ETA Workshop 2.2

Imbalance Pricing

Current SEM

- Pricing in SEM is based on an unconstrained market schedule
- Incremental (marginal) cost of the last unit to meet demand sets the shadow price
- Start and No-Load Costs not covered through shadow price recovered through Uplift
- Marginal pricing is in line with the thrust of the EU target model for balancing

I-SEM High Level Design

Three key principles in relation to Imbalance:

- All market participants will be Balance Responsible
  - i.e. Financially responsible for differences in volumes between metered generation/load and contract volumes
- Imbalance settlement will be unit-based for generation
- Single Imbalance price
  - Same price for both long and short positions

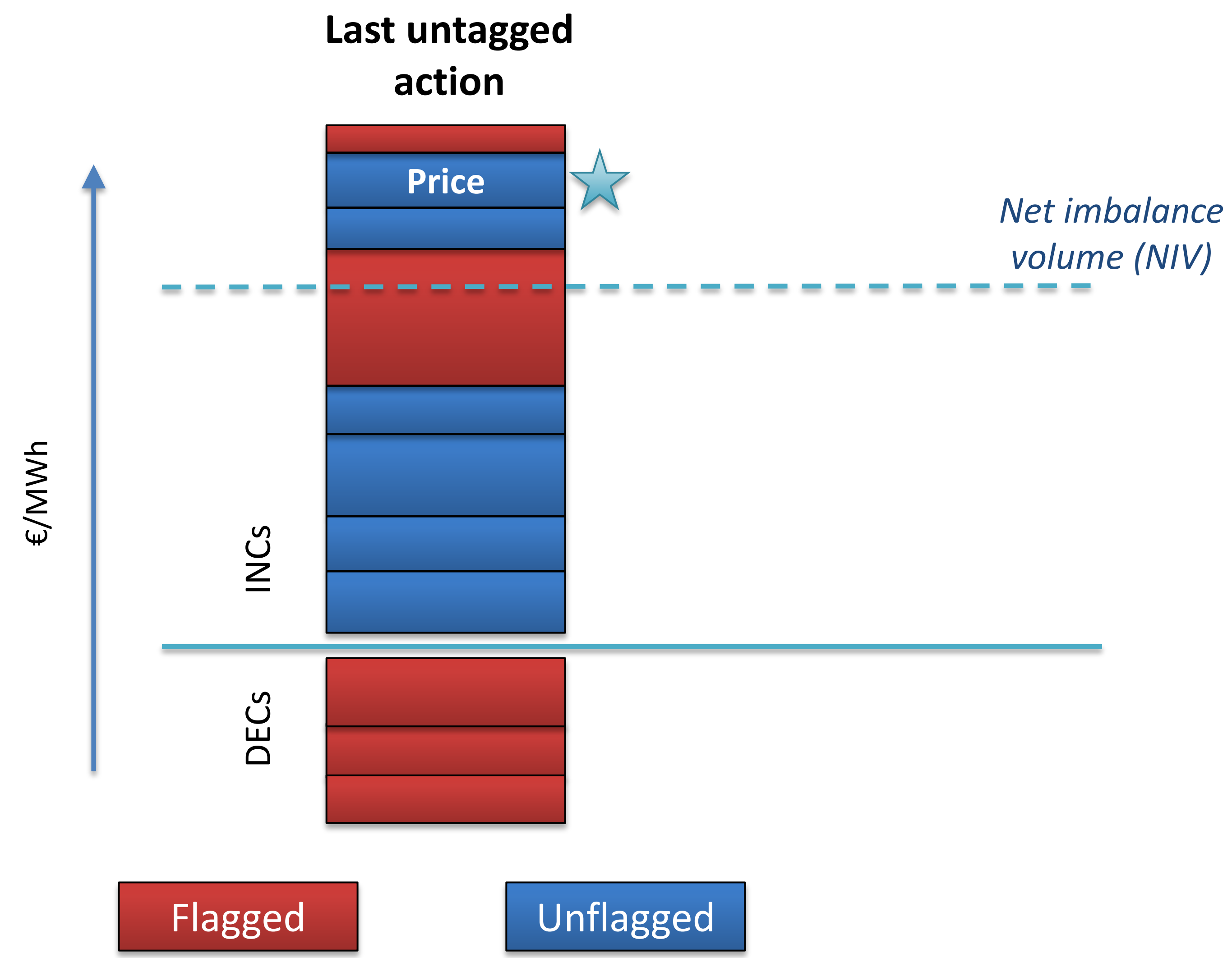
Marginal Pricing

- All generators required to submit incs and decs
- I-SEM will employ a marginal pricing mechanism for energy balancing actions taken through the Balancing Market.
  - If aggregate load on the system is higher in the BM than contracted, the inc bid of the next most expensive resource will set the marginal price
  - If aggregate load on the system is lower in the BM than contracted, the dec bid of the most expensive resource will set the marginal price

Energy and Non-Energy Actions

- An energy action is an action taken by the TSOs in order to balance generation and demand
- A non-energy action is one taken for System Security reasons, e.g. Frequency Response
- Only actions which are classed as energy actions can contribute towards setting the imbalance price
- The same imbalance price will be paid irrespective of whether a party is long or short

Potential Pricing Options



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