

P334 'Inclusion of Non-BM STOR costs and volumes into the cashout price in time for publication after the end of the Settlement Period'

Non-BM STOR data is currently included in the initial estimated BSAD used to calculate cashout prices following a Settlement Period. Individual items in the BSAD are not currently identified in the BSC. P334 would specify in the BSC that Non-BM STOR data is included in the initial BSAD.



ELEXON recommends P334 is progressed directly to the Report Phase with an initial recommendation to reject

This Modification is expected to have no impact on any Parties or other participants.

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About This Document

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 11 February 2016. The Panel will consider the recommendations and agree how to progress P334.

There are two parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress, including the Workgroup's proposed membership and Terms of Reference.
- Attachment A contains the P334 Proposal Form.



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1 Why Change?

Background

The Balancing Service Adjustment Data (BSAD) methodology sets out information on relevant balancing services that will be taken outside of the Balancing Mechanism (BM) to balance the system, and how they will be taken into account under the Balancing and Settlement Code (BSC) for the purposes of determining Imbalance Prices. The BSAD is owned by National Grid, and may only be modified in accordance with the processes set out in Standard Condition C16 of the Transmission Licence.

The BSC requires the Transmission Company to submit its best estimate of BSAD in relation to a Settlement Period as soon as reasonably practicable after Gate Closure for, and in any event not later than the end of, that Settlement Period. The complete BSAD must then be submitted the next day.

The prices and volumes of non- Balancing Mechanism (BM) Short Term Operating Reserve (STOR) actions are included in both of these submissions.

Initial Cash out price

For every settlement period an initial cash out price is created. This initial cashout price is based upon data sent to the BMRA (including the estimate of BSAD) who calculates and publishes the price.

This initial price is replaced by another price that contains more accurate volumes and data (including the actual BSAD), 5 working days later as part of the ii settlement run.

What is the issue?

The BSC does not currently specify each Balancing Action included in the BSAD. It merely states that the Transmission Company are obligated to submit estimated BSAD data as soon as reasonably practicable after Gate Closure; and actual BSAD the next day.

The Proposer would like to place a specific requirement on the Transmission Company to provide its best estimate of non-BM STOR volumes and costs as part of its initial submission of Balancing Services Adjustment Data by the end of the relevant Settlement Period.

2 Solution

Proposed solution

P334 would place a specific requirement on the Transmission Company to provide its best estimate of non BM STOR volumes and costs as part of its initial submission of BSAD by the end of the relevant Settlement Period.

Applicable BSC Objectives

Objective (b)

The Proposer believes that the current arrangements can cause uncertainty in the cashout price because non BM STOR is not included in cashout in a timely manner, which causes changes in the cashout price published 15 minutes after the end of the Settlement Period to the price in the WD+5 II Settlement Run.

The Proposer contends that P334 would reduce the incidence of changes to the price, increasing confidence in the accuracy of the cashout price published at the end of the Settlement Period and enabling market participants to better value trades ahead of gate closure. The Proposer believe that this better facilitates Objective (b) because the number of actions that the System Operator has to take after Gate Closure to balance the System will be reduced, facilitating the efficient, economic and co-ordinated operation of the GB Transmission System.

Objective (c)

The Proposer believes that P334 would better facilitate Objective (c) because the whole market would have access to the same information. They contend that the current arrangements could disadvantage smaller players because they may have less resource to devote to predicting the impact that non-BM STOR will have on the cashout price.

Objective (d)

The Proposer also believes that reducing the incidence of cashout price changes promotes greater efficiency in the implementation and administration of the balancing and settlement arrangements, facilitating Objective (d).



What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

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Recommendation to Reject

ELEXON recommends that P334 is progressed directly to the Report Phase with an initial recommendation to reject.

The BSC currently requires the Transmission Company to send initial estimated BSAD by the end of a Settlement Period, and complete BSAD the following day. The BSAD Methodology Statement currently specifies that the non-BM STOR volumes and prices are included in the estimated BSAD submission.

We believe that specifically stating in the BSC that one element of BSAD is required in the estimated BSAD submission would not add any additional value. National Grid are currently obligated to send the non-BM STOR data and would continue to be obligated to do so following the implementation of P334.

The additional clarification in the BSC that non BM STOR data is required as part of BSAD would not provide any increased incentive on National Grid to meet an existing obligation.

In addition, we also believe that specifying some elements of BSAD in the BSC is not efficient, since if the BSAD is changed or updated then the BSC must also be updated. It also has the potential to lead to inconsistencies and creation of confusion within the market as to the definitive source of BSAD information (as with any situation where identical lists of data or requirements exist in multiple areas).

It should be noted that our understanding is that this was not the Proposer's intention in raising P334. Our understanding is that the Proposer believed that the BSAD Methodology Statement did not require the non BM STOR data to be submitted as part of the initial estimated BSAD, so the Modification was intended to place a new requirement on the Transmission Company. It was not possible to clarify the situation before the Modification Proposal was formally submitted and raised.

Should Self-Governance apply?

Since P334 has potential interactions with the BSAD Methodology Statement which is amended in accordance with C16 licence conditions, we believe that P334 is not suitable for the self-governance arrangements and should be considered by the Authority, which oversees the governance of these documents.

Applicable BSC Objectives

In our view P334 has the following impact on the Applicable Objectives:

Objective (a), (b) and (c) – Neutral

Since there is currently an obligation on the Transmission Company to provide this data as part of the estimated and actual BSAD, Parties would see no difference in how the initial cashout price and the II Settlement Run cashout price are calculated. There would therefore be no impact on cashout prices or how Parties react to them.

Equally there would be no impact on the Transmission Company as the obligation already exists.



What is the Self-Governance Criteria?

A Modification that, if implemented:

- (a) is unlikely to have a material effect on:
 - (i) existing or future electricity consumers; and
 - (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
 - (iii) the operation of the national electricity transmission system; and
 - (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
 - (v) the Code's governance procedures or modification procedures; and
- (b) is unlikely to discriminate between different classes of Parties.

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Objective (d) – Detrimental

Duplicating elements of BSAD Methodology Statement in the BSC could lead to inconsistencies and would require Modifications to the BSC if changes are made to the BSAD (and vice versa if changes to the BSC impact BSAD) to keep the documents consistent.

It could also create confusion with respect to the processes for amending the BSAD or BSC and in relation to which document takes precedence.

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4 Likely Impacts

Impact on BSC Parties and Party Agents

Party/Party Agent	Potential Impact
All Parties and Party Agents	None

Impact on Transmission Company

None

Impact on BSCCo

Area of ELEXON	Potential Impact
Change Management	Maintaining consistency with BSAD statement after each annual review

Impact on Code

Code Section	Potential Impact
Section Q	Clarify what is in BSAD

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5 Recommendations

We invite the Panel to:

- **AGREE** that P334 progresses directly to the Report Phase;
- **AGREE** that P334 **DOES NOT** better facilitate Applicable BSC Objective (d);
- **AGREE** an initial recommendation that P334 should be **rejected**;
- **AGREE** an initial Implementation Date of 10 Working Days after an Authority decision is received;
- **AGREE** the production of draft legal text; and
- **NOTE** that ELEXON will issue the P334 draft Modification Report (including the draft BSC legal text) for a 12 Working Day consultation and will present the results to the Panel at its meeting on 10 March 2016.

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Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronym	
Acronym	Definition
BM	Balancing Mechanism
BSAD	Balancing Service Adjustment Data
BSC	Balancing and Settlement Code
STOR	Short Term Operating Reserve

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