

BSC Modification Proposal Form		At what stage is this document in the process?
<h2>P377 Amending Gate Closure references in Market Index Data to include trades up to the Submission Deadline in the Market Index Data Calculations</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 2px; display: flex; align-items: center; justify-content: center;">01 Modification</div> <div style="border: 1px solid blue; padding: 2px; display: flex; align-items: center; justify-content: center;">02 Workgroup Report</div> <div style="border: 1px solid purple; padding: 2px; display: flex; align-items: center; justify-content: center;">03 Draft Modification Report</div> <div style="border: 1px solid orange; padding: 2px; display: flex; align-items: center; justify-content: center;">04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>To change reference from Gate Closure to Submission Deadline in Balancing and Settlement Code (BSC) Section T 'Settlement and Trading Charges' 1.5.3(b) (iii) as well as the Market Index Definition Statement.</p>		
	<p>ELEXON recommends that this Modification should:</p> <ul style="list-style-type: none"> <li>be raised by the Panel in accordance with Section F2.1.1(d)(i)</li> <li><b>not</b> be a Self-Governance Modification Proposal</li> <li>be sent directly into the Report Phase</li> </ul> <p>This proposal will be presented by the Proposer to the BSC Panel on <b>13 December 2018</b>. The Panel will consider the Proposer's recommendation and determine how best to progress this Proposal.</p>	
	<p>Low Impact:</p> <p>ELEXON, BSC Trading Parties, Market Index Data Providers (MIDPs) and Market Participants</p>	

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<b>Timetable</b>		
<b>The Proposer recommends the following timetable:</b>		
Report Phase Consultation	17 December 2018 – 2 January 2019 (10 WDs)	 <i>lawrence.jones@elelexon.co.uk</i>
Draft Modification Report presented to Panel	10 January 2019	 NA
Final Modification Report published	14 January 2019	
		Proposer's representative: <i>Lawrence Jones</i>
		 NA
		 NA
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# 1 Summary

## Background

### What is the issue?

BSC Section T '[Settlement and Trading Charges](#)' 1.5.3(b) (iii) defines 'short term' in relation to Market Index Data as a time period in reference to Gate Closure<sup>1</sup>. Following modification [P342 'Change to Gate Closure for Energy Contract Volume Notifications'](#), implemented on 2 November 2017, the deadline for submitting Energy Contract Volume Notifications, for delivery in a given Settlement Period, has moved from Gate Closure to the Submission Deadline<sup>2</sup>. P342 did not change the [Market Index Definition Statement](#) (MIDS) or BSC Section T to reflect this as the Workgroup wanted to subsequently analyse the data to see whether the MIDS should be amended.

The [2018 MIDS Review](#) proposed to amend references to Gate Closure to the Submission Deadline, in order to include trades taken after Gate Closure, in the hour prior to a Settlement Period, in Market Index Data. Currently, Market Index Data excludes trades between Gate Closure and the Submission Deadline. The MID is therefore not as reflective of the wholesale electricity price as it could be.

The 2018 MIDS Review also recommended that the weighting for Timeband 6 be moved from 1 to 0, meaning the data for this time period would be excluded. This Modification Proposal is being used as the vehicle to recommend to Ofgem the changes to the MIDS as a result of the MIDS Review (see BSCP40 3.10).

### What is the proposed solution?

The definition of 'short term' provided in BSC Section T 1.5.3(b) (iii) should have its reference to 'Gate Closure' removed and changed to refer to the 'Submission Deadline' instead.

Additionally, we propose to replace references in the MIDS from 'Gate Closure' to 'Submission Deadline'.

We propose to align the MIDS with further recommended changes from the 2018 MIDS Review, including the removal of Timeband 6 as a weighted product and a number of housekeeping changes.

# 2 Governance

## Justification for proposed progression

### Self-Governance

The proposal **not** to treat this modification as a Self-Governance Proposal has been taken because it does not meet the Self-Governance Criteria (as set out in the Transmission Licence and repeated in BSC Annex X-1: '[General; Glossary](#)'). Specifically, criterion (a) (ii) as this Modification, if implemented, will alter competition in commercial activities connected with the generation as well as matters relating to the management of the market as it will include additional trades in the Market Index Data calculations, which may be used in the calculation of Parties Imbalance Charges.

