

Hector the Regulator — Fair allocation principle

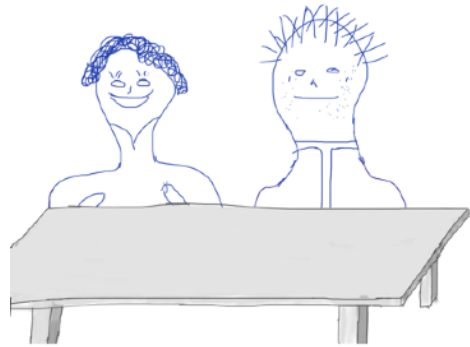
My name is Hector. I work for the electricity regulator.



This is BW, my boss.



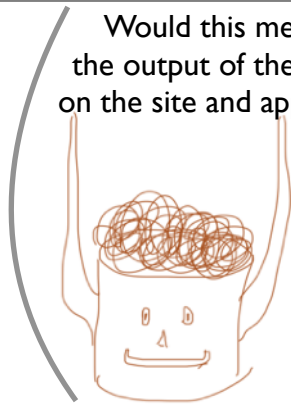
Hector, meet Lea and Lee, consultants helping us with the residual charging project.



their own power make a fair contribution to system costs.

The best solution is to charge on gross use. That way people who generate

Would this mean that the grid operator asks for the output of the largest generating unit scheduled on the site and applies a system reserve charge that reflects the largest in-feed loss that the system operator is providing backup for?



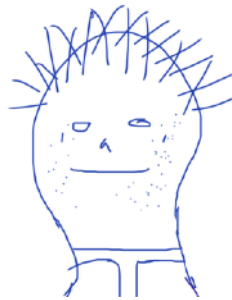
Sounds good!

And no need for additional metering.



Not at all. Charge on gross kWh. We are not cheese eating surrender monkeys who want to give up and simply charge for actual services.

What BW wants is an innovative regulatory scheme to recover costs from customers with least distortion.



Charging on gross demand is cost-reflective too. For each unit of electricity that would not contribute to system costs because a customer produces it for itself, there is actually a cost imposed on all other customers through a greater allocation of the residual.

Do you finally get the principle?



Yes!



Each time you drink at home, you make a contribution to the wages of the pub doorman.

Because by self-supplying your drinks, you reduce total demand in the pub. If not compensated, this would lead to higher security costs and higher beer prices for other pub patrons.

