P467 ‘Enduring solution for cash out price calculation in the event of a Gas Deficit Emergency (GDE)’

ELEXON

Phase

- Initial Written Assessment
- Definition Procedure
- Assessment Procedure
- Report Phase
- Implementation

This Modification would keep P448 ‘Mitigating Gas Supply Emergency Risks’ Bids as they are but remove them from the cash out price calculation. This will ensure that the correct signals are sent to the market during a National Gas Supply Emergency (NGSE) in all scenarios.

Elexon recommends P467 is progressed directly to the Report Phase with an initial recommendation to approve

Elexon does not consider that P467 impacts the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to impact:

- All Trading Parties
- BSC Parties
- Elexon

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About This Document

You can find the definitions of the terms and acronyms used in this document in the BSC Glossary[1].

This document is an Initial Written Assessment (IWA), which Elexon will present to the Panel on **8 February 2024**. The Panel will consider the recommendations and agree how to progress P467.

There are three parts to this document:

- This is the main document. It provides details of the Modification Proposal, the solution, impacts, costs, benefits/drawbacks, proposed implementation approach, and a recommendation of how the Modification should progress.
- Attachment A contains the P467 Proposal Form.
- Attachment B contains the draft redlined changes to the BSC for P467.

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Not sure where to start?

We suggest reading the following sections:

- Have 5 minutes? Read section 1
- Have 15 minutes? Read sections 1, 4, 5 and 6
- Have 30 minutes? Read all sections
- Have longer? Read all sections and the annexes and attachments.

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[1] https://www.elexon.co.uk/glossary/?show=all

1 Summary

Why change?

In 2022, BSC Change Proposal P448 'Mitigating Gas Supply Emergency Risks'[2] was raised by Scottish and Southern Energy under an urgent timetable to protect Generators who load shed from high imbalance prices during a Gas Deficit Emergency (GDE).

P448 was implemented on 7 December 2022, placing a mechanism in the BSC that allows Load Shedding instructions issued during a Stage 2+ Network Gas Supply Emergency to be treated as Accepted Bids for BSC purposes (the status quo).

The Urgent nature of P448 meant that there was not sufficient time to fully consider some of the consequential impacts of implementing P448, so Issue 105 'Further considerations following implementation of BSC Modification P448'[3] was raised to explore scenarios whereby there are issues around gas shortages, and the electricity market is long, and what the subsequent impacts would be on electricity imbalance pricing, otherwise known as 'cash out' prices. The group agreed to look into an interim solution for 2023/24, but National Grid ESO advised that placing resources into an enduring solution would be best use of industry resource.

In a GDE event, the outputs of P448 would essentially supress the cash out prices, leading to the market being unable to correct itself. This would lead to signals being sent causing parties that are short to potentially decide to pay the suppressed cash-out price instead of trading out of their position. It may lead to a higher chance that NGESO may not have enough energy available and cause a demand disconnection event.

Therefore, the Issue 105 group recommended a Modification to the BSC to address this issue. National Grid ESO have now brought forward this enduring Modification to ensure protection for Generators in a Stage Two Gas Supply Emergency to be in place from winter 2024/25.

Solution

The proposed solution would be to keep the Bids as per the status quo but remove them from the Imbalance Price calculation.

It would mean removing the Bids from the System Sell Actions to calculate the Energy Imbalance Prices. It will help ensure that the correct signals are sent to the market during a NGSE in all scenarios; while not removing the intention of P448 to protect the impacted Generator's imbalance position and recovery of reasonable costs.

The prices will be calculated outside of the Settlement Administration Agent (SAA) and then fed into the SAA as a contingency process due to the low expected likelihood of this event happening.

Cash-Out Prices

Cash-out provides a default price for energy generated that is not contracted for. Cash-out is calculated in part from trades taken in the balancing mechanism The balancing mechanism is used by national grid to buy a variety of products The cash-out price tries to create a price just for half hourly energy.

