

MARKET INDEX DEFINITION STATEMENT (MIDS) REVIEW 2018

MEETING NAME BSC Panel Meeting 285

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Purpose of paper Decision

Classification Public

Summary ELEXON has carried out the review of the Market Index Definition Statement (MIDS) as required at least annually by the BSC. After considering the analysis provided by ELEXON, the Imbalance Settlement Group (ISG) sought industry views on the current parameters weightings and products used. Following the consultation, the ISG recommended that changes are made to the MIDS.

1. Summary

- 1.1 The Market Index Definition Statement (MIDS) defines the way the Market Index Price (MIP) is calculated. ELEXON, on behalf of the Panel, review the MIDS and consult interested parties annually, as required by Balancing Settlement Code (BSC) Section T1.5¹.
- 1.2 The MIDS defines a set of parameters used to determine the MIP. Our review showed that the description of the timebands in the MIDS should be amended, so they refer to the Submission Deadline (i.e. the beginning of a Settlement Period) rather than Gate Closure. This would allow trades between Gate Closure and the Submission Deadline to be included in the calculation of MIPs.
- 1.3 Our review also showed the current Individual Liquidity Threshold (ILT), product weightings and timeband 1-5 weightings remain suitable. Our analysis (Appendix 2 of Attachment B) showed timeband 6 should be removed as a weighted product to aid MIDS principles.

2. BSC Modification P342 Background

- 2.1 On 2 November 2017, Approved [BSC Modification P342 'Change to Gate Closure for Energy Contract Volume Notifications'](#), introduced a new deadline for the purpose of submitting Energy Contract Volume Notification (ECVNs) and Metered Volume Reallocation Notifications (MVRNs). This new contract notification deadline, the Submission Deadline, would be decoupled from Gate Closure, and was set at the start of the relevant Settlement Period. Market Index Base Data showed that on 2 November 2017, trades started to take place after Gate Closure and before the Submission Deadline.
- 2.2 The Workgroup for BSC Modification P342 discussed whether the deadline for the submission of Market Index Data should be moved to the Submission Deadline, or remain at Gate Closure. It was agreed that Gate Closure would remain as the deadline for qualifying trades, for the provision of Market Index Data. The Workgroup noted that, once sufficient data was available on the volumes and prices of trades carried out between Gate Closure and the Submission Deadline, a determination of the most appropriate deadline could be included in the 2018 MIDS review.

¹ The timescale for the 2018 MIDS Review was amended following the Market Index Data Providers submitting incorrect Market Index Data, as highlighted in ELEXON Circular [EL02870](#). The review was delayed to ensure accuracy in ELEXON's analysis.

MARKET INDEX DEFINITION STATEMENT (MIDS) REVIEW 2018

3. ISG Recommendations and Consultation Result

- 3.1 At its September 2018 meeting ([ISG209](#)), the ISG noted the analysis presented in the MIDS Review and agreed with the recommendations made by ELEXON. The ISG commented that the removal of timeband 6 would allow the Market Index Price to better reflect the short term market. Following the initial review by the ISG, an industry consultation was issued (see Attachment B) for four weeks. This invited BSC Parties and other interested parties to provide their views.
- 3.2 No responses were received for the 2018 MIDS Review. This was not unexpected, as the two previous MIDS reviews in 2016 and 2017 only received one response each. In both cases, this response was from the same ISG Member. It is also important to note that following the implementation of Approved BSC Modification [P305 'Electricity Balancing Significant Code Review Developments'](#) in November 2015, the calculation of Energy Imbalance Prices only uses the MIP in two specific defaulting scenarios². Over the nine years prior to 2018, the average number of respondents to the MIDS Reviews is 2.33 per year.
- 3.3 At its November meeting ([ISG211](#)), the ISG recommended that the following changes be made to the MIDS:
- References to Gate Closure to be altered to the Submission Deadline;
 - Weighting principle 4.2 (f) to refer to trades made as close as possible to the Submission Deadline, not Gate Closure;
 - The removal of timeband 6 as a weighted timeband; and
 - A number of housekeeping changes.
- 3.4 A BSC Modification to amend BSC Section T1.5.3 (b)(iii) is also necessary. This Modification is required to change the definition of 'short term' so it no longer refers to Gate Closure.

4. Next Steps

- 4.1 If the Panel agrees with the ISG's recommendations, ELEXON will change the MIDS and will conduct the next review in 12 months' time.
- 4.2 The MIDS Review change process is outlined in [BSCP40](#) Section 3.10, with changes to the MIDS requiring approval by the Authority. A Modification to BSC Section T is required to change the definition of 'short term'.

5. Recommendations

- 5.1 We invite you to:
- NOTE** the ISG's recommendations; and
 - AGREE** that changes are made to the Market Index Definition Statement (MIDS), in line with the ISG's recommendations.

² 2.1% of Settlement Periods between November 2015 and July 2018. See Attachment B, Appendix 1 Section 2.

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Attachments

Attachment A – ISG211/02 MIDS Review 2018 Consultation Result Paper

Attachment B – ISG211/02A MIDS Review 2018 Consultation

Attachment C – ISG211/02B MIDS Review Consultation Proforma

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