

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

P377 'Amending Gate Closure references in Market Index Data to include trades up to the Submission Deadline in the Market Index Data Calculations'

This Modification proposes to include data up to the Submission Deadline, instead of Gate Closure, in the Market Index Data calculations by replacing references to 'Gate Closure' with 'Submission Deadline'.



The BSC Panel initially recommended **approval** of P377

This Modification is expected to impact:

- ELEXON
- BSC Trading Parties
- Market Index Data Providers (MIDPs)
- Market Participants who use the Market Index Definition Statement

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About This Document

This is the P377 Draft Modification Report, which ELEXON will present to the Panel at its meeting on 10 January 2019. It includes the responses received to the Report Phase Consultation on the Panel's initial recommendations. The Panel will consider all responses, and will agree a final recommendation to the Authority on whether the change should be made.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach. Attachment A contains the draft redlined changes to the Market Index Definition Statement (MIDS) for P377.
- Attachment B contains the proposed legal text to deliver P377.
- Attachment C contains the full responses received to the Panel's Report Phase Consultation.



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Why Change?

[BSC Section T 1.5.3\(b\)](#) (iii) defines 'short term' in relation to Market Index Data (MID) as a time period in reference to Gate Closure. Following Balancing and Settlement Code (BSC) Modification [P342](#) implemented in November 2017, the deadline for contracts for delivery in a Settlement Period has moved from Gate Closure to the Submission Deadline. P342 did not change the [Market Index Definition Statement](#) (MIDS) to reflect this. This means that MID is excluding trades following Gate Closure up to the Submission Deadline, meaning that the MID is not as reflective as it could be of wholesale electricity in Great Britain.

Solution

This Modification is being used as the vehicle to deliver the recommendation from the 2018 MIDS Review. The 2018 MIDS Review concluded and this Modification proposes that:

- The Market Index Data Providers (MIDPs) include trades made post-Gate Closure and prior to the Submission Deadline; and
- Timeband 6 weighting is changed from '1' to '0'.

Impacts & Costs

P377 will impact BSC Trading Parties who are exposed to Imbalance Volume. P377 will also impact MIDPs. There are two MIDPs, Nord Pool and EPEX SPOT, Nord Pool have confirmed that they will not charge for the change. EPEX SPOT have said that they will charge a one off cost of approximately £28,000.

Implementation

29 March 2019 as part of an ad-hoc BSC Release, if an Ofgem decision is received by 22 February 2019. Or 5 weeks after Ofgem approval if an Ofgem decision is received after 22 February 2019. EPEX SPOT have confirmed they require a 5 week lead time to implement these changes. Nord Pool has confirmed that they are also able to deliver within 5 weeks.

Recommendation

The Panel unanimously believed that P377 would better facilitate BSC Objective (d) and so should be **approved**. It also unanimously agreed that P377 should not be progressed as Self-Governance and sent P377 directly to the Report Phase [at its meeting on 13 December 2018](#).

We are now inviting the Panel to provide its final views on the merits of P377.

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2 Why Change?

What is the issue?

Currently, the MID is excluding trades following Gate Closure up to the Submission Deadline, meaning that the MID is not as reflective as it could be of wholesale electricity in Great Britain.

BSC Modification P342 'Change to Gate Closure for Energy Contract Volume Notifications' implemented in November 2017, changed the deadline for the submission of ECVNs, for each Settlement Period, from Gate Closure to the Submission Deadline. P342 did not change the Market Index Definition Statement (MIDS) to reflect this as the Workgroup wanted to wait and see if the volume of trades warranted amending the MIDS. The outcome of the 2018 MIDS Review is that the volume of trades occurring past Gate Closure is now significant enough that the calculation of the MID should include trades up to the Submission Deadline, instead of Gate Closure.

