

4.7 Issue Form

Issue Form - BSCP40/04	Issue Number <i>(mandatory by BSCCo)</i>
Issue Title <i>(Mandatory by originator)</i> Increased utilisation of non-BM STOR	
Issue Description <i>(Mandatory by originator)</i> <p>The Electricity System Operator (ESO) has contracted significant volumes of non-BM STOR, due to the low availability and utilisation costs currently in the market. These low costs are primarily driven by current arrangements, whereby suppliers who are responsible for the metered unit delivering the service receive an imbalance benefit when that unit provides balancing services to the ESO.</p> <p>The ESO believe that this benefit, referred to as “spill”, may be passed through from the supplier to the balancing services provider. This means the provider could tender in lower service availability and utilisation prices. Ofgem have stated that this situation is unsustainable and have directed that BSC modification P354 and associated changes in the Applicable Balancing Services Volume Data methodology are implemented to correct this in April 2020.</p> <p>Until that time, it is anticipated that non-BM STOR prices will remain depressed.</p> <p>There are two broad areas of concern arising from this:</p> <ol style="list-style-type: none">1. Service visibility: Reduced visibility of non-BM STOR actions, compared to other actions taken in the market, makes it harder for market parties to react to signals in relation to non-BM STOR utilisation.2. Cash-out impacts: Low non-BM STOR prices mean they are often cheaper than some Bids the ESO have accepted, so these actions are arbitrated (taken out of the imbalance price stack) in the Settlement calculation, which has an impact on the imbalance price. There have been times when all accepted Offers in a short market are arbitrated, leaving no prices with which to generate the imbalance price. When this happens, the imbalance price methodology reverts to using the Market Index Price.	
Justification for Examining Issue <i>(Mandatory by originator)</i> The Electricity System Operator has received feedback from stakeholders that increased utilisation of non-BM STOR has adverse impacts on service visibility and cash out.	

<p>Potential Solution(s) <i>(Optional by originator)</i></p> <p>Any solution would have a market impact and we feel the most appropriate way to address this issue is to work with industry to define potential solutions. If a firm need to address this issue is identified by the Issue Group, there are a number of options to reduce the market impacts of increased volumes of non-BM STOR including, but not limited to:</p> <ul style="list-style-type: none"> ○ accelerating implementation of P354 ○ assigning a proxy for spill in the imbalance price calculation. <p>Dependent on the outcome of these discussions there are potential knock-on impacts on the BSC and the C16 statements including the Balancing Principles Statement and Procurement Guidelines.</p>
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