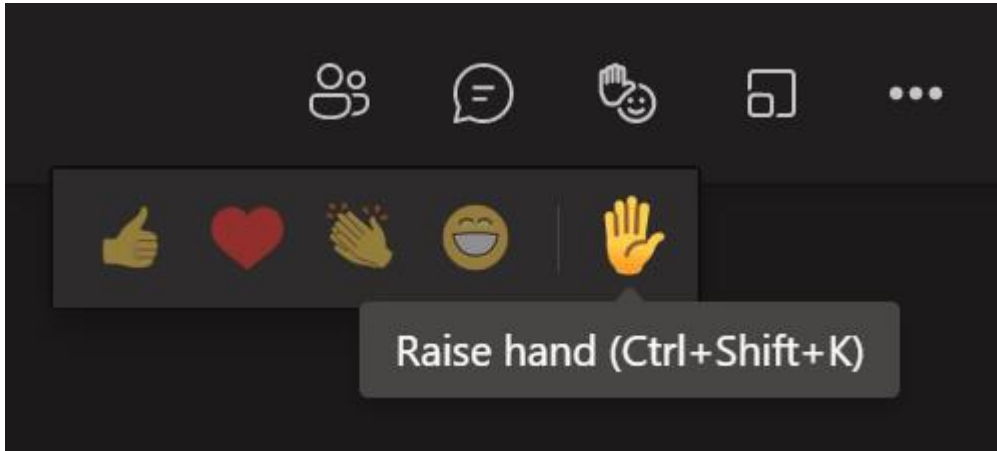


## Issue 105 Digital Meeting Etiquette

---

- Welcome to the Issue 105 meeting 1 – we'll start shortly
- No video please to conserve bandwidth
- Please stay on mute unless you need to talk – use the **Raise hand** feature in the Menu bar in Microsoft Teams if you want to speak, or use the **Meeting chat**



- Lots of us are working remotely – be mindful of background noise and connection speeds

## Slido Guidance

---

- In order to make our Workgroups more engaging and to ensure that all participants' voices are heard we've started using the Slido plug-in for MS Power Point.
- Everyone should be able to vote and answer questions live during the presentation using Slido

### Requirements:

- Internet access
- Web browser
- Participants can join at [slido.com](https://slido.com) with **#2590943**

**Joining as a participant?**

# Enter code here



# ELEXION

---

**Issue 105 'Further considerations  
following implementation of BSC  
Modification P448'**

---

Meeting 1

24 January 2023

# Meeting Agenda

Objectives for this meeting:

