

The background of the slide features a large, semi-transparent white 'X' over a collage of images. On the left, there are blue gears. On the right, there are orange gears. In the center, there is a blurred image of solar panels under a bright sky.

# **Issue 30 RCRC analysis**

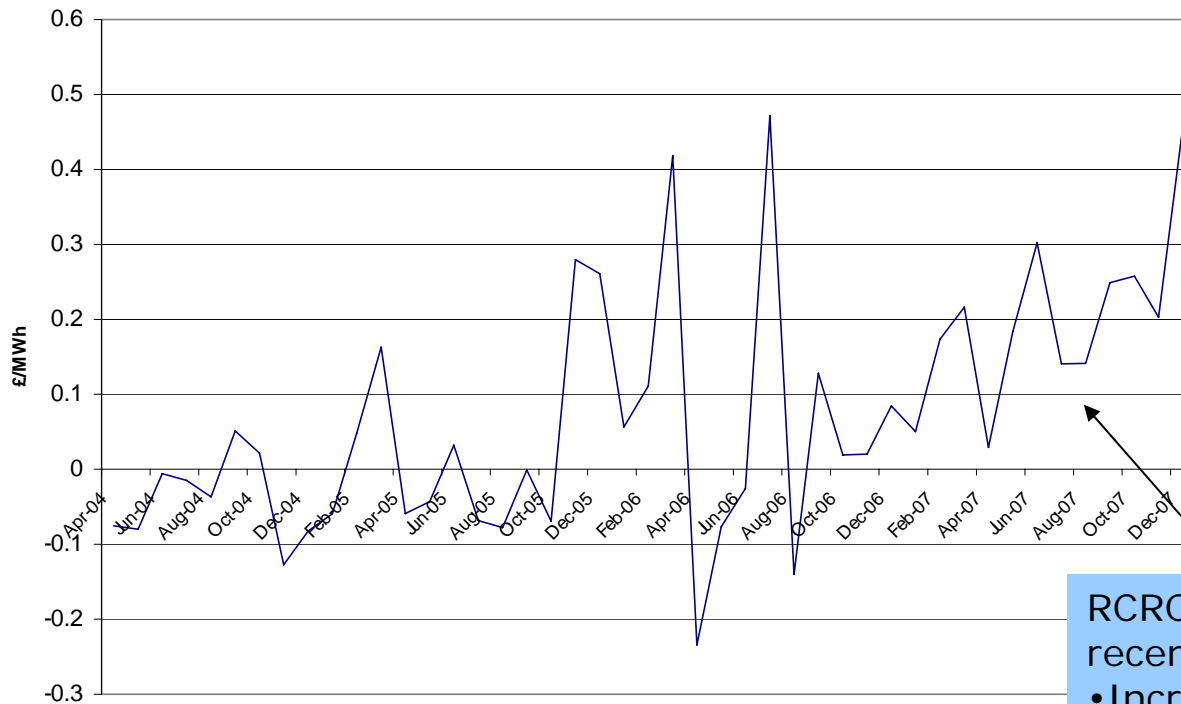
Date

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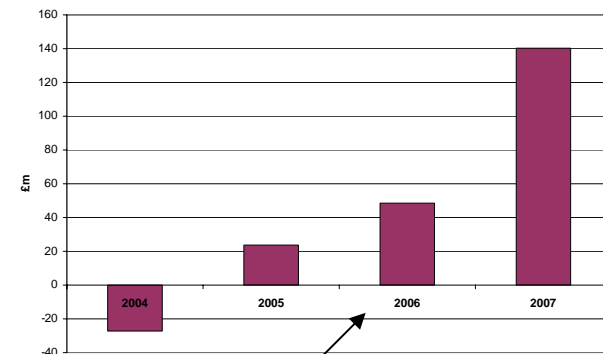
- Historic RCRC
- Relationship between RCRC and BSUoS
- Estimated breakdown of contributors to RCRC under current arrangements
- Example of impact of different cash-out price calculation on RCRC generation

