
Issue 105 Workgroup Meeting 1 Summary

Summary

1. Meeting Objectives

The Chair welcomed attendees and presented the meeting objectives:

- Review Terms of Reference and agree additional topics to be considered as part of issue 105 and priority order
- Obtain workgroup views on impacts to cash-out prices
- Consider and agree next steps

2. Background to Issue 105

- 2.1 Elxon explained that Issue 105 has been raised to consider the consequential impacts of [P448 'Protecting Generators subject to Firm Load Shedding during a Gas Supply Emergency from excessive Imbalance Charges'](#) and highlighted the key elements that the P448 Alternative Modification introduced to the BSC.
- 2.2 As P448 was deemed to be an Urgent Modification Proposal, some of its consequential impacts could not be fully explored by the P448 Workgroup. Issue 105 topics were proposed by the P448 Workgroup, within consultation responses to P448, in the Ofgem P448 decision letter, and by the BSC Panel.
- 2.3 The Issue 105 Workgroup were given the option to propose additional topics for consideration. A Workgroup member suggested the timing of gas nominations and whether this impacts P448's ability to mitigate generator risk as an additional topic. The Workgroup member agreed to provide additional details for the next meeting so the Workgroup could decide whether to include this.

3. Unintended impacts to cash-out prices

- 3.1 Elxon explained that P448 will add accepted Bids into settlement via the BSC Procedure (BSCP) 18 'Corrections to Bid-Offer Acceptance Related Data' process to protect Lead Parties of qualifying Balancing Mechanism (BM) Units from excessive electricity Imbalance Charges associated with a Stage 2+ Network Gas Supply Emergency (NGSE). Settlement will calculate a volume for each Bid which will be fed into the stack, which is used to determine the Imbalance Price (or 'cash-out price') for the relevant Settlement Period(s) in time for the Initial settlement run (SF). As the Balancing Mechanism Reporting Service (BMRS) presents data in real time, it will not receive these accepted Bids and will present a different signal to the market.
- 3.2 The Workgroup discussed whether accepted Bids should be included in the stack to calculate the cash-out price. A Workgroup member suggested that the Bids should be included so that imbalance prices are reflective of market conditions. Elxon explained that including bids in the stack could cause the market to appear long as more bid volume suggests surplus energy. Another Workgroup member suggested using the Market Index Price as a proxy.
- 3.3 The Workgroup requested that Elxon provide example scenarios for the group to work through at the next meeting.

4. P448 guidance

- 4.1 Elxon explained that BSCP18 was updated as part of P448 and a Guidance Note on NGSE Acceptances has also been drafted by Elxon. Elxon asked the Workgroup to review the two documents after the meeting and to provide feedback on whether further guidance is required. Feedback should be provided prior to or at meeting 3.
- 4.2 A Workgroup member asked if Elxon could publish the guidance note and seek industry feedback. The Workgroup will also consider feedback from industry at a future meeting.

5. Prioritisation of Issue 105 topics

- 5.1 Elexon asked Workgroup members to prioritise the Issue 105 topics. This excluded 'unintended impacts to cash-out prices' as this topic featured in this first Workgroup meeting. Workgroup members agreed to the priority order: 1) How the P448 solution interacts with Gas Operating Margins contracts; 2) Time-limiting the P448 solution; 3) Whether there is an increased risk of generator behaviour not in line with 'Good Industry Practice' and whether further should be action be taken; 4) Whether further guidance is required for P448.
- 5.2 The Workgroup agreed that it would be useful to have a representative from the Gas System Operator (GSO) present when considering these topics. Elexon agreed to invite GSO representative(s) to the next meeting.

6. Time-limiting the P448 solution

- 6.1 Although not an agenda item for this meeting, a Workgroup member asked to discuss whether the P448 solution should be time-limited. They made the case for the P448 solution to be active for winter 2023/24, if it had to be time-limited at all, and referenced several news articles predicting that a gas crisis will continue for 2 to 3 years.
- 6.2 Workgroup members generally agreed that the P448 solution should be enduring but decided to revisit this topic towards the end of the Issue process before confirming this view.

7. Next Steps

- 7.1 The Workgroup and Elexon agreed that the next meeting will be held via Microsoft Teams, 10am to 3pm on Thursday 16 February 2023.

Actions

No.	Action	Owner
1.	To provide example scenarios of different market conditions to inform further discussion at the next meeting on unintended impacts to cash-out prices and whether bids should be included in the stack and at what price.	Elexon
2.	To provide additional details on the proposed additional topic relating to the timing of gas nominations so the Workgroup can consider its possible relevance to Issue 105.	Workgroup member
3.	To publish the Guidance Note on Network Gas Supply Emergency Acceptances and ask industry for feedback.	Elexon
4.	To invite representatives from the Gas System Operator (GSO) to future Issue 105 Workgroup meetings.	Elexon