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<sup>1</sup> Gate Closure- Means, in relation to a Settlement Period, the time 1 hour before the start of that Settlement Period.

<sup>2</sup> The time at the start of a Settlement Period.

Further, under Balancing and Settlement Code Procedure (BSCP) 40 (3.10) [‘Change Management’](#) any changes to the MIDS has to be approved by the Authority.

## Progression Route

We recommend to the Panel that the Modification Proposal proceeds directly to Report Phase. The rationale for this approach is:

- The solution of this Modification is to update text that was omitted from BSC Section T and the MIDS following the implementation of P342; and
- The proposed solution has been issued for a four week Consultation as part of the 2018 MIDS Review and subsequently recommended by the Imbalance Settlement Group (ISG) at its meeting on [20 November 2018](#).

This proposal is therefore self-evident (which aligns with the expectations of Modifications proceeding directly to the Report Phase in accordance with Section F 2.2.4 of the BSC).

## Requested Next Steps

We recommend that this Modification should:

- Be sent directly into the Report Phase.

# 3 Why Change?

## Background

ELEXON reviews the Market Index Definition Statement (MIDS) annually on behalf of the BSC Panel, in accordance with BSC Section T1.5.4. In this review, the analysis covers the period 1 August 2017 to 31 July 2018. Under BSCP40 ‘Change Management’ changes to the MIDS must be approved by the Authority. The review is undertaken to ensure that parameters used in the MIDS calculations i.e. the Individual Liquidity Threshold (ILT), Timeband weightings and product weightings, remain fit for purpose and through the parameters, checking the MIDS principles (BSC Section T1.5.3) are being met. By aligning the changes we are making in the MIDS with the changes we are making to Section T would allow us to progress them both as one Modification.

## What is the issue?

BSC Section T 1.5.3(a) states that Market Index Data is used in Settlement to calculate a price (expressed in £/MWh) in respect of each Settlement Period (in accordance with paragraphs 4.4.2(b) and 4.4.3(b)) which reflects the price of wholesale electricity in Great Britain for delivery in respect of that Settlement Period in the short term market.

Following the implementation of BSC Modification P342 ‘Change to Gate Closure for Energy Contract Volume Notifications’ as part of the November 2017 BSC Systems Release, the deadline for contracts, for delivery in a given Settlement Period, moved from Gate Closure to the Submission Deadline. P342 did not change the MIDS to reflect this as it was decided in Workgroup discussions that there was not enough scope to change the MIDS at the time.

The 2018 MIDS Review identified that the Market Index Data Providers (MIDPs) should include trades made post-Gate Closure and prior to the Submission Deadline. The review highlighted that Wholesale Energy Market trading activity is occurring post-Gate Closure and the Market Index Data is therefore not as reflective of the price of wholesale electricity as it could be.

Timeband 6 represents trades made 8 to 12 hours prior to a Settlement Period's Submission Deadline and has, historically and continued to contribute little volume to Market Index Data. The removal of the weighting of Timeband 6 would aid principle 4.2(f) in the MIDS, by allowing trades as close as possible to the Submission Deadline<sup>3</sup>.

The proposed changes to amend the MIDS, provides the opportunity to make minor housekeeping changes at this time as well, such as correction of spelling mistakes and formatting and layout of text, including formulas.

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<sup>3</sup> Assuming changes are made from Gate Closure to the Submission Deadline in the MIDS, weighting principle 4.2 (f) in the MIDS states the 'Weightings may be set to ensure that the Market Index Price is reflective of trades as close as possible to the Submission Deadline'.

## 4 Code Specific Matters

### Technical Skillsets

This Modification is not proposed to be progressed through the Assessment Procedure and therefore should not require the formation of a Workgroup.

### Reference Documents

[BSC Section T 'Settlement and Trading Charges'](#)

[Market Index Definition Statement Review 2018](#)

## 5 Solution

### Proposed Solution

#### Amend BSC Section T 1.5.3(b) (iii)

BSC Section T 1.5.3(b) (iii) defines 'short term' in relation to Market Index Data as a time period in reference to Gate Closure. The proposed solution would remove Gate Closure as the reference point for defining 'short term'. The solution would look to refer instead to the Submission Deadline, which was decoupled from Gate Closure as part of BSC Modification P342.

