

# P78 & BSAD

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# Agenda

- **P78**
  - **Methodology**
- **BSAD**
  - **Explanation of Component Parts**
- **P78**
  - **Mechanics of Formula**
- **Price & Market Trends**
  - **Pre & Post P78 Comparisons**

# Why P78?

- **Aim to resolve concerns identified in previous pricing formula Predominantly the impact of high cost system actions on SBP volatility.**
- **Introduced 11th March 2003**

# P78 Methodology

- **Inclusion of all NGC traded actions gives a better indication of market length and a truer picture of the volume of actions used to resolve energy imbalance.**
- **P78 reverse stack price - now calculated using a “market index energy price”**

# What is the “Market Price”?

- **Market Price derived from Market Index Data Providers (Subject to minimum volumes)**
- **Market Index Data Providers are UKPX and APX**
- **Participants whose energy Imbalance is opposite to market length imbalance have similar exposure as resolving contractual imbalance in forward markets**

# **Balancing Services Adjustment Data (BSAD) Under P78**

- **BSAD is designed to reflect NGC total non BM actions**
- **8 Defined Components**

# Balancing Services Adjustment Data

- The Eight BSAD Variables
- SBVA Net Buy Price Volume Adjustment (system)
- SSVA Net Sell Price Volume Adjustment (system)
- EBVA Net Buy Price Volume Adjustment (energy)
- ESVA Net Sell Price Volume Adjustment (energy)
- EBCA Net Buy Price Cost Adjustment (energy)
- ESCA Net Sell Price Cost Adjustment (energy)
- BPA Buy Price Price Adjustment
- SPA Sell Price Price Adjustment

# **BSAD Designated System Actions**

- **SBVA (Buy System Actions)**
- **SSVA (Sell System Actions)**
- **WHAT ARE THEY ?**
- **These are actions used to resolve transmission constraints, Downward Regulation Issues etc**
- **They are included in the volume used to derive NIV**
- **They are zero priced so that they have no direct impact on Cash Out Price**

# What are SBVA & SSVA Tagged Actions

- **PGBT & BMU**

- Specific Forward Trades taken for system reasons
- Including Trades done with counter-parties across the French Inter-connector.
- Current French Gate Closure cut off times mean these are limited to day ahead time-scales

- **SO to SO Trades between NGC & RTE**

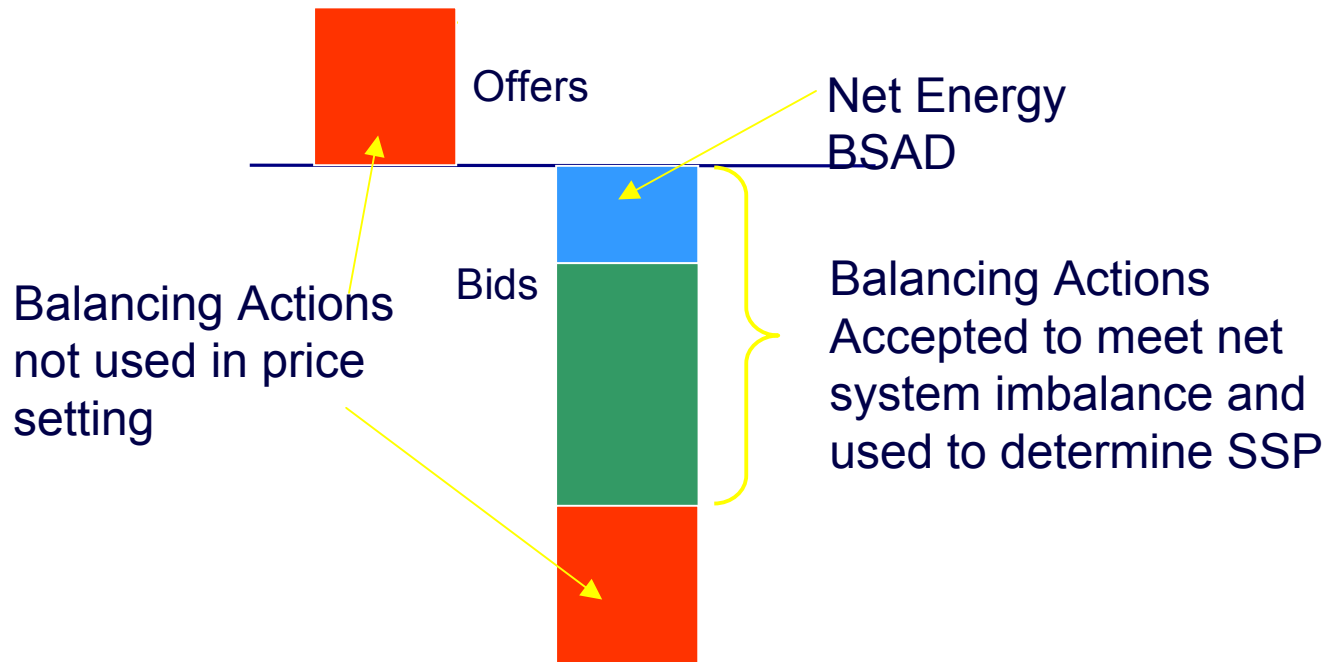
- Only instrument that gives us flexibility to move the output of the French link within day.

