

## 4.7 Issue Form

<b>Issue Form - BSCP40/04</b>	<b>Issue Number</b> Issue 105
<b>Issue Title</b> <i>(Mandatory by originator)</i>  Further considerations following implementation of BSC Modification P448	
<b>Issue Description</b> <i>(Mandatory by originator)</i>  Modification <a href="#">P448 'Protecting Generators subject to Firm Load Shedding during a Gas Supply Emergency from excessive Imbalance Charges'</a> <sup>1</sup> was approved by Ofgem on 6 December 2022 for implementation on 7 December 2022. Ofgem approved the Alternative Modification.  P448 was <a href="#">deemed to be an Urgent Modification Proposal by Ofgem</a> <sup>2</sup> on 3 October 2022 and therefore followed an Urgent Modification timetable. This included six Workgroup meetings and two consultations with industry over a period of seven weeks. During development of the solution, there was not sufficient time to fully consider some of the consequential impacts. The risk that P448 will mitigate was considered to be significant enough that it could progress, with some consequential impacts being considered post implementation.  The following areas will be considered by the Issue Group as consequential impacts of implementing P448. The areas were highlighted by the P448 Workgroup, within industry consultation responses, in the <a href="#">Ofgem P448 decision letter</a> <sup>3</sup> , and also by the BSC Panel. The Issue Group will also be asked to identify any additional topics that they think need to be considered as part of this Issue. <ol style="list-style-type: none"> <li><b>Unintended impacts to cash-out prices</b>             The P448 solution places a mechanism in the BSC that allows Load Shedding instructions issued during a Stage 2+ Network Gas Supply Emergency (NGSE) to be treated as Accepted Bids for BSC purposes. The Bids may feed into the imbalance price calculation and will reflect the generator's contracted position at the point that the Load Shedding instruction was received. This could impact on cash-out price signals.             Workgroup Members had different opinions on the extent to which the P448 Alternative Modification would impact on cash-out prices and market signals. The Issue Group will explore possible impacts further.         </li> <li><b>A guidance document on the P448 solution and processes</b>             Feedback from respondents to both consultations suggested it would be beneficial for more information to be provided on the process that P448 introduces, specifically on the processes around the new Network Gas Supply Emergency Settlement Validation Committee (NGSESVC) and suggested types of evidence that generators could submit to the committee.             The proposal is for the Issue Group to review changes to <a href="#">BSC Procedure (BSCP) 18 'Corrections to Bid-Offer Acceptance Related Data'</a><sup>4</sup>, BSC Simple Guides, and the new Guidance Note on Network Gas         </li> </ol>	

<sup>1</sup> <https://www.elexon.co.uk/mod-proposal/p448/>

<sup>2</sup> <https://www.ofgem.gov.uk/publications/p448-decision-urgency#:~:text=BSC%20Modification%20P448%20was%20raised,Emergency%20from%20excessive%20Imbalance%20Charges.>

<sup>3</sup> <https://www.ofgem.gov.uk/publications/authority-decision-bsc-modification-p448-mitigating-gas-supply-emergency-risks>

<sup>4</sup> <https://bscdocs.elexon.co.uk/bsc-procedures/bscp-18-corrections-to-bid-offer-acceptance-related-data>

Supply Emergency Acceptances (NGSEA) to determine whether these provide sufficient information to market participants, in the event of a NGSE Load Shedding instance occurring.

**3. Consider how CCGTs with Operating Margins Contract will be treated – the principle that P448 protections should not be restricted if gas generators are offering Operating Margins (OM) services.**

Consultation responses and feedback from the Workgroup highlighted the different tools that the Gas System Operator (GSO) could use to reduce gas demand to avoid a potential NGSE. OM contracts were noted as a commercial tool that the GSO could invoke before Load Shedding during a Stage 2+ NGSE. The Workgroup acknowledged that clarity was needed within the gas market around how the GSO would treat OM contracts under an NGSE. The Issue Group may then need to consider if this impacts on the P448 solution and whether further action is required relating to the BSC.

**4. Consider whether the P448 solution should be time limited**

During the final stages of P448 solution development, there was a suggestion that the P448 solution should be time limited. The Workgroup acknowledged the suggestion but highlighted that industry could raise a Modification at any time to remove provisions introduced by P448, if approved by the Authority.

The Issue Group should consider if the processes introduced by P448 should be restricted to winter 2022/23, or beyond this date if at all.

**5. Consider whether there is sufficient assurance that generators are not able to take advantage of the process introduced by P448**

Ellexon sought views from the BSC Panel about whether any further areas should be considered as part of the P448 post implementation Issue. One Panel member suggested that the Issue Group should investigate whether any further changes are required to provide assurance to industry that generators would not be able to take advantage of the P448 solution. It was noted that the role of the NGSESVC is to verify the data being entered into Settlement after the event and to correct this where necessary. Specifically, the NGSESVC can:

- Amend the Final Physical Notifications if they are not satisfied that they reflect the contractual position prior to receipt of the Load Shedding Instruction; or
- Amend the Bid Price if they are not satisfied that it reflects the net saving in Avoidable Costs from not being able to generate.

The Issue Group should consider if the P448 solution increases the risk of generators unfairly benefitting within the Settlement arrangements and whether any further action over and above the NGSESVC is recommended.

**Justification for Examining Issue** *(Mandatory by originator)*

As P448 was an Urgent Modification Proposal, not all consequential impacts could be explored fully prior to implementation of the Modification. Ofgem's decision letter explicitly requests that an Issue is raised to investigate potential consequential impacts in more detail. This builds on feedback from the P448 Workgroup and industry consultation responses that largely acknowledged the need to implement a solution to mitigate the risk that gas generators could be exposed to in a NGSE.

**Potential Solution(s)** *(Optional by originator)*

The Issue Group will investigate and assess the topic areas that have been identified for further consideration. They will then make recommendations as to what actions should be taken. This could result in a BSC Modification, Change Proposal or action outside of the formal BSC Change process. The Issue Group could also establish that no further action is required.

The Issue Group will review the different topic areas in a priority order. They will make recommendations throughout the progression of the Issue and not wait for it to conclude in full.

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