#### Amend the MIDS to refer to the Submission Deadline instead of Gate Closure

Update relevant references in the MIDS from Gate Closure to refer to the Submission Deadline instead.

#### Amend the MIDS to remove Timeband 6 as a weighted Timeband

Timeband 6 would be excluded (set from 1 to 0) from Market Index Data submissions, with Timebands 1-5 (representing 0-8 hours prior to the Submission Deadline) remaining the weighted Timebands.

#### Amend the MIDS with a number of housekeeping changes

- MIDS 4.1 (d) refers to 'historic' rather than 'historical' data.
- MIDS 4.2 (e) refers to an 'egg' rather than an 'e.g.' (abbreviation for 'for example').
- Remove the duplicate header from the 'Longer-Dated Timebands' table in MIDS Appendix A1 section 1.
- Make formatting changes to 'Price Formula' sections of MIDS Appendices 1 and 2, including:
  - Correcting a missing bracket in Appendices 1 and 2
  - Correcting non-subscripted letters- subscripting and italicising in Appendix 1, italicising in Appendix 2
  - Aligning formula text in Appendix 2

## 6 Impacts & Other Considerations

Changes to BSC Section T and MIDs would have no BSC systems impact. This would require text-only changes to the BSC and MIDS.

This Modification will impact BSC Trading Parties exposed to an Imbalance Volume, as the System Price calculation will be impacted in the two defaulting scenarios that the Market Price is used. The Market Price is used to set the System Price in two scenarios:

- a) When the Net Imbalance Volume (NIV) is zero, then the System Price will default to the Market Price; or
- b) If all of the actions in the price stack are unpriced, then the Replacement Price will be set by the Market Price and the System Price will consequently be set by the Market Price.

In addition, MIDPs will need to change their internal workings.

ELEXON are also aware that the Market Price is used outside of BSC arrangements so will impact the wider industry. This Modification will also have to be approved by the Authority in accordance with BSCP40 (3.10) [‘Change Management’](#).

This Modification will impact the following BSC documentation:

- Market Index Definition Statement; and
- BSC Section T ‘Settlement and Trading Charges’.

Market Index Data Providers will need to update its systems to include trades up to the Submission Deadline.

### **Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?**

No, this Modification is not linked to any of the 3 live SCRs, and we believe it should be treated as an SCR Exempt Modification:

- [Targeted Charging Review](#);
- [Electricity Balancing Review](#); and
- [Switching Review](#).

### **Consumer Impacts**

The day to day operation of Balancing and Settlement would remain unaffected so there would be no direct cost to consumers.

### **Environmental Impacts**

As a document-only change, we do not expect the proposed Modification will incur any environmental impacts.

## 7 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence.	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System.	Neutral
(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.	Neutral
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements.	<b>Positive</b>
(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].	Neutral
(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.	Neutral
(g) Compliance with the Transmission Losses Principle.	Neutral

### **Objective (d)**

This Modification would have a positive impact on the efficiency of the implementation of the balancing and settlement arrangements:

- It is recommended that the Panel raise this Modification as it better facilitates Objective (d), promoting efficiency in the implementation of the balancing and settlement arrangements. This Modification would allow MIDPs to include post- Gate Closure trades in Market Index Data, providing more insight into wholesale trading activity and better reflecting the cost of wholesale electricity in the Market Index Data.

## 8 Implementation Approach

The proposed Implementation Date for this Modification Proposal is:

- 29 March 2019 if an Ofgem decision is received by 22 February 2019; or
- 5 weeks after Ofgem approval if an Ofgem decision is received after 22 February 2019.

The Implementation approach has been driven by the lead times required by the MIDPs and the efficiencies of delivering in an existing release. There are 2 Market Index Data Providers, Nord Pool and EPEX SPOT. EPEX SPOT have confirmed they require a 5 week lead time to implement these changes. Nord Pool have confirmed that they are also able to deliver within 5 weeks.

## 9 Legal Text

### Text Commentary

The legal text required to give effect to this Modification is attached to this Modification Proposal.

## 10 Recommendations

### Proposer's Recommendation to the BSC Panel

The BSC Panel is invited to:

- **RAISE** this proposal in accordance with Section F2.1.1(d)(i);
- **AGREE** that this proposal not be progressed as a Self-Governance Modification Proposal; and
- **AGREE** that this proposal be sent directly into the Report Phase.