

## Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

## P333 'Inclusion of DSBR volumes into the cashout price in time for publication after the end of the Settlement Period'

P333 contends that not including DSBR volumes in the imbalance price until the II Settlement Run may result in misleading signals to market participants. P333 requires the Transmission Company to provide its best estimate of DSBR volumes as part of its initial submission of BSAD.



The BSC Panel recommends **approval** of P333

This Modification is expected to impact:

- Transmission Company
- ELEXON



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## About This Document

This is the P333 Final Modification Report, which ELEXON has submitted to the Authority on behalf of the BSC Panel. It includes a summary of the Workgroup's assessment, the Panel's full views and the responses to both the Workgroup's Assessment Consultation and the Panel's Report Phase Consultation. The Authority will consider this report and will decide whether to approve or reject P333.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach. It also summarises the Workgroup's key views on the areas set by the Panel in its Terms of Reference, and contains details of the Workgroup's membership and full Terms of Reference.
- Attachment A contains the approved redlined changes to the BSC for P333.
- Attachment B contains the full responses received to the Workgroup's Assessment Procedure Consultation.
- Attachment C contains the full responses received to the Panel's Report Phase Consultation.

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P333  
Final Modification Report

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Version 0.1

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## Why Change?

The Proposer notes that the imbalance price (also known as the cash-out price) is intended to provide a principle incentive for industry participants to balance out demand and supply across the market in the short term. In order to provide this incentive, imbalance prices need to be accurate in the short term to form appropriate and timely signals of scarcity to the market.

The P333 Proposer believes that [P305 'Electricity Balancing Significant Code Review Developments'](#) introduced potentially unpredictable imbalance prices into the market. They contend that this, coupled with Demand Side Balancing Reserve (DSBR) being priced at the Value of Lost Load (VoLL) (£3000/MWh) may lead to a very large positive change in imbalance prices in the Interim Information (II) Run compared to what is reported at the end of a Settlement Period (the indicative imbalance prices).

The Proposer notes that the use of DSBR can also create an expectation that prices will rise to £3000/MWh which, because of the Net Imbalance Volume (NIV) tagging process, may not happen. The Proposer contends that the five-day delay in including DSBR volumes in the imbalance price may result in misleading real-time signals being made to market participants; leading to sub-optimal trading decisions on days when scarcity is apparent.

## Solution

P333 aims to place a specific requirement on the Transmission Company to provide its best estimate of DSBR volumes as part of its submission of Balancing Services Adjustment Data (BSAD) in time for the Balancing Mechanism Reporting Agent (BMRA) to include it in the calculation of indicative imbalance prices.

## Impacts

P333 will impact the Transmission Company and ELEXON. There are no anticipated impacts to BSC Parties or Party Agents due to the implementation of this Modification.

## Implementation

The Panel recommends an Implementation Date of:

- **3 November 2016** if an Authority decision is received on or before 3 August 2016; or
- three calendar months after a decision, if received after 3 August 2016.

## Recommendation

The Panel's **majority** view is that P333 better facilitates Applicable BSC Objectives (b), (c) and (d) and therefore initially recommends that P333 should be **approved**.

## 2 Why Change?

### Background

Balancing services are used by the Transmission Company in its role as System Operator (SO) to balance supply and demand in real time. These are also used in the calculation of imbalance prices.

### Demand Side Balancing Reserve

In December 2013, Ofgem published its decision to accept an application by the Transmission Company to introduce the new balancing service DSBR.

The DSBR service is aimed at non-domestic consumers with the ability to reduce demand/load-shift or run small embedded/on-site generation for at least an hour during a winter evening peak period. This enables the SO to ask large energy users with DSBR contracts to reduce their demand in exceptional circumstances, and remunerates them for doing so.

DSBR is a balancing service that can only be called upon between 16:00 – 20:00 (Settlement Periods 33-40) on Working Days between November and February.

### Balancing Service Adjustment Data

The [BSAD Methodology Statement](#) sets out information on relevant balancing services that are used outside of the Balancing Mechanism (BM) to balance the system and are taken into account under the BSC for the purposes of determining imbalance prices.

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. This is so BSAD can be used in the BMRA's calculation of an indicative System Price, which must be published within 45 minutes of the end of a Settlement Period.

