

The background of the slide features a large, semi-transparent white 'X' over a collage of images including solar panels, a blue gas flame, and a white gas burner. The text is centered over this background.

# Issue 30 BSAD analysis

Date

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- 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

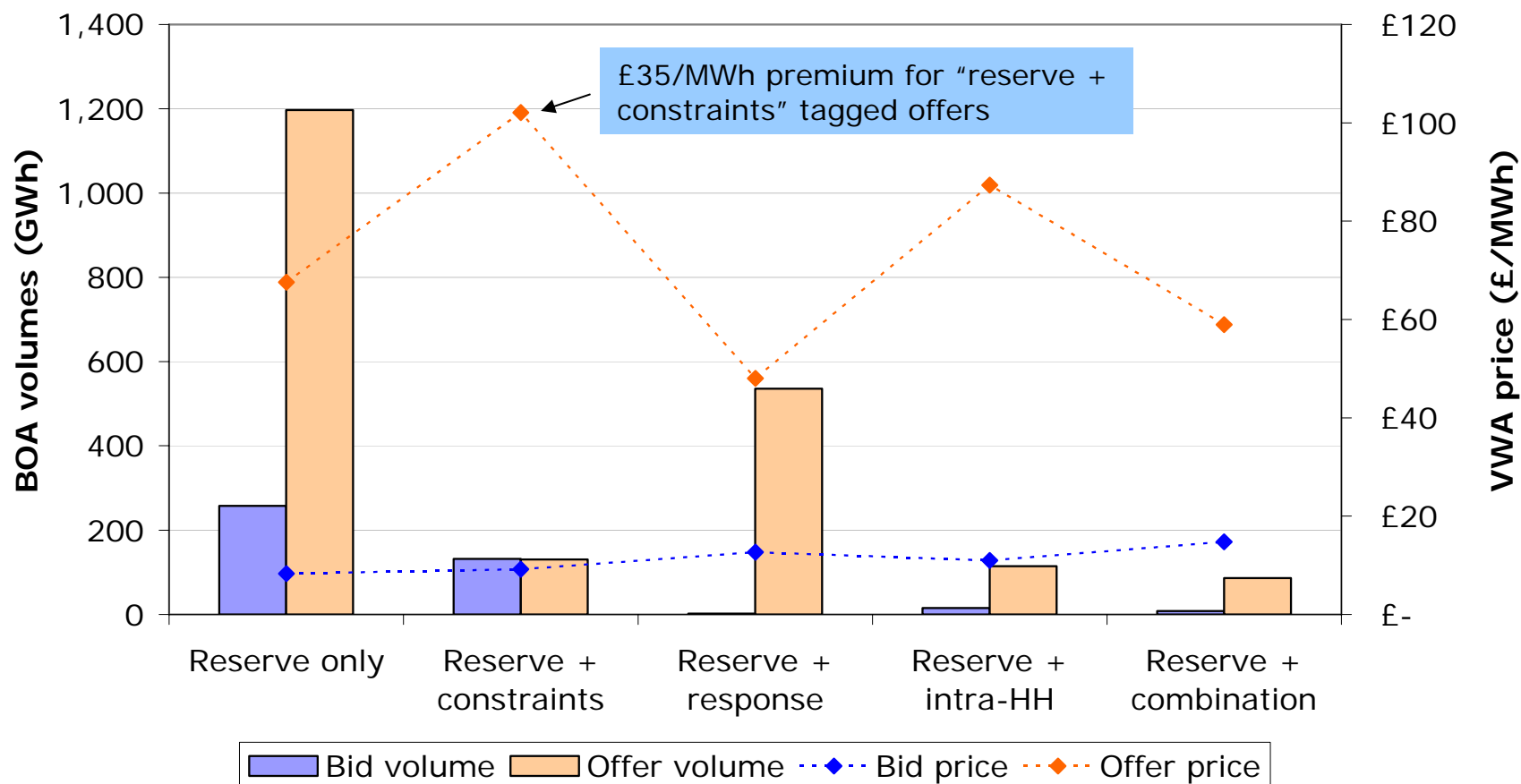
| Approach                                   | Fee recovery through cash-out | Potential rationale   |
|--|-------------------------------|---|
| Current methodology                        | >0%, <100%                    | Out-of-balance parties should only be charged for the availability fees of reserve 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

