

# P470 ‘Protecting the Imbalance Price from IOLC related distortions’

This Modification seeks to reprice Offer prices in the Imbalance Settlement Price calculation where those Offers were impacted by price restrictions introduced by the Inflexible Offers Licence Condition (IOLC).



Elexon recommends P470 is progressed to the Assessment Procedure for an assessment by a Workgroup



Elexon consider it is likely that P470 will impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to impact:

- BSCCo
- National Grid as Electricity System Operator (NGESO)
- Trading Parties

Phase
Initial Written Assessment
Definition Procedure
Assessment Procedure
Report Phase
Implementation

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## About This Document

You can find the definitions of the terms and acronyms used in this document in the [BSC Glossary](#)<sup>1</sup>.

This document is an Initial Written Assessment (IWA), which Elexon will present to the Panel on 14 March 2024. The Panel will consider the recommendations and agree how to progress P470.

There are two parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress, including the Workgroup's proposed membership and Terms of Reference.
- Attachment A contains the P470 Proposal Form.



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### Not sure where to start?

We suggest reading the following sections:

- Have 5 minutes? Read section 1
- Have 15 minutes? Read sections 1, 4, 5 and 6
- Have 30 minutes? Read all sections
- Have longer? Read all sections and the annexes and attachments.

<sup>1</sup> <https://www.elexon.co.uk/glossary/?show=all>

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### Why Change?

The Inflexible Offers Licence Condition (IOLC) came into force on 26 October 2023 following Ofgem's decision<sup>2</sup>. The IOLC restricts the Offer prices that generators can submit if they revised their Physical Notification (PN) from positive to 0MW within an operational day, if that generator has a Minimum Zero Time (MZT) in excess of 60 minutes.

In cases where the IOLC restricts these Offer prices, the Offer prices submitted for that generator cannot result in 'excessive benefit', which means profit should not be 'significantly more' than the generator would have made had their PN remained in place.

Because of this price restriction, generators which are affected may not be able to price in line with the competitive level set by the rest of the market. As a result, if the Offers were accepted by National Grid ESO, the Imbalance Price Offer Stack would contain prices lower than would have been submitted if they were able to price freely. In the event that one of these Offer prices is marginal, the Imbalance Settlement Price would be artificially low due to change in calculation steps for Imbalance Prices.

The P470 Proposer's view is that the current Imbalance Price does not reflect the true margin cost of the Impacted Offer actions, as Parties are submitting Offer prices that are artificially low due to concerns about breaking the Ofgem LC. This change aims to "correct" this in the Imbalance Price calculation by allowing these actions to be repriced if they meet certain criteria.

### Solution

The proposed solution (for consideration by an industry Workgroup) is to flag IOLC-impacted Offer prices in the price stack, and to reprice them up to the next most expensive non-flagged Offer price. The flagging of IOLC-impacted Offers would be done by National Grid ESO, with any re-pricing of impacted Offer actions being a new step in the [Settlement Administration Agent \(SAA\)](#)<sup>3</sup> process when calculating the Imbalance Price. The current process (status quo) does not "flag" any impacted Offer actions, and so it would not do anything to these actions outside of current process.

### Impacts and costs

This Modification is expected to impact the European Electricity Balancing Guideline (EBGL) Article 18 Terms and Conditions held within the BSC. We expect changes will be necessary to BSC Section T 'Settlement and Trading Charges' that impact the provisions in Section F 'Modification Procedures' Annex F-2 that gives details of BSC Sections that constitute EBGL Article 18 terms and conditions. This initial view will be assessed and confirmed with the Workgroup once the solution is fully developed.

This Modification is likely not suitable for Self-Governance progression due to impacts on the EBGL provisions along with potential impacts to Self-Governance criteria (b)(i) and (b)(ii). Elexon and Proposer therefore initially recommend that P470 is sent to the Authority for decision.

<sup>2</sup> <https://www.ofgem.gov.uk/publications/introduction-slc20b-inflexible-offers-licence-condition>

<sup>3</sup> <https://www.elexon.co.uk/knowledgebase/trading-settlement/>

There are no impacts expected on Market Wide Half Hourly Settlement (MHHS).

We expect this Modification to impact BSCCo, NGESO and Trading Parties. Costs and further impacts on market participants will be determined as part of the Assessment Procedure.

## **Implementation**

The eventual implementation approach will be discussed with the industry Workgroup, once the solution has been fully developed and impact assessed.

