

CAM (MOD 500) - Charging



NTS Charging Methodology Forum (NTSCMF)
15th September 2014

Agenda

- Introduction
- Auction Premium
- Price Steps
- Small Price Steps
- Large Price Steps
- Summary

Introduction

- There are a number of charging changes required in order to implement CAM into the GB charging regime
 - Auction pricing steps
 - Use of reserve prices in the specific auctions
- Some charging aspects of CAM need to be agreed by the adjacent TSO's
 - National Grid has started conversations with the adjacent TSO's regarding
 - Auction Premium split
 - Number of Small Price Steps that make up a Large Price Step
- MOD 500 contains the current proposals relating to these topics

Ascending Clock Auctions

- Price Steps apply to all auctions that are ascending clock:-
 - Annual Yearly
 - Annual Quarterly
 - Rolling Monthly
- The Ascending clock auctions use both the large and small price steps

Auction Premium

- Auction Premium is the proportion of price above the reserve price allocated to TSOs
 - CAM provides the option to have an agreement between adjacent TSOs as to what the split of the auction premium should be
- CAM has a default of the split of Auction Premium with adjacent TSO is 50:50 split

Price Steps and Ascending Clock

- In the Ascending Clock Auction, which uses the Large and Small Price Steps (Day One)
 - Bidding rounds start at 08:00 (UK time) until 17:00 (UK time)
 - 3 hours for 1st Bidding Round which uses the Reserve Price (08:00 – 11:00)
 - 1 hour gap between bidding round (11:00 – 12:00)
 - 1 hour for next bidding rounds (12:00 – 13:00, 14:00 – 15:00 and 16:00 – 17:00) with one hour gaps between each bidding round
- In the Ascending Clock Auction, which uses the Large and Small Price Steps (Day Two onwards)
 - Bidding rounds start at 08:00 (UK time) until 17:00 (UK time)
 - Bidding rounds (08:00 – 09:00, 10:00 – 11:00, 12:00 – 13:00, 14:00 – 15:00 and 16:00 – 17:00) with one hour gaps between each bidding round

Small Price Steps

- Small price steps are a multiple of the large step
- Number of small price steps that make up a large price step needs to be agreed with adjacent TSO's
- NGG proposal to adjacent TSO's is five small price steps equals one large price step
 - Usual number within PRISMA

Large Price Steps

- Large Price Steps are calculated based on a defined methodology which is applicable to each TSO
- The Large Price Step methodology for National Grid will be defined within Section Y of UNC

Large Price Steps potential options

- Percentage in relation to the reserve price:
 - The higher of
 - 5% increase in the reserve price
 - OR
 - 0.0001 p/kWh*
 - Small steps would therefore vary (minimum would be 0.00002 p/kWh)
- A fixed value on top of the reserve price
 - 0.0005 p/kWh
 - Small steps would therefore all be 0.0001 p/kWh

* A minimum large price step differential of 0.0001 p/kWh is applied

Prices Examples (Entry) – percent increases nationalgrid

- Examples of the entry prices for Bacton and Moffat first five large price steps based on the QSEC 2014 prices for capacity from 2016/2017

	Reserve Price (p/kWh)	Large Price Step 1 (p/kWh)	Large Price Step 2 (p/kWh)	Large Price Step 3 (p/kWh)	Large Price Step 4 (p/kWh)	Large Price Step 5 (p/kWh)
Bacton	0.0096	0.0101	0.0106	0.0111	0.0117	0.0123
Moffat	0.0067	0.0070	0.0074	0.0078	0.0081	0.0086

- A minimum price of the difference between large price steps of 0.0001 p/kWh is applied

Prices Examples (Entry) – fixed amount

- Examples of the entry prices for Bacton and Moffat first five large price steps based on the QSEC 2014 prices for capacity from 2016/2017

	Reserve Price (p/kWh)	Large Price Step 1 (p/kWh)	Large Price Step 2 (p/kWh)	Large Price Step 3 (p/kWh)	Large Price Step 4 (p/kWh)	Large Price Step 5 (p/kWh)
Bacton	0.0096	0.0101	0.0106	0.0111	0.0116	0.0121
Moffat	0.0067	0.0072	0.0077	0.0082	0.0087	0.0092

Prices Examples (Exit) – percent increases

- Examples of the exit prices for Bacton and Moffat first five large price steps based on the Exit Capacity 2014 prices for capacity from 2016/2017

	Reserve Price (p/kWh)	Large Price Step 1 (p/kWh)	Large Price Step 2 (p/kWh)	Large Price Step 3 (p/kWh)	Large Price Step 4 (p/kWh)	Large Price Step 5 (p/kWh)
Bacton IUK	0.0003	0.0004	0.0005	0.0006	0.0007	0.0008
Bacton BBL	0.0003	0.0004	0.0005	0.0006	0.0007	0.0008
Moffat	0.0054	0.0057	0.0060	0.0063	0.0066	0.0069

- A minimum price of the difference between large price steps of 0.0001 p/kWh is applied

Prices Examples (Exit) – fixed amount

- Examples of the exit prices for Bacton and Moffat first five large price steps based on the Exit Capacity 2014 prices for capacity from 2016/2017

	Reserve Price (p/kWh)	Large Price Step 1 (p/kWh)	Large Price Step 2 (p/kWh)	Large Price Step 3 (p/kWh)	Large Price Step 4 (p/kWh)	Large Price Step 5 (p/kWh)
Bacton IUK	0.0003	0.0008	0.0013	0.0018	0.0023	0.0028
Bacton BBL	0.0003	0.0008	0.0013	0.0018	0.0023	0.0028
Moffat	0.0054	0.0059	0.0064	0.0069	0.0074	0.0079

Summary

- Auction Premium split to be decided between adjacent TSO's
 - Default is 50/50 sharing
- Number of small price steps to make up a large price step National Grid propose to be 5 as this aligns to PRISMA currently
- Large price step methodology to be agreed
- We welcome your views on the options presented