

4.3 CP Form

Change Proposal – BSCP40/02	CP No: 1460 <i>Version No: 1.0</i> <i>(mandatory by BSCCo)</i>
Title: Timely inclusion of SBR Actions into imbalance cashout.	
Description of Problem/Issue : Supplementary Balancing Reserve (SBR) Actions currently feed into cashout using a manual process. The delay caused by this manual process means that cashout prices do not incorporate the pricing of SBR Actions at the prevailing cashout Value of Lost Load (VoLL) until the Working Day (WD)+5 Interim Information (II) Settlement Run. This Change Proposal seeks to include SBR Actions in cashout at the prevailing cash-out VoLL when they are first published 15 minutes after the end of the Settlement Period.	
Proposed Solution (mandatory by originator) SBR Actions would feed into the cashout prices published 15 minutes after the end of the Settlement Period using an automated process. This will be achieved by NG sending standing data to ELEXON (this could be a manual or automated flow). BSC Systems would need to load and maintain the SBR standing data and have new automated processes to use the standing data when loading BOAs to determine whether they are SBR BOAs or not.	
Justification for Change (mandatory by originator) Cash-out 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 so as to form appropriate and timely market signals. With the introduction of potentially ‘explosive’ cashout due to BSC Modification Proposal P305, and with SBR Actions priced at VOLL (£3000/MWh), the delay in including the volume could lead to a very large positive change in the cashout price reported at Day+5 compared to the one reported immediately after the settlement period has ended. The use of SBR could also create an expectation that prices will rise to £3000/MWh but because of Net Imbalance Volume (NIV) tagging this may not happen. Either way, the five day delay in including SBR Actions in cashout may lead to entirely wrong real-time signals being made to market participants which could lead to sub-optimal trading decisions being made on days when scarcity is apparent. A manual approach and the resultant delay in publishing cashout prices that incorporate SBR Actions was considered appropriate for winter 2015/16 due to low probability that SBR would be used (in its July 2015 open letter on extending the use of SBR ¹ , the Systems Operator (SO) determined a Loss of Load Expectation (LOLE) for winter 2015/16 of 1.1 hours) but mainly because of the lack of time to implement an automated solution in time for winter 2015/16. Within the open letter, the SO determined a range for the LOLE of between five and 14.5 hours per year for winter 2016/17. The SO also saw a need for these services for winter 2017/18. Ofgem has now granted an extension of the cost recovery arrangements for SBR and Demand Side Balancing Reserve (DSBR), for these next two winters and the SO has entered into	

contracts for 3.5GW of SBR for winter 2016/17. The certainty that these services will be in place for two more winters, the increased procurement and their anticipated increase in use now warrants an automated solution which needs to be in place for November 2016.

Finally, SBR is a ‘last resort’ service prior to demand disconnection. Under P305, demand disconnection is now included in the cashout price calculation in timely fashion (15 minutes after the Settlement Period has ended). Since demand disconnection must be used less often than SBR, it is logical to include SBR Actions in the imbalance cashout calculation in the same timely fashion.

¹<http://www2.nationalgrid.com/UK/Services/Balancing-services/System-security/Contingency-balancing-reserve/Contingency-Balancing-Reserve-Consultation/>

To which section of the Code does the CP relate, and does the CP facilitate the current provisions of the Code? (mandatory by originator)

Section Q and T

This CP does facilitate the current provisions of the BSC.

Estimated Implementation Costs (mandatory by BSCCo)

Central costs are approximately £227,000, which includes £240 (1 man day) to implement the relevant document changes, plus costs to implement BSC System and ELEXON internal system changes. This does not include National Grid nor Participants costs.

Configurable Items Affected by Proposed Solution(s) (mandatory by originator)

BSCP18 ‘Corrections to Bid-Offer Acceptance Related Data’

Impact on Core Industry Documents or System Operator-Transmission Owner Code (mandatory by originator)

The expectation is that there will need to be consequential C16 Statement changes.

Related Changes and/or Projects (mandatory by BSCCo)

P323 ‘Enabling inclusion and treatment of SBR in the Imbalance Price’

Requested Implementation Date (mandatory by originator)

November 2016

Reason: SBR is available to be called by the SO in the months November to February. 3.5GW is under contract for winter 2016/17 and since it was procured a further 2.5GW of coal generation has signalled its intention to close by early summer 2016.

If implementation of the Change Proposal is delayed beyond November 2016 then cashout prices will continue to fail to reflect SBR Actions in a timely fashion. The lack of such price signals could be highly detrimental to security of supply. This change proposal must therefore take precedence over other items listed by ELEXON in the November 2016 BSC Release :

- P297 - Receipt and Publication of New and Revised Dynamic Data Items
- P321 - Publication of Trading Unit Delivery Mode

Version History (mandatory by BSCCo)

Version 1.0 of CP1460 was issued on 29 March 2016.

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Attachments: **Y** (If Yes, No. of Pages attached: **19**.)

(delete as appropriate)