

# 245/07 – MARKET INDEX DEFINITION STATEMENT (MIDS) REVIEW 2015

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**MEETING NAME** BSC Panel Meeting

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**Date of meeting** 8 October 2015

**Paper number** 245/07

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**Purpose of paper** Decision

**Classification** Public

**Summary** We have carried out the review of the Market Index Definition Statement (MIDS) as required annually by the BSC. After considering the data analysis, the Imbalance Settlement Group (ISG) sought industry views on the current parameters weightings as well as the use of the MIDS following the implementation of Modification P305 in November 2015. After considering the consultation responses and potential cost of the change to industry systems and contracts, the ISG recommended that no change is made to the MIDS and that an Issue Group should be set up to discuss its future.

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## 1. Summary

- 1.1 The Market Index Definition Statement (MIDS) defines the way the Market Index Price – used to determine the ‘reverse’ Energy Imbalance Price – is calculated. We review the MIDS and consult interested parties annually, as required by the Balancing Settlement Code (BSC).
- 1.2 The MIDS defines a set of parameters used to determine the data included in the price calculation. Our review showed that the current Individual Liquidity Threshold (ILT), timeband and product weightings remain suitable.
- 1.3 Looking forward, the calculation of Imbalance Prices will rarely use the Market Index Price (MIP) following the implementation of Approved Modification [P305 ‘Electricity Balancing Significant Code Review Developments’](#) on 5 November 2015. Because of that, we believe the industry should discuss alternative data and price calculation methods via an Issue Group.
- 1.4 Following initial review by the ISG, we issued an industry consultation. This invited BSC Parties and other interested parties to provide their views on the use of the MIDS following the implementation of P305. Four responses were received as provided in Attachment B.

## 2. Consultation Responses

- 2.1 Two respondents believed that the current Individual Liquidity Threshold (ILT), timeband weightings and product weightings are suitable and should remain the same. Another respondent believed the timeband weighting could be changed to reduce the influence of product 4 on the Market Index Price (MIP). The respondent added that the ILT, the liquidity volume required to set the Market Index Price, could be reduced from its current value of 25MWh to potentially remove the risk of liquidity default.
- 2.2 Three respondents believed the MIDS will remain appropriate in its current form. They highlighted the use of the Market Index Price by BSC and Non-BSC Parties as an independent source of market prices. Two of the respondents added that the Market Index Price was also used under the Connection use of System Code (CUSC) operated by National Grid as a reference price for the determination of a number of compensation

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payments. In general the industry would like to keep the MIDS for its MIP, any change or removal would require up to two years notice.

- 2.3 One of the MIDPs, Nord Pool Spot, as the operators of the N2EX market, currently provides MIDP services to the BSCCo at zero cost and noted that they will continue to do so post implementation of Modification P305. This MIDP currently provides data for the Day Ahead Auction.
- 2.4 The full responses are provided in Attachment B to this paper.

## 3. ISG Discussion

- 3.1 Having considered the consultation responses at its September meeting, the ISG recommended that no change should be made to the MIDS. The ISG noted the suggestion to amend the ILT and the removal of timeband 6 from the calculation. This would better meet the MIDS principles; however there is no strong argument for change. Furthermore, in light of Approved Modification P305, changing the MIDS parameters at this stage would add cost to Parties in making changes to their systems and contracts with minimal benefit.
- 3.2 The ISG agreed that an Issue Group could review the options available to set the Imbalance Price in the event that the Net Imbalance Volume (NIV) would equal zero. This would also consider the future of the MIDS and ideally would feed in to the next MIDS review.

## 4. Next Step

- 4.1 In light of Approved Modification P305, APX Commodities Ltd, which provides the full suite of MIDP data (Day Ahead Auction and within day products) has offered to reduce the MIDP service cost by circa. 40%. A contract change will be progressed and become effective from 1 April 2016.
- 4.2 If the Panel agrees with the ISG's recommendations, ELEXON will set up an Issue Group to discuss the future of the MIDS. The MIDS will not be changed at this stage and the next review will be carried out in 12 months' time.
- 4.3 If the Panel decides to amend the MIDS, the decision will go to the Authority for approval. ELEXON will then draft a revised MIDS for implementation on 1 April 2016.

## 5. Recommendations

- 5.1 We invite you to:
  - a) **NOTE** the ISG's recommendations;
  - b) **AGREE** that no change is made to the Market Index Definition Statement (MIDS); and
  - c) **AGREE** that an Issue Group is set up to discuss the price to apply when Net Imbalance Volume equals zero.

## Attachments

Attachment A – ISG173/03 Market Index Definition Statement Review 2015 – Consultation Responses

Attachment B – Consolidated Consultation Responses

### For more information, please contact:

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