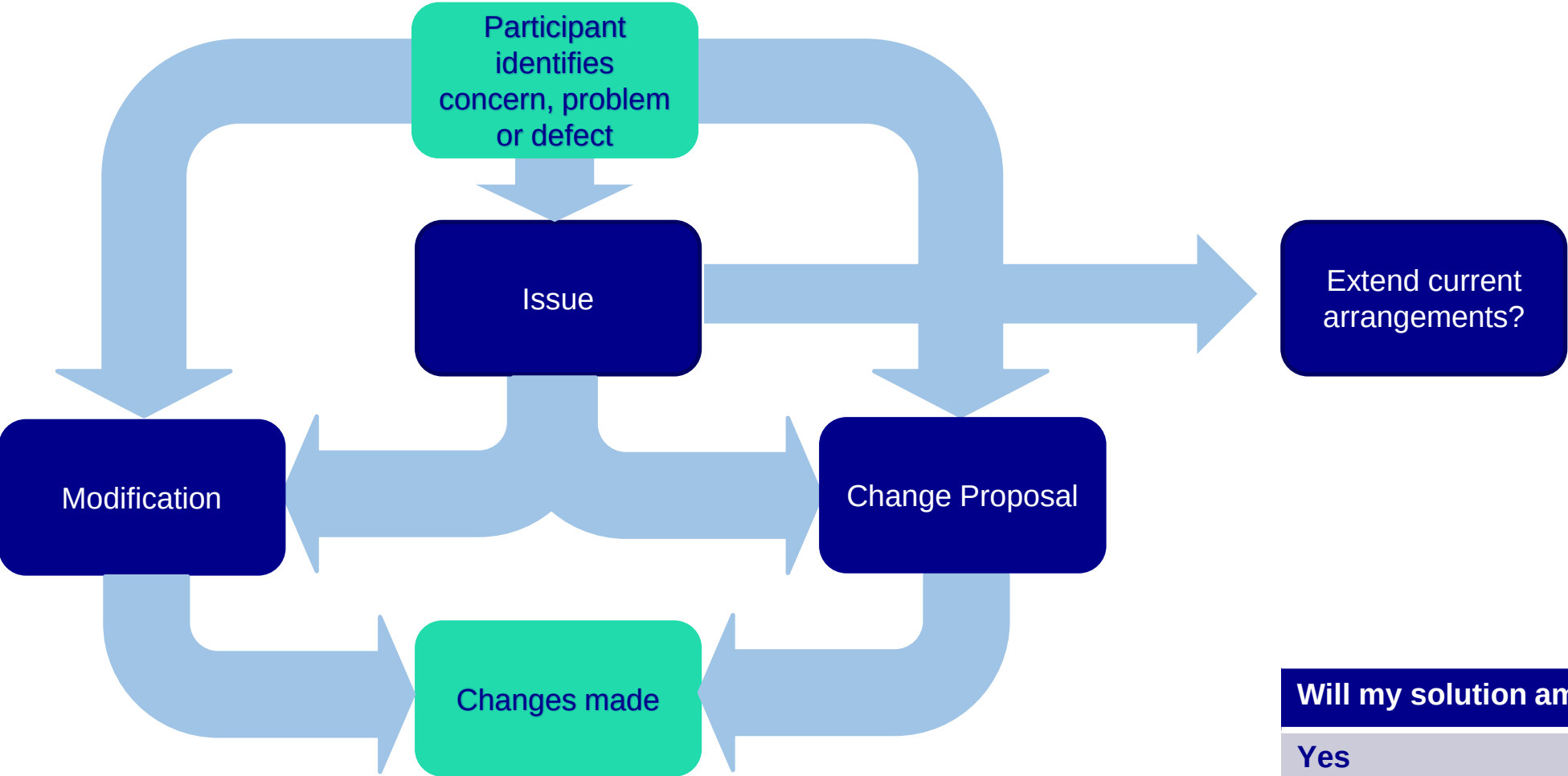
- Review Terms of Reference and agree additional topics that will be considered as part of this issue and priority order
- Obtain workgroup views on impacts to cash-out prices
- Consider and agree next steps

| Agenda Item                              | Lead                                     |
|------------------------------------------|------------------------------------------|
| 1. Welcome and meeting objectives        | Keren Kelly (Elexon) – Chair             |
| 2. Terms of Reference                    | Kayleigh Neal (Elexon) – Lead Analyst    |
| 3. Background to Issue 105               | John Lucas (Elexon) – Design Authority   |
| 4. Unintended impacts to cash-out prices | Simon Dickie (Elexon) - Design Authority |
| 5. Workgroup discussion                  | Workgroup                                |
| 6. P448 guidance                         | John Lucas                               |
| 7. Additional topics for consideration   | Workgroup                                |
| 8. Next steps                            | Kayleigh Neal                            |
| 9. AOB & Meeting close                   | Keren Kelly                              |



