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Marginal pricing of transmission services: A comparative analysis of network cost allocation methods

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Abstract-

A strict marginal network pricing policy is not able to generate enough revenues to recover the cost of the primary transmission service (other related network services are ignored here). This cost recovery problem requires the stipulation of a “complementary charge” which completes the network marginal revenues. This paper evaluates —numerically and qualitatively— three different allocation methods of the complementary charge: Marginal Participation Factors, Mean Participation Factors and Benefit Factors. The evaluation has been applied to the Spanish electrical system model.

Index Terms- Network pricing, spot pricing, complementary charge, competitive markets

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