

Report Phase Consultation Responses

P335 'Inclusion of Non-BM STOR costs and volumes in the indicative cashout price'

This Report Phase Consultation was issued on 19 July 2016, with responses invited by 3 August 2016.



Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

Consultation Respondents

Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
ENGIE	12/0	Generator, Supplier
VPI Immingham	1/0	Generator
ScottishPower	6/0	Generator, Supplier, Non Physical Trader, ECVNA, MVRNA, Supplier Agent
UK Power Reserve	1/0	Generator
National Grid Electricity Transmission plc	1/0	Transmission Company
Drax	1/0	Generator
EDF Energy	6/0	Generator, Supplier, ECVNA, MVRNA
SmartestEnergy	1/0	Supplier

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Question 1: Do you agree with the Panel's initial unanimous recommendation that P335 should be approved?

Summary

Yes	No	Neutral/No Comment	Other
8	0	0	0

Responses

Respondent	Response	Rationale
ENGIE	Yes	<p>Short term trading decisions are based on the cashout price published 15 minutes after the end of the settlement period.</p> <p>The analysis conducted that prompted P335 to be raised has demonstrated that due to the 5WD delay in incorporating non BM STOR actions in the cashout price, the cashout price when non BM STOR is used is systemically incorrect. The consequence of this delay is that traders have misleading price signals as to how to value future trades. P335 has been raised to ensure that this situation cannot persist.</p> <p>ENGIE as the Proposer has nothing further to add as to how P335 better facilitates the Applicable BSC Objectives. These views have already been set out in the modification proposal.</p>
VPI Immingham	Yes	<p>Yes, we agree with the Panel's unanimous recommendation that P335 should be approved. Any modification that improve market signals and aid transparency is a positive. As non-BM STOR despatch can impact the cash out price, timely inclusion in the initial BSAD submission will help give the market a better idea, sooner of the actual prices and improve trading decisions. Given the low impact on most market participants and the potential positive outcomes, the modification should be approved.</p>
ScottishPower	Yes	<p>We believe that reflecting the cost and volume of non-BM-STOR in the indicative cashout price published shortly after the end of the settlement period will improve the accuracy of that cashout price.</p> <p>More accurate cashout prices will send clearer signals to the market of the requirement for adjustments to generation and demand and thus better facilitate objective (b) – the efficient and</p>

Respondent	Response	Rationale
		<p>economic operation of the National Transmission System.</p> <p>In addition, by removing uncertainty around later changes to cashout prices and providing better information to market participants, P335 will facilitate efficient economic decisions and better facilitate effective competition (objective (c)).</p> <p>Overall, P335 will better facilitate the applicable BSC Objectives.</p>
UK Power Reserve	Yes	<p>We agree with the recommendation to approve the proposal. We feel that it is beneficial to both objectives b) and C) of the BSC.</p> <p>The proposal benefits objective b) in that imbalance pricing is the core incentive and behavioural signal for correcting market imbalance and short term post gate closure trading. An accurate interpretation of this signal is of paramount importance to the decision making process for an economic balancing market. The failure to implement this change would pose a not inconsiderable disadvantage in that there would exist misleading and inaccurate pricing signals within the market.</p> <p>The proposal benefits objective c) in that access to an accurate imbalance price is arguably more important to smaller participants than larger ones who may have greater access to externally managed pricing analysis tools. The improved accuracy of the imbalance price this modification will allow will close this gap and allow greater competitively and an improved level playing ground between different scales of parties.</p>
National Grid Electricity Transmission plc	Yes	<p>Yes, we note the stated benefits against Applicable Objectives (b) and (c) of making the proposed change to the BSAD process in order to provide better price signals to the market earlier in the process.</p>
Drax	Yes	<p>Drax agrees with the Panel's unanimous recommendation that the P335 proposal better facilitates the Applicable BSC Objectives (ABOs).</p> <p>Cash-out prices are meant to provide short-term market signals. Under the current arrangements, the non-BM STOR cost and volumes dispatched after Gate Closure (GC) are not incorporated into the cash-out price calculation until WD+5, resulting in uncertainty and affecting the formation of</p>