Timeband 6 represents trades made 8 to 12 hours prior to a Settlement Period's Submission Deadline and has contributed little volume to Market Index Data. The removal of the weighting of Timeband 6 would aid principle 4.2(f) in the MIDS, by allowing trades as close as possible to the Submission Deadline as it does not contain a significant volume so would better focus on the volume post gate closure.

Amending the MIDS provides the opportunity to make minor housekeeping changes at this time as well.

Background

What is Gate Closure?

Gate Closure is the point of time one hour prior to a Settlement Period by which Physical Notifications (PNs) relating to that Settlement Period must be submitted. This deadline is the point by which Trading Parties, mainly generators, must notify their Final Physical Notifications (FPNs) and Bids and Offers for that Settlement Period to National Grid, acting as the Electricity System Operator (ESO).

P342 'Change to Gate Closure for Energy Contract Volume Notifications'

[P342](#) introduced a new deadline for the purpose of submitting Energy Contract Volume Notifications (ECVNs) and Metered Volume Reallocation Notifications (MRVNs) for each Settlement Period. The new contract notification deadline was decoupled from Gate Closure, and was set to the Submission Deadline instead. The Submission Deadline for any Settlement Period is the time at the start of that Settlement Period.

The Workgroup considered if the submission of Market Index Data should also be moved to the Submission Deadline or remain at Gate Closure. It was noted at the time (2016) that the volumes expected to be traded after Gate Closure but before the Submission Deadline would, to begin with, be low enough not to materially influence the Imbalance Price calculation. However, the Workgroup did note 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 Market Index Definition Statement (MIDS) review in August 2018.



What are Physical Notifications?

Physical Notifications (PNs) are a notification made by a Party for its BM Unit and a Settlement Period to the ESO as to the expected level of Export or Import, as at the Transmission System Boundary, in the absence of any Balancing Mechanism Acceptances.

The Final Physical Notification is the final level of import or export that a Party expects to import and export for its BM Unit for a Settlement Period at Gate Closure.

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What is the Market Index Definition Statement?

MID is used in Settlement to calculate a Market Price, expressed in £/MWh in respect of each Settlement Period. The calculation of Energy Imbalance Prices uses the Market Price in two defaulting scenarios. When the Net Imbalance Volume (NIV) is zero, then the Energy Imbalance Price will default to the MIP. Alternatively, if all of the actions in the price stack are unpriced, then the Replacement Price will be set by the MIP and the Energy Imbalance Price will consequently be set by the MIP. It is designed to reflect the price of wholesale electricity in Great Britain in the short-term market. The Market Price is derived from trades made on power exchanges. Short term is currently defined as period of hours or days immediately prior to Gate Closure, but in any event no more than three Business Days prior to Gate Closure.

ELEXON reviews the MIDS annually on behalf of the BSC Panel, in accordance with [BSC Section T1.5.4](#). ELEXON conducted [its 2018 MIDS review](#) in October 2018. In this review, the analysis covers the period 1 August 2017 to 31 July 2018. The review is undertaken to ensure that parameters used in the MIDS calculations (i.e. the Individual Liquidity Threshold (ILT), Timeband weightings and product weightings) remain fit for purpose and through the parameters, checking the MIDS principles (BSC Section T1.5.3) are being met.

In particular, the MIDS defines:

- The overall price (Market Index Price) and volume (Market Index Volume) calculation process;
- A volume threshold (Individual Liquidity Threshold);
- A list of power exchange products that are included in the calculation;
- A list of Timebands, which group trades according to how long before Gate Closure they are made;
- Weightings which reflect the importance of the products and Timebands; and
- Principles by which the weightings, products and thresholds are determined.

The two main parameters that the MIDS define are:

Individual Liquidity Threshold:

- A volume threshold that is set to apply default rules when there is insufficient trading on the power exchange to provide a suitable price. The aim is to avoid the price being set by a single trade – i.e. not having the ILT too low – but also to minimise the number of Settlement Periods where the default rule is applied – not having the ILT too high.