Load Shedding

The goal of load shedding is to prevent a power grid or power source from overloading. Load shedding is a controlled process that responds to unplanned events in order to protect the electricity power system from a total blackout. The System Operator issues Load Shedding Instructions to achieve this. Firm Load Shedding means the reduction or discontinuance of gas to a meter by a Transporter in order to keep the gas transportation network safely pressurized

[2] https://www.elexon.co.uk/mod-proposal/p448/
[3] Issue 105 'Further considerations following implementation of BSC Modification P448' - Elexon BSC

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Impacts and costs

P467 will impact parties that are subject to cash out price calculations:

- Generators;
- Suppliers;
- Virtual Lead Parties; and
- Interconnector Users.

All parties that currently have to pay the Imbalance price will be impacted by this Modification during a GDE due to the exclusion of the GDE Bids in the Imbalance price calculation. This may require a change to price modelling for these parties, if a GDE event occurs they would need to model without the P448 Bids in this scenario.

No impact identified on any BSC systems. If a GDE event occurs, the details and price changes will be published separately or reported to the BSC Panel for transparency.

What is an Urgent Modification?

If the issue highlighted by the Modification needs to be resolved urgently, the Proposer, Elexon or NETSO can request that the Modification be an Urgent Modification. An Urgent Modification can be progressed by a different process and timetable to normal, to cater for the urgent nature of the Modification; this is determined and approved on a case-by-case basis.

Cost Estimates			
Organisation	Implementation (£)	On-going (£)	Impacts
Elexon	100k	1k year	Implementation of price model and changes to BSC Section T. Ongoing maintenance of systems, documents and processes.
NGESO		0	None anticipated
Industry			Potential impact to systems and processes. Costs will be confirmed via the Report Phase Consultation
Total	100k	1k	

Demand Disconnection Event

Demand disconnection is a form of Demand Control used by the System Operator to reduce the consumption of electricity on the system in emergency situations where available “backup” power has already been deployed.

Implementation

This Modification is desired in time for winter 2024/25 and is therefore proposed to be implemented in the Standard June 2024 BSC Release, or the Standard November 2024 BSC Release if this is not possible.

Recommendation

The Modification is proposed to be progressed straight to the Report Phase, as the solution is self-evident and avoids adverse and unintended effects on the market in instances of GDE.

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2 Why Change?

What is the issue?

In 2022, BSC Change Proposal P448 'Protecting Generators subject to Firm Load Shedding during a Gas Supply Emergency from excessive Imbalance Charges' was raised to protect gas Generators who are subject to Firm Load Shedding instructions during a NGSE, to protect them from high Imbalance Charges which could cause them to become insolvent.

This was a direct result of the increase in the likelihood of a NGSE occurring due to the ongoing Russian invasion of Ukraine, meaning that GB Generators were more likely to face high imbalance charges. P448 introduced an interim solution to the problem, which focused on removing imbalance charges from Curtailed Gas Generators, and recovering reasonable costs.

In its P448 Decision Letter (available on P448 webpage), the Authority noted that where the Bids feed into the Imbalance Price calculation, this is likely to reduce the Imbalance Price which could weaken the cash out price signal presented to the market.

What does it mean if a BSC Trading Party is long or short?

BSC Trading Parties accrue an Imbalance Volume in a Settlement Period when there is a difference in the volume of energy that they used, generated and traded during the Settlement Period.

We describe a Party as 'long' when the difference is positive and the Imbalance represents a surplus of energy. A Party is 'short' when the difference is negative and represents a deficit of energy.

What are the unintended consequences for Cash-Out Prices from P448?

Where a BM Unit includes Generation plant which has been notified of a Load Shedding instruction from the Gas System Operator (GSO) during a Stage 2 or 3 Network Gas Supply Emergency (a "gas curtailment"), it is likely that that the BM Unit will be unable to generate, and, if the Generator had already sold that power, the Lead Party (and associated Subsidiary Parties) of the BM Unit would be exposed to a potentially unmanageable Imbalance Charge, especially if the gas curtailment lasts for longer than just a few Settlement Periods. It may lead to a higher chance that NGESO may not have enough energy available and will cause a demand disconnection event.

