

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

P335 seeks to facilitate the submission of Non-BM STOR costs and volumes such that they can be included in the indicative imbalance price. The aim of this Modification is to improve the incentivising signals provided by imbalance prices and facilitate optimal trading decisions by participants.



The BSC Panel recommends **approval** of P335

This Modification is expected to impact:

- Transmission Company
- ELEXON



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About This Document

This is the P335 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 P335.

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 P335.
- 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.

P335
Final Modification Report

12 Aug 16

Version 1.0

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Why Change?

The Proposer notes that the imbalance price is meant to provide the principal incentive for demand and supply to balance in the short term. The Proposer believes that to provide this incentive, imbalance prices need to be accurate in the short term in order to encourage efficient short term decision making.

The Transmission Company is required to submit an estimate of Balancing Service Adjustment Data (BSAD) as soon as reasonably practicable after Gate Closure, and in practice reports BSAD very shortly after Gate Closure. The Proposer notes that the Transmission Company typically dispatches Non-Balancing Mechanism (BM) Short Term Operating Reserve (STOR) after Gate Closure, and therefore data relating to it cannot be submitted until the next day, in the revised BSAD.

The Proposer contends that delay in the inclusion of Non-BM STOR can result in both a change in the direction of the Net Imbalance Volume (NIV), from long to short, and a change in the imbalance price, noting the current dispatch volumes of up to 300MWh of Non-BM STOR.

The Proposer contends that the imbalance price published after the end of a Settlement Period cannot be relied upon because it may change between the indicative price calculation and the Interim Information (II) Settlement Run calculation. Furthermore, that delay in the inclusion of Non-BM STOR costs and volumes can cause such change. They believe that this unreliability reduces the incentive to balance and can lead to sub-optimal trading decisions being made.

Solution

P335 will place a specific requirement on the Transmission Company to send an additional BSAD submission after the end of the Settlement Period, to enable the inclusion of Non-BM STOR costs and volumes in the indicative imbalance price calculation.

Impacts

P335 will impact the Transmission Company and ELEXON.

Implementation

P335 is proposed for implementation on 2 November 2017 as part of the November 2017 BSC Systems Release.

Recommendation

The Workgroup unanimously believes that P335 **better** facilitates Applicable BSC Objective (b), (c) and (d) and therefore recommends that P335 should be **approved**.

What are Balancing Services?

Balancing services are used by the Transmission Company in its role as System Operator (SO) to balance supply and demand in real time. Details of accepted Balancing Services are used in the calculation of imbalance prices (also known as cash-out prices).

Balancing Service Adjustment Data (BSAD)

The BSAD Methodology Statement sets out information on relevant Balancing Services that are taken outside of the BM to balance the system and are taken into account under the BSC for the purposes of determining imbalance prices. Some of these Balancing Services are included in the price calculation stack as discrete balancing actions called Balancing Service Adjustment Actions (BSAAs), and other costs are reflected in additions to the final imbalance price, as the Buy Price Adjuster (BPA) and the Sell Price Adjuster (SPA).

The Balancing and Settlement Code (BSC) requires the Transmission Company to submit its 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, such Settlement Period. This is so BSAD can be used in the Balancing Mechanism Reporting Agent's (BMRA) calculation of an indicative imbalance price within 15 minutes of the end of a 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 SAA's calculation of System Prices uses the actual volume(s) of BSAD when calculating a final imbalance price.

The BSAD Methodology Statement is owned by the Transmission Company, and may only be modified in accordance with the processes set out in Standard Condition C16 of the Transmission Licence. The Transmission Company is required to annually consult on the C16 statements, which includes the BSAD Methodology Statement.

Non-Balancing Mechanism Short Term Operating Reserve (Non-BM STOR)

Non-BM STOR is a STOR instruction by the Transmission Company issued outside of the BM in order to increase generation or reduce demand.

Withdrawn Modification P334

The P335 Proposer previously raised Modification [P334 'Inclusion of Non-BM STOR costs and volumes into the cashout price in time for publication after the end of the Settlement Period'](#). The P334 Initial Written Assessment (IWA) recommended that P334 be sent to the Report Phase with an initial recommendation to reject. Although the P334 Modification Proposal was presented to the Panel, the Proposer decided to withdraw P334 before the Panel decided how to progress it. P335 was therefore raised to address the same underlying issues as P334 (as contended by the Proposer) but with a more effective solution. That is, rather than focusing on a best estimate, P335 intends to require the reporting of actual Non-BM STOR.

