

4.5. MP Form

Modification Proposal – BSCP40/03	MP No: P323 (mandatory by BSCCo)
Title of Modification Proposal (mandatory by originator): Enabling inclusion and treatment of SBR in the Imbalance Price	
Submission Date (mandatory by originator): 26 th June 2015	

<p align="center">Modification Proposal – BSCP40/03</p>	<p>MP No: P323 (mandatory by BSCCo)</p>
<p>Description of Proposed Modification <i>(mandatory by originator)</i></p> <p>Recent developments in the work on reflecting Supplemental Balancing Reserve (SBR) into cash-out have included BSC Issue 56 ‘Treatment of the new SBR and DSBR services in the imbalance price’, two Open Letters¹ published by NGET and an NGET-led Industry Workshop in February 2015. The view from the Issue 56 Group (and proposed in the latest Open Letter published on 15th June) is that SBR should be priced at the Value of Lost Load (VoLL) as it reflects that Demand Control would be required in its absence.</p> <p>At present, should SBR be dispatched it would be System Operator (SO)-flagged as per the System Management Action Flagging (“SMAF”) Methodology. In order to reflect SBR into the imbalance calculation we propose that, when Supplemental Balancing Reserve (SBR) is dispatched in the Balancing Mechanism (BM), the resulting action(s) will initially enter the Indicative imbalance price calculation based on the units “Utilisation Price”. However, this should then be changed retrospectively to be priced at VoLL in the imbalance calculation (e.g. following notification by NGET – for instance via the BSCP18 ‘Corrections to Bid-Offer Acceptance Related Data’ process) ahead of the Interim Information (II) Settlement Run in order to better reflect the state of the system.</p> <p>The Modification proposes to enable a Bid-Offer Acceptance’s (BOA’s) price(s) that goes into the imbalance price calculation to be different to the price(s) that goes into the calculation of BM cash-flows. This needs to be in place by 5th November 2015 in line with the implementation of Approved Modification Proposal P305 ‘Electricity Balancing Significant Code Review Developments’. It should not be implemented ahead of this date as it is necessary that other elements of P305 are in place (e.g. the VoLL price, supplier imbalance adjustment etc) but, equally, it is important to avoid delays so that the market receives the appropriate signals.</p> <p><u>Detailed requirement</u></p> <p>Whenever SBR is dispatched, National Grid will send a notification to ELEXON. This will identify the BOAs (and the duration of those BOAs) that were dispatched for SBR purposes and which should be priced at VoLL (noting that some of the volume instructed on the SBR unit may have been SO-flagged as being the ramp and Stable Export Limit (SEL)-running). This will be done as soon as possible but no later than the next Working Day following the SBR dispatch.</p> <p>For the purposes of the Main Price calculation only, the period that a BOA was dispatched for SBR purposes will be priced at VoLL. Where a BOA or part of a BOA has been re-priced equal to VoLL, the action price will be known as the SBR Action Price.</p> <p>Where a BOA or part of a BOA is dispatched for SBR purposes, then an action derived from the BOA during the period of SBR provision will be known as an SBR Action. Where part of a BOA is considered an SBR Action, the part that is not related to SBR will continue to be known as a Buy Action and will be priced according to the original Offer Price (PO).</p> <p>Irrespective of whether a BOA is related to SBR, its original PO will continue to be used for the purposes of BM Cash-flow.</p>	

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<p>Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by originator)</i></p> <p>It was originally thought at Issue 56 that there would be no impact on the BSC to make these changes. However, it wasn't acknowledged at this time that changing the price of the SBR volume would impact the BM cash-flow (i.e. how much the SBR provider is paid) under the current arrangements.</p> <p>The defect that the Modification seeks to address is the fact that it is not possible to change the price of a BM action that goes into the imbalance calculation without causing other impacts (such as the price used in that action's BM cash-flow).</p>	
<p>Impact on Code <i>(optional by originator)</i></p> <p>It is envisaged that this Modification will require changes to the following sections of the BSC:</p> <ul style="list-style-type: none"> • BSC Section Q – Balancing Mechanism Activities • BSC Section T – Settlement and Trading Charges. 	
<p>Impact on Core Industry Documents or System Operator-Transmission Owner Code <i>(optional by originator)</i></p> <p>The changes to the treatment of SBR will be captured via the Transmission Licence: Standard Licence Condition 16 'Procurement and use of balancing services' (C16) process through changes to the Balancing Services Adjustment Data (BSAD) and SMAF methodologies and so this change will need to be consistent with changes made via this process.</p>	

¹ [Open Letter published June 2015](#) and [Open Letter published July 2014](#)

