

SUSPENSION OF NOMX SPOT AND PROMPT MARKETS

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Purpose of paper Information

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Summary The reverse Energy Imbalance Price is calculated using Market Index Data from two providers which reflect the price and volume of spot products. One provider, NASDAQ OMX Stockholm AB (NOMX) has suspended their spot and prompt markets from 1 April 2014. The provider has continued to submit zero data to ELEXON to date and will continue to do so until it restarts market trading.

1. Background

- 1.1 The Market Index Definition Statement (MIDS) defines the way the Market Index Price (MIP) is calculated, and this is used to determine the 'reverse' Energy Imbalance Price. The MIDS specifies the Market Index Data Providers (MIDPs) and outlines a set of principles applying to threshold and weighting parameters, set to determine the data included in the price calculation.
- 1.2 Data is received from the MIDPs every half hour to calculate the reverse Energy Imbalance Price for publication on the BMRS shortly after the end of each Settlement Period. The data includes a price and volume which, subject to the volume being at least 25MWh, will be used to calculate a price. With two power exchanges the minimum volume applies individually to each exchange and then a volume weighted average is used.

2. Suspension of NOMX spot and prompt markets

- 2.1 From 1 April 2014 NOMX suspended their spot and prompt markets. The markets are planned to re-launch later this year. In addition N2EX Clearing and Operations will transfer from NOMX to Nord Pool Spot. This requires two areas of consideration for ELEXON, the documentation associated with NOMX as a MIDP and the data submissions.
- 2.2 NOMX¹ provided the following update to ELEXON.

'Both companies have now come to an agreement on the sale of the N2EX clearing business from NASDAQ OMX Stockholm AB to Nord Pool Spot effective from 1st October 2014 meaning that Nord Pool Spot will own 100% of N2EX from this date onwards and will utilise all existing systems used to nominate MID data as previously used by NASDAQ.'

The suspension of the spot and prompt markets from 1st April was a condition of the sale and since the markets have not been liquid in recent months the impact to market participants was deemed minimal.

Nord Pool Spot will re-launch the intraday market later this year but the N2EX prompt (2-6 days prior to delivery) will remain closed due to the lack of customer demand for this service. N2EX continues to

¹ N2EX is the UK power market jointly operated by NASDAQ OMX Commodities AB & Nord Pool Spot AS

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operate the most liquid day ahead auction, and since the MIDS was updated at the last review to include an auction product we feel it's important that the agreement stay in place to ensure that should the weighting of the auction product ever be increased from 0 the data you receive is reflective of the trading activity taking place in the UK near term market.)'

3. Updating MIDP documentation

- 3.1 The MIDP contract and MIDS will need to be updated to reflect the transfer from NOMX to Nord Pool Spot. ELEXON will amend the contract, and is in discussion with Nord Pool Spot to progress changes. A change to the MIDS will be managed through BSCP40 - Change Management. This will include a 10 working day industry consultation, followed by approval from the BSC Panel and the Authority.

4. Reverse Price Calculation

- 4.1 Historically the Market Index Data from NOMX has rarely met the liquidity threshold. Reviewing data for the last six months of trading shows that only 14 Settlement Periods had volumes which were 25MWh or over. On these occasions the data was used to calculate the reverse Energy Imbalance Price.
- 4.2 NOMX has confirmed it will continue to submit '0' files until the market restarts later this year. This will have no impact on the systems or the reverse price calculation.
- 4.3 The reverse price continues to be calculated using the Market Index Data from APX Commodities Ltd (APX) which has sufficient liquidity to meet the threshold in all Settlement Periods over the previous year.

5. Annual Market Index Definition Statement Review

- 5.1 ELEXON review the MIDS annually, presenting analysis to the Imbalance Settlement Group in August prior to consultation with industry. Responses are presented back to the ISG in September and a recommendation is made by ISG to the Panel in October.
- 5.2 The suspension of NOMX markets has does not impact the review process.

6. Electricity Balancing Significant Code Review

- 6.1 Ofgem has published its final policy decisions on the Electricity Balancing Significant Code Review. Subject to BSC Modification and implementation processes, changes are expected to be implemented in November 2015 to move to a single price calculation. This may result in the MIDS process becoming redundant and the termination of MIDP contracts.

7. Recommendations

- 7.1 We invite you to:
- a) **NOTE** the information provided in this paper.
 - b) **NOTE** that a change to the MIDS will be required to change the current MIDP NASDAQ OMX to Nord Pool Spot.

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