Current Arrangements

Initial imbalance price

The BMRA calculates and publishes an indicative imbalance price for every Settlement Period based on the data available to it at the time. This is published between 15 and 30 minutes after the end of the Settlement Period. 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 Settlement Run.

The initial estimate of BSAD from the Transmission Company (by the end of the Settlement Period) is used in the BMRA's calculation of the initial imbalance price. Information in the revised BSAD is used in the II Settlement Run imbalance price five Working Days later.

The costs and volumes of Non-BM STOR actions are reported as BSAD. The BSAD Methodology Statement¹ does not specify when Non-BM STOR must be reported as BSAD or treated in a particular way (i.e. unlike Demand Side Balancing Reserve² and certain other Balancing Services). The costs and volumes of Non-BM STOR actions may therefore be included in both the initial and revised submissions of BSAD to the extent that the Transmission Company is able to.

In practice the Transmission Company reports Non-BM STOR as part of its post event re-submission of BSAD. This is because the Transmission Company reports BSAD as soon as possible after Gate Closure (in accordance with BSC Section Q6.3.1(a)(ii)) which does not allow time to report Non-BM STOR for use by the BMRA. That is, Non-BM STOR is typically dispatched after Gate Closure and therefore after the Transmission Company has reported its estimate of BSAD for the Settlement Period.

BSC Modification Proposal [P333 'Inclusion of DSBR volumes into the cashout price in time for publication after the end of the Settlement Period'](#) proposes earlier reporting of Demand Side Balancing Reserve (DSBR) volumes in time for inclusion in the published indicative price soon after each Settlement Period, in a similar manner to this proposal P335 for Non-BM STOR. It is being assessed in parallel with P335.

What is the issue?

The Proposer notes that the imbalance price is meant to provide the principal incentive for demand and supply to balance in the short term. The Proposer believes that to provide this incentive, imbalance prices need to be accurate in the short term in order to encourage efficient short term decision making.

The Transmission Company is required to submit an estimate of BSAD as soon as reasonably practicable after Gate Closure. In practice it reports BSAD very shortly after Gate Closure. The Proposer notes that the Transmission Company typically dispatches Non-BM STOR after Gate Closure, and therefore data relating to it cannot be submitted until the next day, in the revised BSAD.

The Proposer contends that delay in the inclusion of Non-BM-STOR can change the imbalance price, or the direction of the NIV, from long to short, noting the current dispatch volumes of up to 300MWh of Non-BM STOR. The Proposer contends that the

¹ BSAD Methodology Statement v12, effective 5 November 2015, available on the [Transmission Licence C16 Statements page](#) of the National Grid website.

² The BSAD Methodology Statement specifies that Demand Side Balancing Reserve (DSBR) will not be included in the initial estimate; DSB volumes are included in the post event re-submission BSAD issued the next day.

imbalance price published after the end of a Settlement Period cannot be relied upon. This is because it may change between the indicative price calculation and the II Settlement Run calculation. A delay in the inclusion of Non-BM STOR costs and volumes can cause such change. This unreliability reduces the incentive to balance and can lead to sub-optimal trading decisions being made.

Proposed solution

At present the BSC requires the Transmission Company to submit its estimate of BSAD for a Settlement Period as soon as reasonably practicable after Gate Closure for that Settlement Period (and not later than its end). This data is included in the indicative imbalance price published within 15 minutes of the end of the Settlement Period.

In order that the Transmission Company submits its estimate of BSAD as soon as reasonably practicable after Gate Closure, Non-BM STOR dispatched after Gate Closure is not included. Instead the Transmission Company reports this data the next day, which is then incorporated in the revised imbalance price for the II Settlement Run, five Working Days later.

ENGIE raised [P335 'Inclusion of Non-BM STOR costs and volumes in the indicative cashout price'](#) on 19 February 2016.