# Historic RCRC

## Monthly average RCRC



## Approximate annual RCRC



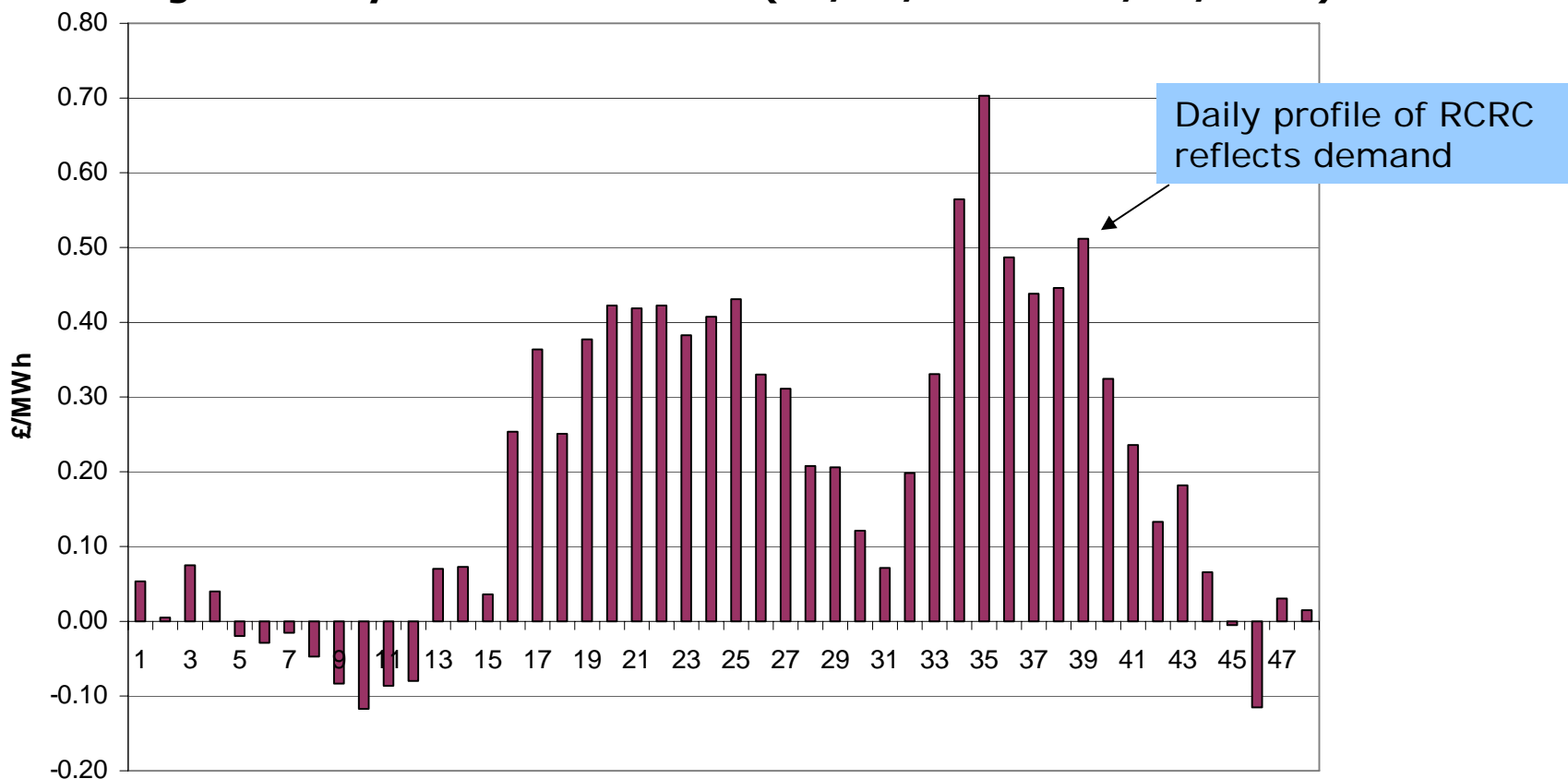
RCRC has steadily increased in recent years

