1 P226 Cost Benefit Analysis

1.1 Reduction in third party costs (e.g. Energy Consultancies)

Parties requiring information on the emission limits/allocations and operating hours of LCPs may find current sources insufficient to meet their needs. In an attempt to obtain this information Parties may employ the services of data analysts in order to source this information.

Thus it could be said that:

- Energy buyers are often prepared to pay for information on the market;
- A subscription to a Heren market report costs approximately £1,900 per year, per user based on 2005 prices;
- A subscription from Enappsys which would allow a user to browse basic market information costs approximately £3,000 per year, per user; and
- A subscription to other commercial market reports is at least £1,500 per year and above e.g. subscription from Platts or Mc Closky's etc;

The Group believed that there may be marginal benefits for smaller parties (as they would not have to source the data from data analysts and information would be available in a transparent and consolidated format on the BMRS), but questioned whether smaller parties would actively use information provided on the BMRS. It was anticipated that larger plants would still register with data analysts.

1.2 Transparency of LCPD Information

If 'market critical' data (relating to the LCPD) is published in a more transparent and timely manner it may result in BSC Parties being able to forecast more accurately and price more keenly.

In an attempt to quantify the potential benefits of publishing emission limit/allocation and hourly data onto the BMRS, the following assumptions were developed:

1. Emission data will be available, in a user friendly format, to all market participants;
2. Market participants actively seek opportunities to ensure efficient and effective market competition; and
3. The publication of accurate and timely data will ensure that LCPs develop more robust strategic forecasts.

Based upon these assumptions the following sections attempt to quantify the benefits that may be achieved by P226.

1.2.1 Emission Limits:

Emission limits can be traded under the NERP and ELV. If all BSC Parties were able to easily access clear and accurate LCPD information, they may be able to price more keenly and trade more efficiently.

For example:

- LCP Unit A requires additional emissions and LCP Unit B has excess emissions available to trade. Then, LCP Unit A and Unit B agree on a price, say £50 per tonne of SO_2, and a trade is made.
- However, if Unit B had access to accurate and timely data they may ascertain that Unit A was running low on allocated emission limits and price more keenly. Unit B could therefore use a higher price for its available emissions i.e. high demand = high price. Unit B could therefore sell its available emission limits to Unit A, at say £100 per tonne of SO_2, benefiting from the use of accurate and timely information.

It should however be noted that if the accurate and timely data was available to all BSC Parties then Unit A would also have been privy to this information. As such Unit A would have been able to plan more strategically and consequently would not have to purchase available emission limits at an inflated rate.

1.2.2 Operational Running Hours

LCPs that have access to this information will be able to determine the most effective times during which they will be able to maximise efficiency while reducing unnecessary costs (costs incurred during operational hours that are not supported with adequate demand). In terms of P226, LCPs that are able to accurately forecast operational hours that competitors will be operating at will be able to ensure that operational hours are maximized by operating at times when supply is low and demand is high. The data that will be published on the BMRS will adequately reflect this information and allow LCPs to adequately plan their operational capacity.

2 P226 vs. Greenhouse emissions

P226 only deals with the publication of LCPD emission limit/allocations and operating hours data on the BMRS. It does not attempt to limit the emissions or operating hours of these plants, therefore the effect of P226 on Green house emissions will be of a qualitative nature.

If P226 were implemented, and the relevant LCPD data published on the BMRS, it is believed that the following potential impacts on carbon emissions would be realised:

- If Participants can receive accurate and timely information relating to LCP emission limits/allocations and operating hours they would be better placed to see when other LCPs are likely to be generating. This would allow for more accurate forecasting of when their LCP unit will be required, and enable LCPs to plan their generation more efficiently. This could reduce the emissions produced by plants generating inefficiently/unnecessarily.

  Furthermore, by more accurately forecasting when other LCPs are generating, and by reviewing the emissions limits/allocations of each LCP unit, it would be possible for participants to effectively apportion their emissions over a longer period of time. This would not reduce the overall emissions produced, but may reduce peaks in greenhouse emissions.
- If information on derogation and derogation extensions were made available it may provide an incentive for LCPs to either install FGD equipment or ensure that current FGD equipment was fully operational, rather than to continue running under a derogation or continually apply for extensions.