## **Recommendation**

The Proposer recommends that the BSC Panel agree that P470 progresses to the Assessment Procedure for consideration by an industry Workgroup, to develop the solution, consider its impacts and provide views as to whether P470 better facilitates the BSC Objectives.

# 1 Why Change?

## What is the issue?

The IOLC restricts the Offer prices that Generators can submit if they revised their Physical Notification (PN) from positive to 0MW within an operational day, if that generator has a Minimum Zero Time (MZT) in excess of 60 minutes. If this is the case, the Offer prices submitted for that generator cannot result in 'excessive benefit', which means profit should not be 'significantly more' than the generator would have made had their PN remained in place.

Because of this price restriction, generators which are affected may not be able to price in line with the competitive level set by the rest of the market. As a result, if the Offers were accepted by National Grid ESO, the Imbalance Price Offer Stack would contain prices lower than would have been submitted if they were able to price freely. In the event that one of these Offer prices is marginal, the Imbalance Settlement Price would be artificially low.

The proposed solution requires impacted Offer actions to be flagged; these flagged actions may then be repriced, with the repriced actions feeding into the calculation of the Imbalance Price. Therefore the BSC legal text needs to reflect this change.

## Background

### Inflexible Offers Licence Condition

Between 2017 and 2020 total balancing costs for the four months of winter (November to February) averaged just under £500m each winter. For winter 2021/22 this rose alarmingly to over £1.5bn, with record breaking daily costs being experienced during the period. Overall, in 2021/22 the ESO incurred balancing costs of £3.1bn<sup>4</sup>.

The large increase in balancing costs in 2021/22 was primarily driven by increased Offer prices, rather than increased volumes having to be purchased by NGESO. Following record breaking daily balancing costs of over £60million on 24 November 2021, NGESO initiated an independent review of the Balancing Mechanism (BM).

In July 2022, Ofgem [published an open letter](#)<sup>5</sup> which set out its concerns and intent to respond to the growing prices and costs in the BM. Following this, in November 2022, Ofgem [published a Call for Input](#)<sup>6</sup> which sought views from industry on six options Ofgem was considering to reduce high balancing costs. Ofgem assessed all options, held a stakeholder workshop, reviewed the responses to the Call for Input, and decided to pursue "Option 4 - introducing a new licence condition".

In February 2023, Ofgem published a consultation which asked for views from industry on the proposed licence condition and draft IOLC Guidance. In the February Consultation Ofgem proposed to broaden the scope of the condition (from the version included in the call for input) such that it would cover the submission of 0MW PNs at any time, rather than



### What is a Physical Notification (PN)?

PN is a notification from a generator or a supplier of the amount of electricity that it intends to produce or consume in a given half-hour period.



### What is an Operational Day?

Operational Day's definition is provided in Grid Code which says- The period from 0500 hours on one day to 0500 on the following day.



### What is a Minimum Zero Time?

MZT means either the minimum time that a Balancing Mechanism Unit which has been exporting must operate at zero or be importing, before returning to exporting or the minimum time that a BM Unit which has been importing must operate at zero or be exporting before returning to importing, as a result of a Bid-Order Acceptance, such minimum time being as per the most recent notification by the licensee to the ESO pursuant to the Grid Code.

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<sup>4</sup> [Final IOLC Decision.pdf](#)

<sup>5</sup> <https://www.ofgem.gov.uk/publications/open-letter-responding-high-balancing-costs>

<sup>6</sup> <https://www.ofgem.gov.uk/publications/call-input-options-address-high-balancing-costs>

being limited to submissions of revised 0MW PN's 'within the operational day', and also proposed to limit the scope of the condition to generators with an MZT greater than 60-minutes.

In June 2023 Ofgem issued a following statutory consultation seeking stakeholders' views on the proposed licence drafting. They sought feedback on the approach to considering excessive benefits as set out in the draft Guidance and for feedback on any other factors for inclusion in the draft Guidance. Following this, Ofgem published their [final decision](#)<sup>7</sup> in August 2023 with accompanying [Guidance](#)<sup>8</sup> on the new Licence Condition, 20B. The new Licence Condition came into effect on 26 October 2023.




### BSC process to calculate Imbalance Price

The Imbalance Price, sometimes referred to as the System Price or "Cash-out" Price, is used to settle energy Imbalance Volumes. At the end of a Settlement Period, BSC Systems compare a Party's contracted (traded) volume with the metered volume of energy used in the Settlement Period. If a Party is in imbalance of its contracted volume, then it will be subject to imbalance charges.