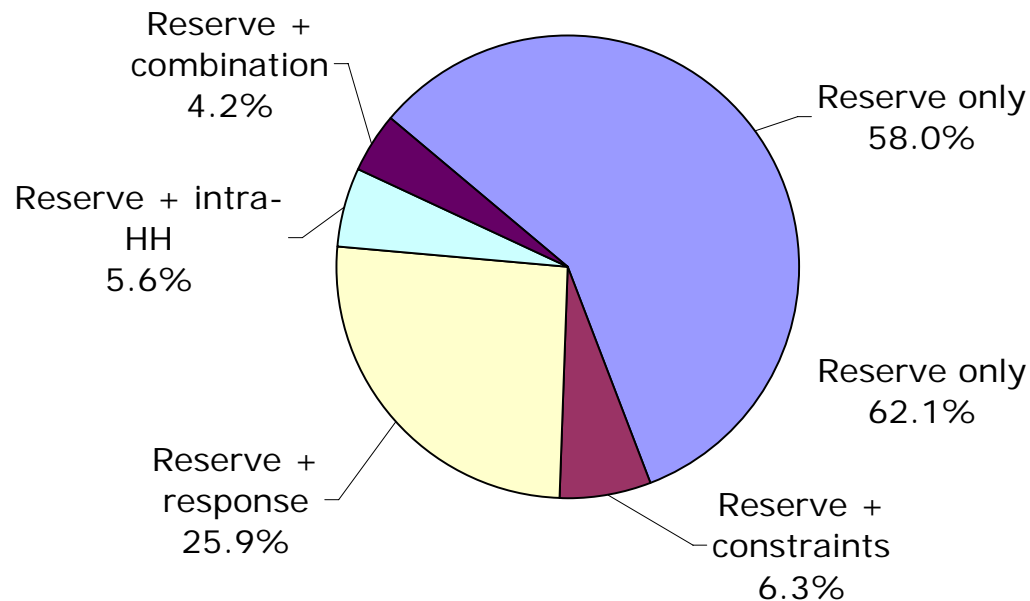
- Cost targeting is problematic for reserve creation
  - Costs of creating reserve may be incurred in settlement periods prior to the period in which reserve is utilised
  - The costs of reserve creation are incurred regardless of how much reserve is actually utilised
- Although the majority of created 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)