Time and Product Weightings:

- Weightings are applied to reflect the importance of each product and Timeband and are set to '1' or '0', which either completely includes or excludes particular trades.

Timebands

Trades are classified by a number of Timebands, which determine how long before Gate Closure the trade was made. These Timebands cover a number of Settlement Periods. Timebands 1-6 are currently used to calculate the MID. Timeband 6 begins 12 hours

ahead of Gate Closure, and ends 8 hours before Gate Closure. Timeband 1 is the final hour up to Gate Closure, as shown in the diagram below.



Amendments to the MIDS

[BSCP40 'Change Management'](#) details (in section 3.10) the process for reviewing and amending the MIDS. Changes to the MIDS must be approved by Ofgem (the Authority). This Modification Proposal is being used as the vehicle to recommend to the Panel and Ofgem the proposed changes following the 2018 MIDS Review and for Ofgem to approve the changes.

Proposed solution

The 2018 MIDS Review concluded that the MIDPs should include trades made post-Gate Closure and prior to the Submission Deadline. The 2018 MIDS Review recommended amending Timeband 6 weighting from '1' to '0' if changes are made between Gate Closure and Submission Deadline.

Amend BSC Section T 1.5.3(b) (iii)

BSC Section T 1.5.3(b) (iii) defines 'short term' in relation to Market Index Data as a time period in reference to Gate Closure. The proposed solution would replace the reference to 'Gate Closure' with the 'Submission Deadline'.

Amend the MIDS to refer to the Submission Deadline instead of Gate Closure

Update relevant references in the MIDS from 'Gate Closure' to refer to the 'Submission Deadline' instead.

Amend the MIDS to remove Timeband 6 as a weighted Timeband

Set the Timeband 6 from '1' to '0'. This will exclude from the Market Index Data submissions trades made 12 hours ahead of Gate Closure, and ends 8 hours before Gate Closure. Timebands 1-5 (representing 0-8 hours prior to the Submission Deadline) will remain the weighted Timebands.

Amend the MIDS with a number of housekeeping changes

Correcting a number of grammatical and format changes.

Legal text

The proposed changes to the BSC to deliver P377 can be found in Attachment B and the proposed changes to the MIDS can be found in Attachment A.

4 Impacts & Costs

Estimated central implementation costs of P377

The estimated central implementation costs for P377 are approximately £28,000. These comprise of:

- approximately £28,000 for EPEX SPOT to amend its systems to include trades post-Gate Closure in the MID;
- approximately £360 for ELEXON to implement the impacted documents.

No on-going costs have been identified or are expected as a result of the P377 solution.

Indicative industry costs of P377

No industry costs have been identified or are expected in order to implement the P377 solution.

P377 impacts

Impact on BSC Parties and Party Agents

Party/Party Agent	Impact
None	

Impact on Transmission Company

None	
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Impact on BSCCo

Area of ELEXON	Impact
Configuration Management	Implement the changes to the BSC and MIDS.

Impact on BSC Systems and process

BSC System/Process	Impact
None	

Impact on BSC Agent/service provider contractual arrangements

BSC Agent/service provider contract	Impact
Nord Pool	System changes are required – no associated costs
EPEX SPOT	System changes are required – approximately £28,000 to amend its systems with a 5 week lead time

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Impact on Code	
Code Section	Impact
Section T 'Settlement and Trading'	Changing Section T 1.5.3(b)(iii) definition of short term.

Impact on other Configurable Items	
Configurable Item	Impact
Market Index Definition Statement	Amending references to 'Gate Closure' to 'Submission Deadline' and the removal of Timeband 6 as a weighted Timeband, as well as housekeeping changes.