# BSC ISSUE PROCESS

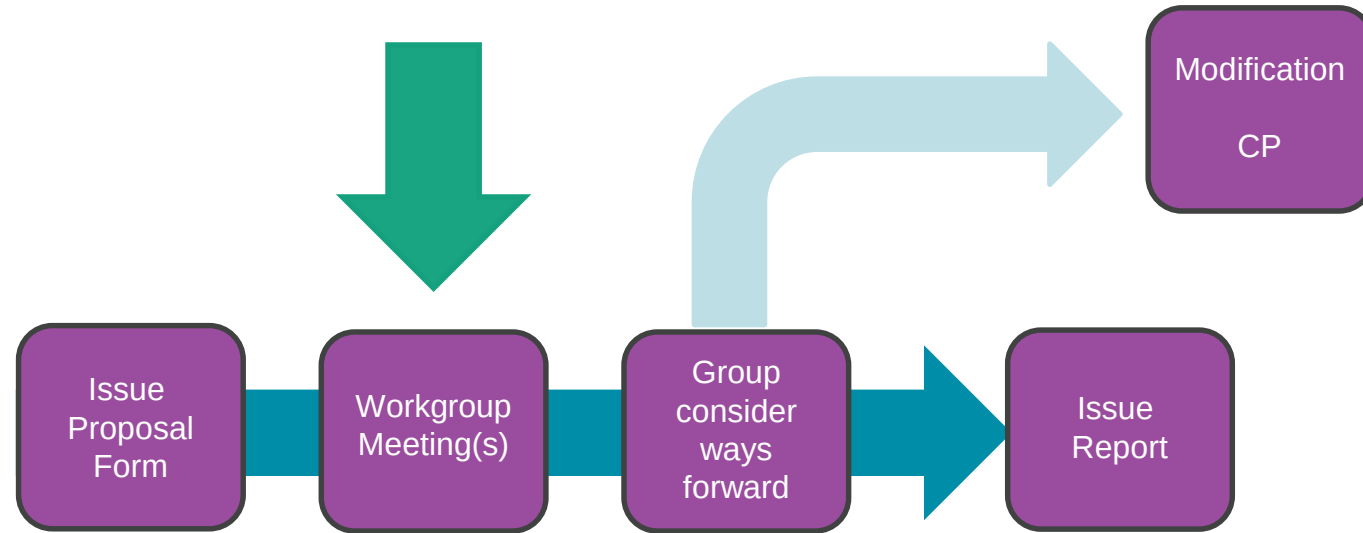
# What type of change do I need?



| Do I have a clear solution? | Will my solution amend the BSC? |       |
|-----------------------------|---------------------------------|-------|
|                             | Yes                             | No    |
| Yes                         | Modification                    | CP    |
| No                          | Issue                           | Issue |

## Where are we in the BSC Issue process?

- The role of the Workgroup is to assist the Proposer in developing the most appropriate solution, answer the Terms of Reference and consider the costs and impacts of making the change.







# TERMS OF REFERENCE



# Issue 105 specific Terms of Reference

| ToR | Details                                                                                                                                |
|-----|----------------------------------------------------------------------------------------------------------------------------------------|
| a)  | What are the unintended impacts to cash-out prices? Is further action required?                                                        |
| b)  | Should the P448 solution be time limited? If yes, what should the time limit be?                                                       |
| c)  | Is there an increased risk of generator behavior not in line with ‘Good Industry Practice’?<br>If yes, should further action be taken? |
| d)  | How does the P448 solution interacts with Gas Operating Margins contracts?                                                             |
| e)  | Is further guidance documentation required for P448?                                                                                   |
| f)  | Do any other topics need to be considered as part of Issue 105?                                                                        |



# ISSUE 105 BACKGROUND

---

## Why has Issue 105 been raised?

---

Modification [P448 'Protecting Generators subject to Firm Load Shedding during a Gas Supply Emergency from excessive Imbalance Charges'](#) was approved by Ofgem on 6 December 2022 for implementation on 7 December 2022

- Ofgem approved the Alternative Modification
- P448 was deemed to be an Urgent Modification Proposal and therefore followed an Urgent Modification timetable

Some consequential impacts of P448 could not be fully explored by the P448 Workgroup due to the urgent timescale

Issue 105 has been raised to consider these post implementation

The proposed topics for Issue 105 were highlighted by the P448 Workgroup, within consultation responses, in the [Ofgem P448 decision letter](#) and by the BSC Panel

The topics form the current Terms of Reference for Issue 105 but we welcome Workgroup views on additional items for consideration

If the Issue 105 Workgroup recommends raising Modification or CPs, these can be raised prior to the conclusion of the Issue

