

Report Phase Consultation Responses

P333 'Inclusion of DSBR volumes into the cashout price in time for publication after the end of the Settlement Period'

This Report Phase Consultation was issued on 13 June 2016, with responses invited by 1 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
National Grid Electricity Transmission plc	1/0	Transmission Company
Drax	1/0	Generator
EDF Energy	6/0	Generator, Supplier, ECVNA, MVRNA
ENGIE	12/0	Generator, Supplier
E.ON	6/0	Generator, Supplier, Interconnector User, ECVNA, MVRNA
ScottishPower	6/0	Generator, Supplier, ECVNA, MVRNA
SmartestEnergy	1/0	Supplier

P333
Report Phase Consultation
Responses

7 Jul 16

Version 1.0

Page 1 of 9

© ELEXON Limited 2016

Question 1: Do you agree with the Panel's initial unanimous recommendation that P333 should be approved?

Summary

Yes	No	Neutral/No Comment	Other
6	1	0	0

Responses

Respondent	Response	Rationale
National Grid Electricity Transmission plc	No	<p>To date we have focused on highlighting the risks of this mod (e.g. manual process and potential human error leading to inaccurate cash-out prices) to the market rather than specifically proposing rejection. However, given that the corresponding changes in relation to SBR (CP1460) will now not be made for this winter, we feel that a great deal of the value of P333 has been removed as a consequence. This is because even if DSBR volumes are reflected in the Indicative Price, SBR volumes won't be, meaning that there could still be a substantial difference between the Indicative Price (end of relevant SP) and the imbalance price at the II run stage (i.e. d+5) – and thus a great deal of uncertainty (e.g. around NIV and PAR tagging) for market participants.</p> <p>In addition, based on the volumes of DSBR tendered across the peak period of the day which have been received through the recent procurement exercise, National Grid's expectation is now that, if DSBR is procured, all units will be despatched at the same time.</p> <p>Noting potential uncertainty around PAR and NIV tagging (which now exists for SBR volumes in any case), it is our belief that it would be of more benefit to provide the industry with increased commercial information on the DSBR units contracted in advance of winter which would allow the industry to forecast/calculate the impact of DSBR despatch in a similar manner to what will be required in relation to SBR despatch.</p> <p>Another consideration we feel is relevant is that National Grid is undertaking a number of significant system changes across the summer and autumn including EBS which is planned to go-live in November. Delivery of the system changes required for P333 require access to systems currently being</p>

Respondent	Response	Rationale
		<p>utilised by the EBS project. This potentially increases delivery risk to both projects.</p> <p>Therefore we feel that this risk, and those previously stated in earlier P333 responses around manual processes, clearly outweigh the benefits (in relation to applicable objectives B and C) and so do not agree with the initial Panel recommendation that P333 should be approved.</p>
Drax	Yes	<p>Drax agrees with the initial recommendation that the P333 proposal better facilitates the Applicable BSC Objectives.</p> <p>Cash-out prices are meant to provide short-term market signals. Under the current arrangements, the DSBR volume is 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. P333 corrects this issue, allowing better informed trading decisions and enabling optimal operation of the GB Transmission System, thereby better facilitating ABO (b).</p> <p>In addition, P333 ensures all market participants have access to the same information with regards to DSBR utilisation 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, P333 will better facilitate ABO (d) through the reduction of the incidence of cash-out repricing.</p>
EDF Energy	Yes	<p>Prompt reporting of actions which can have significant material impact on imbalance prices, and thus on participant actions in relation to balancing and imbalance for future settlement periods, supports BSC objectives (b) and (c) concerning efficient system operation and effective competition. We described this, and the materiality, in more detail in our response to assessment consultation.</p> <p>The central implementation cost estimated at 164 £k (page 8 of report consultation) is disappointingly high for a manual workaround, but we think it is justified given the potential materiality of inaccurate early indicative reporting of net imbalance and</p>

Respondent	Response	Rationale
		imbalance prices. Given the cost, we expect a robust and reliable manual workaround.
ENGIE	Yes	As the proposer, ENGIE supports the implementation of the modification and continues to believe that P333 better facilitates the BSC objectives as set out in the modification.
E.ON	Yes	In line with the views of the Proposer and the majority of the workgroup and for the reasons given by the Panel against objectives b), c) and the majority of the Panel against objective d).
ScottishPower	Yes	<p>We believe that reflecting the volume of DSBR and the pricing of DSBR at the VOLL price 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 all market participants, P335 will facilitate more efficient economic decisions and better facilitate effective competition (objective (c)).</p> <p>Overall, P335 will better facilitate the applicable BSC Objectives.</p>
SmartestEnergy	Yes	-

Question 2: Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P333?

