

P371 WORKGROUP 1

OVERVIEW OF DISCUSSIONS

The Workgroup noted that any changes that might be required to the Balancing Services Adjustment Data (BSAD) for P371 would sit outside of the BSC Modifications procedure, but noted the similarity to [P354 'Use of ABSVD for non-BM Balancing Services at the metered \(MPAN\) level'](#) where changes to the ABSVD methodology were required to implement the Modification. This may require a related change to be progressed to c16, but this would not be dictated by the P371 Workgroup. NGESO consults on changes to C16 statements on an annual basis (as a minimum).

The Workgroup noted the ToR (e) referred to the SNAPS Work being done by NGESO and ensuring that any solution for P371 would not be made redundant by this, as far as possible. NGESO agreed to investigate possible interactions between P371 and SNAPS based on the current available information, noting that this was subject to change.

The Workgroup questioned what was meant by 'spin gen'. The Workgroup also questioned what Fast Reserve (FR) data was made available to industry and when this was provided relative to utilisation. NGESO will provide definitions of 'spin gen' and 'Fast Reserve' for inclusion in the report.

The Workgroup considered the length of time FR was dispatched for should determine whether it is considered energy or system balancing, noting that BM actions of less than 15 minutes would be CADL flagged. One member noted that regardless of whether an action was flagged, its volume would be included in the stack, and so would affect the value of NIV and hence the cash out price; particularly if the market turned from being long to short or vice versa. One WG member felt that even though volume remains, price removed so action would have no effect on Imbalance price and is therefore not relevant to the defect. As such, they didn't believe therefore that whether or not an action was CADL flagged was relevant to the defect being solved by P371.

The Workgroup noted the ISG consultation on CADL parameters and agreed that it should consider potential changes to CADL when defining a solution to P371. They noted that FR actions would deliver active energy to the system and that if these actions were dispatched in the Balancing Mechanism (BM) then the values would be captured in Bid Offer Acceptance (BOA) data. The Workgroup noted that the main difference between BM and non BM STOR was that non BM STOR is dispatched at asset rather than BM Unit level but both deliver energy, as such it seems sensible to treat them the same. ELEXON agreed to conduct some analysis into how different parameters for CADL flagging of FR actions could affect the Imbalance Price and the value of Net Imbalance Volume (NIV). I.e. if all FR actions regardless of duration were not CADL flagged.

The Workgroup noted that changes made under [P305 'Electricity Balancing Significant Code Review Developments'](#) did not specifically state that FR actions should be included in BSAD data. One workgroup member noted that this may be because STOR actions have a bespoke process associated with how they feed into the Imbalance Price (STOR Flagging), so therefore were mentioned specifically rather than in general under all relevant balancing actions. NGESO noted that they believed this was because FR actions were viewed as system rather than energy balancing actions at the time of P305. However if the P371 Workgroup were to determine that non-BM FR should be included that it would be possible to include the data in BSAD methodology. The Workgroup noted that it should also consider overlaps with Projects TERRE and MARI to ensure that P371 implemented an enduring solution. The Workgroup noted that as new products became available, it was likely that there would be a move away from bilateral contacts for balancing services, but that it would be desirable to implement a solution rather than waiting for the unreported products to be phased out. If the workgroup considered that all Balancing actions should be included rather than just those prescribed in the Code this future proofs the Code against a change in name of an Ancillary service and moves more towards principle regulation rather than prescriptive.

A Workgroup member commented that spin gen was a bilateral contract with NGESO, but had no energy component that was used for system rather than energy balancing. They commented that since spin gen does not have a £/MWh value, it was out of scope and could not be included in the cash out price. The Workgroup noted that all active power energy instructions on pumped storage are already delivered through the BM and therefore feed in the

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cash out price through BOA data. One member commented that because spin gen providers can also receive STOR payments, it could economically have a lower utilisation price that may not reflect its value to the industry, questioning whether the actions should therefore be subject to the RSP. Another member commented that as spin gen payments were not paid to providers delivering active energy, it was not related to STOR. They believed that utilisation costs for STOR units related to the marginal costs of the different technologies and the competitive market forces.

A Workgroup member raised potential concerns around revenue stacking of balancing service providers and noted that CUSC modification [CMP275 'Transmission Generator Benefits in the provision of ancillary and balancing services – levelling the playing field'](#) talked about transparency issues around revenue stacking within the Workgroup. CMP275 was proposed by UK Power Reserve and sought to introduce a principle of financial mutual exclusivity to prevent Balancing Mechanism units from accessing multiple sources of duplicate and overlapping revenue from ancillary services on the same asset. The Authority rejected this modification proposal on 15 August 2018. However the Workgroup member felt that the issues of transparency of revenues received from various Ancillary Services was not resolved by the rejection of this modification and is a separate defect from stacking revenues.

The Workgroup considered the ESO's [Monthly Balancing Services Summary](#), In particular Figures 31 and 32. The Workgroup requested whether it would be possible to provide a further breakdown of the figures in the table, particularly on spin gen services, what each row meant and whether the prices were for utilisation or something else, and whether these values would be reflected in the cash out stack. For example the Workgroup were unsure whether the volumes and payments related to the summated MW's of available capacity paid availability payments or actual delivered energy. Figure 32 talks about volumes (in MWh) and Spin-Gen services are shown as the predominant volumes.