---

## The P448 Alternative Modification (1)

---

P448 creates a mechanism in the BSC that protects generators from excessive Imbalance Charges that they may incur as a result of Load Shedding under a Network Gas Supply Emergency (NGSE) at Stage 2 or higher (Stage 2+)

Key elements that the P448 Alternative Modification introduced:

### **Network Gas Supply Emergency Acceptances**

- Load Shedding instructions issued to gas-fired generators during Stage 2+ of an NGSE are treated for BSC purposes as Bids
  - Creation of a new type of Acceptance known as a Network Gas Supply Emergency Acceptance (NGSEA)
- Directly after the event, National Grid Electricity System Operator (NGESO) will construct Acceptance Data and enter this into Settlement. The Acceptance Data will reflect the impact of the Load Shedding on the generator
- The affected units will submit Physical Notifications (PNs) for the impacted period to reflect how they would have operated to meet their contractual position in the absence of a gas emergency, based on their contractual position at the point of receiving the Load Shedding instruction
- As for other Bids, the Accepted Bid volume will be calculated as the difference between the Acceptance Data and the FPN. The generator will therefore be protected from Imbalance Charges on this volume

---

## The P448 Alternative Modification (2)

---

### Network Gas Supply Emergency Settlement Validation Committee

- The establishment of a new Network Gas Supply Emergency Settlement Validation Committee (NGSESVC) to verify the data used in Settlement (and amend it if necessary)

### Credit Cover

- The ability for Elexon to apply discretion to any Credit Default positions arising where an NGSEA has led to a shortfall in credit cover

P448 was developed and implemented in conjunction with Grid Code Modification [GC0160](#) 'Grid Code Changes for BSC Mod P448: "Protecting Generators subject to Firm Load Shedding during a Gas Supply Emergency from excessive Imbalance Charges"

GC0160 has amended the Grid Code rules relating to the submission of Physical Notifications for BM Units subject to Load Shedding under an NGSE at Stage 2+





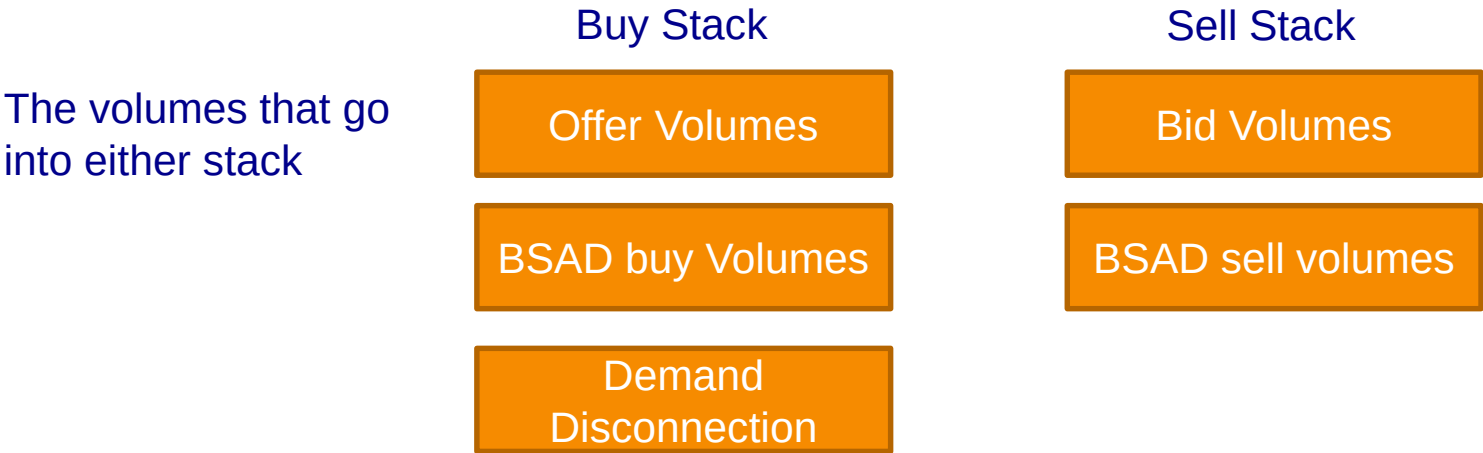
# UNINTENDED IMPACTS TO CASH- OUT PRICES

# Issue 105 Cash Out Price

P448 will add accepted Bids to settlement via the BSCP18 process in order to ensure that there is no imbalance associated with the stage 2+ network gas supply emergency for qualifying BM units.