Summary

Yes	No	Neutral/No Comment	Other
5	0	1	1

Responses

Respondent	Response	Rationale
National Grid Electricity Transmission plc	Yes	The red-lined changes appear to deliver the intention of P333.
Drax	Yes	-
EDF Energy	Yes/No	<p>Note that existing Section Q6.3.1(a)(ii) requires NGET to send BSAD no later than the end of the relevant settlement period, and proposed Q6.3.1(a)(iii) requires it to be sent within 10 minutes of the end of the relevant settlement period. Although Q6.3.1(a)(ii) favours sending as soon as practicable after gate closure and this is custom and practice, and Q6.3.2(a)(iii) applies only in the event of reportable DSB actions, there is a possibility of BSAD data under Q6.3.1(a)(ii) and (iii) being sent in quick succession.</p> <p>Existing section Q6.3.3 describes the ability of NGET to resubmit BSAD data at any time up to the Final Reconciliation settlement run, but does not obligate it to do so. Although the BSC has general obligations on parties to provide accurate data, there is no specific obligation or performance level on the accuracy of submissions at various stages, and no explicit requirement to correct BSAD data following the day-ahead submission under Q6.3.2(b). These requirements sit in the NGET Licence Condition C16 BSAD Statement.</p> <p>NGET LC16 BSAD Statement section C1 refers to "post event re-submission(s) of BSAD as described in section 7", but there is no section 7. Section C1 refers to day-ahead submission and submission on "a reasonable endeavours basis to the BMRA on a half hourly basis as soon as possible after Gate Closure". Section C3 refers to resubmission relative to the day-ahead submission, in time for the Interim Information Settlement Run (about a week later). Given the absence of explicit requirements in the BSC on the data to be contained within individual</p>

Respondent	Response	Rationale
		BSAD submissions, the BSAD statement will need to be revised to ensure that data expected by the BSC and anticipated by the proposal will be received. A more explicit mapping of BSC requirements and expectation to BSAD Statement requirements is desirable to ensure the proposal would be effective.
ENGIE	Yes	-
E.ON	Yes	We have no additional comments on the drafting.
ScottishPower	Yes	We believe that the draft legal text delivers the intention of P333.
SmartestEnergy	No Comment	-

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

Summary

Yes	No	Neutral/No Comment	Other
6	0	0	1

Responses

Respondent	Response	Rationale
National Grid Electricity Transmission plc	Yes	For P333 to deliver its stated benefits it has to be implemented ahead of this winter (specifically November) and so we agree with the recommended Implementation Date.
Drax	Yes	-
EDF Energy	Yes/No	1st November 2016 would be preferable, co-inciding with the earliest date of potential use of DSBR, but 3 November 2016 is acceptable.
ENGIE	Yes	-
E.ON	Yes	If it is not implemented in time for this winter it is likely that all benefit from the proposal will be lost.
ScottishPower	Yes	We agree that implementation in line with the November 2016 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.
SmartestEnergy	Yes	-

Question 4: Do you have any further comments on P333?

Summary

Yes	No
2	5

Responses

Respondent	Response	Rationale
National Grid Electricity Transmission plc	No	-
Drax	No	-
EDF Energy	Yes	<p>* At page 6 of the Report Phase consultation, process step 4 describes that NGET's DSBR system would email details of DSBR actions internally within NGET "by 15 minutes after the start of the settlement period". This is presumably the settlement period for which data is being reported. This could mean that any volumes instructed and deliverable in the second half of the settlement period would not be included. Volumes deliverable over less than 15 minutes should be flagged as "system", but could affect the Net Imbalance Volume (NIV) and netted volumes remaining for imbalance pricing. However, given that:</p> <ul style="list-style-type: none">a) DSBR would normally be instructed with at least 2 hours notice (thus it ought to be possible to include in the gate-closure report!), and instruction within a delivery settlement period seems unlikely;b) Any such volumes would probably be small and may be "system" flagged;c) An earlier cutoff relieves time constraints for manual editing of data, the timing seems acceptable. <p>* We support increased visibility of standard despatch of DSBR as described on page 11 of the report phase consultation. Prompt reporting by NGET on its website (or on BMRS) would deliver alternative and additional benefits to those of P333, supporting more efficient system and market activity for balancing and settlement in following settlement periods.</p> <p>* We note there are likely to be many uncertainties</p>

Respondent	Response	Rationale
		about imbalance and price in and around situations where DSBR (or SBM) have been instructed (and/or warnings issues) but consider it preferable for all participants to have as much information as is practical, as quickly as possible, including all actions taken by NGET, to promote efficient future actions.
ENGIE	Yes	<p>We note that CP 1460 is no longer to be implemented due to delays in associated changes to the BMRS.</p> <p>Despite this, P333 is still needed. Arguably the need for implementation is stronger as DSBR must be called ahead of SBR. If the cashout price is set to £3000/MWh through the use of DSBR then it must also be £3000/MWh once SBR use is incorporated as SBR Actions are buy actions and so can only make the NIV shorter. P333 will therefore provide an essential scarcity signal that will in part make good not having SBR Actions in cashout prices shortly after the settlement period has ended.</p> <p>If the incorporation of DSBR use does not lead to a £3000/MWh cashout price then the market is no worse off than they are now – there will still be uncertainty as to whether SBR use once included into cashout 5WD later will cause a £3000/MWh cashout price. At least P333 is an improvement on the current lack of information.</p> <p>Even if P33 is not implemented ENGIE supports publication of both DSBR available volumes in each settlement period as well as accepted volumes so that market participants can make their own assessment of the cashout price.</p>
E.ON	No	-
ScottishPower	No	-
SmartestEnergy	No	-