

MARKET INDEX DEFINITION STATEMENT (MIDS) REVIEW 2020 CONSULTATION RESULT

Imbalance Settlement Group

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Purpose of paper **For Decision**

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Summary **Following the August ISG meeting, we issued the MIDS review paper for industry consultation. This paper presents the response received from the consultation, which agrees with that no changes should be made to the MIDS. We invite the ISG to make its final recommendations to the BSC Panel.**

1. Summary

- 1.1 The Market Index Definition Statement (MIDS) defines a set of parameters used to determine the Market Index Price (MIP). Elexon, on behalf of the Panel, review the MIDS and consult interested parties annually, as required by the Balancing Settlement Code (BSC). The 2020 MIDS Review can be found in Attachment A of this paper.
- 1.2 To comply with European Balancing Guideline, from 15 January 2021, the MIP cannot be used as a component of the System Price calculation, and will be replaced by the Value of Avoided Activation of Balancing Energy (VOAA). [BSC Modification P410 'Changing imbalance price calculations to comply with the Imbalance Settlement Harmonisation regulations'](#) has been raised to address this.
- 1.3 As part of the BSC Modification P410 workgroup, the future of the MIDS will be considered, including whether the requirement for an annual review of the MIDS (in accordance with BSC Section T1.5.4) remains valid.
- 1.4 Following the 2018 MIDS review, [BSC Modification P377](#) amended the description of the timebands in the MIDS and removed timeband 6 as a weighted product in Market Index Data (MID). BSC Modification P377 was implemented on 18 April 2019. The 2020 MIDS review, covering the period 1 August 2019 to 31 July 2020, represented the first full MIDS review period following the P377 changes.
- 1.5 The 2020 MIDS review indicates that the current Individual Liquidity Threshold (ILT), timeband weightings and product weightings remain suitable.
- 1.6 At its September 2020 meeting ([ISG233](#)) the ISG agreed with the proposed questions in the consultation proforma. The ISG also added a question to BSC Parties to help understand how the MIP is used outside of the System Price calculation, and what consequences there would be for Parties if the calculation of the MIP was discontinued. BSC Parties and other interested parties were invited to respond.

2. Consultation Result

- 2.1 We received a single consultation response from a non-BSC Party (see Attachment B), which agreed with the analysis within the consultation and supports the continued regular review of the parameters and timeband weightings.
- 2.2 The respondent's rationale behind this was that the analysis showed a broad consistency with previous years. They also stated that in the context of a highly unusual year to date, they are in support of "no changes" in the form of MIP until such time as greater confidence on ongoing market characteristics is gained.

2.3 The respondent also provided comments in firm support of the continued calculation of the MIP in response to Q1 of the consultation, which sought to understand how the MIP is used outside of the System Price calculation. The comments have been shared with the Lead Analyst for BSC Modification P410, so can be considered as part of any discussion on the future of the MIP in the P410 workgroups.

3. Recommendations

3.1 We invite you to:

- a) **NOTE** the consultation response presented in this paper; and
- b) **RECOMMEND** to the BSC Panel that no changes be made to the MIDS.

Attachments

Attachment A – MIDS Review 2020

Attachment B – Consultation response

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