Settlement will calculate a volume for each of these bids and that volume will be fed into the stack, which will be used to determine the cash out price for the relevant settlement period by the time of the SF run.

BMRS presents data in real time and will not receive these accepted Bids, so will present a different signal to the market.



# Issue 105 Cash Out Price

NGESO making up the volumes will all enter the Buy stack, likely at high prices

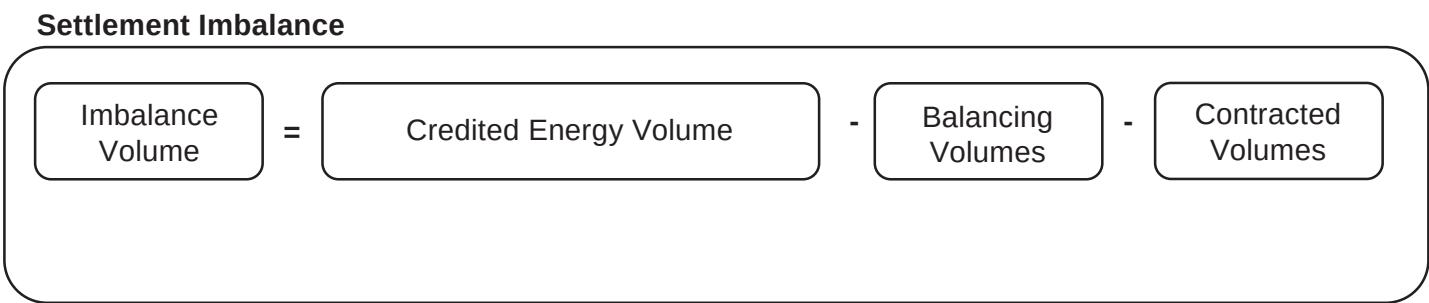
- Coal contracts
- Interconnector trades
- Demand control actions (priced at VoLL)

Applying a SO flag to the accepted Bids will not necessarily tag them out from calculating the cash out price

By adding accepted Bids via the BSCP18 process, BMRS will not reflect that, so will show a different picture to that of SAA once the Bids have been included but the market should be aware of the Gas Emergency and know not to rely on BMRS

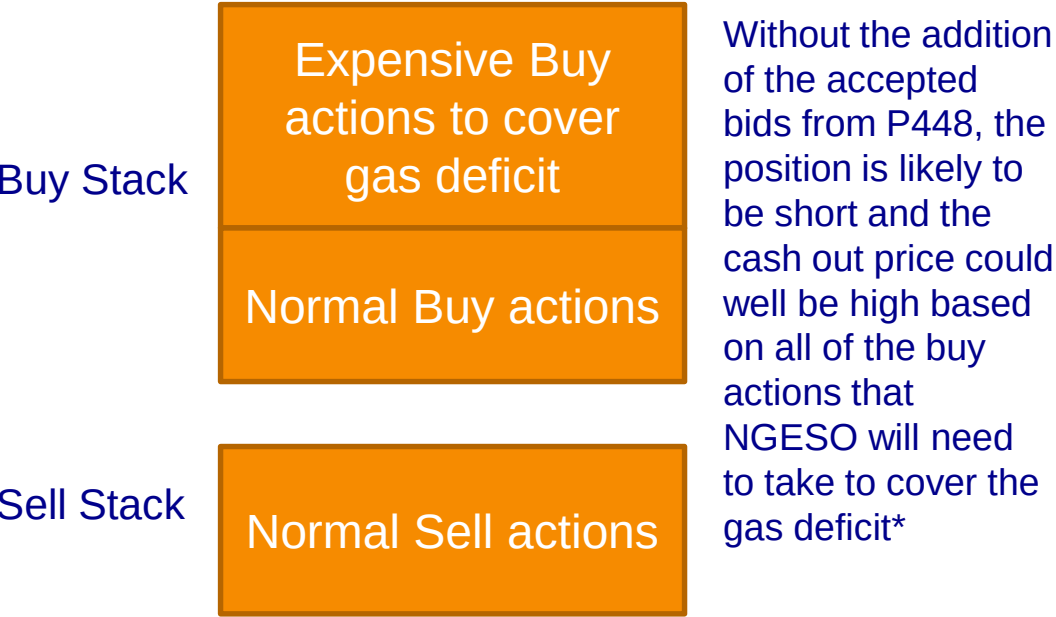
- National Grid GSO informs the market
- MELs/MILs updated,
- Market is informed due to Remit.