P335 seeks to implement a solution that will place a specific requirement on the Transmission Company to send an additional BSAD submission after the end of the Settlement Period, to enable the inclusion of Non-BM STOR costs and volumes in the indicative imbalance price calculation.

Proposed solution

In the proposed solution a new BSAD file will be generated within 15 minutes of the completion of each Settlement Period, to enable the inclusion of Non-BM STOR costs and volumes in the indicative imbalance price calculation.

The new BSAD file will contain the forward trade information (e.g. pre-gate closure trades), along with the Non-BM STOR instructions issued for the specific Settlement Period.

A sequential break down of the P335 solution will be as follows:

1. Shortly after Gate Closure, the Transmission Company sends to the BMRA a BSAD file containing actions for the Settlement Period (excluding Non-BM STOR). The BMRA loads this and publishes the BSAD data.
2. No later than 15 minutes after the end of the Settlement Period, the Transmission Company sends an additional BSAD file that includes Non-BM STOR (in addition to the previously-notified actions). BMRA loads and publishes the revised data.
3. The BMRA's indicative price calculation (20 minutes after the end of the Settlement Period) automatically picks up the file from step 2.

Please note that this Modification does not require BMRA system changes. The second in-day BSAD file can be loaded into the current software, to revise the data previously held.

As per the existing process, any actions that are taken in a Settlement Period that fail to be included in the indicative imbalance price calculation, will include a subsequent Settlement Runs.

Legal text

Attachment A contains the proposed changes to the BSC. No changes are needed to Code
Subsidiary Documents (CSDs).

4 Impacts & Costs

Estimated central implementation costs of P335

This Modification will be a document-only change to update one Section of the BSC. The second in-day BSAD file submitted to the BMRA can be loaded into BMRS. Therefore, no system changes are required and there are no impacts on BSC Agents.

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

Participant impacts and costs

This Modification is only expected to impact the Transmission Company, which will need to send an additional BSAD submission within 15 minutes of completion of each Settlement Period.

Transmission Company costs

The cost of implementing this solution is estimated to be in the range of £100k to £200k. A breakdown of the Transmission Company's indicative cost is provided in the table below:

Indicative Transmission Company Costs		
Particulars	Best Case	Worst Case
Prestart-up analysis	£10k	£20k
IS System changes	£53k	£74k
Integration Testing and UAT	£10k	£20k
Governance and Analysis	£30k	£60k
Risk Margin	£9k	£23k
Total cost	£112k	£197k

No other BSC Parties or Party Agents will be impacted by this change.

P335 impacts

Impact on BSC Parties and Party Agents
None anticipated

Impact on Transmission Company
The Transmission Company will send an additional BSAD file.

Impact on BSCCo

Document changes will be implemented.

Impact on Code

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

Recommended Implementation Date

The Workgroup recommends an Implementation Date for P335 of 2 November 2017, if an Authority's decision is received on or before 2 November 2016.

The proposed Implementation Date of November 2017 is to allow for the implementation of the Transmission Company's Electricity Balancing System (EBS) Release 1.

A number of Workgroup members highlighted their disappointment with the November 2017 release date, as the Modification addresses a known problem that impacts market signals on an almost daily basis. However, it was recognised that due to systems constraints on the part of the Transmission Company, time savings would be minimal.

What other solutions were considered?

The P335 Proposal Form identified three possible approaches to achieving the inclusion of Non-BM STOR costs and volumes in the indicative imbalance price. The three options were impact assessed by the Transmission Company and considered by the Workgroup.

The proposed solutions are as follows:

- a) Amend the BSC so that the Transmission Company's submission of BSAD is not required to be as soon as reasonably practicable after Gate Closure, enabling a delayed BSAD submission which would include an estimate of all BSAAAs struck after Gate Closure.
- b) Require the Transmission Company to provide a further BSAD submission after Gate Closure but before the end of the Settlement Period that captures any further BSAAAs taken after Gate Closure and before the end of the Settlement Period.
- c) Require the Transmission Company to publish pre-Gate Closure BSAD trades as they are struck and submit an estimate of any further BSAAAs taken after Gate Closure in time for inclusion in the Indicative System Sell Price and Indicative System Buy Price.