The BSC requirement (V2.3.3) is that the price must be published within 45 minutes of the end of a Settlement Period. However, in practice the calculation is triggered 20 minutes after the end of the Settlement Period.

The BSC also requires the Transmission Company to submit the actual BSAD the following day. This is known in the BSAD Methodology Statement as "post event re-submission". This post event re-submission ensures that the Settlement Administration Agent's (SAA) calculation of System Prices uses the actual volume(s) of BSAD when calculating a final System Price.

The BSAD Methodology Statement 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. National Grid is required to annually consult on the C16 statements, which includes the BSAD Methodology Statement. As a result of discussions under [Issue 56 'Treatment of the new SBR and DSBR services in the imbalance price'](#), and as part of their annual consultation, the BSAD Methodology Statement was amended to include DSBR volumes in its determination of BSAD (BSAD Methodology Statement v12, effective 5 November 2015, available on the [Transmission Licence C16 Statements page](#) of the National Grid website).

## Current Arrangements

### Initial imbalance price

The BMRA calculates and publishes an indicative imbalance price for every Settlement Period based on the data sent to it. This initial price is replaced by an improved imbalance price that contains more accurate volumes and data five Working Days later, as part of the II Run.

The initial estimate of BSAD from the Transmission Company (required by the end of the Settlement Period, but in practice submitted shortly after gate closure) is used in the BMRA's calculation of the initial imbalance price. Currently, the DSBR volumes are not included in the initial estimate of BSAD.

The BSAD Methodology Statement specifies that DSBR actions will feed into the post event re-submission BSAD issued the next day. Therefore the information in the revised BSAD is used in the II Run imbalance price five Working Days later.

Under implemented Modification [P323 'Enabling inclusion and treatment of SBR in the Imbalance Price'](#) it was argued that a forecast DSBR volume should be included in the initial estimate of BSAD. However, the inclusion of DSBR in the initial BSAD was not possible because of the risks associated with the only potentially feasible approach of making manual interventions to an existing automated process in short timescales (and potentially out of normal Working Hours).

### What is the issue?

The Proposer notes that the imbalance price (also known as the cash-out price) is intended to provide a principle incentive for industry participants to balance out demand and supply across the market in the short term. In order to provide this incentive, imbalance prices need to be accurate in the short term to form appropriate and timely signals of scarcity to the market.

The P333 Proposer believes that [P305 'Electricity Balancing Significant Code Review Developments'](#) introduced potentially unpredictable imbalance prices into the market. They contend that this, coupled with Demand Side Balancing Reserve (DSBR) being priced at the Value of Lost Load (VoLL) (£3000/MWh) may lead to a very large positive change in imbalance prices in the Interim Information (II) Run compared to what is reported at the end of a Settlement Period.

The Proposer notes that the use of DSBR can also create an expectation that prices will rise to £3000/MWh which, because of the Net Imbalance Volume (NIV) tagging process, may not happen. The Proposer contends that the five-day delay in including DSBR volumes in the imbalance price may result in misleading real-time signals being made to market participants; leading to sub-optimal trading decisions on days when scarcity is apparent.

### Proposed solution

ENGIE raised [P333 'Inclusion of DSBR volumes into the cashout price in time for publication after the end of the Settlement Period'](#) on 28 January 2016.

P333 proposes that DSBR volumes be included in the indicative imbalance price calculation carried out by the BMRA (20 minutes after the end of the Settlement Period).

The Department for Energy and Climate Change (DECC) confirmed on 6 May 2016 that it will be bringing forward the Capacity Market (CM) to 2017/18. Ofgem published an open letter stating that if the CM is brought forward, it will expect to amend the Transmission Company's licence to ensure that the DSBR cost recovery arrangements no longer apply for the 2017/18 winter. This will result in DSBR not being used after this coming winter (2016/17). Should DSBR be made redundant, the solution to P333 will only ever be needed for four months (November 2016 to February 2017).

P333 therefore needs to be in place at the start of winter 2016, aligning with the November 2016 BSC Systems Release. As there is not enough time to implement a systems change for the winter 2016/17 period, P333 proposes a manual work around.

### Manual process solution

In order to ensure that P333 can be implemented in time for the November 2016 BSC Release, P333 proposes that a temporary manual process be implemented until the DSBR provisions are removed from the C16 statements.