- Increasing commodity prices
- NIV becoming less long

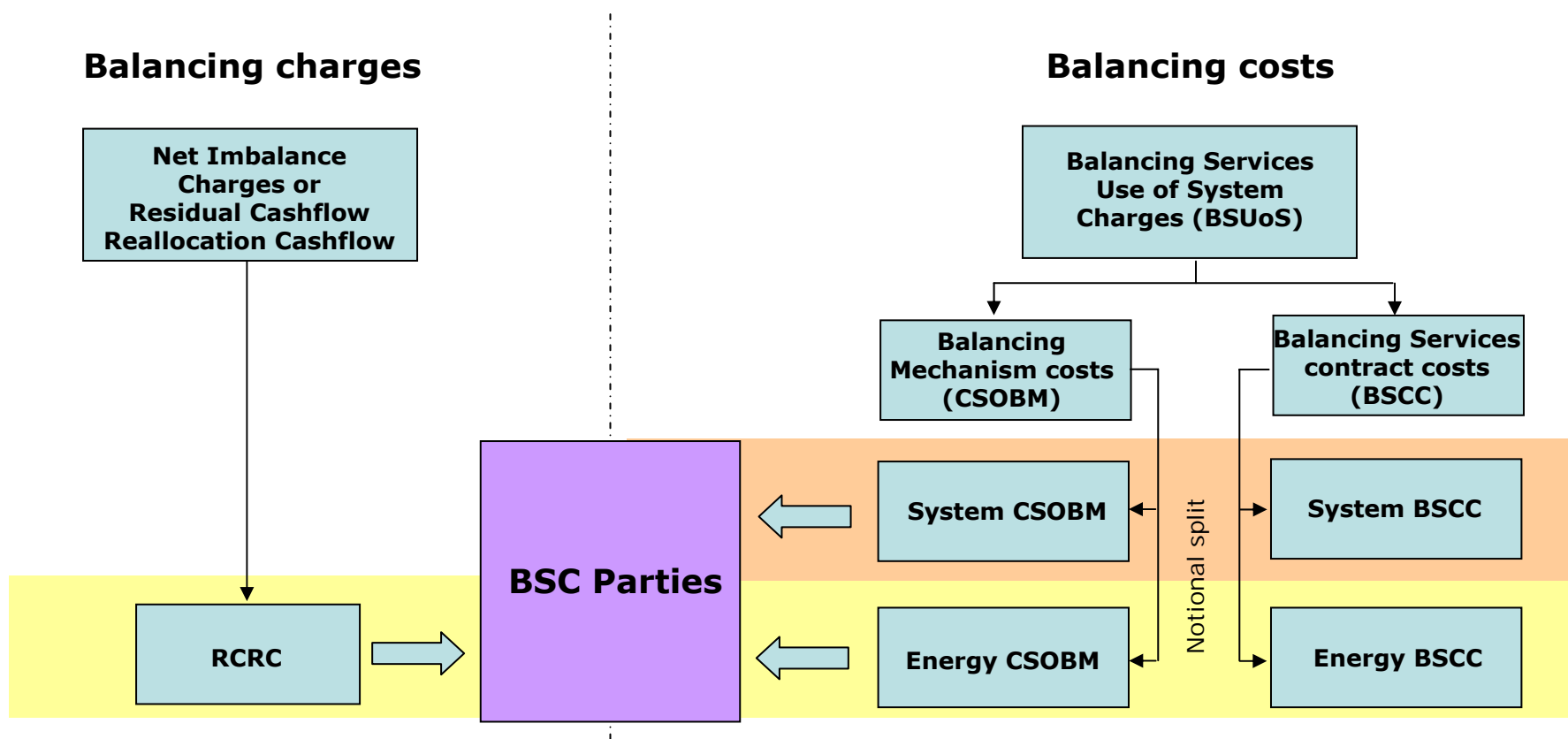
With annual RCRC running at over £100m, can it still be considered a reconciliation amount?

