

P371 WORKGROUP 2 SUMMARY

Summary

Analysis

ELEXON presented the Workgroup an overview of its analysis into how inclusion of non Balancing Mechanism Fast Reserve (NBMFR) actions would affect the Imbalance Price.

A Workgroup member noted possible interactions with Modifications [P375 'Metering behind the Boundary Point'](#) and [P379 'Multiple Suppliers through Meter Splitting'](#). The Proposer also noted similarities with Issue 74 'Increased utilisation of non-BM STOR' but didn't want to delay the Modification until the Issue had concluded.

The Member also asked if any NBMFR actions would have been marginal in setting the Imbalance Price. ELEXON confirmed that this was the case in 114 of the Settlement Periods it had investigated. ELEXON also noted that in some Settlement Periods the market length flipped from long to short in ~3% of Settlement Periods where NBMFR actions were taken. This would result in Parties who would be paid, instead having to pay, thus doubling the effect.

The Proposer commented that although the impact seemed to be minimal, there was an effect on the Imbalance Price and that this should be reflected in the calculation. They noted similarities with Non BM Short Term Operating Reserve (STOR), which was not widely used when it was first introduced, but has since increased substantially in usage. This could also happen with NBMFR, which would result in the impact affecting more Settlement Periods. If Electricity System Operator (ESO) has options of how to balance the system, these choices should not result in different Imbalance Prices. ELEXON commented that if NBMFR became more widely used then its inclusion would help futureproof the Imbalance calculation. ELEXON commented that the principle for including NBMFR should not rely on the magnitude of its impact, but also whether it was the right thing to do, and noted that the Workgroup should consider how complex the solution would need to be to ensure that it was proportionate.

A Workgroup member commented that the analysis considered the inclusion of all NBMFR actions, and noted that in reality some of these would have been System Operator flagged for exclusion. As such the analysis presented the biggest impact scenario.

The Workgroup agreed that NBMFR data should be published within the current timeframes for Imbalance Data (i.e. no later than 15 minutes after the Settlement Period), and commented that if the data was not published in a timely manner then the industry could be provided with misleading data and so would not be able to react appropriately.

The Workgroup noted that ESO should provide data on dispatched services ahead of the current timescales for Non BM actions. This would allow participants to take appropriate actions. The Workgroup agreed that this was not something they would seek in the end solution for this modification but is something for ESO to consider.

Solution options

The Workgroup considered the potential solutions presented by ELEXON. The National Grid representative commented that any change in the way data was provided would require changes to the ESO systems, and that the time required to deliver these would depend on the level of change required. The Workgroup agreed that data included should, as a minimum, mirror the non-BM STOR process. The Proposer believed it was right to include NBMFR as the analysis showed it could have a material impact on the cash out prices. The system can change from long to short as a result and the NIV may not be as short as it should be.

A Workgroup Member commented that the first option would address the issue in a simple way, but questioned whether it would introduce the risk that system balancing actions could end up setting the Imbalance Price, and requested clarification on whether actions could be SO flagged to prevent this. The Proposer questioned how SO flags were applied. The ESO representative responded that it was an informed manual process based on system needs at the time, and that it was audited for accuracy. As such the Workgroup concluded that it would expect ESO to appropriately flag NBMFR actions taken for system balancing, which would be excluded from setting the price.

The Workgroup noted that the second option was similar to the first, but included a bespoke FR flag, which would allow the Reserve Scarcity Price (RSP) to be applied to appropriate actions. The Workgroup noted that changing the

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structure of the flow to allow for the additional flag would likely extend implementation times and costs, but that this could be confirmed through Impact Assessments. The Workgroup noted that RSP rarely reprices actions, and so questioned the value of including it in a solution if it would add complexity. A Member believed that addressing the defect in the cash out process (getting the NIV right) was a first order priority, whereas using the defect in transparency of the data was a second order priority. The Workgroup considered option three, but did not see that it offered any benefit over option two. It considered that using a generic flag could reduce the integrity of data and so preferred option two over this.

The Workgroup agreed that it was important to understand the timescales for the different solutions alongside wider industry changes such as SNAPS, P379, P375/6 to understand what would deliver the best value in the available window before the solution may need to change again.