In the proposed solution, the DSBR system will auto-trigger an email, with the DSBR Standard Dispatch data as an attachment in .csv format, to the Transmission Company's Settlements team. The Gate Closure BSAD file (already sent to the BMRA at around 59 minutes ahead of the start of each Settlement Period) will be obtained and manually updated with DSBR data, before being uploaded in the Transmission Company's Information Provisioning system. The revised BSAD file will then be sent to the BMRA, where it is loaded automatically into the BSC Systems for the relevant Half Hour (HH), in time for the indicative imbalance price calculation.

A sequential break down of the P333 manual process relies on the following steps:

1. The Transmission Company has someone on standby during the relevant periods (between 16.00 and 20.00 on Working Days, between November and February)
2. If DSBR is despatched, the Transmission Company will send an internal communication to warn the person responsible for the BSAD workaround.
3. The Transmission Company Systems would send the BSAD file shortly after Gate Closure as currently (this file would not include DSBR)
4. If DSBR is despatched, then once the instructed volume is known, but in any case by 15 minutes after the start of the Settlement Period, the DSBR system would email details of the DSBR actions to the appropriate National Grid email address.
5. Having been warned in step 2), the person responsible for the BSAD workaround, picks up the email, obtains a copy of the BSAD file sent to BMRA (in step 3); manually edits the file to include the DSBR actions (allocating IDs as they do); and sends the revised file to the BMRA, no later than ten minutes after the end of the

Settlement Period. This file needs to be sent before the indicative price calculation, allowing five minutes for file transfer and processing at the other end.

6. BMRA receives the revised BSAD file and loads it automatically, replacing the previous BSAD file sent to the BMRA for the relevant Half Hour.

The proposed solution depends on the manual process being able to allocate unique and sequential IDs for the DSBR actions. As part of the P333 Assessment Procedure Consultation, the Transmission Company confirmed that there was a process in place to ensure that the unique and sequential IDs could be allocated.

## Legal text

Attachment A contains the Panel approved changes to the BSC. No changes are needed to Code Subsidiary Documents (CSD).

The Workgroup agreed that should the Transmission Company's licence be amended to remove the DSBR cost recovery arrangements, a housekeeping change will be raised to remove the references made to DSBR in the BSC.

## 4 Impacts & Costs

### Estimated central implementation costs of P333

P333 is a document-only change and there are no impacts on systems or BSC Agents.

The central implementation costs will be approximately £240 (one ELEXON man day) to implement the relevant document changes.

### Participant impacts and costs

P333 is expected to impact the Transmission Company, which will need to provide its best estimate of DSBR volumes as part of its initial submission of BSAD by the end of the relevant Settlement Period.

A breakdown of the Transmission Company's indicative cost to implement the P333 solution is provided in the table below:

Indicative Costs	
Particulars	Cost in £k
Implement P333 changes	93
Integration Testing and User Acceptance Testing	20
Governance and Analysis	30
Risk Margin	21
<b>Total cost</b>	<b>164</b>

### P333 impacts

Impact on BSC Parties and Party Agents	
Party/Party Agent	Potential Impact
None identified at this time	

Impact on Transmission Company	
The Transmission Company will notify the BSC Agent when DSBR is dispatched.	

Impact on BSCCo	
ELEXON will need to implement the required document changes.	

Impact on Code	
Code Section	Impact
Section Q	Changes will be required to implement this Modification.

### Recommended Implementation Date

The Workgroup recommends an Implementation Date for P333 of:

- 3 November 2016 (as part of the November 2016 BSC Systems Release), if a decision is received on or before 3 August 2016; or
- three calendar months after a decision, if received after 3 August 2016.

The Workgroup noted that the Transmission Company will require a minimum lead time of three months to implement the P333 solution.

The Workgroup agreed that the recommended Implementation Date align with a BSC Systems release, to ensure that the solution be delivered in time for the start of the winter 2016 period.

Eight of the nine respondents agreed with the Workgroup's recommended Implementation Date in the Assessment Procedure Consultation. One respondent, who indicated "other", noted a preference to have the Implementation Date as the 1 November 2016. As an Implementation Date of 1 November would ensure that a solution is in place for the first possible date that DSBR can be called during the Winter 16/17 period.