Respondent	Response	Rationale
		<p>efficient price signals in the short-term power market. P335 corrects this issue, allowing better informed trading decisions. Further, P335 will reduce the number of actions that the SO has to take after GC thereby enabling optimal operation of the GB Transmission System, thereby better facilitating ABO (b).</p> <p>In addition, P335 ensures all market participants have access to the same information with regards to non-BM STOR cost and volumes and the likely impact on cash-out pricing.</p> <p>This will particularly assist small parties who may have fewer resources to commit to the forecasting of non-BM STOR utilisation. This will better facilitate ABO (c).</p> <p>As the solution ensures the provision of more timely information, P335 will better facilitate ABO (d) through the reduction of the incidence of cash-out repricing.</p>
EDF Energy	Yes	<p>Inclusion of Non-BM Short Term Operating Reserve (Non-BM STOR) actions taken in each period in the indicative imbalance and imbalance prices reported on BMRS soon after each period, instead of reporting the next day and including in imbalance prices reported a a week later, will improve market transparency and promote efficient trading and balancing by electricity market participants.</p> <p>The benefits against BSC Objectives (b) concerning efficient system operation and (c) concerning competition should outweigh the additional (NGET) process costs which act against BSC Objective (d) concerning BSC efficiency (latter costs estimated in the report at 112-197 £k).</p>
SmartestEnergy	Yes	-

Question 2: Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P335?

Summary

Yes	No	Neutral/No Comment	Other
7	0	1	0

Responses

Respondent	Response	Rationale
ENGIE	Yes	-
VPI Immingham	Yes	-
ScottishPower	Yes	We believe that the redlined changes to the BSC deliver the intention of P335.
UK Power Reserve	Yes	We believe the draft redlined changes are consistent with the intention of P335.
National Grid Electricity Transmission plc	Yes	We are comfortable that the proposed wording delivers the intention of P335.
Drax	Yes	-
EDF Energy	Yes	<p>The intent is reasonably clear, although:</p> <ol style="list-style-type: none"> 1. the relationship between the reporting required after gate-closure (anticipating particular actions in a future settlement period) and the reporting within 15 minutes after the end of a settlement period and subsequently (once out-turn actions are known) is not absolutely clear. 2. the previous draft legal text has been revised so that reporting within 15 minutes after the end of a settlement period need only occur if Non-BM STOR actions are taken. This means participants may not be able to distinguish the situation where reporting has failed or is late from the situation where no Non-BM STOR actions have been taken. Hopefully reporting failure will be infrequent.
SmartestEnergy	No comment	-

Question 3: Do you agree with the Panel's recommended Implementation Date?

Summary

Yes	No	Neutral/No Comment	Other
6	1	1	0

Responses

Respondent	Response	Rationale
ENGIE	No	The proposed implementation date of November 2017 is very disappointing given that the modification addresses a known problem that impacts market signals on an almost daily basis. ENGIE believes that this warrants a separate and prompt release of a standalone BSC change to address this error in the cashout price.
VPI Immingham	Yes	Yes – this modification should be implemented as soon as is a practically possible which would be the November release.
ScottishPower	Yes	We agree that implementation in line with the November BSC Systems release is the most practical implementation date and will enable the publication of more accurate indicative cashout prices over the 2016/17 winter period when margins may be very tight.
UK Power Reserve	Yes	We support the proposed implementation date but would be highly supportive of any means by which the implementation date could be brought earlier. We understand however this is unlikely in light of the background software changes and also conflicts with EBS. We would argue that such a modification should have been carried out much earlier with the introduction of a single cash out price.
National Grid Electricity Transmission plc	Yes	This is the earliest release that will allow the required changes to be made to impacted NGET systems.
Drax	Yes	This seems the most practical.
EDF Energy	Yes/No	It is disappointing that the proposal cannot be implemented earlier than 2 November 2017, and we hope that any opportunity for an earlier date will be taken.
SmartestEnergy	Yes	-

Question 4: Do you have any further comments on P335?

Summary

Yes	No
2	6

Responses

Respondent	Response	Rationale
ENGIE	No	-
VPI Immingham	Yes	Furthermore, we would like to see a notice to the market issued as soon as non-BM STOR is despatched. Given that non-BM STOR impacts the cash out price, all market participants should have visibility as soon as non-BM STOR is despatched.
ScottishPower	No	-
UK Power Reserve	No	-
National Grid Electricity Transmission plc	No	-
Drax	No	-
EDF Energy	Yes	Ideally, all balancing actions activated by the System Operator would be published as soon as they are instructed, and indicative imbalance price calculated and published as soon as possible, perhaps even dynamically, to inform participants of expected imbalance and imbalance price. This would include non-BM STOR actions, DSBR and SO-SO actions. NGET should prepare for faster reporting of SO-SO actions.
SmartestEnergy	No	-