised BSAD methodology be developed to improve cost targeting for reserve creation?
 - Re-profile the BM costs of reserve creation to the periods when the reserve is required
 - Analogous to existing methodology for BM Start-up availability fees



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