### Rationale for a Manual Solution

The Workgroup agreed that an automated solution is not feasible at this time, due to the following considerations:

- A solution is only required until DSBR is no longer a tool available to the SO to balance the system.
- There will not be sufficient time to develop an automated solution and test the appropriate system changes ahead of the November 2016 Release.
- Making the changes to BSC Systems as part of the November 2016 Release will likely introduce unnecessary risk due to an already busy programme of work, the very short timescales to develop system changes and the limited availability of resources.
- Considering these factors, to ensure that a solution is implemented in time for winter 2016/17, a manual solution was agreed to be the most pragmatic way forward.

### Consideration of Risks

#### Potential Human Error

The Workgroup acknowledged that the proposed solution involves significant manual intervention and effort overhead for the Transmission Company, as the BSAD file will have to be manually updated. Consequently, a business procedure will be required to mitigate the "human error" risk.

To alleviate the risk of human errors, the Transmission Company proposed to set up a test environment between the Transmission Company and ELEXON. ELEXON have committed to assessing the creation of a test environment with its Service Providers.

#### ID Allocation

The Workgroup identified issues arising from the allocation of IDs. In the current process, the Transmission Company allocates a unique sequential ID for each Balancing Service Adjustment Action (BSAA). The Workgroup discussed the feasibility of using a generic DSBR identifier in place of an ID, to reduce the complexity of the process and minimise the risk of errors. The Workgroup noted that changes to IDs could have an impact on Parties with automated systems, which may be set up to accept only unique, sequential IDs. It was suggested that Parties be asked as part of the consultation, whether their systems will be impacted by change to the IDs structure.

In response to the Assessment Procedure Consultation, the Transmission Company confirmed that the issue around BSAD IDs had been resolved. The IDs will be generated by the Transmission Company's Information Provisioning system, and a workaround solution had been identified to keep the IDs unique and sequential.

## Do the risks outweigh the benefits?

As part of the Assessment Procedure Consultation, Parties were asked to consider whether the risks of the manual workaround outweigh the benefits of progressing the Modification. Eight of the nine respondents indicated that the benefits outweighed the risk of the manual workaround. One respondent noted that although there is inherent human error risks associated with a manual workaround, the benefits will outweigh the associated risks should DSBR be utilised.

The respondent who answered "other" indicated that they were unable to quantify the benefits of the proposed solution.

## Quantifying the costs and benefits

The Assessment Procedure Consultation asked Parties whether they were able to quantify the costs and benefits associated with the P333. Of the nine respondents, five indicated that they were unable to quantify the cost and benefits. One respondent acknowledged in their response, that it is difficult to provide a quantifiable assessment of the overall costs and benefits associated with the Modification due to the whole market implications arising from the baseline and potential benefits under the Modification. However, the respondent agreed with the principle that the provision of more accurate and timely information enables more efficient trading decisions to be taken. The respondent indicated that in light of the implications that DSBR may have for imbalance prices, the manual solution appears to be a low cost solution to implement, given the potentially short term requirement for it. As such, the improvements to the market outweigh the potential risk of human errors.

Two respondents indicated in the Assessment Procedure Consultation that they were able to quantify the costs and benefits. One of the two respondents was the Transmission Company, who highlighted that the cost of implementing the solution is £164k. The other respondent indicated that although the benefit is difficult to quantify, the implementation cost equate to 55MWh of imbalance at £3000/MWh. For a large BM Unit (some are 500MW or more), this is a small level of imbalance that can be easily reached. The respondent highlighted that if Parties are able to see the price signal immediately after the end of the Settlement Period they may have a greater stimulus to take action to resolve future imbalances either that day or the next day. If they are required to wait five Working Days for the price signal there will not necessarily be an incentive.

## Legal Drafting

Six of the seven respondents to the Assessment Procedure Consultation agreed with the draft legal text changes. The respondent who answered "other" posed a number of questions with regards to the legal drafting, which the Workgroup addressed.

## Visibility of DSBR Dispatch

In addition to the proposed solution, the Workgroup also requested that the Transmission Company increase the visibility of DSBR Standard Dispatch for the impacted Settlement Periods, as a separate activity.

The Transmission Company indicated that it would be possible to publish the DSBR dispatch data with contracted and requested DSBR capacity for respective Settlement Periods. They added that in order to implement this solution in a cost effective way, the

DSBR Dispatch information will be published on an external webpage with a hyperlink provided on the Transmission Company website.

