

# Assessment Procedure Consultation Responses

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

This Assessment Procedure Consultation was issued on 6 June 2016, with responses invited by 24 July 2016.



### Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

### Consultation Respondents

Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
EDF Energy	7/0	Generator, Supplier, ECVNA, MVRNA
SmartestEnergy	1/0	Supplier
ENGIE	12/0	Generator, Supplier
RWE Supply and Trading GmbH	9/0	Generator, Supplier, Interconnector User, ECVNA, MVRNA
Drax	1/0	Generator
ScottishPower	6/0	Generator, Supplier, Non Physical Trader, ECVNA, MVRNA, Supplier Agent
E.ON	5/0	Generator, Supplier, Interconnector User, ECVNA, MVRNA

Question 1: Do you agree with the Workgroup's initial unanimous view that P335 does better facilitate the Applicable BSC Objectives than the current baseline?

## Summary

Yes	No	Neutral/No Comment	Other
7	0	0	0

## Responses

Respondent	Response	Rationale
EDF Energy	Yes	Imbalance Price is the main incentive for efficient balancing by participants. Prompt imbalance price reporting informs short-term trading and despatch decisions. Incorrect or unreliable prices are likely to result in inefficient behaviours, requiring more expensive participant and/or system operator costs than necessary. Increasing volumes of non-BM actions and the magnifying effects of balancing actions and net imbalance on imbalance price under P305 increase the importance of including all balancing actions, including non-BM STOR, in indicative imbalance price to be published as soon as practicable. The benefits against BSC Objectives (b) concerning efficient system operation and (c) concerning competition should outweigh the additional process costs which act against BSC Objective (d) concerning BSC process costs (latter estimated at 112-197 £k).
SmartestEnergy	Yes	-
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>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.</p>

Respondent	Response	Rationale
		<p>ENGIE believes that this warrants a separate and prompt release of a standalone BSC change to address this error in the cashout price.</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>
RWE Supply and Trading GmbH	Yes	<p>We agree that the proposal will better meet the BSC Objectives (B, C and D) as outlined by the proposer and in the consultation document. In particular the inclusion of non BM STOR in the initial cash out prices will improve the visibility of these actions and ensure that parties are aware of the potential implications for cash out at the earliest possible stage. This will improve the efficiency of reporting and ensure that parties have the better information for information for trading activities in future settlement periods for which gate closure has not occurred.</p>
Drax	Yes	<p>Drax agrees with the 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 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. This will particularly assist small parties who may have fewer resources to commit to the forecasting of DSBR 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>

Respondent	Response	Rationale
ScottishPower	Yes	<p>We believe that reflecting the cost 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 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>
E.ON	Yes	For the reasons given by the Proposer and shared by the workgroup in the consultation.

Question 2: Do you agree with the Workgroup that the draft legal text in Attachment A delivers the intention of P335?

**Summary**

Yes	No	Neutral/No Comment	Other
5	0	1	1

**Responses**

Respondent	Response	Rationale
EDF Energy	Yes/No	<p>The intent is reasonably clear, but the relationship between the earlier reporting required on the preceding day and just 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 is not absolutely clear. Does the reporting after the end of the settlement period completely replace the earlier reporting, or is it just changes to the earlier reporting?</p> <p>Note that option (b) on page 12 of the assessment report mentions BSAD reporting immediately before the end of the settlement period. This is too early, and we assume the solution as described at page 7 of the assessment report and in the legal text is the intended one.</p>
SmartestEnergy	No Comment	-
ENGIE	Yes	-
RWE Supply and Trading GmbH	Yes	-
Drax	Yes	-
ScottishPower	Yes	We believe that the draft legal text delivers the intention of P335.
E.ON	Yes	We have no additional comments.

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

### Summary

Yes	No	Neutral/No Comment	Other
5	1	0	1

### Responses

Respondent	Response	Rationale
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	-
ENGIE	No	ENGIE would like to see the modification implemented as a standalone change outside of the normal BSC release programme. Implementation will be almost 20 months after the modification was raised and 15 months after the report will go to Ofgem for decision. Given the widely held recognition that this issue needs to be addressed, the implementation date is disappointing. ENGIE urges ELEXON to work towards a faster implementation.
RWE Supply and Trading GmbH	Yes	It is disappointing that the proposed change cannot be delivered earlier than November 2017 given the importance of the change in relation to improved incentives for energy balancing. While we recognise the constraint in relation to NG systems our preference would be for an earlier implementation date if it was at all feasible.
Drax	Yes	This seems sensible.
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.
E.ON	Yes	We note that the proposed date is dependent upon successful implementation of National Grid's EBS. The solution should not be unnecessarily delayed in the event of delay to the EBS programme that would potentially affect the proposed

Respondent	Response	Rationale
		implementation date.

Question 4: Do you agree with the Workgroup that there are no other potential Alternative Modifications within the scope of P335 which would better facilitate the Applicable BSC Objectives?

## Summary

Yes	No	Neutral/No Comment	Other
7	0	0	0

## Responses

Respondent	Response	Rationale
EDF Energy	Yes	No other solutions within the limited scope of P335, but see other comments below. There would be benefit in also including SO-SO actions taken during a Settlement Period in the indicative imbalance price published within 15 minutes of the end of such settlement period.
SmartestEnergy	Yes	-
ENGIE	Yes	Other options were explored but the solution is the best option to deliver P335.
RWE Supply and Trading GmbH	Yes	This is a relatively simple modification and it seems appropriate that it is delivered through changes to BSAD reporting. Therefore there is limited scope for alternative modifications within the scope of P335.
Drax	Yes	-
ScottishPower	Yes	We are not aware of any other potential solutions.
E.ON	Yes	The proposed solution appears to be the best outcome.



## Question 5: Do you have any further comments on P335?

### Summary

Yes	No
1	6

### Responses

Respondent	Response	Comments
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 all non-BM STOR actions including DSBR, Non-BM STOR and SO-SO actions.
SmartestEnergy	No	-
ENGIE	No	-
RWE Supply and Trading GmbH	No	-
Drax	No	Not at this time.
ScottishPower	No	-
E.ON	No	-