There are two Imbalance Prices for each Settlement Period: System Buy Price (SBP) and System Sell Price (SSP). However, as there is now a single price calculation, the SBP equals the SSP in each Settlement Period. The Imbalance Price applied is therefore the same whether a Party is long (has a positive imbalance position, or surplus) or short (has a negative imbalance position, or shortfall).

The Imbalance Price is calculated by Elexon using balancing actions (bids/offers) accepted by National Grid ESO to balance the system. Accepted actions for each specific 30-minute settlement period are sent by NG ESO to Elexon, and these actions go through a 14-steps process calculate the Imbalance Price. The first three steps (in red) are undertaken by NG ESO, with the rest of the steps undertaken by Elexon:

#### Price Calculation Steps (in order):

1.	Report BOAs and BSAD	
2.	System Operator (SO) Flagging	▶
3.	Emergency Flagging	▶
4.	STOR Action Flagging	▶
5.	Ranking	
6.	CADL Flagging	▶
7.	Da Minimis Tagging	
8.	Arbitrage Tagging	
9.	Classification	▶
10.	NIV Tagging	

<sup>7</sup> <https://www.ofgem.gov.uk/sites/default/files/2023-08/Final%20IOLC%20Decision.pdf>

<sup>8</sup> <https://www.ofgem.gov.uk/sites/default/files/2023-08/Final%20IOLC%20Guidance.pdf>





#### What is Offer Price?



The Offer Price is the minimum rate in the market, sellers are eager to sell any stock or the additional security they currently hold.



#### What is Imbalance Settlement Price?

The Imbalance Price is used to settle energy imbalance volumes. At the end of a Settlement Period, BSC Systems compare a Party's contracted (traded) volume with the metered volume of energy used in the Settlement Period. If a Party is in imbalance of its contracted volume, then it will be subject to imbalance charges.

11.	Replacement Price	
12.	PAR Tagging	
13.	Price Calculation (including TLM)	
14.	Buy/Sell Price Adjustors (BPA/SPA)	

-  Signifies a step in the process that “flags” actions, meaning they may be re-priced in the price stack used to calculate the Imbalance Price.
-  Signifies a step in the process that “tags” actions, meaning they are removed from the price stack used to calculate the Imbalance Price.
- Blank – Signifies a step in the process here balancing actions are neither “flagged” or “tagged”,

Note that any changes to the balancing actions used in this process could change the Imbalance Price for that impacted settlement period, but this would only change at the next settlement reconciliation run following the change.

## Desired outcomes

The P470 Proposer believes that the Imbalance Settlement Price should be representative of the freely formed price of power in a given settlement period. It is fundamental to competition policy that prices should be freely set by the market, as long as market participants aren't able to abuse their positions.

The Proposer believes that by imposing the IOLC Ofgem have taken the view that under certain conditions the options NGESO had for buying power in the BM were limited, and there was a risk of generators being able to abuse that.

This Modification is aimed at addressing an unintended outcome of the IOCL price cap on the Imbalance Price. It is also important to note that this Modification is not looking to compete with the policy.

### Proposed solution

The proposed solution for discussion by an industry Workgroup is to flag IOLC-impacted Offer prices in the price stack, and to reprice them up to the next most expensive non-flagged Offer price. The flagging of IOLC-impacted Offers would be done by National Grid ESO, with any re-pricing of impacted Offer actions being a new step in the SAA process when calculating the Imbalance Price.

The flagging of IOLC impacted Offers (i.e. those that have revised their PNs from a positive MW value to 0MW within the operational day, and which have an MZT of more than 60 minutes) could be achieved in one of two ways:

1. The ESO could flag all electricity generators Offers received that meet the criteria, irrespective of whether these Offers are accepted; or
2. The ESO could flag only accepted Offers that meet the criteria.

The first option would aid transparency as it would show all potential IOLC impacted Offers, rather than only those that have been accepted, and could allow the flagging classification to occur in advance of any offers being accepted. However, the second option is the minimum level of flagging required to correct the potential price distortions.

An example of how this would work in practice for both options is:

1. Party submits positive PNs for period(s) within the operation day for each BMU(s).
2. Party then submits revised PNs for period(s) which takes them from a positive MW value to 0MW, during the operational day for each BMU(s).
3. As IOLC applies when the PN for a given Settlement Period is revised from positive to zero during the Operational Day, any Offers that meet these criteria would need to be flagged before being submitted to BSCCo using one of the suggested methods above.
4. Any Accepted Offers received by BSCCo which have been IOLC flagged will be repriced up to the next most expensive non-flagged Offer price.