The estimated cost of implementing the separate Transmission Company activity will be an additional £70k. The Transmission Company representative advised that this estimate is likely to be at the top end of the range of costs.

Seven of the nine respondents indicated that they support the standalone activity if P333 is rejected, or in addition to the implementation of P333. The respondents highlighted that the increased transparency of dispatch data will lead to better informed trading decisions by industry participants, facilitating competition.

With regard to the cost associated with the separate Transmission Company activity, one respondent highlighted that the cost of publishing DSBR Standard Dispatch data will likely be offset by the savings made by industry participants.

The two respondents, who indicated "other" in their Assessment Procedure Consultation response, did not provide a rationale for their view.

## **An enduring solution**

The intention of P333 is to provide a temporary solution until the DSBR provisions are removed from the C16 statements. The Workgroup acknowledged the appetite for an enduring solution that could be developed in conjunction with the manual work around.

The Workgroup noted that should DSBR continue beyond the winter 2016/17 period, an enduring solution would be necessary as, in practice, the BMRA deliver the BSC requirements for calculating and publishing imbalance prices by using automated processes. Ideally any change to the calculation of imbalance prices should be incorporated with the existing systems and processes. This ensures integrity and simplicity.

## **Housekeeping Changes**

The Workgroup noted that following the introduction of the CM, with the removal of SBR and DSBR from the C16 Methodology, a housekeeping change will be raised to remove the references made to the DSBR.



### Final views against the Applicable BSC Objectives

The majority of the Workgroup agreed that P333 will overall better facilitate the Applicable BSC Objectives compared with the existing baseline.

Due to the risk associated with the manual work around, one Workgroup member did not believe that the Applicable BSC Objectives were demonstrated. The member therefore wished to remain neutral.

The following table contains the Workgroup's final views against each of the Applicable BSC Objectives.

Does P333 better facilitate the Applicable BSC Objectives?		
Obj	Proposer's Views	Other Workgroup Members' Views <sup>1</sup>
(a)	<ul style="list-style-type: none"> <li>Neutral – No Impact.</li> </ul>	<ul style="list-style-type: none"> <li>Neutral (unanimous) – as Proposer.</li> </ul>
(b)	<ul style="list-style-type: none"> <li>Yes – as including DSBR in the imbalance price calculation ensures that correct market signals are being sent.</li> </ul>	<ul style="list-style-type: none"> <li>Yes (majority) – As Proposer.</li> <li>Neutral (minority – one) – as there a number of risks associated with the implementation of the manual work around.</li> </ul>
(c)	<ul style="list-style-type: none"> <li>Yes – as the solution ensures that the whole market would have access to the same information.</li> </ul>	<ul style="list-style-type: none"> <li>Yes (majority) – As Proposer.</li> <li>Neutral (minority – two) - as there a number of risks associated with the provision of information.</li> </ul>
(d)	<ul style="list-style-type: none"> <li>Yes – as the solution ensures the provision of timely information, this reducing the incident of imbalance price changes.</li> </ul>	<ul style="list-style-type: none"> <li>Yes (majority) – as Proposer.</li> <li>Neutral (minority – two) – as the manual work around would be more complication to administer.</li> </ul>
(e)	<ul style="list-style-type: none"> <li>Neutral – No Impact.</li> </ul>	<ul style="list-style-type: none"> <li>Neutral (unanimous) – as Proposer.</li> </ul>
(f)	<ul style="list-style-type: none"> <li>Neutral – No Impact.</li> </ul>	<ul style="list-style-type: none"> <li>Neutral (unanimous) – as Proposer.</li> </ul>

### 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

### Assessment Consultation respondents views on the Applicable BSC Objectives

ELEXON received nine responses to the Assessment Consultation, of which seven agreed that P333 does better facilitate the Applicable BSC Objectives for the following reasons:

- Objective (b): P333 allows for better informed trading decisions and enabling optimal operation of the GB Transmission System.
- Objective (c): P333 ensures all market participants have access to the same information with regards to DSBR utilisation and the likely impact on imbalance pricing. This will particularly assist small parties who may have fewer resources to commit to the forecasting of DSBR utilisation.

<sup>1</sup> Shows the different views expressed by the other Workgroup members – not all members necessarily agree with all of these views.

