

Market Index Definition Statement (MIDS) Review 2020

BSC Panel

Date of meeting	12 November 2020	Paper number	308/05
Owner/author	Nick Baker	Purpose of paper	For Decision
Classification	Public	Document version	v1.0

Summary	Ellexon 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 Ellexon, the Imbalance Settlement Group (ISG) sought industry views on the current parameters weightings and products used. Following the consultation, the ISG recommended that no change is made to the MIDS.
---------	---

1. Summary

- 1.1 The Market Index Definition Statement (MIDS) defines a set of parameters used to determine the Market Index Price (MIP). Ellexon, on behalf of the Panel, review the MIDS and consult interested parties annually, as required by the Balancing and Settlement Code (BSC). The 2020 MIDS Review can be found in Attachment A to this paper.
- 1.2 Following the 2018 MIDS review, [BSC Modification P377 'Amending Gate Closure references in Market Index Data to include trades up to the Submission Deadline in the Market Index Data Calculations'](#) amended the description of the timebands in the MIDS and removed timeband 6 as a weighted product in Market Index Data (MID). 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.
- 1.3 The 2020 MIDS review indicates that the current Individual Liquidity Threshold (ILT), timeband weightings and product weightings remain suitable.

2. BSC Modification P410 and the future of the MIDS

- 2.1 To comply with the European Balancing Guidelines (EB GL), from 15 January 2022, 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.
- 2.2 As part of the P410 Workgroup, the future of the MIDS is being considered, including whether the requirement for an annual review of the MIDS (in accordance with BSC Section T1.5.4) remains valid.
- 2.3 At its September 2020 meeting ([ISG233](#)), the Imbalance Settlement Group (ISG) agreed with the proposed questions for the 2020 MIDS Review consultation. 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 BSC Parties if the calculation of the MIP was discontinued.

3. ISG Recommendation and Consultation Result

- 3.1 Ellexon issued the MIDS Review Consultation (Attachment A) for a two-week industry consultation period. 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.

- 3.2 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.
- 3.3 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 were shared with the Lead Analyst for P410, so they could be considered as part of any discussion on the future of the MIP in the P410 Workgroups.
- 3.4 The ISG discussed the consultation response at its October 2020 meeting ([ISG234](#)) and recommended that no change is made to the MIDS.

4. Next Step

- 4.1 If the Panel agrees with the ISG's recommendations, Elexon will not change the MIDS and will conduct the next review in 12 months' time.

5. Recommendations

- 5.1 We invite you to:
 - a) **NOTE** the ISG's recommendation; and
 - b) **AGREE** that no change is made to the Market Index Definition Statement (MIDS).

Attachments

Attachment A – Attachment A – MIDS Review 2020 Consultation

Attachment B – MIDS Review 2020 Consultation response

For more information, please contact:

Nick Baker, Product Analyst

nick.baker@elexon.co.uk

020 7380 4337