# BMU - SPECIFIC TRADES

- **What is required In order to trade with NGT**
  - required schedules of GTMA signed
  - appropriate credit ratings or provisions
- **Extra Requirement to trade across French Inter-connector**
  - Must have an Inter-connector BMU ID
  - Must have sufficient allocated Inter-connector capacity

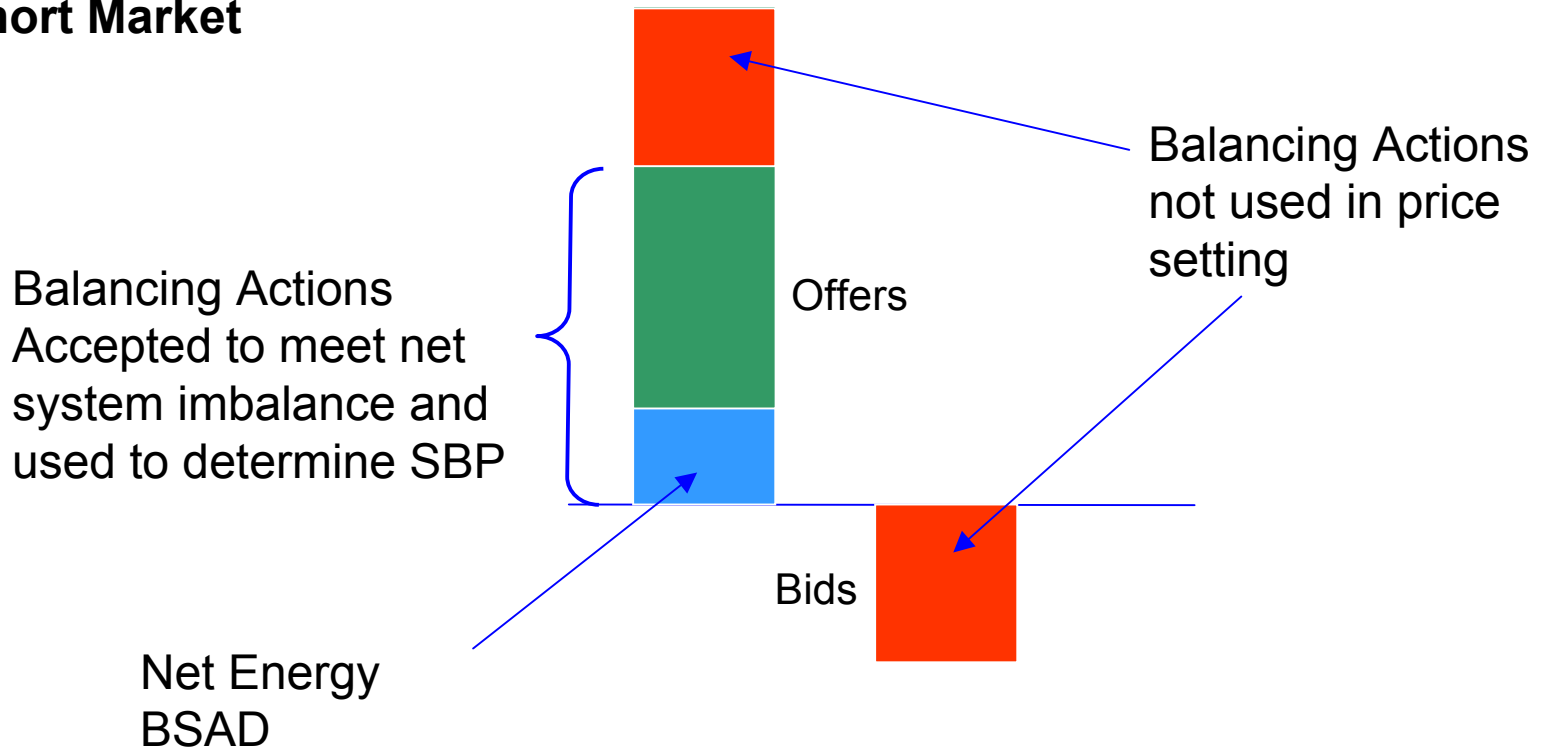
# Mechanics of P78 Price Formula

## Long Market



# Mechanics of P78 Price Formula

## Short Market



# Calculation of SBP under P78

## In a Long Market

SBP = "Market Price"