- Objective (d): P333 ensures the provision of more timely information, to enable the reduction of the incidence of imbalance repricing.

One respondent to the Assessment Procedure consultation remained neutral on whether P333 will better facilitate the Applicable BSC Objectives. This respondent suggested that it is unclear whether P333 will have any impact on market participant behaviour or influence participants' balancing strategies.

Another respondent to the Assessment Procedure consultation noted that the benefits of P333 come with its corresponding risks.

### Panel's initial recommendations

The Panel's initial majority view is that P333 **does** better facilitate **Applicable BSC Objectives (b), (c) and (d)** and therefore recommends that P333 should be **approved**.

The Panel's discussions on P333 and its views against the Applicable BSC Objectives are detailed below.

### Panel's views against the Applicable BSC Objectives

The Panel considers that the relevant Applicable BSC Objectives are (b), (c) and (d).

#### Applicable BSC Objective (b)

The Panel unanimously believes that P333 will better facilitate Applicable BSC Objective (b).

The majority of Panel Members believe that the proposed arrangements will address a source of uncertainty, which may lead to sub-optimal trading decisions being made by participants that are detrimental to the efficient, economic and co-ordinated operation of the GB Transmission System.

#### Applicable BSC Objective (c)

The Panel unanimously believes that P333 will better facilitate Applicable BSC Objective (c), as the whole market will have access to the same information benefiting competition.

#### Applicable BSC Objective (d)

The Panel, by majority, believes that P333 will better facilitate Applicable BSC Objective (d). However, one Panel Member thought that the proposed changes are neutral against (d) due to the risk associated with the manual workaround.

### Panel's views on the Implementation Date

The Panel unanimously agreed with the Workgroup's recommended Implementation Date of:

- 3 November 2016 (as part of the November 2016 BSC Systems Release), if a decision is received on or before 3 August 2016; or
- three calendar months after a decision, if received after 3 August 2016.

### Panel's views on the draft legal text

The Panel unanimously agreed that the draft redlined changes to the BSC in Attachment A deliver the intention of P333.

## 9 Report Phase Consultation Responses

This section summarises the responses to the Panel's Report Phase Consultation on its initial recommendations. You can find the full responses in Attachment C.

Summary of P333 Report Phase Consultation Responses				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the Panel's initial unanimous recommendation that P333 should be approved?	6	1	0	0
Do you agree with the Panel that the redlined changes to the BSC deliver the intent of P333?	5	0	1	1
Do you agree with the Panel's recommended Implementation Date?	6	0	0	1
Do you have any further comments on P333?	2	5	n/a	n/a

### Should P333 be approved?

Six of the seven respondents to the Report Phase Consultation agreed with the Panel's initial unanimous recommendation that P333 should be approved.

### Views against P333

In its Report Phase Consultation response the Transmission Company indicated that it did not support the recommendation that P333 should be approved.

The Transmission Company highlighted that, in light of the corresponding changes in relation to Supplementary Balancing Reserve (SBR) (CP1460) no long being made for this winter, it feels that a great deal of the value of P333 has been removed as a consequence. This is because even if DSBR volumes are reflected in the Indicative Price, SBR volumes will not be. As a consequence, there may still be a substantial difference between the Indicative Price (end of relevant Settlement Period) and the imbalance price at the II run stage (i.e. d+5). Therefore, resulting in a great deal of uncertainty for market participants, for example around NIV and Price Averaging Reference (PAR) tagging.

In addition, based on the volumes of DSBR tendered across the peak period of the day, the Transmission Company expects that, if DSBR is procured all units will be despatched at the same time.

Due potential uncertainty around PAR and NIV tagging (which would exist for SBR volumes), it is the Transmission Company's belief that it will be of more benefit to provide the industry with increased commercial information on the DSBR units contracted in advance of winter 2016, which allows the industry to forecast/calculate the impact of a DSBR despatch in a similar manner to what will be required in relation to SBR despatch.

The Transmission Company noted that it is undertaking a number of significant system changes across the summer and autumn of 2016 (including EBS which is planned to go-live in November 2016). Therefore, delivery of the system changes required for P333 will require access to systems currently being utilised by the EBS project. This potentially

increases delivery risk to both projects. The Transmission Company therefore feels that this risk clearly outweighs the benefits of P333.