To mitigate this risk, P448 placed a mechanism in the BSC that allows the Load Shedding instruction to be treated as a type of Acceptance (a Network Gas Supply Emergency Acceptance; NGSEA) which would be settled as a Bid for affected BM Units. The Bids may feed into the imbalance price calculation and will reflect the Generator's contracted position at the point that the Load Shedding instruction was received.

What are Imbalance Prices?

The Imbalance Price is used to settle energy imbalance volumes. At the end of a Settlement Period, BSC Systems compare a Party's contracted (traded) volume with the metered volume of energy used in the Settlement Period. If a Party is in imbalance of its contracted volume, then it will be subject to imbalance charges.

Background

Gas Supply Emergencies

A National Gas Supply Emergency refers to a situation where there's not enough gas available to meet expected demand, which could lead to loss of pressure in the gas network. The Network Emergency Coordinator (NEC) or a gas network can declare a GSE and is required to coordinate the actions of all gas networks during a GSE.

The gas system operator (GSO) is National Grid Gas. In the event of an expected shortfall in available gas, that has a potentially detrimental effect on gas pressures within the pipelines in GB, then this will lead to the GSO, in close cooperation with the NEC, taking

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action in accordance with the Gas Safety Management Regulations[4] to address a significant (gas) safety concern which, at a high level, includes both a Stage 1 and a Stage 2 situation. It is only at Stage 2 that the gas load shedding would be applied to the largest gas users which, in respect of this Modification, concerns gas fuelled Generators in GB.

P448

The purpose of P448 was to protect Generators who are subject to Firm Load Shedding during a NGSE from high Imbalance Charges which could cause them to become insolvent. The Authority agreed that P448 should be progressed on an urgent basis as the war in Ukraine and gas shortages across Europe at the time meant that a NGSE could occur during winter 2022/23 in Great Britain.

To address the risk of very high Imbalance Charges resulting from a NGSE, P448 placed a mechanism in the BSC that allows Load Shedding instructions to be treated as a type of Acceptance (a Network Gas Supply Emergency Acceptance; NGSEA) which would be settled as a Bid for affected BM Units.

During development of the solution, there was not sufficient time to fully consider some of the consequential impacts. The risk that P448 will mitigate was considered to be significant enough that it could progress, with some consequential impacts being considered post implementation.

P448 was implemented in December 2022. Ofgem approved the Alternative Modification.

P448 Bids

P448 introduced the following provisions in the event of a NGSE:

1. Load Shedding instructions issued to gas-fired Generators during Stage 2 or higher (Stage 2+) of a Network Gas Supply Emergency shall be treated for BSC purposes as Bids.

2. Acceptance Data relating to these Bids will be constructed by the NETSO after the event, and entered into Settlement. The Acceptance Data will reflect the impact of the Load Shedding on the affected Generators. For example, in the case of a Generating Unit with its own BM Unit that was instructed not to take any gas for a period of time, the Acceptance would show the BM Unit generating zero MW for the entirety of that period, and then ramping back up to its Final Physical Notification (in accordance with its Ramp Rates and other Dynamic Data).

3. As for any Acceptance, the 'baseline' used to calculate the Bid volume is the Final Physical Notification. The intention of the solution is that this baseline should reflect the contractual position the Generator had entered into prior to receiving the Load Shedding instruction. To facilitate this, Grid Code Modification GC0160 (which is being progressed in parallel to P448) amends the Grid Code rules relating to Physical Notifications, for BM Units subject to Load Shedding within Stage 2 or higher of a Network Gas Supply Emergency.

4. As for other Bids, the Accepted Bid volume will be calculated as the difference between the Acceptance Data and Final Physical Notification. The Lead Party (or Subsidiary Party, in the case of a BM Unit subject to a Metered Volume Reallocation

[4] A guide to the Gas Safety (Management) Regulations 1996. Guidance on Regulations - L80 (hse.gov.uk) https://www.hse.gov.uk/pubns/priced/l80.pdf

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Notification) will therefore be protected from Imbalance Charges on this volume. This has the effect of protecting Generators from Imbalance Charges caused when Load Shedding prevents them from delivering power they sold prior to receiving the Load Shedding instruction.

