

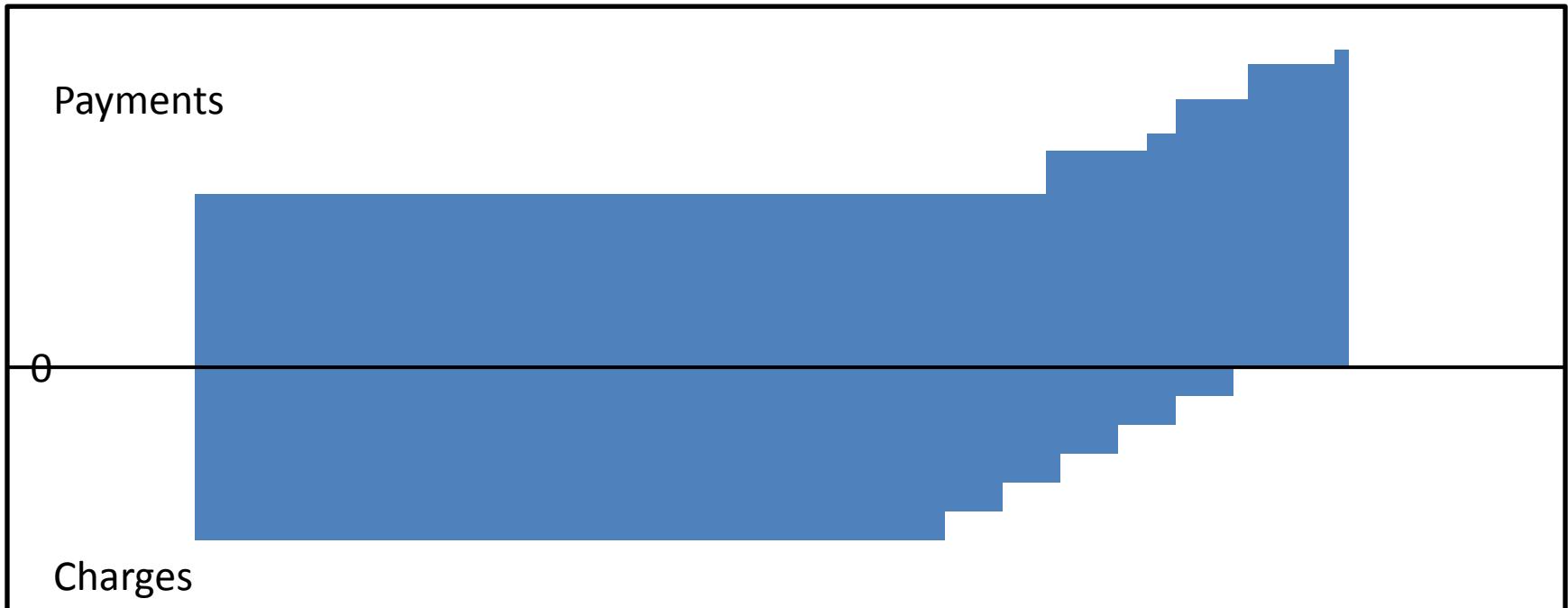
Chapter 5: Imperfections Charge



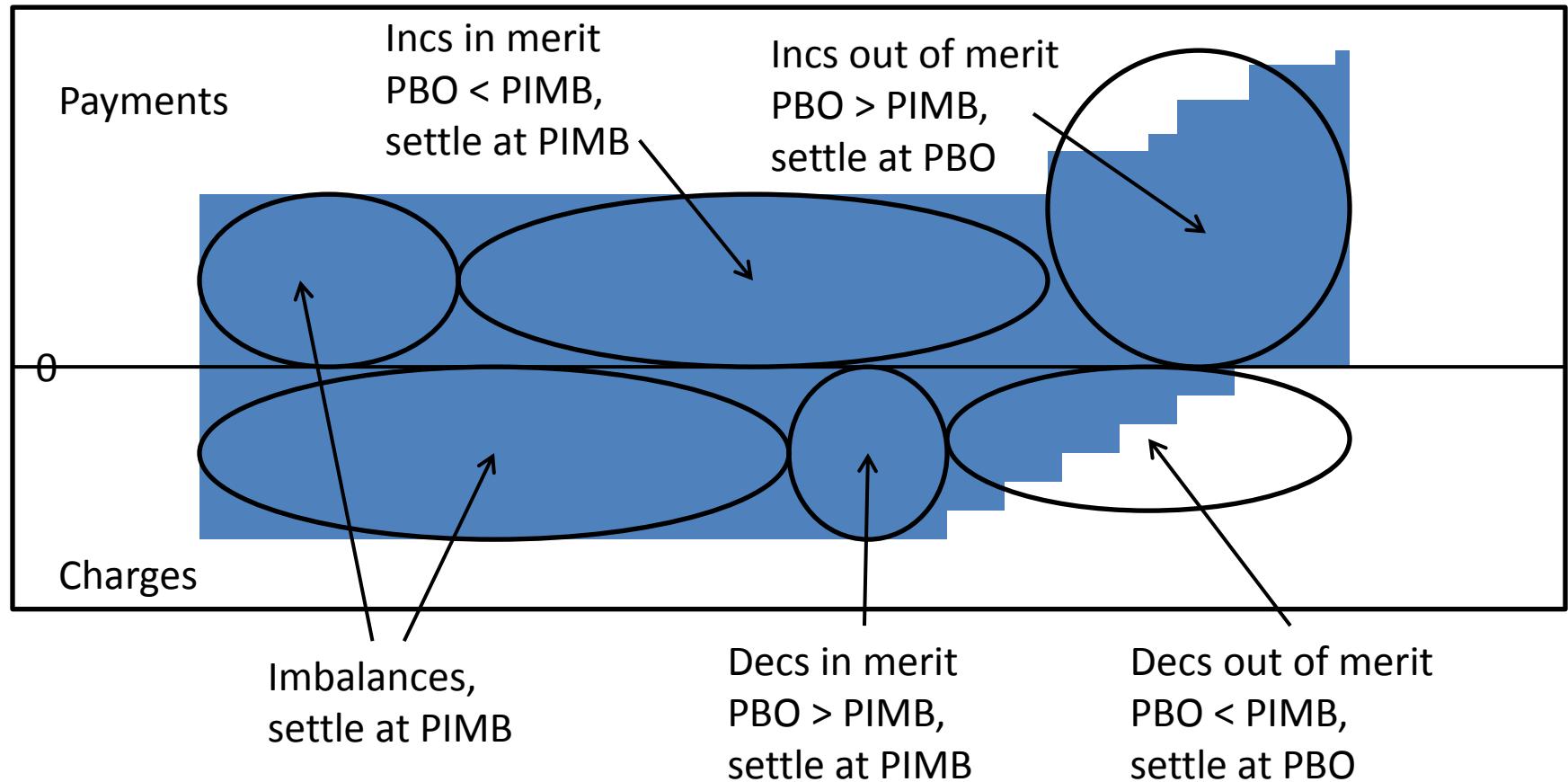
Imperfections Charge

- The purpose of the Imperfections Charge to recover costs which cannot be recovered through the other charges in Imbalance Settlement. These costs include:
 - Dispatch Balancing Costs;
 - Fixed Cost Payments and Charges;
 - Net imbalances between Trading Payments and Trading Charges, and in some cases between Capacity Payments and Capacity Charges (although there are other mechanisms in place to handle this last case in the first instance).
- Dispatch Balancing Costs can arise when the SOs need to take actions on units out of merit, i.e. dispatching up a unit at a price higher than the Imbalance Settlement Price, or dispatching down a unit at a price lower than the Imbalance Settlement Price;
- The charge is levied on all Supplier Units based on their net metered demand, with a fixed tariff in all hours based on a forecast of the costs for the following year with adjustments for the current year if required;
- There is also an Imperfections Charge Factor, which can be made equal to a value other than one following consultation and RA approval if there is a need to adjust the charge, for example if the actual amounts recovered are insufficient based on the Imperfections Price and if recovering the shortfall as a factor in the following year's tariff is deemed inappropriate;
- The following slides illustrate how costs which are not recovered through charges can arise, focussing on the core concept that Generator Units should be settled at the better of the Imbalance Settlement Price or their Bid Offer Price.

Imperfections Charge



Imperfections Charge



Imperfections Charge

Payments

The light blue area is cash flow which matches the amount of charges which can meet payments. The dark blue area shows that there are still some payments yet to be met by charges.

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Charges

More payments than charges recovered through a tariff

$$CIMP_{v\gamma} = QMLF_{v\gamma} \times PIMP_y \times FCIMP_\gamma$$