The Workgroup agreed that a variant of Option B was the preferred solution for the reasons given below, and agreed for it to be progressed as the proposed solution.

Delay BSAD submission

Option A proposed to amend the BSC so that the Transmission Company would not be required to submit a BSAD file as soon as reasonable practicable after Gate Closure. The amended wording would enable a delayed BSAD submission which would include an estimate of all BSAAAs struck after Gate Closure.

The Transmission Company, in its impact assessment, noted a new file would need to be produced for the delayed BSAD submission. The process of generating the file would be complex, as an additional task would be required to remove the existing data flow. The Transmission Company impact assessment also highlighted large system impact in delaying the submission.

The Workgroup noted that the option would not be feasible due the complexity and potential impact.

Publish pre-Gate Closure trades & estimate post-Gate closure actions

Option C proposed that the Transmission Company publish pre-Gate Closure BSAD trades as they are struck and submit an estimate of any further BSAAAs taken after Gate Closure in time for inclusion in the indicative imbalance price.

The Transmission Company, in its impact assessment, indicated that Option C was a variation on Option A. Option C also proposes the BSC be amended to enable a delayed BSAD submission; however the publication of the forward trades would potentially mitigate the loss of the gate closure file.

Due to the similarity between Option A and C, the impact assessment of Option C identified the same system impacts.

Further considerations

The Workgroup considered how it could better achieve the Modification's objective of improving the accuracy of the imbalance price.

The Workgroup asked the Transmission Company the following questions:

- How does BSAD change between submissions/ Settlement Runs?
- How does Non-BM STOR volumes change between submissions?
- What other files that are included in D+1 could also be included in the 15 min submission?
- How often does BSAD change after D+1?

The Workgroup agreed that the questions were within the scope of the Modification.

In response to the Workgroup's questions, the Transmission Company representative confirmed that the electricity trade data and BM Start Up data is submitted in time for inclusion in the gate closure files and consequently does not change in the final file. The Transmission Company representative indicated that the Interconnector System Operator to System Operator (SO-SO) data is not captured in the half hour files; with less than 10% of the trades being captured initially. As such, the inclusion of Non-BM STOR in the gate closure files would improve the accuracy of the imbalance price. However, the Interconnector SO-SO data would remain absent from the submission.

The Transmission Company representative confirmed that after the final file submission there is the possibility of changing data. There may be slight changes to Non-STOR but these are not likely to be material. There may also be changes to interconnector data, the majority would not be material but for occasional Settlement Periods there may be material changes.

Finally, the Transmission Company representative acknowledged that unfortunately it was not possible to obtain firm costs and implementation timescales for any other data items currently in the D+1 BSAD file (e.g. the Interconnector SO-SO data). This is due to restrictions on new EBS change requests to the supplier in order to mitigate any risks to go-live.

System Impacts

The changes proposed in P335 primarily impact Transmission Company's EBS and Information Provisioning (IP) system.

As per the preferred option, the current process of sending the BSAD files to ELEXON just after the end of every Gate Closure would remain unchanged. Necessary development around formatting, scheduling and validations in EBS and IP systems would be implemented and tested. This will re-generate the disaggregated and aggregated BSAD files with Non-BM STOR costs and volumes included specific to the Settlement Period, which would then be sent to ELEXON within 15 minutes of completion of the Settlement Period. Due to the changes to the EBS System, the Transmission Company recommended that the proposed solution be implemented in the November 2017 release. This

Implementation Date would provide enough time to develop and test the solution after EBS go-live, if a decision is received, giving the Transmission Company sufficient notice.

Implementation Date

In the Assessment Procedure Consultation, a number of respondents expressed their disappointment with the proposed Implementation Date of November 2017.

It was noted by the Workgroup, that the proposed date meant that implementation would be almost 20 months after the Modification was raised and 15 months after the report will go to the Authority for decision.

The Workgroup noted that the Modification was dependent on the successful implementation of EBS. It was understood that EBS Release 1, scheduled for April 2017, is already underway, and will prioritise core aspects of the system and any issued and defects arising from the initial go-live. As a result, the Modification could only feasibly be included in Release 2 of the EBS roll-out, with an implementation date of November 2017.