The mechanism chosen to make the imbalance position neutral and ensure fair payments is adding Bids to SAA



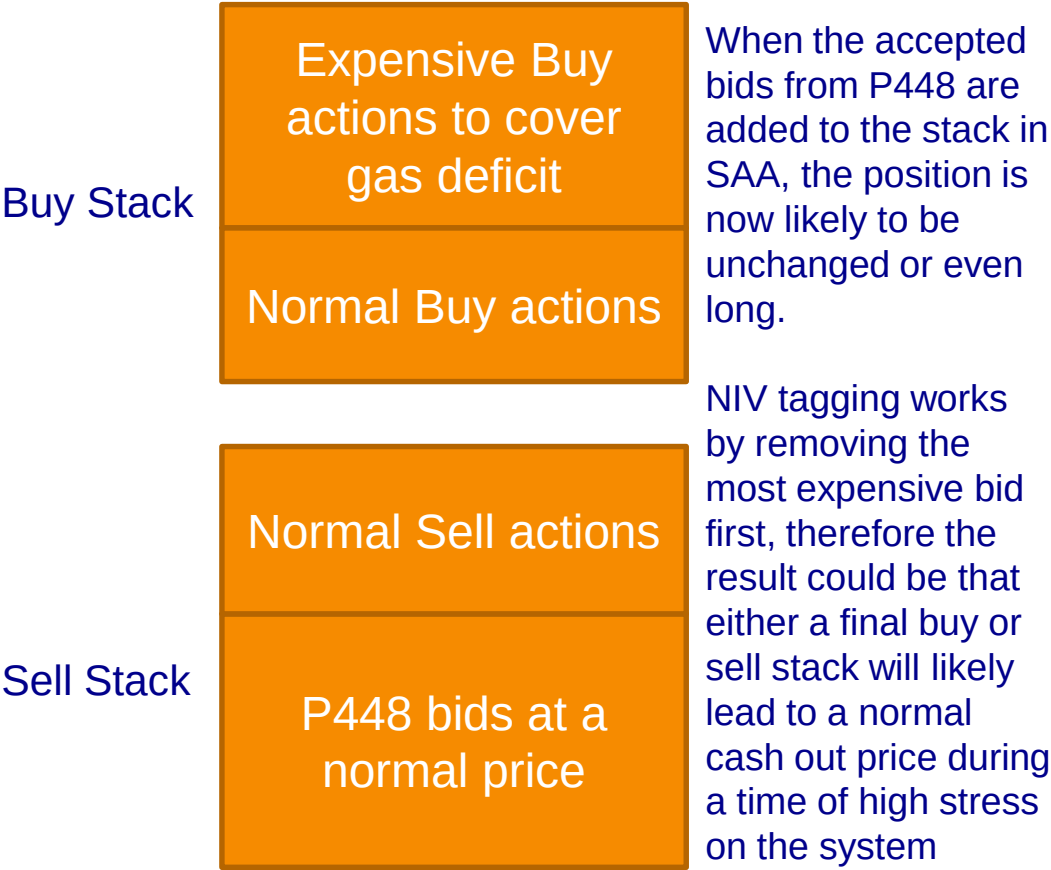
# Issue 105 Cash Out Price

## BMRS (Without P448 bids)



\* Assumption that NGESO will make up the shortfall and not the market

## SAA (With P448 Bids)







# WORKGROUP DISCUSSION



# Issue 105 Cash Out Price

---

Questions to consider

**1. Should the Bid volumes proposed in P448 be included in the stack to calculate the cash out price?**

- This is very likely to impact the cash out price
- Will the market rely on NGESO to make up the shortfall
- NIV may be Long when the market is under stress
- What will be the effect on the behavior of other parties
- BMRS will calculate a different price to SAA, where will the market look for signals?
- If we don't put bid volumes into the stack, what other solution can be used to protect Gas generators from imbalance? While still recovering saved costs

**2. What should the bid volumes be priced at?**

- At reasonable costs to the Gas generator as per P448
- Should the price be changed for stack purposes? We would not want to change what the generator is paid at reasonable costs
- Could a similar solution to P447 be utilised (add volumes to BSAD/ABSVD instead of BOAs)
- If we need to reprice volumes in the stack, how can we do that and still recover correct costs from generators

**3. What additional information (if any) is needed to answer 1 and 2?**



# P448 GUIDANCE

- [BSCP 18: Corrections to Bid-Offer Acceptance Related Data](#) was updated as part of P448 to introduce the new Network Gas Supply Emergency Acceptance (NGSEA) and the associated settlement process. It also provides detail on the establishment of the Network Gas Supply Emergency Settlement Validation Committee (NGSESVC) and a draft Terms of Reference.
- A Guidance Note on Network Gas Supply Emergency Acceptances has also been drafted by Elexon. This will be made available to industry shortly. It includes the Elexon email addresses that should be notified if a Power Station receives a Load Shedding Instruction.

Ahead of Issue 105 Workgroup 2, please could Issue Group members review the above documents and provide feedback on whether any further guidance or industry documentation is required.





# SCOPE AND PRIORITISATION



Q1. Do any other topics need to be considered as part of Issue 105?

