

CIRCULAR

TYPE & NUMBER ELEXON Circular – EL02870

Date 16 August 2018
To BSC Parties and other interested parties
From BSC Operations
Purpose For information

Incorrect calculation of the Market Index Data by data providers

What is happening?

ELEXON has identified that both Market Index Data Providers (MIDPs) have not calculated the Market Index Price (MIP) and Volume according to the [Market Index Definition Statement](#) (MIDS) and [BSC Section T.1.6](#). This issue has occurred since the implementation of [Modification P342](#) 'Change to Gate Closure for Energy Contract Volume Notifications' on 2 November 2017.

P342 changed the deadline for Parties to submit Energy Contract Volume Notifications from Gate Closure (GC), one hour ahead of the Settlement Period to the new Submission Deadline at the start of the Settlement Period. Both of the MIDPs EPEX Spot SE and Nord Pool AS adjusted to the Submission Deadline. No change was expected to the Market Index Data calculations.

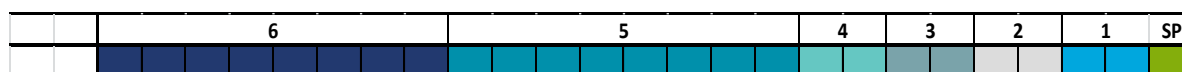
The time period for the qualifying trades is broken down into six timebands of varying duration. The correct use is demonstrated in Figure 1 below where timebands 1-6 represent 0 to 12 hours prior to GC, or 1-13 hours before start of the Settlement Period (delivery period). Please note that timebands 1, 2, 3 and 4 are one hour each and timebands 5 and 6 are four hours each (i.e. eight Settlement Periods).

Figure 1 - Timebands - correct definitions



Figure 2 below illustrates how the MIDPs have moved the timebands forward an hour - so that the GC Settlement Periods (marked in red in Figure 1) are now timeband 1 and all other timebands have moved forward by 1 hour. This would represent 0-12 hours prior to the Settlement Period.

Figure 2 - Timebands - incorrect definitions



How is the price used?

ELEXON use the MIP for specific defaulting situations in the Imbalance Price calculation. These situations include having a Net Imbalance Volume (NIV) of zero or having no Unflagged System Actions in the stack to set the Replacement Price. In the event that the MIP is needed and no data is available, the default price applied is zero.

When will the MIDPs correct the calculation?

Both MIDPs have developed and tested software changes to their systems in order to correct the timeband calculations. EPEX has made a correction today at Settlement Period 26. N2EX expects to make the correction on 21 August 2018. Note that N2EX data for the qualifying trades is limited and was zero in 99.2% of Settlement Periods across the nine month period. The delay to correction is unlikely to have a significant impact.

How will I be affected?

The frequency of the incorrect MIP impacting System Prices is limited due to the specific scenarios in which it is used. The period 2 November 2017 to 30 July 2018 had 401 Settlement Periods (3% of Settlement Periods) that would have had a different price in Settlement. The average price change for affected Settlement Periods is £0.51, with the largest increase of £70.60 and decrease of £46.99. (Note that the issue extends into August and a further assessment will be performed as data becomes available).

The impact on Trading Charges has been estimated and the maximum payable amount by a single BSC Party is £12,500. The absolute deltas are grouped in the table below for Trading Charges over £500 across the period to 31 July 2018.

Please contact [Market Operations](#) if you require your own Party's estimated impact.

Trading Charges Delta	Parties Impacted
£10,000-16,000	6
£5,000-10,000	8
£1,000-5,000	28
£500-1,000	21

The MIDS requires MIDPs to promptly recalculate and resubmit the Market Index Data for the relevant Settlement Period(s) and Settlement Day(s) where an error or change affects the underlying data of previously submitted Market Index Data. The Settlement Administration Agent (SAA) will operate prescribed BSC processes and use the revised Market Index Data as the Settlement Runs are reconciled as per [BSCP01](#) and the SAA [Service Description](#). Trading Charges will be reconciled as the Settlement Runs fall due and not in one go.

A modelled calculation of both the Market Index Prices and System Prices is available for [download](#). This will be replaced with actual Market Index Prices once all of the Market Index Data is re-submitted and August 2018 prices will also be provided as data becomes available.

How are prices corrected?

Once the MIDPs have sent corrected Market Index Data, the SAA will correct its calculations and use of Market Prices and System Prices as part of forthcoming, scheduled Settlement Runs. The SAA will publish the outcomes of its recalculations in Settlement flows (SAA-I014) as part of the reconciliation process.

Incorrect Market Index Prices and Volumes currently published on the ELEXON Portal will be corrected as the SAA performs its reconciliation Settlement Runs.

The Balancing Mechanism Reporting Agent (BMRA) currently displays the incorrectly calculated Market Prices, Market Index Prices and Volumes. The BMRA will not re-run indicative Settlement calculations on any impacted Settlement Periods. Therefore, prices posted on the [BMRS website](#) will not be updated retrospectively.

What checks are in place for data quality?

As part of the annual MIDS Review, each August ELEXON reviews data from the MIDPs detailing the base trades used to determine Market Index Price and Volume. In this year's review ELEXON identified the discrepancy in modelling the price and volume.

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Monthly checks of MIDPs' data have been implemented following this issue with a view to providing the industry with greater assurance over the accurate operation of this process going forward. Further, testing is carried out over this data every two years as part of the BSC Audit and is due to be carried out again in March 2019.

Do I Need to Take Any Further Action?

No action is required for BSC Parties relating to Trading Charges. Trading Charge calculations will be corrected at the next available Reconciliation Settlement Run. No Settlement Dates have passed the Reconciliation Final (RF) Settlement Run and therefore a Trading Dispute has not been raised.

For more information on this circular, please contact ELEXON [Market Operations](#).