Given that the Modification addresses a known problem that impacts market signals on an almost daily basis, the Workgroup discussed whether the Modification could be implemented as a standalone change, outside of the normal BSC release programme.

The Workgroup noted that the Modification impacts two Transmission Company systems; EBS and IP. To successfully test and implement both systems in a standalone EBS Release between EBS Release 1 and EBS Release 2 would result in minimal time savings. Work could not commence on this change until after Release 1 had been implemented, due to the critical changes needing to be included within it, which means this would not start before April 2017. The lead time required for developing and testing the changes would mean that they could not be implemented much earlier than a few weeks ahead of EBS Release 2. Furthermore, this would potentially jeopardise work on the other changes scheduled to go into EBS Release 2 due to resource being reallocated to the standalone change. This would also increase overall costs. Therefore, it was noted that a standalone release would not be feasible or cost effective.

The Workgroup noted this and agreed that November 2017 was the most practical Implementation Date.



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 administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

Final views against the Application BSC Objectives

The Workgroup unanimously agreed that P335 will overall better facilitate the Applicable BSC Objectives compared with the existing baseline, and so recommends that P335 should be approved.

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

Does P335 better facilitate the Applicable BSC Objectives?		
Obj	Proposer's Views	Other Workgroup Members' Views ³
(a)	<ul style="list-style-type: none"> Neutral – No Impact. 	<ul style="list-style-type: none"> Neutral (unanimous) – as Proposer.
(b)	<ul style="list-style-type: none"> Yes – as this would reduce the number of actions that the System Operator has to take after Gate Closure to balance the System, thereby facilitating the efficient, economic and co-ordinated operation of the GB Transmission System. 	<ul style="list-style-type: none"> Yes (unanimous) – as Proposer
(c)	<ul style="list-style-type: none"> Yes – as the whole market would have access to the same information. Also, the current arrangements could disadvantage smaller players because they may have less resource to devote to predicting the impact that Non-BM STOR will have on the imbalance price. 	<ul style="list-style-type: none"> Yes (unanimous) – As Proposer.
(d)	<ul style="list-style-type: none"> Yes – as it would reduce the incidence of imbalance price changes which they believe would promote greater efficiency in the implementation and administration of the balancing and settlement arrangements. 	<ul style="list-style-type: none"> Yes (two members) – As Proposer Neutral (two members) – as greater efficiency could be achieved through further accuracy in the imbalance price.
(e)	<ul style="list-style-type: none"> Neutral – No Impact. 	<ul style="list-style-type: none"> Neutral (unanimous) – as Proposer
(f)	<ul style="list-style-type: none"> Neutral – No Impact. 	<ul style="list-style-type: none"> Neutral (unanimous) – as Proposer

Assessment Consultation respondents' views on the Applicable BSC Objectives

The Workgroup received seven responses to its Assessment Consultation. The respondents unanimously agreed that P335 would better facilitate the Applicable BSC Objectives for the following reasons:

³ Shows the different views expressed by the other Workgroup members – not all members necessarily agree with all of these views.

- Applicable BSC Objective (b): as P335 reduces the number of actions that the Transmission Company has to take after Gate Closure thereby enabling optimal operation of the GB Transmission System.
- Applicable BSC Objective (c): as P335 ensures all market participants have access to the same information with regards to Non-BM STOR and the likely impact on imbalance pricing. This will particularly assist small parties who may have fewer resources to commit to the forecasting of Non-BM STOR utilisation.
- Applicable BSC Objective (d): as P335 ensures the provision of more timely information, to enable the reduction of the incidence of imbalance price repricing.

Panel's initial recommendations

The Panel's initial majority view is that P335 **does** better facilitate **Applicable BSC Objective (b), (c) and (d)** and therefore recommends that P335 should be **approved**.

The Panel's discussions on P335 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 P335 would better facilitate Applicable BSC Objective (b). The Panel believes that the proposed changes will reduce the number of actions that the System Operator has to take after Gate Closure to balance the System, thereby facilitating the efficient, economic and co-ordinated operation of the GB Transmission System.

Applicable BSC Objective (c)

The Panel unanimously believes that P335 would better facilitate Applicable BSC Objective (c), as the whole market would have access to the same information. The Panel acknowledges that the current arrangements could disadvantage smaller players, who may have less resource to devote to predicting the impact that Non-BM STOR will have on the imbalance price.

