ELEXON

Issue 105 Workgroup Meeting 5 Summary

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
- Decide whether the P448 solution should be time limited
- Review Terms of Reference and confirm Workgroup recommendations
- Consider and agree next steps

2. Unintended impacts to cash-out prices

2.1 Elexon presented a timeline of what might happen to electricity cash out prices when there is an issue on the gas network but (a) the market is long and remains long throughout, and (b) the market remains long before going short. The analysis presented assumes that market participants would make economically rational decisions for each scenario.

2.2 Where the market remains long throughout, the P448 bids supress the cash out price. This may lead to the market being unable to correct itself due to the signals being sent and short parties may decide to pay the suppressed cash out price instead of trading out of their position.

2.3 In all other possible scenarios considered by the Workgroup for short and long markets, analysis suggested that a high cash out price was a likely outcome whether or not the P448 bids were included in the stack.

2.4 The Issue 105 Workgroup recommend that a Modification be raised to keep the P448 bids as they are, but not include them in the stack. This will require a system change to remove the bids from the stack and therefore the cash out price calculation. By using the P448 bids as normal in the rest of Settlement, there will be no need to make any changes in the cash flow calculations allowing reasonable costs to be recovered from curtailed gas generators as per the original P448 solution. This will allow the cash out price to send the correct market signals, without impacting anything else that was implemented in P448.

2.5 Elexon noted that a system change would not be possible for winter 2023/24. We would either need to accept the P448 solution in place or use a manual workaround. The workaround that was considered uses Applicable Balancing Services Volume Data (ABSVD) volumes instead of bids and then the ad-hoc trading charge process to send the correct cash flows. The Workgroup was comfortable with this approach. Elexon should discuss the prospect of using ABSVD volumes with NGESO.

3. Time limiting the P448 solution

3.1 This topic was discussed at the first Issue 105 Workgroup where members agreed that the P448 solution should be enduring. However, they asked to revisit this topic towards the end of the Issue process before confirming this view.

3.2 The Workgroup confirmed this view, noting that a Modification could be raised at some point in the future should the enduring P448 solution become immaterial.

4. Terms of Reference and Workgroup recommendations

4.1 Elexon provided an overview of the Issue 105 Terms of Reference, confirming the Workgroup's recommendation for each. The Workgroup's recommendations remained unchanged from previous meetings. The recommendations will be discussed in detail in the Issue 105 Report. Elexon plans to table this report at the July 2023 BSC Panel meeting.

5. Next Steps

Elexon will produce the draft Issue 105 Report and circulate this to the Issue 105 Workgroup to review.

Actions

No.	Action	Owner	Status
1.	Circulate a list of assumptions relating to a potential timeline of events during a stage 2+ gas supply emergency where the market is long. The Workgroup will have 5 WD to provide feedback prior to the next Workgroup meeting.	Elexon	Closed
2.	Update the meeting slides to confirm that the cash-out scenarios are possible plausible scenarios, not what we think is likely to happen.	Elexon	Closed
3.	Elexon should discuss the prospect of using ABSVD volumes with NGESO. Elexon will contact NGESO prior to the submission of the Issue 105 Report to the BSC Panel. Relevant information will be included in the Report and this action can be closed.	Elexon	Open