## In a Short Market

SBP = Volume weighted average of Offers/Buy trades  
to meet net system imbalance

# Calculation of SSP under P78

## In a Long Market

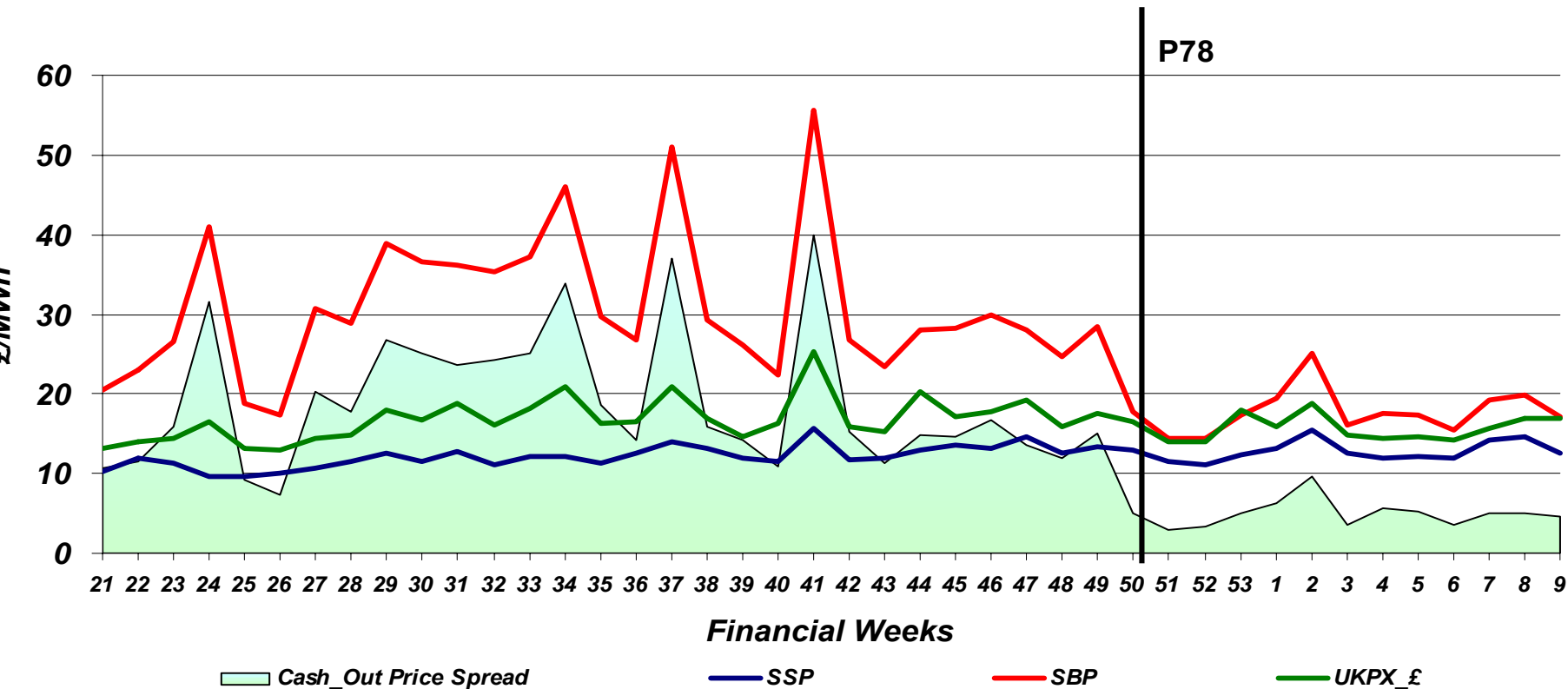
SSP = Volume weighted average of Bids/Sell trades  
to meet net system imbalance

## In a Short Market

SSP = “Market Price”