## Daily pattern of RCRC

**Average RCRC by Settlement Period (28/12/2006 – 27/12/2007)**

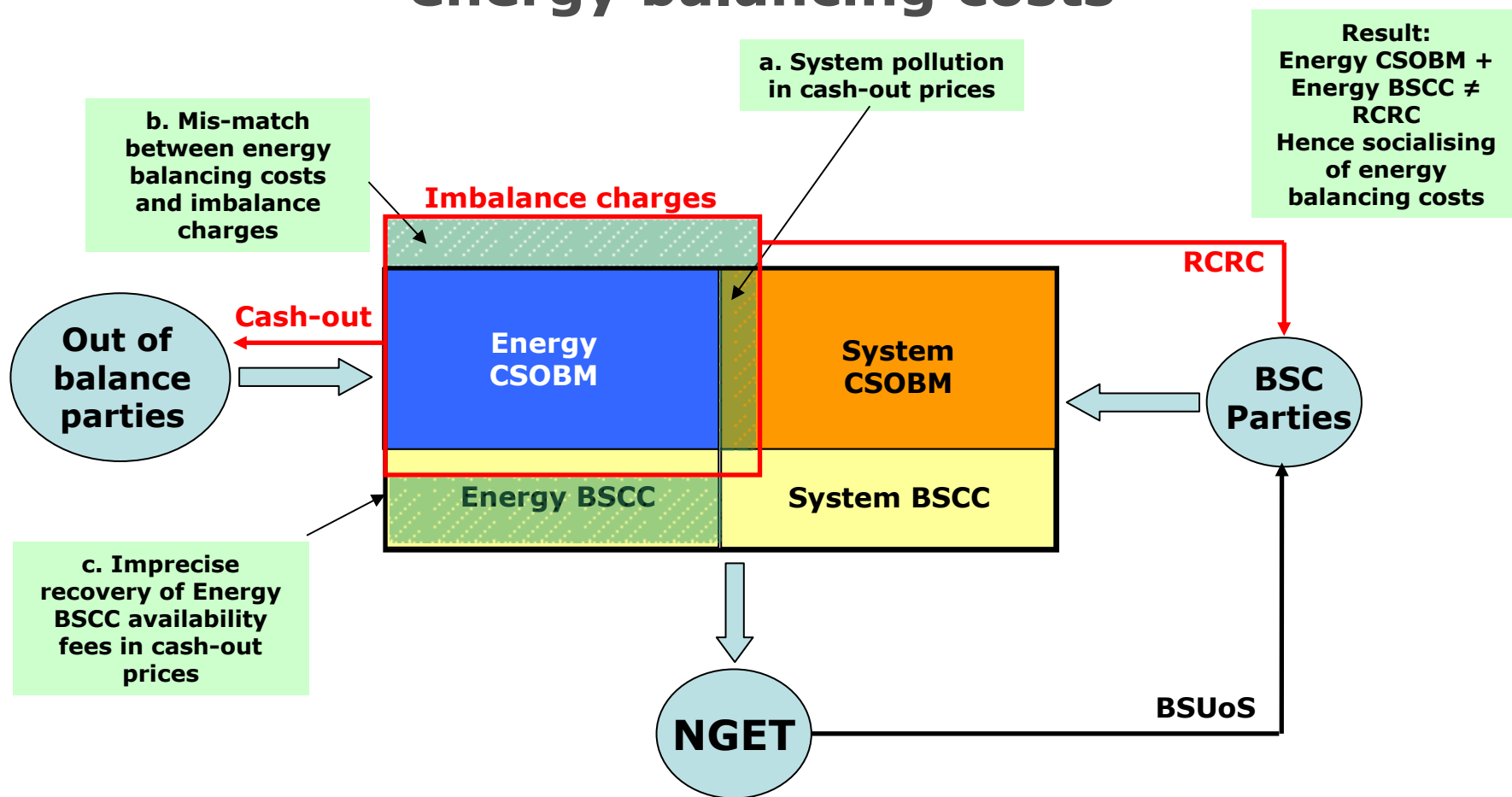


## RCRC and BSUoS



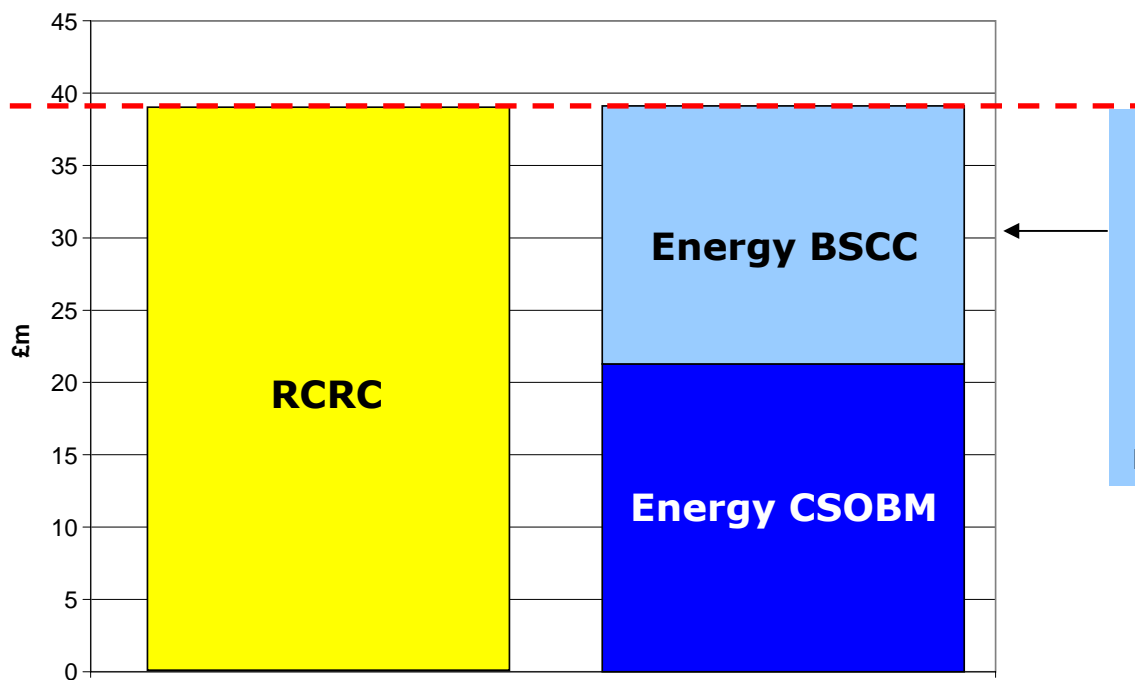
Theoretically total imbalance charges (RCRC) should equal SO's energy balancing costs BSUoS net RCRC would then cover only system costs