Issue 105

The Urgent nature of P448 meant that there was not sufficient time to fully consider some of the consequential impacts of implementing P448. The Issue 105 Workgroup was therefore tasked with considering the interactions between P448 and cash out, and consider the following:

- Unintended impacts to Imbalance (henceforth "cash out") Prices;
- Time limiting the P448 solution;
- Whether there is any increased risk of Generator behaviour not in line with 'Good Industry Practice' as a result of P448;
- How the P448 solution interacts with Gas Operating Margins (OM) contracts; and
- If further guidance documentation is required for P448.

Unintended impacts to cash out prices:

The Issue 105 Workgroup considered this topic over the course of five meetings. Discussion focused on whether the P448 Bids should be used when calculating the cash out price in the event of a Stage 2+ NGSE. To aid this discussion, the Workgroup requested that Elexon provide an assessment of how the cash out price might be impacted by different market scenarios depending on whether the P448 Bids were taken into account[5].

The table below outlines the possible scenarios which Elexon presented to the Workgroup. The impacts to the cash out price are based on a number of key assumptions which are outlined in Appendix 1 of the Issue 105 Report. This includes an assumption that market participants would make economically rational decisions in each scenario.

Market scenario	P448 Bids included in the cashout price calculation	P448 Bids excluded from thecash out price calculation
Short market with sudden curtailment	The cash out price will not be impacted for the first 3 settlement periods as gate closure has passed and the P448 Bids will cancel out the more expensive actions of the National Grid Electricity System Operator (NGESO). After that the price will rise in line with	Without the P448 Bids to counterthe more expensive actions of NGESO, the cash out price will rise rapidly before finding a level where parties are aligned on the price

[5] These are possible and plausible scenarios but not a determination of what Elexon or the Workgroup think is likely to happen.

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	parties' expectation of the price that NGESO will pay to keep themarket going. The P448 Bids willhave a limited effect and after a while parties should be aligned in their expectation of what NGESO will pay and therefore the P448 Bids will not have an impact on cash out.	that NGESO will pay to keep the market going.
Short market with rising curtailment	The cash out price will likely already be quite high as parties are anticipating a NGSE. When it happens, the cash out price will be steady for the first 3 settlement periods before rising with parties' expectation of the price that NGESO will pay to keep the market going. The P448 Bids will have a limited effect and after a while parties should be aligned in their expectation of what NGESO will pay and therefore the P448 Bids will not have an impact on cash out.	Without the P448 Bids to counterthe more expensive actions of NGESO, the cash out price will rise rapidly before finding a level where parties are aligned on the price that NGESO will pay to keep the market going.
Long market which remains long	The P448 Bids suppress the cash out price at normal levels due to Net Imbalance Volume (NIV) tagging. If the cash out price is normal, there is little incentive for the market to react to the gas emergency. As a result, there may be a shortage of buyers as the cash out price appears to be at an acceptable level and generation may not come online. This may lead to the market being unable to correct itself and short parties may decide to pay the suppressed cash out price instead of trading out of their position as power prices increase. This will lead to the wrong market signals being sent.	While the market is long, the actions of NGESO will make it go short without the P448 Bids tocounter the more expensive actions of NGESO. The cash outprice will rise rapidly before finding a level where parties are aligned on the price that NGESOwill pay to keep the market going.

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Long market which becomes short as the NGSE progresses	The cash out price will be suppressed while the market is long, but when it goes short, we will see the cash out price rising rapidly to the price that parties expect NGESO to pay to keep the market going. The P448 Bidswill not have much impact in the price.	While the market is long, the actions of NGESO will make it go short without the P448 Bids tocounter the more expensive actions of NGESO. When it goesshort, this will not impact the price and it will settle at the price that parties expect NGESO to pay to keep the market going.