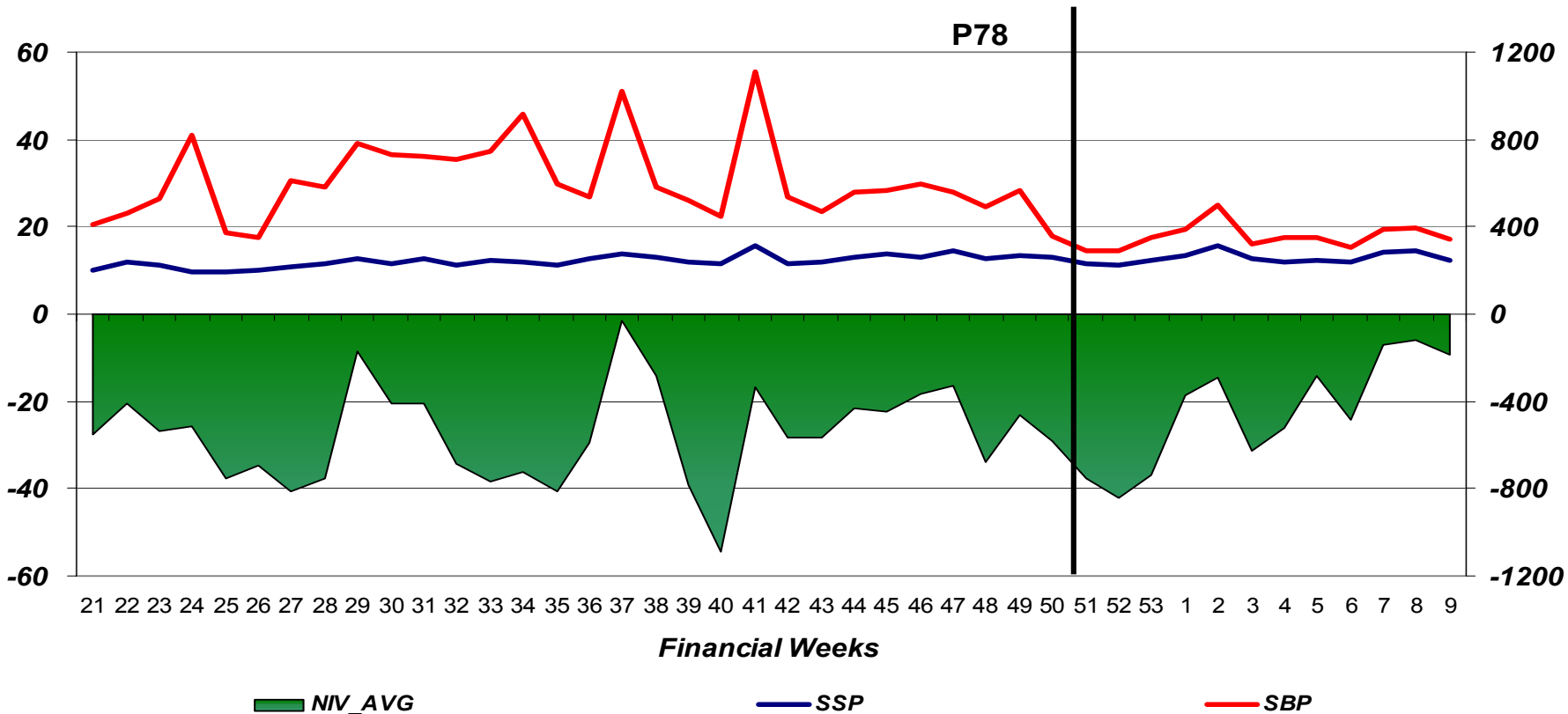
# SSP & SBP Price Trends Pre & Post P78

*Weekly Average SBP, SSP AND UKPX  
pre and Post P78*



# NIV Trends Pre & Post P78

*Weekly Average SBP, SSP And NIV pre and Post P78*



# P78 “More Statistics”

(£/MWh)	<b>AVG SBP</b>	<b>STD DEV SBP</b>	<b>AVG SSP</b>	<b>STD DEV SSP</b>
<b>01-Apr-02 to 10-Mar-03</b>	29.91	33	10.93	3.72
<b>11-Mar-03 to 25-May-03 *</b>	17.84	11.98	12.87	3.96

*\* Post P78 Statistics*

# Conclusions

- **P78 has significantly reduced SBP, both in size and Volatility.**
- **There has been some indication of a reduction in the average length of NIV Post P78.**