

MARKET INDEX DEFINITION STATEMENT (MIDS) REVIEW 2015 – CONSULTATION RESPONSES

MEETING NAME Imbalance Settlement Group

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Purpose of paper For Decision

Classification Public

Summary Following the previous ISG meeting, we issued the MIDS review paper for industry consultation. This year we also sought views on the use of the MIDS following the implementation of [Modification P305 'Electricity Balancing Significant Code Review Developments'](#) in November 2015. The Modification will mean that the Market Index Price is rarely used as the System Price. This paper presents the responses received from the consultation. We invite the ISG to make its final recommendations to the BSC Panel.

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. 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.
- 1.3 At its August 2015 meeting, the ISG agreed with the proposed questions in the consultation proforma and added additional details to some of them. BSC Parties and other interested parties were invited to respond to the questions noted in the table below. The MIDS consolidated consultation responses are included in Attachment A.
- 1.4 We invite you to consider the consultation responses and recommend to the BSC Panel that the MIDS parameters should not be changed at this stage. We also invite you to recommend the creation of an Issue Group to consider the future of the MIDS.

2. Consultation Responses

Question	Yes	No	No Comment
The ILT should remain at 25 MWh. Do you agree with this?	2	1	1
Currently timebands 1 - 6 are weighted '1', which cover 12 hours to Gate Closure. Do you agree with the current product weightings?	2	1	1

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Currently products H, 1, 2 and 4 are weighted '1' meaning only these products are included in the calculation of Market Index Price. Do you agree with the current product weightings?	3	-	1
Considering that the provision of the MIDS currently costs circa £330,000 (plus operational costs) to BSC Parties, do you think it will remain appropriate in its present form following the implementation of Modification P305 'Ofgem Electricity Balancing Significant Code Review (EBSCR)' in November 2015?	3	-	1
	Comments Provided		
If the MIDS was to be changed, how could it be changed and if it is to be removed, what notice period would you require to potentially switch to an alternative source of data? Further, what alternative source of market index data could ELEXON/you use?	4		
Do you have any further comments regarding this year's MIDS review?	2		

- 2.1 Two respondents believed that the current Individual Liquidity Threshold, timeband weightings and product weightings are suitable and should remain the same. Another respondent believed the timebands weighting could be changed to reduce influence of product 4 on the Market Index Price. The respondent added that the ILT could be reduced to 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 payments.
- 2.3 Regarding alternative sources of data available, two of the respondents answered that, although alternatives exist or could be developed, they could carry a cost which needs to be considered before removing the MIDS.
- 2.4 One of the respondents asked for a notice period of 12 months prior to changing the MIDS whilst another required a minimum of two years notice to change contracts and systems. A third respondent answered that, if a formal CUSC modification needed to be raised due to a change of the MIDS, a notice period up to 18 months will be required to prepare the change.
- 2.5 One respondent noted that the Day Ahead Auction product could be used as alternative source of data to set the Market Index Price as it is already used by a range of market participants for the Electricity Market Reform (EMR) Contract for Difference (CfD).

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- 2.6 One respondent added that the current changes already happening in the industry should have priority over the future of the MIDS review. Moreover, respondents highlighted that all parts of the industry using the MIDS as a reference need to be uncovered before any decision to remove it is made.
- 2.7 Nord Pool Spot as the operator of the N2EX market noted that they would continue to provide Market Index Data Provider (MIDP) services to the BSCCo at zero cost. The full responses are included as Attachment A.

3. Recommendations

- 3.1 We invite you to:
- a) **NOTE** the consultation responses presented in this paper; and
 - b) **RECOMMEND** to the BSC Panel that an Issue Group should be set up to formally assess the future of the MIDS.

Attachments

Attachment A – Consolidated consultation responses

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