What did Issue 105 Workgroup Recommend?

Having considered the scenarios provided by Elexon, the Issue 105 Workgroup recommend that a Modification be raised to keep the P448 Bids as they are, but not include them in the cash out price calculation.

At the time it was felt a system change would be necessary to remove the Bids from the stack. By using the P448 Bids as normal in the rest of Settlement, there will be no need to make any changes in the cash flow calculations allowing reasonable costs to be recovered from curtailed gas Generators.

This will allow the cash out price to send accurate market signals for all possible scenarios without affecting anything else that was implemented as part of P448.

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3 Solution

Proposed solution

The proposed solution would be to keep the Bids as per status quo but remove them from the Imbalance Price calculation. It would mean removing the Bids from the System Sell Actions to calculate the Energy Imbalance Prices. It will help ensure that the correct signals are sent to the market during a NGSE in all scenarios; while not removing the intention of P448 to protect the impacted Generators imbalance position and recovery of reasonable costs.

The proposed solution is to retain the current BSCP18 'Corrections to Bid-Offer Acceptance Related Data'[6] process for receiving NGSE bids but not include them in the calculation of the imbalance price (SSP,SSB), but keeping them in place for calculating a parties imbalance and recovering reasonable costs

To progress the Modification without delay, this will be done initially by manual workaround using a model of the Imbalance Price calculation. This is estimated at six person days per day of gas emergency. Subsequently a new tool that will be developed as part of this Modification to automate the process and reduce the risk of manual error.

A user will be able to input Bid Offer data into the tool and recalculate the imbalance price for each settlement period; but omitting the NGSE bids as part of this process

This recalculated Imbalance Price will then be inputted into SAA to overwrite what has been calculated by the SAA system in time for the SF run, using the existing BSC Contingency - single imbalance price file (a csv file that already exists for manually changing the imbalance price).

To implement the solution to this Modification within the BSC, amendments will be required to:

- BSC Section T 'Settlement and Trading Charges' Annex T-1 to state that a "System Sell Action" (QSSwj) means, in relation to each BM Unit, an accepted Bid that is not a Network Gas Supply Emergency Acceptance.

Benefits

The Modification would provide security and certainty to Generators who load shed from high imbalance prices during a NGSE. This will also reduce negative impacts to the cash out price as a result of P448 as the market will be sent the correct signals to be able to correct itself, reducing the chance of demand disconnection to give NGESO the best chance to manoeuvre through a difficult period, if so required.

[6] https://bscdocs.elexon.co.uk/bsc-procedures/bscp-18-corrections-to-bid-offer-acceptance-related-data

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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	**Positive**
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	**Positive**
(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 administrating 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 (a)

In respect of the ESO's obligations relating to system balancing, with the associated benefits around security of supply, this change will facilitate the affected Generators continuing to participate in the market and operate for system stability purposes in light of a GDE.

Applicable BSC Objective (b)

The Modification would provide security and certainty to Generators who load shed from high imbalance prices during a NGSE.

This will also reduce negative impacts to the Cash Out price as a result of P448. This will lead to these Generators not being exposed to higher costs, promoting security of supply and efficiency, as well as efficiency in system operation (b).

Applicable BSC Objective (d)

This will makes the management of this via the Balancing and Settlement Code (d) more efficient. This Modification solidifies the arrangements within the BSC around a Gas Deficit emergency and codifies the solution on an enduring basis, giving certainty within BSC arrangements for industry as a whole under section (d).

Implementation approach

The Modification should be implemented by winter 2024/25.

The Proposer recommends an Implementation Date for P467 of the Standard June 2024 BSC Release, or the standard November 2024 BSC Release if this is not achievable.

What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(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

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(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]

(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

(g) Compliance with the Transmission Losses Principle

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- 27 June 2024 as part of the standard June 2024 BSC Release if an Authority decision is received on or before 1 May 2024 or
- 9 November 2024 as part of the standard November 2024 BSC Release if an Authority decision is received after 1 May 2024.