No other respondents in the Report Phase Consultation disagreed with the approval of P333.

### **Views for P333 approval**

As part of the Report Phase Consultation, the Proposer also provided further comments in support of the implementation of the solution.

The proposer noted the need for P333, despite CP1460 no longer being implemented. The Proposer indicated that as a result of the delays in implanting CP1460, there is arguably a greater need for P333 to be implemented as DSBR must be called ahead of SBR. If the imbalance price is set to £3000/MWh due to the use of DSBR it must also be £3000/MWh once SBR use is incorporated as SBR Actions are buy actions and can therefore only make the NIV shorter.

The Proposer believes that P333 will therefore provide the intended signal of scarcity in the market that will in part make good not having SBR Actions in imbalance prices shortly after the settlement period has ended.

If the incorporation of DSBR use does not lead to a £3000/MWh imbalance price then the market is no worse off than they are now as there will still be uncertainty as to whether SBR use included into imbalance price five working days later will cause a £3000/MWh imbalance price. The Proposer feels that P333 is an improvement on the current lack of information.

The rationale put forward by all other respondents who agreed with the approval of P333 were broadly in line with view of the Proposer.

### **Proposed legal text**

Five of the seven respondents to the Report Phase Consultation agreed with the recommended draft legal text, indicating that it delivered the intention of P333.

### **Proposed Implementation Date**

Six of the seven respondents to the Report Phase Consultation agreed with the recommended Implementation Date. One respondent noted that implementation in line with the November 2016 BSC Systems release is the most practical approach and will enable the publication of more accurate indicative cashout prices over the 2016/17 winter period when margins may be very tight.

One respondent highlighted that should the Modification not be implemented in time for winter 16/17, the benefits posed by P333 will be diminished.

The respondent who answered "other" to the Report Phase Consultation indicated that an Implementation Date of 1 November 2016 is preferable, as it will coincide with the earliest date that DSBR can be called. However, the same respondent also acknowledged that they were in agreement with the recommended Implementation Date.

### Panel's final recommendations

The Panel's majority view is that P333 **does** better facilitate **Applicable BSC Objectives (b) and (c)** and therefore recommends that P333 should be **approved**. The views and recommendation reflect those expressed previously.

The Panel's discussions on P333 and its views against the Applicable BSC Objectives are detailed below.

### Panel's views against the Applicable BSC Objectives

The Panel considers that the relevant Applicable BSC Objectives are (b), (c) and (d), and unanimously considers P333 to be neutral against Applicable BSC Objectives (a), (e) and (f).

#### Applicable BSC Objective (b)

The Panel unanimously believes that P333 will better facilitate Applicable BSC Objective (b).

The current arrangements do not incorporate DSBR volumes into the imbalance price calculations until the II Run at WD+5. As such, the cashout price published 15 minutes after the end of the Settlement Period lacks a fundamental scarcity price signal, and creates market uncertainty.

The Panel noted that P333 addresses a source of uncertainty which could lead to sub-optimal trading decisions being made by participants that are detrimental to the efficient, economic and co-ordinated operation of the GB Transmission System.

#### Applicable BSC Objective (c)

Reiterating their initial views, the Panel unanimously believes that P333 will better facilitate Applicable BSC Objective (c).

The current arrangements could create a disadvantage for smaller players because they may have less resource to devote to predicting the impact that DSBR instructions will have on the imbalance price. However, through the implementation of P333, the whole market will have access to the same information, which in turn promotes competition.

The Panel also noted that the benefit P333 provided against Applicable BSC Objectives (b) and (c), outweighed the dissent against Application BSC Objective (d).

### Panel's views on the Implementation Date

The Panel unanimously agreed with the Workgroup's recommended Implementation Date, put forward in Section 6, of:

- 3 November 2016 if an Authority decision is received on or before 3 August 2016; or
- three calendar months after a decision, if received after 3 August 2016.

## **Panel's views on the draft legal text and CSD changes**

The Panel unanimously agreed that the draft legal text changes to the BSC in Attachment A deliver the intention of P333.

## 11 Recommendations

The BSC Panel recommends to the Authority:

- That P333 should be **approved**;
- An Implementation Date for P333 of:
  - **3 November 2016** if an Authority decision is received on or before 3 August 2016; or
  - Three calendar months after a decision, if received after 3 August 2016.
- The BSC legal text for P333.

