

4.5. MP Form

Modification Proposal – BSCP40/03	MP No: P335 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal:	
Inclusion of Non-BM STOR costs and volumes in the indicative cashout price	
Submission Date:	
19 February 2016	
Description of Proposed Modification	
<p>Section Q6.3.1 (a) (ii) requires the Transmission Company to submit to the BMRA its estimate of Balancing Services Adjustment Data (as described in paragraph 6.3.2) 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. Through this route, any Balancing Services Adjustment Actions taken after 5pm D-1 and up to Gate Closure are included in the indicative cashout price published 15 minutes after the end of the Settlement Period.</p> <p>Since the BSC requires the Transmission Company to report an estimate of BSAD as soon as reasonably practicable after Gate Closure, it in effect means non-BM STOR dispatched after Gate Closure is not reported until a day later in accordance with Q6.3.1(b) . This information on the use of non BM STOR is then incorporated in the revised imbalance cashout price for the II Settlement Run which takes place 5 working days (WD) later. This means that the BMRA’s indicative system price does not include non-BM STOR actions taken after Gate Closure.</p> <p>Three possible approaches below are suggested to include non BM STOR costs and volumes in the indicative system price (these approaches may be developed, and other approaches considered, as part of this Modification):</p> <ol style="list-style-type: none"> 1. From Section Q6.3.1 (a) (ii) delete the words “as soon as reasonably practicable after Gate Closure for, and in any event”. This text would be replaced with “in time for inclusion in the Indicative System Sell Price and Indicative System Buy Price calculations”. This delayed BSAD submission would then also include an estimate of all Balancing Services Adjustment Actions (BSAAs) struck after Gate Closure. 2. Require National Grid to provide a further BSAD submission after Gate Closure that captures any further BSAAs taken after Gate Closure and before the end of the Settlement Period. 3. National Grid could publish pre gate closure BSAD trades as they are struck (this would also benefit market transparency). Q6.3.1 (a) (ii) could instead be changed to a requirement for the Transmission Company to submit an estimate of any further BSAAs taken after Gate Closure in time for inclusion in the Indicative System Sell Price and Indicative System Buy Price. 	
Description of Issue or Defect that Modification Proposal Seeks to Address	
With up to 300MWh of non-BM STOR currently being dispatched, the delay in the inclusion of this information relating to non-BM STOR can result in both a change in the direction of NIV	

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<p>(from long to short) and in the cashout price.</p> <p>The Transmission Company is required to report an estimate of BSAD as soon as reasonably practicable after Gate Closure, in accordance with BSC Q6.3.1(a)(ii). This means that because the Transmission Company typically dispatches non-BM STOR after Gate Closure and reports BSAD very shortly after Gate Closure, any Non-BM STOR is typically reported in BSAD to SAA the next day.</p> <p>Cashout is meant to provide the principle incentive for demand and supply to be balanced in the short term. To provide this incentive, cash-out prices need to be accurate in the short term to encourage efficient short term decision making. If the price published after the end of the Settlement Period cannot be relied upon (e.g. because it may be subject to change between the BMRA's indicative price calculation and the SAA's price calculation at the II run) then this incentive is reduced. This can lead to sub-optimal trading decisions being made.</p>	
Impact on Code	
Impact on Core Industry Documents or System Operator-Transmission Owner Code	
National Grid's BSAD methodology statement.	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties	
Impact on other Configurable Items	
Justification for Proposed Modification with Reference to Applicable BSC Objectives	
<p>The timely inclusion of non-BM STOR in the calculation of indicative System Prices will reduce the incidence of changes to the cashout price by the WD+5 II Settlement Run. With this improved confidence in the accuracy of the cashout price published at the end of the Settlement Period, the ability of market participants to value trades ahead of gate closure for subsequent Settlement Periods will be enhanced. This better facilitates Objective (b) as the number of actions that the System Operator has to take after Gate Closure to balance the System will be reduced, facilitating the efficient, economic and co-ordinated operation of the GB Transmission System.</p> <p>It also better facilitates Objective (c) as the whole market would have access to the same information. Without this change, smaller players who might have less resources to devote to predicting the impact that non-BM STOR will have on the cashout price will be disadvantaged.</p> <p>In addition, reducing the incidence of cashout price changes promotes greater efficiency in the implementation and administration of the balancing and settlement arrangements, facilitating Objective (d).</p>	

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Is there a likely material environmental impact? No.	
Urgency Recommended: No.	
Justification for Urgency Recommendation N/A	
Self-Governance Recommended: No.	
Justification for Self-Governance Recommendation N/A	
Fast Track Self-Governance Recommended: No.	
Justification for Fast Track Self-Governance Recommendation N/A	
Should this Modification Proposal be considered exempt from any ongoing Significant Code Reviews? Not applicable.	

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Attachments: No