

## EBGL Article 52 ISH Amendment Consultation - Response Proforma

NGESO invites responses to this consultation by **17:00 Monday 21<sup>st</sup> June 2021**. The responses to the specific consultation questions (below) or any other aspect of this consultation can be provided by completing the following form. Please note that responses submitted after this time may not be counted.

Please complete this form regarding the proposal titled: **"EBGL Article 52 ISH Amendment Consultation"**. Please return the completed form (word version) to: [balancingservices@nationalgrideso.com](mailto:balancingservices@nationalgrideso.com).

If you have any queries on the content of this consultation, please contact

[balancingservices@nationalgrideso.com](mailto:balancingservices@nationalgrideso.com)

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| <b>Respondent Name</b>  | <b>Peter Frampton</b>      |
| <b>Company Name</b>   | Elxon                      |
| <b>Does this response contain confidential information? If yes, please specify.</b> | No                         |
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| Number | Question   | Response   |
|--------|--|--|
| 1.     | Do you agree with NGESO's proposed text changes to the ISH for EBGL Article 52? Please provide as much additional information as possible. | <p>Yes. We agree with the proposed amendments to the Imbalance Settlement Harmonisation (ISH) statement in respect of the inclusion of prices derived from wholesale market products for the calculation of a Value of Avoided Activation (VOAA).</p> <p>When considering changes to the BSC the primary criteria for assessment are the BSC Applicable Objectives. These objectives include compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency (Objective (e)) and the efficient, economic and co-ordinated operation of the national electricity transmission system (Objective (b)). While the Objectives are ostensibly equal, compliance with relevant legislation is a primary concern when considering the content of the BSC.</p> <p>To that extent, with the ISH forming a legislative requirement and the Market Index Price (MIP) becoming a non-compliant</p> |

element of the system price Modification P410 was required to find a solution to replace the MIP that was in compliance with the ISH.

As you have noted in your consultation, the workgroup and our analysis found that while a change to the MIP was necessary to meet our legal obligations (and to improve the BSC in the context of BSC Objective (e)) it would be detrimental to the efficient operation of the national electricity transmission system (and therefore detrimental in the context of BSC Objective (b)).

The MIP is used in scenarios where no balancing energy bids have been activated, and therefore an imbalance price cannot be calculated from activated bid-offer stacks as it normally would be. The MIP is a price derived from close to real time wholesale market activity, that is to say the most recently traded price for energy for delivery in GB for the settlement period in question. As the MIP is the most recent traded price for volume delivered in a settlement period, and the lack of balancing energy actions in that settlement period can be argued to indicate that there has been no change in prevailing system conditions since the wholesale trading occurred. As the system conditions are likely to have been maintained, it is reasonable to maintain the traded price as the system price.

The system price is designed to incentivise Parties to maintain a position of balance, and avoid the need for ESO balancing actions. In the event that there have been no ESO balancing actions we may deem that Parties are adequately incentivised by the pricing they are exposed to, which would have been the MIP for parties trading in the short term wholesale market and would be known to be the MIP for Parties who were not trading but are operating assets during the Imbalance Settlement Period.

It is our view that replacing the MIP with a price derived from submitted balancing energy bids for the Imbalance Settlement

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|    |  | <p>Period would result in a weaker incentive to balance for Parties, and would introduce additional pricing risk to Parties operating in the GB electricity market. You have highlighted in your consultation our analysis demonstrating the anticipated cashflow distortion of up to £7.5m per year, we should note that this analysis is based on historic data and does not account for anticipated changes in behaviour. This analysis was based on the next-best compliant option for the VOAA identified via the P410 workgroup process and our internal analysis.</p> <p>Given the hypothesised cashflow distortion and anticipated additional costs from pricing risk (which may manifest as higher wholesale pricing) we believe that changing the ISH to include the MIP as a valid component of system price calculations is beneficial to BSC Parties and to consumers of electricity, and we agree with the changes you have proposed.</p> |
| 2. | Do you think NGESO needs to make any more changes that we have not considered? | <p>No. We have reviewed the ISH for potential impacts on the BSC and don't believe any other elements of the BSC are non-compliant. We note that the mechanism for making these changes is available as a result of the current GB-EU trade framework. It may be beneficial to maintain close alignment with EU market arrangements in the event a future GB-EU trade agreement results in closer alignment between the two jurisdictions.</p>  |
| 3. | Do you have any further comments to make regarding this consultation?          | <p>We note that the redlining in paragraph (1) of the 'Whereas' removes reference to 'Commission Regulation (EU) 2017/2195' but keeps reference to the EB Regulation, and that the EB Regulation reference appears throughout the amended ISH.</p> <p>Without the reference to Commission Regulation (EU) 2017/2195 in paragraph (1) of the Whereas 'EB Regulation' loses its meaning in the rest of the text.</p> <p>We believe the text should either continue to refer to Commission Regulation (EU) 2017/2195 or to the appropriate GB Implementing Statutory Instrument relating to that same Commission Regulation.</p>   |