### Workgroup's Terms of Reference

Specific areas set by the BSC Panel in the P333 Terms of Reference

Is a BSC Modification the best way to achieve the aim of P333?

What is the impact of implementing P333?

What is the benefit of P333?

What changes are needed to BSC documents, systems and processes to support P333 and what are the related costs and lead times?

Are there any Alternative Modifications?

Does P333 better facilitate the Applicable BSC Objectives than the current baseline?

### Assessment Procedure timetable

P333 Assessment Timetable

Event	Date
Panel submits P333 to Assessment Procedure	11 Feb 2016
Workgroup Meeting 1	23 Mar 16
Workgroup Meeting 2	18 Apr 16
Assessment Procedure Consultation	29 Apr – 23 May 16
Workgroup Meeting 3	25 May 16
Panel considers Workgroup's Assessment Report	9 Jun 16

## Workgroup membership and attendance

P333 Workgroup Attendance				
Name	Organisation	23 Mar 16	18 Apr 16	23 May 16
<b>Members</b>				
Simon Fox-Mella	ELEXON ( <i>Chair</i> )	✓	✓	✓
Jemma Williams	ELEXON ( <i>Lead Analyst</i> )	✓	✓	✓
Libby Glazebrook	ENGIE ( <i>Proposer</i> )	✓	✓	✓
Lisa Waters	Waters Wye Associates	✓	✓	✓
James Anderson	Scottish Power	✓	✓	✓
Bill Read	RWE	✓	✓	✓
Jonathan Davison	Cornwall Energy	☎	✓	✗
Andy Colley	SSE	✓	✓	✓
<b>Attendees</b>				
John Lucas	ELEXON ( <i>Design Authority</i> )	✓	✓	✓
Geoff Norman	ELEXON ( <i>Lead Lawyer</i> )		✓	✓
Emma Burns	ELEXON ( <i>Market Analysis</i> )	✓	✓	✓
Jonathan Whiting	Ofgem	✓	✓	✓
Alex Haffner	National Grid	✓	✓	✗
Tony Bowes	National Grid	✓	✓	✗
Rituraj Saikia	National Grid	✓	✗	✓
Tariq Hakeem	National Grid	✓	✓	✓
John Mansi	National Grid	✗	✓	✗
Ajilesh Thayath	National Grid	✗	✓	✓
Aily Armour-Biggs	Global Energy Advisory	✗	✗	☎

## Appendix 2: Glossary & References

### Acronyms

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

Acronym	
Acronym	Definition
BM	Balancing Mechanism
BMRA	Balancing Mechanism Reporting Agent ( <i>BSC Agent</i> )
BSAA	Balancing Service Adjustment Action
BSAD	Balancing Service Adjustment Data
BSC	Balancing and Settlement Code ( <i>Industry Code</i> )
DECC	Department for Energy and Climate Change
DSBR	Demand Side Balancing Reserve
II	Interim Information Settlement Run
NIV	Net Imbalance Volume
PAR	Price Averaging Reference
SAA	Settlement Administration Agent ( <i>BSC Agent</i> )
VoLL	Value of Lost Load

### External links

A summary of all hyperlinks used in this document are listed in the table below. All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
3	Modification P305 'Electricity Balancing Significant Code Review Developments' page of ELEXON website	<a href="https://www.elexon.co.uk/mod-proposal/p305/">https://www.elexon.co.uk/mod-proposal/p305/</a>
4, 5	Transmission Licence C16 Statements page of the Transmission Company website	<a href="http://www2.nationalgrid.com/uk/industry-information/electricity-codes/balancing-framework/transmission-license-c16-statements/">http://www2.nationalgrid.com/uk/industry-information/electricity-codes/balancing-framework/transmission-license-c16-statements/</a>
4	Issue 56 'Treatment of the new SBR and DSBR services in the imbalance price' page of ELEXON website	<a href="https://www.elexon.co.uk/smg-issue/issue-56/">https://www.elexon.co.uk/smg-issue/issue-56/</a>
5	Modification P323 'Enabling inclusion and treatment of SBR in the Imbalance Price' page of ELEXON website	<a href="https://www.elexon.co.uk/mod-proposal/p323/">https://www.elexon.co.uk/mod-proposal/p323/</a>