Applicable BSC Objective (d)

The Panel, by majority, believes that P335 would better facilitate Applicable BSC Objective (d), as it will reduce the incidents of imbalance price changes in subsequent settlement runs.

However, one Panel Member thought that proposed change is are neutral against (d), as they believed that greater efficiency could still be achieved in the implementation of the balancing and settlement arrangements, through a more accurate imbalance price.

Panel's views on the Implementation Date

The Panel unanimously agreed with the Workgroup's recommended Implementation Date, put forward in Section 5, of 2 November 2017 (as part of the November 2016 BSC Systems Release), if a decision is received on or before 2 November 2016; or

Panel's views on the draft legal text

The Panel unanimously agreed that the draft redlined changes to the BSC in Attachment A.

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 P335 Report Phase Consultation Responses

Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the Panel's initial unanimous recommendation that P335 should be approved?	8	0	0	0
Do you agree with the Panel that the redlined changes to the BSC deliver the intent of P335?	7	0	1	0
Do you agree with the Panel's recommended Implementation Date?	6	1	1	0
Do you have any further comments on P335?	2	6	0	0

Should P335 be approved?

All respondents to the Report Phase Consultation agreed with the Panel's initial unanimous recommendation that P335 should be approved.

The Proposer highlighted that short term trading decisions are based on the imbalance price published 15 minutes after the end of the Settlement Period.

The imbalance price is designed to provide the principal incentive for demand and supply to balance in the short term. For the price to effectively act as a market incentive, imbalance prices need to be accurate in the short term in order to encourage efficient short term decision making.

Due to the five Working Day delay in incorporating Non-BM STOR costs and volumes in the indicative imbalance price calculation, the indicative imbalance price is systematically incorrect when non-BM STOR actions are taken. The consequence of this delay is that traders receive misleading price signals for how to value future trades.

The Proposer noted this modification resolves this issue and should be approved. The rationale put forward by all other respondents who agreed with the approval of P335 were broadly in line with view of the Proposer.

Proposed legal text

Seven of the eight respondents to the Report Phase Consultation agreed with the recommended draft legal text, indicating that it delivered the intention of P335.

The respondent who indicated "no comment" did not provide a rationale.

Proposed Implementation Date

Six of the eight respondents to the Report Phase Consultation agreed with the recommended Implementation Date.

The Proposer expressed disappointment towards the proposed Implementation Date of November 2017, noting that the Modification addresses a known problem that impacts market signals on an almost daily basis. The Proposer believes that the Modification warrants a separate and prompt release of a standalone BSC change to address the error in the imbalance price. The view of the Proposers was broadly echoed by the respondent who indicated “no comment”.

One respondent highlighted that P335 should be implemented as soon as practically possible, which would be the November 2017 release.

Notice of Non-BM STOR despatch

As part of the Report Phase Consultation, one respondent suggested that the market be issued with a notice as soon as Non-BM STOR is dispatched. The respondent noted due to the impacts on the imbalance price, there was a benefit in all market participants having increased visibility of when Non-BM STOR is dispatched.

Including all balancing actions in the indicative imbalance price

One respondent to the Report Phase Consultation highlighted the benefit of calculating and publishing the indicative imbalance price as soon as possible; as well as publishing all balancing actions, activated by the System Operator, as soon as they are instructed. This would include Non-BM STOR actions, DSBP and SO-SO actions. This approach would ensure that participants are informed of expected imbalance and imbalance price. The respondent also suggested that the Transmission Company prepare for faster reporting of SO-SO actions.

Panel's final recommendations

The Panel's unanimous view is that P335 **does** better facilitate **Applicable BSC Objectives (b) and (c)** and therefore recommends that P335 should be **approved**. The views and recommendation reflect those expressed previously.

The Panel's discussions on P335 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 P335 to be neutral against Applicable BSC Objectives (a), (e) and (f).

Applicable BSC Objective (b)

The Panel unanimously believes that P335 will better facilitate Applicable BSC Objective (b).