# Reasons for mismatch between RCRC and energy balancing costs



## RCRC under single cleared marginal price

**Estimated Annual RCRC and Energy Balancing Costs**



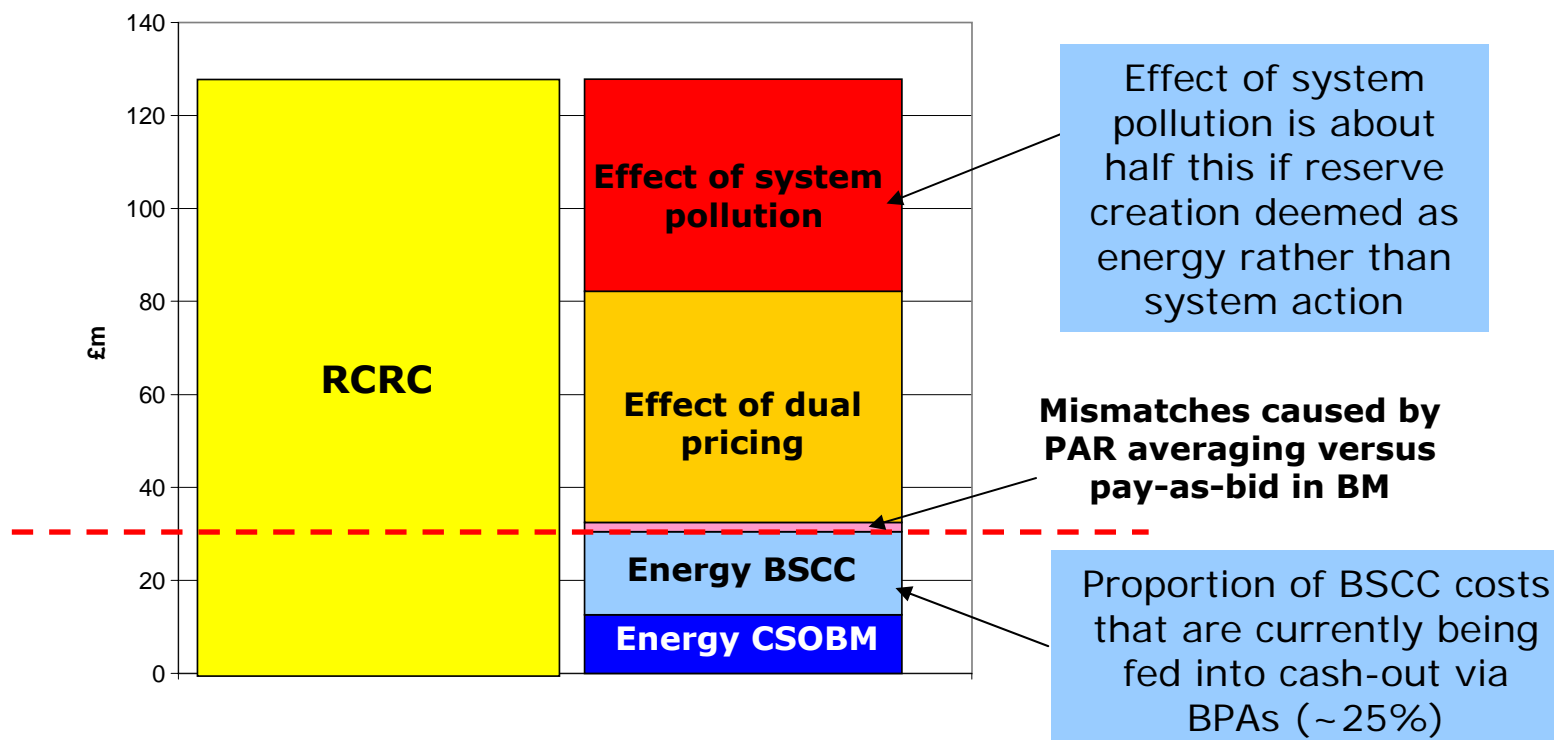
Assumes current BSAD methodology is allocating correct proportion of BSCC costs into cash-out via BPA (approx. 25%): this may or may not be the case