System flagged Offers may result in the Offer being repriced to the next cheapest action, which is in opposition to the proposed solution for IOLC flagged Offers. How System and IOLC flagged actions interact with one another, along with the order of flagging and tagging actions, will need to be considered when agreeing how to reprice IOLC actions in the Imbalance Price calculation.

### Benefits

The primary benefit is that the Modification will ensure that the Imbalance Settlement Price better reflects the marginal cost of energy imbalances. This will result in more efficient market balancing, better expose value to flexible capacity and encourage efficient investments in and operation of capacity, including interconnectors. It will also improve signals to parties to improve balancing performance, reducing the total costs of balancing, and support liquidity by providing greater confidence in wholesale markets, improving overall market efficiency.



## Applicable BSC Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	<b>Positive</b>
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Neutral
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency for the Co-operation of Energy Regulators	<b>Positive</b>
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

### Objective (c)

The Proposer believes that this change will positively impact BSC Objective (c) by ensuring that the imbalance price continues to reflect the competitive cost of balancing the system, in the face of price restrictions on participants. This ensures that wholesale markets are pricing against an effective and efficient counterfactual, and that operators are efficiently paid or paying prices which reflect their contribution or detriment to the system via their imbalance volumes.

### Objective (e)

The Proposer believes that this change will also positively impact BSC Objective (e), by better maintaining compliance with the Electricity Regulation; in particular Article 3 (a) which requires that 'prices shall be formed on the basis of demand and supply'. Submitted prices which are restricted under the IOLC are required to be capped at a level which means they do not earn significantly more profit than the unit had achieved by dispatching on a PN, which may not always be reflective of supply and demand based on within day fundamentals.

## Implementation approach

Given the proposed progression timeline for this proposal, potential impact on BSC Parties and BSC Systems and the need for an industry Workgroup to assist with solution



### What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

(g) Compliance with the Transmission Losses Principle

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development and the currently understood pipeline of planned deliveries in 2024, Elexon and the P470 Workgroup will assess this after the solution has been developed and all impacts are understood. This will also be verified during the Assessment Consultation phase, in which industry impacts and lead times will be sought.

The exact implementation approach will be considered by the Workgroup as part of the Assessment Procedure, following completion of solution development and impact assessment.

## Areas to Consider

In this section we highlight areas which we believe the Panel should consider when making its decision on how to progress this Modification Proposal, and which a Workgroup should consider as part of its assessment of P470. We recommend that the areas below form the basis of a Workgroup's Terms of Reference, supplemented with any further areas specified by the Panel.

### Areas to consider

This Modification is likely to impact all Trading Parties with a significant impact on Generators, as it is looking to address an unintended consequence of the IOLC policy. We also wish to ascertain the likelihood of any unintended consequences resulting from this Modification.

During the Assessment Phase Elexon also propose continued engagement with policy stakeholders at NGESO and Ofgem to ensure transparency throughout the Modification lifetime and ensure there is opportunity for their views to be captured.

The table below summarises the areas we believe a Modification Workgroup should consider as part of its assessment of P470:

Areas to Consider
Does the IOLC create a distortion within the Imbalance price?
What would the impact of P470 be on the current Imbalance Prices?
Assessment and determination of Option 1 and Option 2: Option 1. The ESO could flag all electricity generators Offers received that meet the criteria, irrespective of whether these Offers are accepted; and Option 2. The ESO could flag only accepted Offers that meet the criteria.
What will the indirect impact on wholesale prices be?
Will P470 ensure that Offer prices are more reflective of market conditions?
Are there any potential unintended consequences of P470 and are the Workgroup comfortable with the potential unintended consequences?
How will P470 impact the BSC Settlement Risks?
What changes are needed to BSC documents, systems and processes to support P470 and what are the related costs and lead times? When will any required changes to subsidiary documents be developed and consulted on?
Are there any Alternative Modifications?
Should P470 be progressed as a Self-Governance Modification?
Does P470 better facilitate the Applicable BSC Objectives than the current baseline?
Does P470 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?

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### Estimated costs of P470

Costs will be assessed during the Assessment Procedure, however we have captured some initial assumptions that will be tested in the course of solution development and impact assessment.