The Proposer commented that they liked that option one would be quick to implement but would prefer the longevity of option two depending on the difference between implementation timeframes. The Workgroup agreed that options one and two should be impact assessed. The Workgroup also commented that granular data would allow the market to react more efficiently to signals and so the options should consider data being published at the current granularity as well as the potential for more specific data.

The Workgroup considered implications of the Electricity Balancing Guidelines (EB GL). ELEXON agreed to confirm when TSO would be required to comply with Article 12. A Workgroup member commented that once Article 12 is in force, then the Balancing Services Adjustment Data (BSAD) would need to specify the products used with the data being published no later than 30 minutes after a Settlement Period. Another member commented that in a transparent market, the data should be made easily available regardless of legal obligations.

The ESO representative confirmed that it intended to seek an exemption from Article 16 to help it manage the system over winter 2019, but did not know the full scope of the exemption. ELEXON agreed to confirm the EB GL implications for P371 and cash-out for the next meeting.

The Proposer commented that in addition to NBMFR actions, it would also like spin gen payments included in the Imbalance Price, believing that this would make the price more reflective. The ESO representative commented that warm up payments were included through the Buy Price Adjustment (BPA) as they could be related to specific Settlement Periods, but that spin gen payments were not mapped to Settlement Periods in the same way and so were not included. They also commented that no energy is delivered from spin gen. A Workgroup member commented that spin gen could be used for a variety of reasons including inertia and voltage support, but that only actions relating to energy balancing should be paid for through the Imbalance Price.

A Workgroup member commented that it was hard to specify when the true value a unit, noting that even on standby it provided value to the ESO, and as such the BPA could never accurately reflect the cost difference. The ESO representative agreed and commented that these costs were recovered through the Balancing Services Use of System (BSUoS) charges. The Proposer noted that Ofgem has stated that there was a strong economic rationale for indicating reserve contracts including options fees in 2001. So that the Imbalance Price reflected the total cost of Energy actions. By not including Options fees the Imbalance Price is therefore dampened.

A Workgroup member commented that if every participant was balanced, then the standby fees would still be required, but would not be able to be recovered through the Imbalance Price. The Imbalance Charge does not recover the cost of Balancing Services. The Imbalance Price reflects the costs of balancing the system for Energy purpose and incentivises users to balance.

The Proposer agreed to further consider the implications of including spin gen in the BPA for the next Workgroup and noted that National Grid's PAS system may address this when it is implemented, and considered that it may be preferable to raise an Issue to look into this outside of the Modification. A Workgroup Member believed that how BPA assigns costs to Settlement Periods is flawed and although the concept of including option fees relating to

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energy appears right, it may result in higher unpredictable Imbalance charges. In order to get the core P371 issue addressed in a timely manner, it may be better to raise a separate Issue to deal with these other issues.

Actions

	Action	Owner
1	Assess solutions for compliance with EB GL and determine when Articles 12 and 16 are effective	ELEXON
2	Further consider if/how BPA could be used to capture availability fees in the Imbalance Price and determine whether this should be considered under this Modification or separately	Proposer
3	Prepare a swimlane diagram giving an overview of related industry changes (Mod Progression, EB GL, Implementation lead times, ESO system upgrades)	ELEXON (with Support from Grid)
4	Prepare an overview of the related Modifications for the Workgroup to consider	ELEXON

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APPENDIX 1 – SOLUTION REQUIREMENTS

The following table provides an overview of the features of the solutions that will be issued for Service Provider Impact Assessment. Both options will be impact assessed based on current data granularity as well as unit level data.

Option 1

National Grid ESO will provide NBMFR actions (volume/price) through the BSAD. The format of BSAD will not be amended and the ESO will flag any actions that were taken for System Balancing actions to be excluded from the Imbalance Price calculation.

Option 2

Same as option 1, but with the addition of a 'Fast Reserve Flag'

National Grid ESO will provide NBMFR actions through the BSAD. ESO will flag any actions that were taken for System Balancing actions to be excluded from the Imbalance Price calculation. The BSAD will be amended to include a Fast Reserve Flag which will be applied to all Fast reserve actions. If these actions fall within the availability window, then they may have the RSP applied to them.

Option	RSP	BPA	Non BM Actions published within 15 minutes	Meet EB GL Article 12 and 16	Amend BSAD Methodology
1	✘	TBC	✓	TBC	?
2	✓	TBC	✓	TBC	✓