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## Issue 105 Workgroup Meeting 2 Summary

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### Summary

#### 1. Meeting Objectives

The Chair welcomed attendees and presented the meeting objectives:

- Decide whether a Code change should be recommended to address the unintended impacts to cash-out prices following the implementation of P448
- Obtain Workgroup views on how the P448 solution interacts with Gas Operating Margins (OM) contracts
- Introduce topic on Generator behaviour and 'Good Industry Practice' following P448 / obtain Workgroup views
- Consider and agree next steps

#### 2. Gas Operating Margins contracts

- 2.1 Elexon explained that the Gas System Operator (GSO) uses OM contracts to maintain gas pressure in the National Transmission System (NTS) in exceptional circumstances such as system stress. The aim is to allow normal market operation to continue and avoid declaring an emergency.
- 2.2 A terms of reference for Issue 105 instructed the Workgroup to seek confirmation of how the GSO would treat OM contracts under a Stage 2+ Network Gas Supply Emergency (NGSE). This is to ensure that P448 protections should not be restricted if gas generators are offering OM services.
- 2.3 Elexon invited a representative from National Gas to attend the meeting. The representative confirmed that once a generator is instructed to reduce gas offtake (pre-Emergency and under their OM contract), if an emergency is declared and Load Shedding at Stage 2 or higher begins, they will still receive a Load Shedding instruction making them eligible for protection under P448.
- 2.4 The Issue 105 Workgroup agreed that no further action is required relating to the BSC.

#### 3. Unintended impacts to cash-out prices

- 3.1 Elexon provided examples of what the cash-out price would look like in four different scenarios, depending on whether or not the P448 Bids were included in the stack. Elexon explained that a short/rising market was the most likely scenario to occur. In this scenario the cash-out price would be high regardless of whether the Bids were included in the stack.
- 3.2 Workgroup members asked for more time to consider the different scenarios. Another member asked who is being impacted by the cash-out price. It was agreed that Elexon would provide information on the market signals and impacts to market participants under the different scenarios at the next meeting, with a view to the Issue group determining whether a Code change was to be recommended or not.

#### 4. Generator behaviour

- 4.1 The BSC Panel asked Issue 105 to consider whether the P448 solution increases the risk of generator behaviour not in line with 'Good Industry Practice' and whether any further changes are required to provide assurance to industry that generators would not be able to take advantage of the P448 solution at the expense of consumers (i.e., by not attempting to trade out their positions).
- 4.2 The majority of Workgroup members felt strongly that no further action was required. One member noted that the existing legal and regulatory framework, such as the Competition Act, covers this and adding further requirements to guidance would be problematic and unnecessary. Another member stated that this topic is based on an assumption that Generators need to be incentivised to act in a way that benefits customers. They disagreed with this assumption. It was also noted that the P448 solution permits Physical Notifications (PNs) to be changed if a Generator trades out their position.

## 5. Next Steps

- 5.1 The Workgroup and Elexon agreed that the next meeting will be held via Microsoft Teams, 10am to 3pm on Monday 6 March 2023.

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### Actions

No.	Action	Owner
1.	To provide examples of how different market participants are impacted by the cash-out price in line with the different scenarios presented at the second Issue 105 meeting.	Elexon
2.	To inform the Workgroup once the Guidance Note on Network Gas Supply Emergency Acceptances has been published. This action remains open from first Issue 105 meeting.	Elexon
3.	Provide information on what cash-out prices might look like in Europe in the event of the gas shortage impacting wider than the UK.	Workgroup Member
4.	To provide information on: a) Questions and answers from a recent Gas Exit Constraints webinar b) Volumes able to be offered as Operating Margins	National Gas representative