### Potential P470 Impacts

Impact on BSC Parties and Party Agents		
Party/Party Agent	Potential Impact	Potential cost
Generators	Whilst potential for some bids/offers submitted to be “flagged” as IOLC related, no expected changes to Generators processes as flagging expected to be done by NETSO. Changes to Imbalance price calculations will impact Imbalance Prices, which will impact Generators with Imbalance volumes.	L
Suppliers	Changes to Imbalance price calculations will impact Imbalance Prices, which will impact Suppliers with Imbalance volumes.	L
Interconnector User	Changes to Imbalance price calculations will impact Imbalance Prices, which will impact Interconnector Users with Imbalance volumes.	L
Non-Physical Trader	Changes to Imbalance price calculations will impact Imbalance Prices, which will impact Non-Physical Traders with Imbalance volumes.	L
Virtual Lead Party	Changes to Imbalance price calculations will impact Imbalance Prices, which will impact Virtual Lead/Trading Parties with Imbalance volumes post P415 implementation.	L

By repricing IOLC-impacted Offer Acceptances this Modification will potentially raise Imbalance prices (and, indirectly, wholesale market prices) to a level that more accurately reflects market conditions. This will potentially impact Trading Parties (including Suppliers, Generators, Interconnector Users, Non-Physical Traders and, following implementation of BSC Modification [P415 ‘Facilitating access to wholesale markets for flexibility dispatched by Virtual Lead Parties’](#), Virtual Trading Parties).

Costs are expected to be relatively low for Trading Parties, but this will depend on the change in Imbalance Prices due to repricing of IOLC actions and whether Parties have Imbalance Volumes.

Impact on NGESO	
Potential Impact	Potential cost
Current proposed solutions require NGESO to flag IOCL-impacted Offer Actions, and then provide this in data sent to Elexon for settlement. Addition of a new flag will require changes to current NGESO processes, and is likely to require system changes, so likely to have a cost associated with implementing this	M

Impact on BSCCo		
Area of Elexon	Potential Impact	Potential cost
Settlement and Insights team	The introduction of a new pricing “flag” will require changes to be made to the calculation processes used to create the Imbalance Price.	M

Impact on BSC Settlement Risks
The impact on the Settlement Risks will be considered during the Assessment Procedure.

Impact on BSC Systems and processes	
BSC System/Process	Potential Impact
SAA	Changes required to calculation of Imbalance Prices due to creation of a new flag to identify IOLC-impacted Offers and allow for them to be re-priced as necessary. Existing data flows will need to reflect the IOLC-impacted Offers flag.
BMRS (inc. Insights platform)	IOLC-impacted Offer will be flagged, and this flag will need to be visible in bid/offer data shown on BMRS/Insights.

There will be potential impacts on the SAA system and the Insights solution (which will be delivering the Balancing Mechanism Reporting Service once the legacy BMRS system is decommissioned). The expected impacted are as follows:

- Change to the processes for loading Offer Data (option 1) or Offer Acceptances (option 2), to load the new IOLC flag provided by NGESO;
- Changes to processes for reporting Offer Data (option 1) or Offer Acceptances (option 2), to load the new IOLC flag provided by NGESO; and
- Changes to the price calculation to reprice IOLC-flagged Offers.

Impact on Code	
Code Section	Potential Impact
Section Q	Section added to describe how IOLC flag will be set by NGESO for relevant impacted Offers

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Impact on Code	
Code Section	Potential Impact
Section T	Section added to Annex T-1 for IOLC Acceptances/IOLC Fagged actions, and how these are used in the Imbalance Price calculation.
Section X-2	New definition added for Inflexible Offer License Condition (IOLC) flag.

Impact on MHHS
Any impact on MHHS will be considered during the Assessment Procedure.

Impact on EBGL Article 18 terms and conditions
Changes to BSC Section T could impact EBGL Article 18 terms and conditions. This is to be confirmed with the Workgroup once the solution is fully developed.

Impact on Code Subsidiary Documents	
CSD	Potential Impact
BSCP01	Updated to reflect changes agreed to Imbalance Price calculation process due to IOLC impacted Offers being flagged
BSCP18	Updated to reflect changes agreed, as these need to be reflected for any corrections required to Bid-Offer Acceptance related data

Impact on other Configurable Items	
Configurable Item	Potential Impact
NETA IDD	If proposed solution is implemented, changes to IDD Part 1 and 2 likely to be required (new fields added to SAA-I014)

Impact on Core Industry Documents and other documents
There is a potential Grid Code impact that will be assessed during the Assessment Phase. No anticipated impacts to other codes but to be confirmed in the Assessment Phase.

