

18 November 2019

Dear ACER,

ELEXON's response to your public consultation on the proposal made by all Transmission System Operators on the pricing methodology for balancing energy and cross-zonal capacity

ELEXON is the Code Manager for the Balancing and Settlement Code (BSC). We are responsible for managing and delivering the end-to-end services set out in the BSC and accompanying systems that support the BSC. This includes responsibility for the delivery of balancing and imbalance settlement and the provision of assurance services to the BSC Panel and BSC Parties. We manage not just the assessment, but also the development, implementation and operation of changes to our central systems and processes.

Our responses to the questions in the consultation are detailed below. We have only answered those questions where we believed we could add value.

For the avoidance of doubt these views are those of ELEXON Ltd alone, and do not seek to represent those of the BSC Panel or Parties to the BSC.

If you would like to discuss our response in detail, please contact Matthew Roper, matthew.roper@elexon.co.uk.

Yours sincerely,

Matthew Roper
Market Architect

PUBLIC CONSULTATION ON THE PROPOSAL MADE BY ALL TRANSMISSION SYSTEM OPERATORS ON THE PRICING METHODOLOGY FOR BALANCING ENERGY AND CROSS-ZONAL CAPACITY

Q1: Do you agree with the replacement of the term BEPP with MTU?

Firstly we wish to explain our role and interest in this consultation.

ELEXON Limited delivers the electricity balancing settlement, imbalance settlement and related data publication services that are critical to the successful operation of Great Britain's (GB's) current electricity trading arrangements under the national GB Balancing and Settlement Code. We are not a TSO, but we undertake operations that, in some other EU Member States, are undertaken by TSOs.

The views expressed in this consultation response are those of ELEXON Limited alone, and do not seek to represent those of the Parties to the GB Balancing and Settlement Code which we administer.

ELEXON welcomes the ACER changes to promote consistency within terminology and agrees that the term 'Market Time Unit', which has been defined as "the period for which the market price is established or the shortest possible common time period for the two bidding zones, if their market time units are different.", is an appropriate replacement for BEPP.

Q3: Do you agree that the purpose of using balancing energy bids for system constraints should be considered as an update of the CZC?

Q4: Do you agree that the CBMP should reflect actually available CZC at the time of the auction?

Answer to both question 3 and 4:

ELEXON disagrees with the proposed use of balancing energy bids for system constraints should be considered as an update of the CZC as this would lead to system actions (i.e. resolving a system constraint) setting the CBMP and be classed as balancing actions. In addition ELEXON does not support the argument put forward at the stakeholder event that a negative CZC is an updated parameter for balancing actions. ELEXON views an updated negative CZC as the TSO notification of a physical constraint given that SOGL defines 'operational security' and 'constraint' as below:

- (1) 'operational security' means the transmission system's capability to retain a normal state or to return to a normal state as soon as possible, and which is characterised by operational security limits;
- (2) 'constraint' means a situation in which there is a need to prepare and activate a remedial action in order to respect operational security limits;

Therefore by definition resolving a 'constraint' is a system action as it does not pertain to balancing. The ACER proposal would therefore distort CBMP and therefore the local imbalance price as it will no longer represents the real time value of energy (as it would no longer reflect the physical balancing actions taken in that ISP but also system actions) and so could be seen to be in direct contradiction of EBGL Article 44 1(b) "ensure that imbalances are settled at a price that reflects the real time value of energy".

ELEXON supports the TSO Pricing Proposal for a congested (to identify activations) and uncongested (to identify the CBMP) AOF as this ensures that the CBMP is set by Balancing Actions only which in

turn ensures compliance with EBGL Article 44 1(b) "ensure that imbalances are settled at a price that reflects the real time value of energy".

Q5: Do you agree with the proposed approach for pricing SA and DA mFRR bids?

ELEXON remain concerned regarding the notion that a DA mFRR bid can be priced with reference to an ISP that is different to the ISP that the accepted bid energy volume is physically delivered.

This could lead to a distortion of the CBMP which in turn would impact the imbalance price so that it no longer represents the real time value of energy (as it would no longer reflect the physical actions taken in that ISP) and so could be seen to be in direct contradiction of EBGL Article 44 1(b) "ensure that imbalances are settled at a price that reflects the real time value of energy".

We have not an alternate proposal to present but request that any solution be compliant with EBGL Article 44 and ensure that imbalances are settled at a price that reflects the real time value of energy.