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

**Estimated Annual RCRC and Energy Balancing Costs**

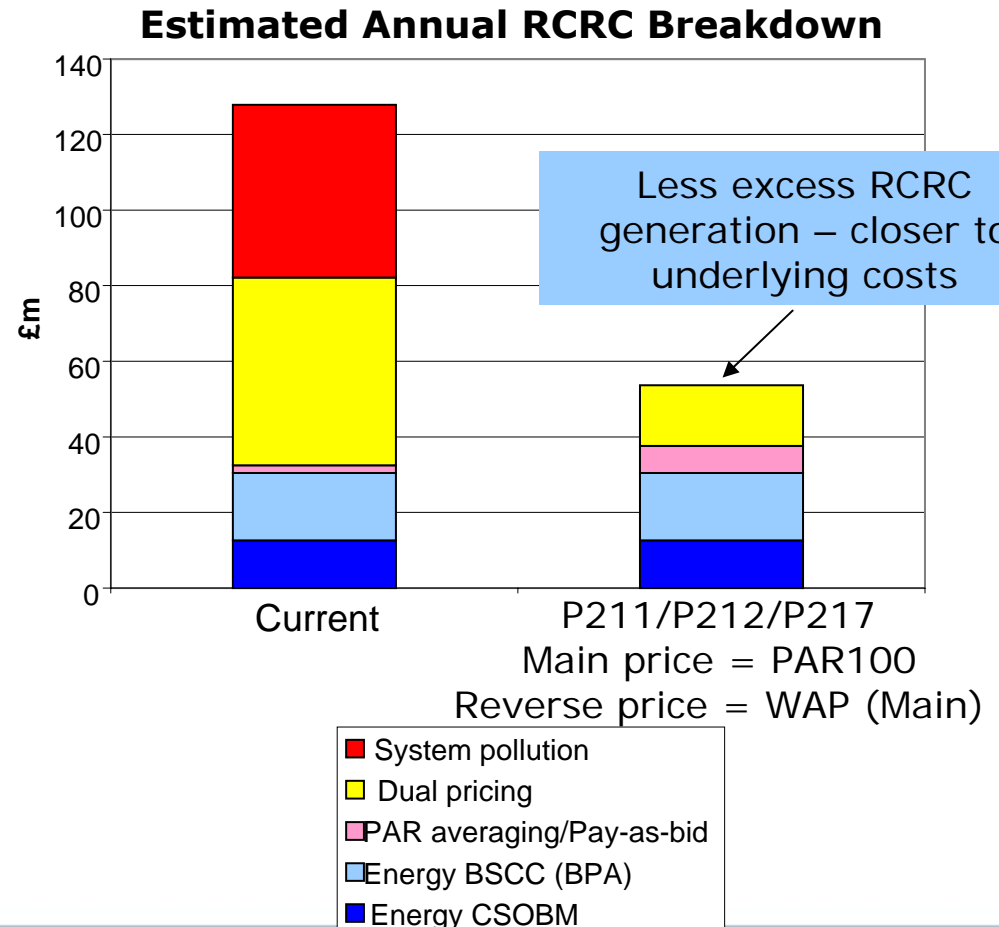


RCRC significantly inflated by system pollution and dual pricing  
Counter-argument: cost of energy related reserve not fully reflected in cash-out price



# 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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