Impact on a Significant Code Review (SCR) or other significant industry change projects
No impact on any SCRs anticipated. We have requested that Ofgem treat P470 as exempt from any open SCRs.



### What are the consumer benefit areas?

- 1) Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?
- 2) Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?
- 3) Will this proposal support:
  - i) new providers and technologies?
  - ii) a move to hydrogen or lower greenhouse gases?
  - iii) the journey toward statutory net-zero targets?
  - iv) decarbonisation?
- 4) Will this change improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.
- 5) Are there any other identified changes to society, such as jobs or the economy.

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Impact of the Modification on the environment and consumer benefit areas:	
Consumer benefit area	Identified impact
1) Improved safety and reliability	Neutral
2) Lower bills than would otherwise be the case	Neutral
3) Reduced environmental damage	Neutral
4) Improved quality of service	Neutral
5) Benefits for society as a whole The Proposer believes that, overall, an efficient imbalance settlement price drives correct asset optimisation behaviours in real time and correct investment decisions over longer timescales. This results in the most efficient operation and development of the electricity system, delivering security of supply and decarbonisation objectives at the lowest overall cost.	<b>Positive</b>



## Next steps

Elexon and the P470 Proposer recommend this Modification is submitted to the Assessment Procedure for consideration by an industry Workgroup.

The Proposer and Elexon recommend that the Modification is not suitable for Self-Governance due to impacts on the EBGL provisions along with potential impacts to Self-Governance criteria (b)(i) and (b)(ii). Elexon and Proposer therefore initially recommend that P470 is sent to the Authority for decision.

The Proposer believes that this Modification is expected to impact industry and benefit the society as a whole as an efficient imbalance settlement price drives correct asset optimisation behaviours in real time and correct investment decisions over longer timescales. This results in the most efficient operation and development of the electricity system, delivering security of supply and decarbonisation objectives at the lowest overall cost. However, further impacts need to be scoped out, and therefore, we recommend moving to the Assessment Phase where the ToR can be considered by a Workgroup.

## Workgroup membership

We will invite all BSC Parties and non-BSC parties that may be directly/indirectly impacted by this Modification or who can provide expertise as part of the Assessment Procedure. We will be seeking engagement with Ofgem and NGESO. We will look to invite them to the Workgroups.

In particular we welcome the views of:

- Generators;
- All Trading Parties;
- NGESO; and
- Parties with expertise in EBGL matters.

## Timetable

The proposed progression for P470 is presented in the table below. This is subject to the discussions in the Workgroup, which may extend timescales within the Assessment Procedure.

Proposed Progression Timetable for P470	
Event	Date
Present Initial Written Assessment to Panel	14 March 2024
Workgroup Meetings	April 2024 – August 2024
Assessment Procedure Consultation	01 October 2024 - 22 October 2024
Workgroup Meeting	W/C 28 October 24

## What is the Self-Governance Criteria?

A Modification that, if implemented:

(a) does not involve any amendments whether in whole or in part to the EBGL Article 18 terms and conditions; except to the extent required to correct an error in the EBGL Article 18 terms and conditions or as a result of a factual change, including but not limited to:

(i) correcting minor typographical errors;  
(ii) correcting formatting and consistency errors, such as paragraph numbering; or  
(iii) updating out of date references to other documents or paragraphs;  
(b) is unlikely to have a material effect on:

(i) existing or future electricity consumers; and  
(ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and  
(iii) the operation of the national electricity transmission system; and  
(iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and  
(v) the Code's governance procedures or modification procedures; and

(b) is unlikely to discriminate between different classes of Parties.

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Proposed Progression Timetable for P470	
Event	Date
Present Assessment Report to Panel	14 November 24
Report Phase Consultation (EBGL)	18 November 2024 - 18 December 2024
Present Draft Modification Report to Panel	09 January 2025
Issue Final Modification Report to Authority	15 January 2025

348/07

P470  
Initial Written Assessment

7 March 2024

Version 1.0.0

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## 4 Recommendations

We invite the Panel to:

- **AGREE** that P470 progresses to the Assessment Procedure;
- **AGREE** the proposed Assessment Procedure timetable;
- **AGREE** the proposed membership for the P470 Workgroup; and
- **AGREE** the Workgroup's Terms of Reference.