Impact on Core Industry Documents and other documents	
Document	Impact
Ancillary Services Agreements	None
Connection and Use of System Code	
Data Transfer Services Agreement	
Distribution Code	
Distribution Connection and Use of System Agreement	
Grid Code	
Master Registration Agreement	
Supplemental Agreements	
System Operator-Transmission Owner Code	
Transmission Licence	
Use of Interconnector Agreement	

Impact on a Significant Code Review (SCR) or other significant industry change projects
Ofgem confirmed on 13 December that P377 was not in the scope of the three open SCRs, and should be considered exempt.

Impact on Consumers
The day to day operation of Balancing and Settlement would remain unaffected so there would be no direct cost to consumers.

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Impact on the Environment

The MIDS provisions being amended will not have any impact on the environment.

Other Impacts

Item impacted	Impact
None	

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Implementation approach

- **29 March 2019** if the Authority's decision is received on or before **22 February 2019**; or
- **5 weeks** after the Authority's approval if a decision is received after **22 February 2019**.

6 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.	Neutral
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements.	Positive
(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].	Neutral
(f) Implementing and administering 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

Applicable BSC Objective (d)

This Modification would have a positive impact on the efficiency of the implementation of the balancing and settlement arrangements:

- This Modification better facilitates Objective (d), promoting efficiency in the implementation of the balancing and settlement arrangements. This Modification would allow MIDPs to include post- Gate Closure trades in Market Index Data, providing more insight into wholesale trading activity and better reflecting the cost of wholesale electricity in the Market Index Data.

Self-Governance

This proposal should not be treated as Self-Governance as it does not meet the Self-Governance Criteria (as set out in the Transmission Licence and repeated in BSC Annex X-1: 'General; Glossary). Specifically, criterion (a) (ii) as this Modification, if implemented, will alter competition in commercial activities connected with the generation as well as matters relating to the management of the market as it will include additional trades in the Market Index Data calculations, which may be used in the calculation of Parties Imbalance Charges.

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7 Report Phase Consultation Responses

P377 was submitted for Report Phase Consultation on 17 December 2018, with responses due by 5pm Wednesday 2 January 2019.

The Report Phase Consultation did not receive any responses or questions from the Report Phase Consultation. The consultation was active for a standard ten Working Days, and industry were reminded to respond.

The lack of response was expected as P377 had previously been submitted for consultation via the MIDS review process during a four week consultation, as overseen by, the Imbalance Settlement Group (ISG).

8 Recommendations

We invite the Panel to:

- **AGREE** that the P377 Proposed Modification:
 - **DOES** better facilitate Applicable BSC Objective (d).
- **AGREE** a recommendation that the P377 Proposed Modification should be approved;
- **APPROVE** an Implementation Date for the Proposed Modification of:
 - **29 March 2019** if an Authority decision is received on or before **22 February 2019**; or
 - **5 weeks** after if a Authority decision is received after **22 February 2019**.
- **APPROVE** the draft legal text for the Proposed Modification;
- **APPROVE** the P377 Modification Report.

Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
BM	Balancing Mechanism
BSC	Balancing and Settlement
CR	Change Request
ECVAA	Energy Contract Volume Aggregation Agent
ECVNA	Energy Contract Volume Notification Agent
EPEX	EPEX SPOT
ILT	Individual Liquidity Threshold
ISG	Imbalance Settlement Group
IWA	Initial Written Assessment
MID	Market Index Data
MIDP	Market Index Data Provider
MIDS	Market Index Definition Statement
MVRNs	Metered Volume Reallocation Notifications
N2EX	Nord Pool
PN	Physical Notification
RER	Risk Evaluation Register
SAA	Settlement Administration Agent
SCM	Supply Chain Management

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
3	BSC Section T, Settlement and Trading Charges	https://www.elexon.co.uk/bsc-and-codes/balancing-settlement-code/bsc-sections/
3	Market Index Definition Statement	https://www.elexon.co.uk/consultation/mids-review-2018-consultation/

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External Links		
Page(s)	Description	URL
4	P342 – Change to Gate Closure for Energy Contract Volume Notifications	https://www.elexon.co.uk/mod-proposal/p342/

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