

## 4.7 Issue Form

<b>Issue Form - BSCP40/04</b>	<b>Issue Number: 64</b>  <i>(mandatory by BSCCo)</i>
<b>Issue Title</b> <i>(Mandatory by originator)</i>  Defining default price when NIV equals zero and when there is no priced action left after NIV tagging	
<b>Issue Description</b> <i>(Mandatory by originator)</i>  <p>Currently, when Net Imbalance Volume (NIV) equals zero or when there is no priced action left in the stack to set the Replacement Price, the Market Index Price (MIP) is used. The MIP is defined by the Market Index Definition Statement (MIDS). The data is provided by two Market Index Data Providers (MIDPs), namely APX and N2EX. Before 5 November 2015 and the implementation of <a href="#">P305 'Electricity Balancing Significant Code Review Developments'</a>, the MIP was used every Settlement Period as Reverse Price. This was to set either the System Sell Price (SSP) or System Buy Price (SBP) depending on the system's length.</p> <p>P305 introduced a single Imbalance Price system solely based on the actions taken by National Grid to balance the network, as well as including demand control actions. The MIP is therefore not used as much as it used to be and the Imbalance Price calculation has changed significantly.</p>	
<b>Justification for Examining Issue</b> <i>(Mandatory by originator)</i>  <p>Currently, the MIP is used as defaulting option in two occasions in the Imbalance Price calculation which are:</p> <ul style="list-style-type: none"> <li>• When the NIV equals zero and there is therefore no actions to set the Imbalance Price.</li> <li>• When all actions in the stack are unpriced by the calculation process, there is no actions left to set the Replacement Price.</li> </ul> <p>As part of the annual MIDS review in 2015, the Imbalance Settlement Group (ISG) and the BSC Panel recommended forming an Issue Group to review the use of the MIP in its current form in defaulting situations described above.</p> <p>The rationale for reviewing this default option was that, following the implementation of P305 on 5 November 2015, the Imbalance Price calculation has changed from a dual-price calculation. That is, one price based on National Grid's actions taken to balance the system, and the other one on the MIP, to a single price where both prices are based on National Grid's actions. Other parts of the calculation have also changed, making the price more marginal and including emergency control actions taken by National Grid. This has changed the frequency of use of the MIP and could have as well potentially changed how reflective of the Imbalance Price the MIP is now that the price calculation has changed.</p> <p>This raises the question of whether the MIP is still an appropriate value to use for default situations such as those described above. If it is, then should it be kept under its current format? The MIP is also used in other codes and contracts outside the BSC. Changing its value to better reflect the current Imbalance Price calculation would have an effect on other parts of the industry which need to be uncovered and considered by the Issue Group.</p> <p>Additionally, providing the MIP involves costs and processes and, as part of this Issue Group, the industry could not only review the relevancy of using the MIP for defaulting situations but also consider whether it is ELEXON's role to provide and pay for that data.</p> <p>The Issue Group should consider, amongst others, the following areas:</p> <ul style="list-style-type: none"> <li>• If the use of the MIP as a default price in those two situations is it fit for purpose</li> <li>• If the current calculation for the MIP as default price is effective and efficient</li> <li>• What would be the impact of changing the defaulting option</li> <li>• What would be the impact of changing how the MIP as a default price is calculated</li> </ul>	

- How is the MIP used outside of the BSC purposes

**Potential Solution(s)** (*Optional by originator*)

When considering the matter, the Issue Group could contemplate the following options:

- Keep the MIP as the default price for the two scenarios (No change)
- Keep the MIP but recommend changes to the parameters of the MIDS to the ISG that reflect the change implemented by Modification P305 (Different timebands, Products, ILT...)
- Use other default options such as the Imbalance Price of the previous Settlement Period, set the price to zero, base the price on an average of recent Settlement Periods
- Use an alternative index that is available for free

**Proposer's Details*****Name***

Thomas Routier

***Organisation***

ELEXON Limited

***Email Address***

[Thomas.routier@elexon.co.uk](mailto:Thomas.routier@elexon.co.uk)

***Telephone Number***

020 7380 4378

***Date***

21 July 2016