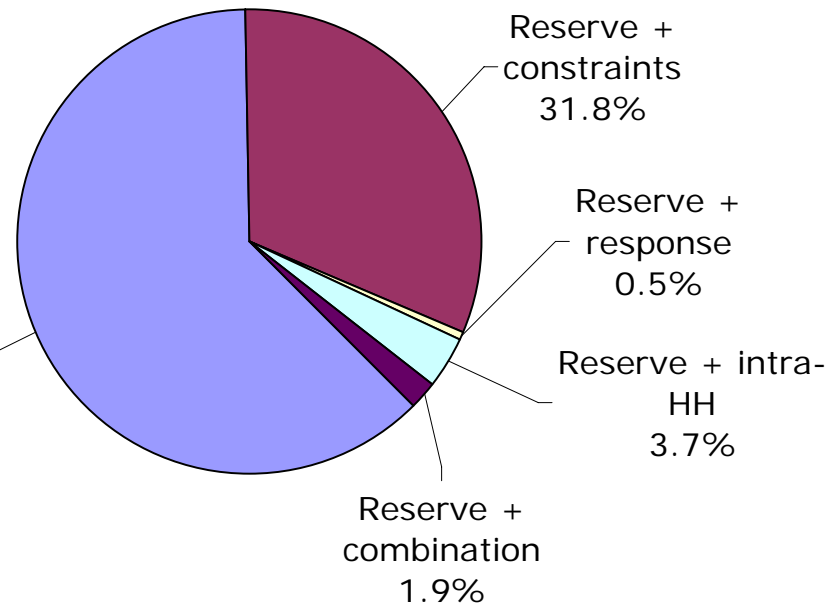


## Reserve tagging analysis

**Offers by volume  
Jan - Sep 2007**



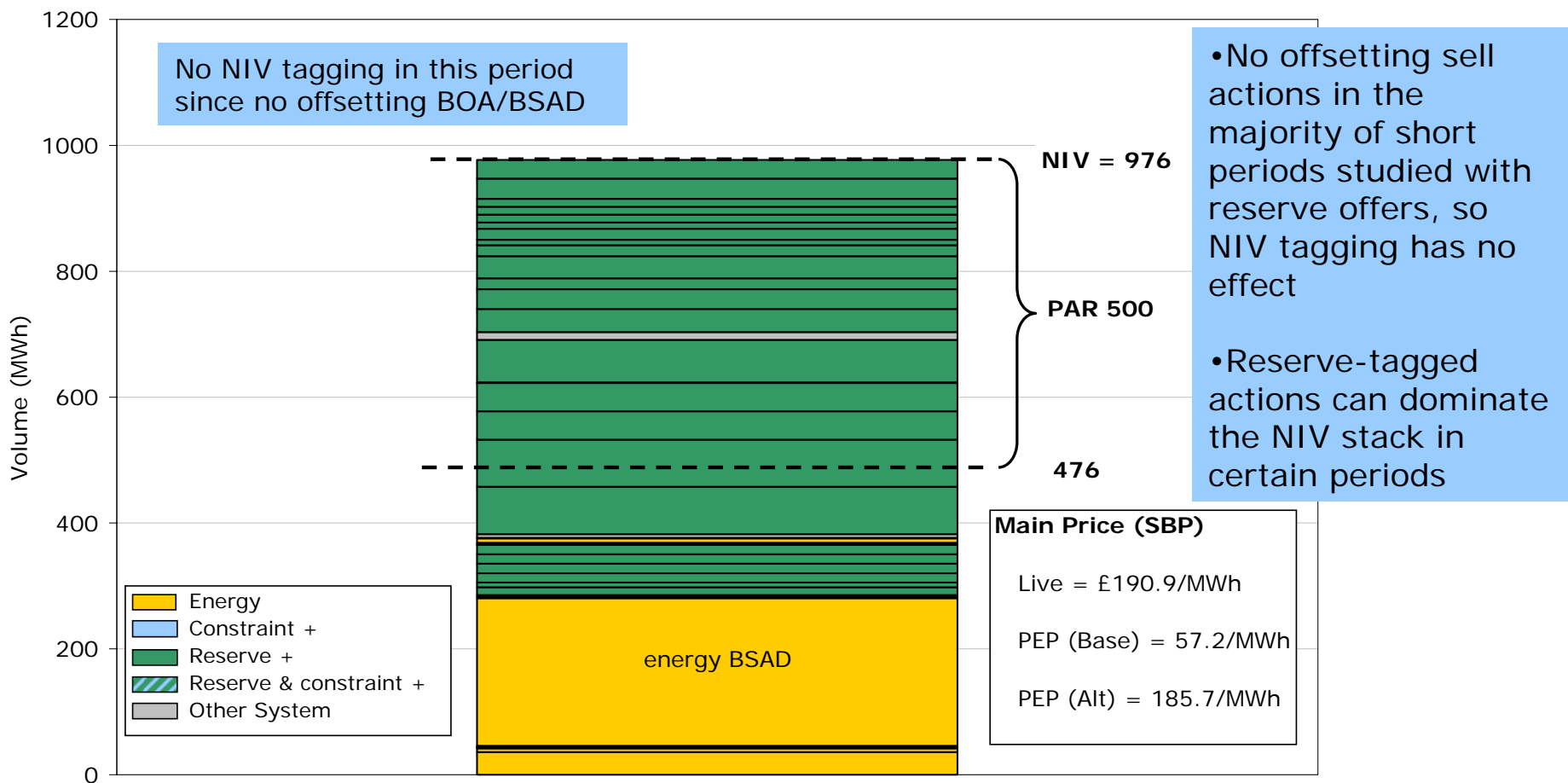
**Bids by volume  
Jan - Sep 2007**



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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