

Modification Proposal P74 'Single Cost - reflective Cash - out Price' Consultation Questionnaire  
BSC Party Questions (document reference P074AC10)  
Issue 24 May 2002

## **Modification Proposal P74 'Single Cost - reflective Cash - out Price' Consultation Questionnaire**

The following questionnaire is provided with regards to Modification Proposal P74. There are a number of supporting documents available on the BSC Website ([www.elexon.co.uk](http://www.elexon.co.uk)), which provide further information on Modification Proposal P74, as follows:

Modification Proposal P74 - <ftp://www.elexon.co.uk/ta/modifications/modsprops/P074/P74.pdf>

Modification Proposal P74 Annex - <ftp://www.elexon.co.uk/ta/modifications/modsprops/P074/P74a.pdf>

Initial Assessment of P74 - [ftp://www.elexon.co.uk/ta/modifications/modsprops/P074/P74\\_IWA.pdf](ftp://www.elexon.co.uk/ta/modifications/modsprops/P074/P74_IWA.pdf)

Modification Proposal P74 is being considered by the Pricing Issues Modification Group (PIMG) in parallel with Modification Proposal P78.

A supporting consultation document (P74 P78 Consultation\_10.doc / pdf) has been prepared by the PIMG which sets out the issues for assessment and the deliberations to date during its assessment of Modification Proposals P74 and P78. This document is provided with this questionnaire to support and assist your responses to this consultation.

It should be noted that specific questions can be related to specific assessment criteria explored in the supporting document, and where this is the case, the specific section is referenced with the question.

The attached consultation questionnaire consists of 19 questions, and Parties are requested to provide rationale for each response. The Modifications Group recognise the significant issues that need to be addressed and views are keenly sought. Responses to this consultation will greatly assist the Modifications Group's assessment of this Modification Proposal.

Please provide responses to [Modifications@elexon.co.uk](mailto:Modifications@elexon.co.uk), by 17:00 on Tuesday 11 June 2002.

**Modification Proposal P74 BSC Party Questions**

**Responding on Behalf of (please list all BSC Parties):**

**Responding as which type of Party (see list in section 1.21):**

Q	Question	Response (Please provide rationale where possible)
1.	In your opinion, does Modification Proposal P74 give a better separation of balancing actions (i.e. system vs energy) used in setting the Energy Imbalance Price(s), if so, how? (Section 1.1)	
2.	In your opinion, is Modification Proposal P74 valuing actions more correctly, if so, why and if not, why not? (Section 1.5)	
3.	In your opinion, how does Modification Proposal P74 change the relative reward for notified and instructed actions and how do you believe this to impact on the Transmission Company's balancing of the system, and do you believe this is appropriate? (Section 1.6 defines notified and instructed action)	
4.	In your opinion, does Modification Proposal P74 more correctly target the cost of energy balancing actions to those causing the imbalance over the current baseline? (Section 1.6)	
5.	In your opinion, how does Modification Proposal P74 change the perceived risk of Bid - Offer submission, how would it change the level of participation seen in the Balancing Mechanism under the current baseline and how do you believe it would affect system balancing? (Section 1.7)	

Q	Question	Response (Please provide rationale where possible)
6.	In your opinion, how do you believe Modification Proposal P74 would affect the level of part loading seen under the current arrangements and in what way do you believe it would be more or less efficient for participants and for the system as a whole? (Section 1.8)	
7.	In your opinion, does Modification Proposal P74 change the incentives to deviate from FPN over the current baseline, if so, how and why? (Section 1.9)	
8.	In your opinion, (noting the forthcoming implementation of Modification P12 to reduce Gate Closure to one hour), does Modification Proposal P74 increase the incentive on parties to change Physical Notifications shortly before Gate Closure and do you believe this to be a good or bad thing? (Sections 1.9, 1.11, 1.12, 1.13)	
9.	In your opinion, to what extent will Modification Proposal P74 address the issue of asymmetric risk? (Section 1.10)	
10.	In your opinion, do you believe that Modification Proposal P74 will change the incentives on parties to balance their individual (contractual) trading positions before Gate Closure, if so, how and why? (Sections 1.12 and 1.13)	
11.	In your opinion, do you believe that Modification Proposal P74 will change the incentives for parties as a whole (i.e. in total, even if not balanced on an individual basis) to balance the market as a whole before Gate Closure, if so, how and why? (Section 1.11)	

Q	Question	Response (Please provide rationale where possible)
12.	In your opinion, does Modification Proposal P74 lead Parties to anticipate the 'direction' of the market, and therefore the Energy Imbalance Price. Could this lead to volume volatility and consequential price instability in the market? (Sections 1.12 and 1.13)	
13.	What effect do you think Modification Proposal P74 will have on liquidity and prices in the forwards and spot markets, the interrelation of forwards and spot markets with Energy Imbalance Prices and also the level of Energy Imbalance Prices themselves? (Sections 1.14, 1.15 and 1.16)	
14.	Do you believe that the implementation of Modification Proposal P74 will encourage the development of risk management products and new types of contracts, and what effect do you think this will have on competition and the efficiency of the forwards and spot markets? (Sections 1.17, 1.18, 1.19 and 1.20)	
15.	In your opinion what would be the impact on the risk profile of different categories of party (as listed in section 1.21) from the implementation of Modification Proposal P74? (Section 1.21)	
16.	Do you believe that Modification Proposal P74 better facilitates achievement of the Applicable BSC Objectives, if so, which one(s) and why?	
17.	Do you believe that an Alternative Modification Proposal better facilitates achievement of the Applicable BSC Objectives than Modification Proposal P74, if so, what is it? (Section 1.23)	

Q	Question	Response (Please provide rationale where possible)
18.	Are there any other issues not identified in the supporting document which you believe should be considered during the assessment of Modification Proposal P74.	
19.	Do you believe that further analysis / modelling is required over that currently identified by the PIMG (in the supporting document), and if so, what specific form should this take?	