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<p>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by originator)</i></p> <p>To ensure that this Modification can be implemented in November 2015, no BSC System changes are sought at this time. Should the Workgroup, Panel or Authority deem that BSC System changes are required to be introduced at a later date, then this would be progressed under a BSC Change Proposal.</p> <p>The reasons that system changes are not sought to resolve this issue are that:</p> <ul style="list-style-type: none"> • SBR and DSBR are last resort activities and in general are unlikely to be dispatched regularly; • SBR and DSBR are intended as temporary measures available to NGET whilst the EMR is implemented, which means that the benefits of system changes would be time-limited; • there is limited time left to make changes to BSC Systems; and • the Scheduled BSC November Release already contains a large number of significant changes to BSC Systems, e.g. P305, therefore any additional BSC System changes would pose a risk to implementation. <p>The assessment of this Modification will determine how the manual process will be carried out by BSC Agents and any impacts on any other systems. Impacts on Parties will be identified through an Assessment Procedure Consultation.</p>	
<p>Impact on other Configurable Items <i>(optional by originator)</i></p> <p>BSCP18 ‘Corrections to Bid-Offer Acceptance Related Data’</p>	

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<p>Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by originator)</i></p> <p>This Modification has been submitted in order to ensure that the proposed changes to the C16 methodologies can be implemented. These <u>C16 changes</u> themselves would better facilitate Applicable BSC Objectives (b) and (c):</p> <p><i>(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System</i></p> <p>Reflecting the value of SBR into the imbalance calculation has the effect of making the main cash-out price signal more cost reflective of SO actions / costs and strengthens the incentive on market participants to balance their positions ahead of Gate Closure, particularly during times of system stress. This should reduce the balancing actions required to be taken by the SO.</p> <p><i>(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</i></p> <p>If the value of SBR is not reflected in the imbalance price calculation it would have the effect that the energy price signal would be weaker as compared with reflecting the price in the imbalance price calculation. This is at odds with P305 which stated the following against this objective:</p> <p>‘Strengthening the energy imbalance price signal [through Price Average Reference Volume (PAR) reform, Reserve Scarcity Price (RSP) reserve pricing and pricing demand control] should incentivise market participants to trade to balance their positions ahead of Gate Closure. This should increase liquidity in the forward market and benefit competition by encouraging investment in flexible capacity (flexible generation, demand participation and other technologies).’</p> <p>Including SBR in the imbalance price calculation should further improve the signal for system scarcity that the imbalance price provides to the market and therefore further incentivise market participants to trade ahead of Gate Closure.</p> <p>However, this Modification itself would better facilitate BSC Objective (a) as it is enabling the C16 change to be made:</p> <p><i>(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence</i></p> <p>The changes proposed under the C16 process as per the Transmission licence cannot be efficiently discharged in relation to SBR without this Modification to the BSC. Therefore this Modification can be seen as enabling the discharge of NGET’s duties under C16 of the Licence.</p>	

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Is there a likely material environmental impact? (optional by originator)	
No	
Urgency Recommended: No (delete as appropriate) (optional by originator)	
Justification for Urgency Recommendation (mandatory by originator if recommending progression as an Urgent Modification Proposal)	
N/A	
Self-Governance Recommended: No (delete as appropriate) (optional by originator)	
Justification for Self-Governance Recommendation (mandatory by originator if recommending progression as Self-Governance Modification Proposal)	
N/A	
Fast Track Self-Governance Recommended: No (delete as appropriate) (optional by originator)	
Justification for Fast Track Self-Governance Recommendation (mandatory by originator if recommending progression as Fast Track Self-Governance Modification Proposal)	
N/A	
Should this Modification Proposal be considered exempt from any ongoing Significant Code Reviews? (optional by originator in order to assist the Panel decide whether a Modification Proposal should undergo a SCR Suitability Assessment)	
No relevant ongoing SCRs (this proposed Modification is aligned with the EBSCR)	
Details of Proposer:	
Name ...Alex Haffner.....	
OrganisationNational Grid Electricity Transmission plc ...	
Telephone Number01926 65838.....	
Email Address ...alex.haffner@nationalgrid.com.....	

Modification Proposal – BSCP40/03	MP No: P323 <i>(mandatory by BSCCo)</i>
Details of Proposer's Representative: <i>Name</i> <i>Alex Haffner</i> <i>Organisation</i> ... <i>National Grid Electricity Transmission plc</i> <i>Telephone Number</i> <i>01926 655838</i> <i>Email address</i> <i>alex.haffner@nationalgrid.com</i>	
Details of Representative's Alternate: <i>Name</i> <i>Francesca Scucces</i> <i>Organisation</i> <i>National Grid Electricity Transmission plc</i> <i>Telephone Number</i> <i>01926 653632</i> <i>Email address</i> <i>francesca.scucces @nationalgrid.com</i>	
Attachments: No <i>(delete as appropriate) (mandatory by originator)</i>	