P335 proposes the timely inclusion of non-BM STOR costs and volumes in the calculation of the indicative imbalance price. This will improve the accuracy of the imbalance price published at the end of the Settlement Period, as it will reduce the incidence of changes to the imbalance price, between the indicative imbalance price calculation and the II Settlement Run.

The Panel noted that improving market participants' confidence in the accuracy of the imbalance price will enhance the ability of market participants to value trades ahead of gate closure for subsequent Settlement Periods. In turn, reducing the number of actions the System Operator has to take after Gate Closure to balance the System, and better facilitating the 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 P335 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 Non-BM STOR will have on the imbalance price. However, through the implementation of P335, the whole market will have access to the same information, which in turn promotes competition.

Applicable BSC Objective (d)

The Panel provided the unanimous view that P335 will better facilitate Applicable BSC Objective (d).

The Panel believes that P335 facilitates the reduction in incidences of imbalance price changes. Therefore, this would promote greater efficiency in the implementation and administration of the balancing and settlement arrangements.

Panel's views on the Implementation Date

The Panel unanimously agreed with the Workgroup's recommended Implementation Date, put forward in Section 6, of 2 November 2017 if an Authority decision is received on or before 2 November 2016.

Panel's views on the draft legal text changes

The Panel unanimously agreed that the draft legal text changes to the BSC in Attachment A deliver the intention of P335.

11 Recommendations

The BSC Panel recommends to the Authority:

- **AGREE** that P335:
 - **DOES** better facilitate Applicable BSC Objective (b);
 - **DOES** better facilitate Applicable BSC Objective (c); and
 - **DOES** better facilitate Applicable BSC Objective (d);
- **APPROVE** an Implementation Date for P335 of 2 November 2017 if an Authority decision is received on or before 2 November 2016;
- **APPROVE** the draft legal text P335; and
- **APPROVE** the P335 Modification Report.

Appendix 1: Workgroup Details

Workgroup's Terms of Reference

Specific areas set by the BSC Panel in the P335 Terms of Reference

Is a BSC Modification the best way to achieve the aim of P335?

What is the impact of implementing P335?

What is the benefit of P335?

What changes are needed to BSC documents, systems and processes to support P335 and what are the related costs and lead times?

Are there any Alternative Modifications?

Does P335 better facilitate the Applicable BSC Objectives than the current baseline?

Assessment Procedure timetable

P335 Assessment Timetable

Event	Date
Panel submits P335 to Assessment Procedure	11 Feb 16
Workgroup Meeting 1	23 Mar 16
Workgroup Meeting 2	18 Apr 16
Workgroup Meeting 3	25 May 16
Assessment Procedure Consultation	6 Jun 16 – 24 Jun 16
Workgroup Meeting 4	29 Jun 16
Panel considers Workgroup's Assessment Report	14 Jul 16

Workgroup membership and attendance

P335 Workgroup Attendance					
Name	Organisation	23 Mar 16	18 Apr 16	23 May 16	26 Jun 16
Members					
Simon Fox-Mella	ELEXON <i>(Chair)</i>	✓	✓	✓	✗
David Kemp	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	✓	✓	✓	✓
Attendees					
John Lucas	ELEXON <i>(Design Authority)</i>	✓	✓	✓	✗
Geoff Norman	ELEXON <i>(Lead Lawyer)</i>	✗	✓	✓	✓
Emma Burns	ELEXON <i>(Market Analysis)</i>	✓	✓	✓	✓
Jonathan Whiting	Ofgem	✓	✓	✓	✗
Adam Gilham	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	✗	✓	✓	✓
Pradeep Ninan	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
BPA	Buy Price Adjuster
BSAA	Balancing Services Adjustment Actions
BSAD	Balancing Services Adjustment Data
BSASS	Balancing Services Adjustment Actions
BSC	Balancing and Settlement Code
DSBR	Demand Side Balancing Reserve
II	Interim Information
IWA	Initial Written Assessment
NIV	Net Imbalance Volume
Non-BM STOR	Non-Balancing Mechanism Short Term Operating Reserve
SAA	Settlement Administration Agent
SO	System Operator
SP	Settlement Period
SPA	Sell Price Adjuster
STOR	Short Term Operating Reserve

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
4	P334 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p334/
5	P333 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p333/
5	P335 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p335/

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