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4 Likely Impacts and costs

Estimated costs of P467

Costs will be assessed during the Report Phase Consultation. However, for those roles we believe will be impacted, we have indicated in the impacts section whether we believe the costs are likely to be high, medium or low based on the following categories:

- High: >£1 million
- Medium: £100-1000k
- Low: <£100k

Implementation costs estimates			
Organisation	Item	Implementation costs (£)	Comment
Elexon	Systems	100k	Implementation of price model.
	Documents	1K	Changes to BSC Section T
	Other		
NGESO	Systems		No cost associated to NGESO
	Other		
Industry	Systems & processes		We are looking to assess the cost incurred by industry during consultation phase
	Total	101k	

On-going costs estimates		
Organisation	On-going costs (£)	Comment
Elexon	1k	Ongoing maintenance of systems, documents and processes.
Industry		We are looking to assess the cost incurred by Industry during consultation phase
Total	1k	

P467 Impacts

Impact on BSC Parties and Party Agents		
Party/Party Agent	Potential Impact	Potential cost
All Trading Parties	They are likely to change their modelling, however this will be confirmed via the industry consultation. No other impact anticipated.	L

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Impact on BSCCo		
Area of Elexon	Potential Impact	Potential cost
Settlement & Insights	Settlement & Insights will be required to manually calculate Imbalance Prices in a tool and update SAA with the new price	M

Impact on BSC Settlement Risks
Since this change does not affect the accuracy of energy volumes, the Performance Assurance Framework (PAF) and Settlement Risks will be unaffected.

Impact on BSC Systems and processes	
BSC System/Process	Potential Impact
None	No impact identified on any of BSC systems. If a GDE event occurs, the details will be published separately or reported to the Panel on price changes for transparency.

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Potential Impact
Any vendor	A suitable vendor will be identified to build the new tool.

Impact on Code	
Code Section	Potential Impact
Section T	Change required under this Modification will be achieved by a simple tweak to Section T Annex T-1 paragraph 1.2(c)(i) by expressly excluding Network Gas Supply Emergency Acceptances from the definition of “System Sell Action”. This will ensure that Network Gas Supply Emergency Acceptances are not being taken into account for the Ranked Sets referred to in Section T Annex T-1 paragraph 2.1 which refer to System Sell Actions.

Impact on Market Wide Half Hourly Settlement (MHHS)
No impact

Impact on EBGL Article 18 terms and conditions
No impact anticipated

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Impact on Code Subsidiary Documents	
CSD	Potential Impact
None	

Impact on other Configurable Items	
Configurable Item	Potential Impact
None	

Impact on Core Industry Documents and other documents	
Document	Potential Impact
None	

Impact on a Significant Code Review (SCR) or other significant industry change projects
We have requested Ofgem to class this Modification as exempt from any open SCRs.

Impact of the Modification on the environment and consumer benefit areas:	
Consumer benefit area	Identified impact
1) Improved safety and reliability Supports system participants during NGSE scenarios	Positive
2) Lower bills than would otherwise be the case	Neutral
3) Reduced environmental damage	Neutral
4) Improved quality of service Reduces risk during a NGSE by providing security and certainty to Generators who load shed from high imbalance prices during this event	Positive
5) Benefits for society as a whole Supports infrastructure during NGSE	Positive

What are the consumer benefit areas?

1) Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?

2) Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?

3) Will this proposal support:
i)new providers and technologies?
ii) a move to hydrogen or lower greenhouse gases?
iii) the journey toward statutory net-zero targets?
iv) decarbonisation?

4) Will this change improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.

5) Are there any other identified changes to society, such as jobs or the economy.

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5. Proposed Progression

In this section, we detail the Proposer's request and our recommendations to the proposed Modification's progression

Progression

We agree with the Proposer and recommend this proposal progresses to the Report Phase and follow the timetable below.

This is on the basis that the solution for the proposed Modification is fully developed and follows directly from previous industry recommendations as part of Issue 105 Workgroup.

