
Deriving Long Run Pricing Signals

A possible approach

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SP's Principles

1. Long term reinforcement costs should be determined by the engineers planning the reinforcement of the network.
2. Reinforcement costs driven by Group Demand issues, not merely increments at a particular node.
3. ER P2/5 and ER P2/6 specify considerations which include
 - Restoration time for minimum capacity following first circuit outage
 - Restoration time for minimum capacity following second circuit outage
 - Equipment ratings at different times of the year.
4. Also need to consider statutory voltage issues and fault level issues.
5. Simple '50%' security assumptions not considered appropriate.
6. Use the same network model as used for planning/ design not a separate model.



SP's Proposal

1. Use current processes as far as possible.
2. SP already undertaking contingency analysis to determine P2/5 compliance and reinforcement requirements
3. Detailed studies being undertaken on one Supergrid Group (NGET & 132kV Network) and the two associated Grid Groups (132/33kV and 33kV Network).
4. Study designed to identify
 - Group maximum demand
 - Determine available capacity during system abnormal (N-1) conditions for four different loading scenarios: -
 - Winter morning maximum
 - Winter afternoon maximum
 - Winter night maximum
 - Summer minimum
 - Identify network constraints and constraint period from the above capacity studies
 - Cost of reinforcement to rectify the network constraint
 - Amount of generation that can be accommodated to avoid reinforcement requirement under P2/6 (winter loading conditions only)
5. Detailed discussion then required on appropriate price signal e.g. reinforcement cost/headroom
6. Analysis recognises the asymmetry of generation costs/ benefits.