NGESO commented that if the Workgroup was considering including FR in the cash out price, then it would make logical sense to also include Demand Turn Up (DTU). They commented that to assist with futureproofing the solution, P371 could be used to establish principles so that a Self Governance Modification could be used to extend the solution to future products¹. They noted that NGESO system changes would be required to implement P371 and agreed to provide details on the complexity of this change. The Workgroup considered that ELEXON's systems are already set up to receive this data and would need minimal, if any, changes to facilitate P371. NGESO and ELEXON would need to confirm that this is actually true as it may be the case that although the same overall existing process would be used, a new interface may need to be created.

The Workgroup questioned whether FR (and DTU) actions would need a specific flag or whether a more generic 'system or energy' flag could be used, and whether an existing flag (possibly STOR) could be repurposed for this.

The Workgroup noted that ELEXON validates STOR flags by comparing the actions to the availability windows. This was possible because STOR windows are standardised, but FR windows are often bespoke which would make ELEXON's validation harder; though it was planned to standardise the FR windows in future. They noted that whatever approach was taken for FR could also be applied to DTU. The Workgroup questioned whether ELEXON could investigate whether its validation has ever identified incorrectly flagged STOR actions. The Workgroup questioned the need for ELEXON to validate flags, noting that the ESO has its processes audited to ensure quality. Removing the necessity to check various actions against availability windows may allow a solution where a more general Reserve Scarcity Flag could be used, rather than a Flag for each particular Ancillary Service.

¹ ELEXON does not believe that such a change could be considered 'Self Governance under the current arrangements as it could affect the Imbalance Price, thus having a material effect on competition. In order for a Modification to be Self Governance, it must meet the criteria outlined in the [Self Governance Guidance note](#).

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A Workgroup member noted that the NIV should be as accurate as possible as it had the potential to flip the length of a market from long to short and vice versa. The Workgroup noted that as non BM FR was not being reported this could be making the NIV appear longer than it should be.

The Workgroup saw analysis that indicated historically the NIV has a 0.992 correlation with the true market length when assessing, actual Parties imbalance positions. This indicates that the NIV provides a good indication of Market Participants actual imbalance positions. However it is believed that more FR actions have been taken in recent years so the analysis which looks over a 4 year span may not be a true reflection. ELEXON agreed to reassess this relationship using only recent data. Any changes made under P371 should not be detrimental to the correlation between the NIV and true market length.

The Workgroup noted that ELEXON's analysis would be needed to compare the benefit of any solution with the implementation effort required to ensure the best use of industry resource. The Workgroup considered whether a staged implementation may be beneficial. For example if actions were highly unlikely to be replaced with the Reserve Scarcity Price it would be more beneficial to receive the data for the Energy actions as an interim solution rather than wait for the full solution to be implemented.

A Workgroup member commented that minimal BSC changes would be required to include FR data. They questioned whether CADL flagging should be applied to FR actions or whether all FR actions should be considered energy balancing regardless of CADL. NGESO believed that around 70% of FR actions would be CADL flagged under the current arrangements and that this was designed to reduce spikes. They noted that under the final P305 solution in November whether this should still be the case. The Workgroup noted that since a Settlement period is 30 minutes, it would be hard to hedge against these short spikes and questioned whether it would be efficient for the system if they did. ELEXON agreed to look at whether moving to 15 minute Settlement Periods would affect this.

ACTIONS ARISING

| No | Action | Action Owner |
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| 1. | Investigate potential interactions between P371 and NGESO's SNAPs work. | NGESO |
| 2. | Provide clarification spin gen and Fast Reserve for inclusion in the workgroup report. Also clarify whether NGESO treats spin gen contracts as non-tendered FR and provide a breakdown of the costs incurred for spin gen contracts. | NGESO |
| 3. | Present analysis on how CADL flagging would affect non BM FR actions, including how a change to the CADL parameters, or excluding FR actions from CADL tagging might impact the Imbalance Price and the accuracy of the NIV. | ELEXON |
| 4. | Consider responding to the ISG consultation on changing the parameter values for CADL and DMAT and consider the implications of this when defining a solution to P371. | P371 Workgroup |
| 5. | Investigate why non BM FR actions were not included in the reporting under the P305 solution and determine whether the market has changed significantly enough to warrant its inclusion now. | NGESO/ELEXON |
| 6. | NGESO will assess how long it expects FR actions to continue being used given the new products that will soon become available for balancing. | NGESO |

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| 7. | Provide a breakdown of the data in Figures 31 and 32 of the MBSS including what each row meant and whether the prices were for utilisation or something else, and whether these values would be reflected in the cash out stack. (in particular the makeup of the third, blue, row). If utilisation costs of spin gen contract holders are not shown, then this should be provided separately. Also look at how much FR is BM and non BM. | NGESO |
| 8. | Analyse how inclusion of FR actions (both BM and non BM) will affect the cash out price. Related to Action 3. | ELEXON |
| 9. | Assess the level of system changes required to implement a P371 solution and whether FR actions could be included in the BSAD. | NGESO/ELEXON |
| 10. | Investigate whether validation processes have ever identified incorrectly flagged STOR actions. | ELEXON |
| 11. | Extend any analysis using PAR to cover the new value of PAR and VoLL being introduced by P305. | ELEXON |
| 12. | Investigate the NIV- market length correlation using only data from recent years. | ELEXON |
| 13. | Investigate whether a move to 15 minute Settlement Periods in a more marginally priced market would improve Parties ability to hedge against spikes. | ELEXON |