

Supporting note for Revenue Flows diagram

For discussion at WG1 meeting on 6th August 2008.

Key:

An oval is a 'pot' of money, party or processes.

Coloured ovals are those that will have more or less revenue due to short term access

A normal line is a money flow

A double line is an obligation, right or relationship

A red line represents a change to flows

Dotted line represents that there may be an incentive linked to a specific 'service'.

Today

To trade parties must be a CUSC and BSC party (or allied to someone responsible for them in the BSC / CUSC). The CUSC parties have to pay charges in accordance with the methodology; these are TNUoS and Connection, which make up MAR. BSC parties pay and get paid in accordance with the BSC.

The charging methodologies also require parties to pay BSUoS charges, these are based on metered output. BSUoS represent the net costs of SO actions, including net cost of bids and offers, contracts, trades etc. Any SO incentive payment / receipt also flows through BSUoS.

BSC parties pay / get paid for bids and offers, the net difference flows through to BSUoS. They also pay imbalance charges, with the net difference being redistributed through RCRC back to BSC parties.

Generic short term

The TNUoS methodology separates out to ensure that not only firm capacity holders pay for the residual and to ensure local charges are dealt with appropriately. All parties pay for the residual on a £/kWh basis (subject to WG3 discussion). Parties who hold firm access pay the locational charge – based on their firm access holding. All parties pay the local charge. Parties are also required to pay their connection charges.

Total MAR+ / connection revenue will change as more parties connect. The difference between the total change in MAR+ and net revenue recovered through Local and Connection charges is recovered through the Residual.

SO release

CUSC parties can purchase additional rights to use the system from the SO. The SO will collect additional income through receipts for SO access. The SO will release access only if the forecast cost is less than the income. Subject to forecasting the net revenue from SO release should be positive.

SO release will increase the cost of operating the system, increasing bid and offer costs. In a few exceptional cases the cost to SO may be positive. The impact on BSUoS will also be affected by any incentive on the SO to release access.

Overrun

CUSC parties can exceed their firm access holding. This will attract an overrun charge, paid to the SO based on the overrun charging methodology.

The consequence of a party overrunning is expected to be a change in the cost of running the system, normally dealt with through BSUoS. In exporting areas this would be an increase, in negative zones this may be a decrease (over what the SO would have had to have taken). Generally expect parties in negative zones to opt for firm access, to receive benefit from Locational.

The difference between the sum of overrun receipts and the change in operating costs due to overrun appears in BSUoS. This change may be positive or negative so may increase or decrease BSUoS payments paid by all CUSC parties. The choice of the methodology will influence how large this change will be, although in any of the proposals it could be positive or negative.