Q2. What is the order of priority?

- a) **What are the unintended impacts to cash-out prices? Is further action required?**
- b) Should the P448 solution be time limited? If yes, what should the time limit be?
- c) Is there an increased risk of generator behavior not in line with 'Good Industry Practice'? If yes, should further action be taken?
- d) How does the P448 solution interacts with Gas Operating Margins contracts?
- e) Is further guidance documentation required for P448?

---

## Queries Following P448 Approval

---

Contact details for who to notify at Elexon and NGESO in the event of receiving a Load Shedding instruction under a NGSE at Stage 2+

What position Physical Notifications (PNs) should reflect if a Load Shedding instruction is received

Submission of Maximum Export Limits (MELs)

What information will be available publicly if a Load Shedding event occurs?

- When/where will the magnitude of the Bids be published?
- Is there anywhere that will say which stations are turned down at what price and at what times?
- Will any data be available to the market in real time to ensure that the corresponding values and the NIV can be accurately calculated
- Will this data go into the normal BOALF datasets?



# NEXT STEPS

# Progression plan

| Event                                         | Date                                     |
|-----------------------------------------------|------------------------------------------|
| Issue raised                                  | 22 December 2022                         |
| Workgroup meeting 1                           | 24 January 2023                          |
| Distribution of Meeting 1 minutes and actions | 30 January 2023                          |
| Workgroup meeting 2                           | W/C 6 February 2023 or 13 February 2023  |
| Workgroup meeting 3                           | W/C 20 February 2023 or 27 February 2023 |
| Workgroup meeting 4                           | W/C 6 Mar 2023 or 13 Mar 2023            |
| Present Issue Report to Panel                 | April 2023                               |

Workgroup Meeting 2  
Slido: #2590943



AOB

# ELEXON

## THANK YOU

---

**Kayleigh Neal**

---

[kayleigh.neal@elxon.co.uk](mailto:kayleigh.neal@elxon.co.uk)

[bsc.change@elxon.co.uk](mailto:bsc.change@elxon.co.uk)

24 January 2023