We therefore recommend that it should be submitted for a 10WD Report Phase Consultation before the Draft Modification Report is presented to the Panel at its meeting on 14 March 2024.

EBGL Impact

This change proposed in this Modification will have no impact on the EBGL arrangements. The draft legal text does not make any change to any BSC paragraphs that constitute EBGL Article 18 Terms and Conditions as detailed in the Annex F-2 of the BSC, nor does it extend them.

Self-Governance

Our view is that this Modification should not be progressed as Self-Governance because it does not meet the Self-Governance Criteria. This Modification would materially impact sustainable development and ensure security of supply in an event of National Gas Supply Emergency, making it unsuitable for Self-Governance under criteria (b) (iv). It will therefore be sent to Ofgem for decision. The proposed solution would be to keep the Bids as per status quo but remove them from the Imbalance price calculation. It would mean removing the Bids from the System Sell Actions to calculate the Energy Imbalance Prices and ensuring that the correct signals are sent to the market during a National Gas Supply Emergency (NGSE) in all scenarios; while not removing the intention of P448 to protect the impacted generators imbalance position and recovery of reasonable costs
This will be calculated outside of the Settlement Administration Agent (SAA) and then fed into the SAA as a contingency process due to the low expectation of this event happening.
The proposed solution is to retain the current BCSP18 process for receiving National Gas Supply Emergency (NGSE) bids but not include them in the calculation of the imbalance price (SSP,SSB), but keeping them in place for calculating a parties imbalance and recovering reasonable costs
To progress the Modification without delay, this will be done initially by manual workaround using a model of the imbalance price calculation. This is estimated at six person days per day of gas emergency. Subsequently a new tool that will be developed as part of this Modification to automate the process and reduce the risk of manual error.
A user will be able to input Bid Offer data into the tool and recalculate the imbalance price for each settlement period; but omitting the NGSE bids as part of this process
This recalculated imbalance price will then be inputted into SAA to overwrite what has been calculated by the SAA system in time for the SF run, using the existing BSC Contingency - single imbalance price file.

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Timetable

Proposed Progression Timetable for P467	
Event	Date
Present Initial Written Assessment to Panel	8 February 2024
Report Phase Consultation	12 February 2024 – 26 February 2024
Present Draft Modification Report to Panel	14 March 2024
Final Modification Report submitted to Authority	18 March 2024

What are the Self-Governance Criteria?

A Modification that, if implemented:
(a) does not involve any amendments whether in whole or in part to the EBGL Article 18 terms and conditions; except to the extent required to correct an error in the EBGL Article 18 terms and conditions or as a result of a factual change, including but not limited to:
(i) correcting minor typographical errors;
(ii) correcting formatting and consistency errors, such as paragraph numbering; or
(iii) updating out of date references to other documents or paragraphs;
(b) is unlikely to have a material effect on:
(i) existing or future electricity consumers; and
(ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
(iii) the operation of the national electricity transmission system; and
(iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
(v) the Code's governance procedures or modification procedures; and
(b) is unlikely to discriminate between different classes of Parties.

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6. Recommendations

We invite the Panel to:

AGREE that P467 progresses directly to the Report Phase;

- **AGREE** that P467:
    - **DOES** better facilitate Applicable BSC Objective (a);
    - **DOES** better facilitate Applicable BSC Objective (b); and
    - **DOES** better facilitate Applicable BSC Objective (d);

- **AGREE** an initial view that P467 **should not** be treated as a Self-Governance Modification;
- **AGREE** that P467 **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- **AGREE** an initial recommendation to the Authority that P467 should be **approved**;
- **AGREE** an initial Implementation Date of:
    - **27 June 2024** if an Authority decision is received on or before 1 May 2024; or
    - **9 November 2024** if an Authority decision is received after 1 May 2024; but on or before 01 October 2024;
- **AGREE** the draft Legal Text;
- **NOTE** that Elexon will issue the P467 Draft Modification Report (including the draft Legal Text) for a 10 Working Day consultation and will present the results to the Panel at its meeting on 14 March 2024.

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