P217 Definition Consultation responses broken down by question

Question 1: Do you support the approach described in the Definition Consultation document?

Respondent	Response	Rationale
Good Energy Ltd	Yes	In broad terms yes. However, the Value of PAR should not be changed until any changes to methodology have been implemented and have a period of "real market" data to assess whether PAR can be tightened.
RWE Trading	Yes	The approach adopted under P217 will enable a through assessment of the modification proposal
Immingham CHP	Yes	
International Power plc	Yes	
Centrica	Yes	We support the general approach described, with some specific comments listed in the responses to the other questions below.
British Energy	Yes	The approach narrows the scope of the proposal to a pragmatic set of changes which are more readily amenable to assessment and potential implementation in a timescale measured in months rather than years.
Scottish Power	Yes	The Mod Group appears to have methodically considered all the relevant issues, and has proposed a reasonable set of principles, which could only improve the purpose of the main Energy Imbalance Price.
EDF Energy	Yes	Such a wide ranging modification almost certainly requires a Definition Stage, particularly given the problems that P212 came up against during its Assessment stage. However, the approach could possibly have been aided by a more well-defined and specific Proposal. Elexon have done an excellent job in steering the group as much as possible towards defining a set of principles and rules for assessing the modification and these are well outlined in the document.
Scottish and Southern Energy plc.	Yes	Broadly speaking we tend to agree with the approach; however, we have certain reservations which are outlined below.
National Grid	Yes	
Uskmouth Power Company	Yes	

Question 2: Do you believe that P217 has the potential to improve simplicity and transparency in the cash out arrangements?

Respondent	Response	Rationale
Good Energy Ltd	No	This Modification does not simplify cash out, nor does it make it transparent. Whilst it may make cash out less prone to pollution. Predicting cash out prices pre-event will still be more luck than judgement
RWE Trading	Yes	P217 will improve the transparency of the cash out arrangements. It will enable market participants to understand both the rational and the mechanics by which ash out prices are set. In addition, the enhanced tagging process will ensure that "system" actions do not influence cash out prices resulting in increased confidence that cash out price reflect appropriate costs of balancing the system on those parties that are out of balance.
Immingham CHP	Yes	P217 endeavours to capture and classify acceptances by cause, and as such would enable the current approximate rules for identifying system actions to be replaced with a consequent reduction in energy price solution. This in turn would enable competitive distortions under the current rule book to be mitigated.
International Power plc	Yes/No	It has the potential to improve the transparency in that trades take for system reasons will be tagged. It will add an extra layer of complexity and so will not aid simplicity. However, complexity is not necessarily a bad thing if it allows a more cost reflective cashout price to be calculated.
Centrica	Yes	As stated in our other consultation responses to previous cashout mods, we do not believe that simplicity in its own right is a virtue. If it is possible to find a workable solution which fits with the correct high level principles, then any simplicity is merely a bonus. We believe that P217 has two main benefits – firstly that transparency is greatly increased in terms of BSAD and tagging of system actions; and secondly that the issue of constraints-related actions polluting prices is resolved. Whether it is more simple or not is a matter of judgement, and we believe strongly that transparency is the more relevant consideration.
British Energy	Yes/No	The proposal would increase simplicity and transparency by eliminating the effect of unpredictable and/or undesirable actions on imbalance prices, but would increase the arithmetic complexity of the imbalance price calculation. Provision of disaggregated BSAD would provide transparency and simplicity by treating all System Operator actions in a similar manner, but would add complexity in terms of the amount of data reported. Alternative methods of reflecting the costs of reserve and startup/standby into imbalance prices may be simpler in principle, but have yet to be confirmed.
Scottish Power	Yes/No	With further tagging for constraints, the potential disaggregation of BSAD and the need for a replacement price methodology, one cannot

Respondent	Response	Rationale
		say it is more simplistic. However, ScottishPower remain of the view that it is more important for the main Energy imbalance price to be more reflective and acceptable than for simplicity sake. The proposed arrangement should be more transparent as it details SO actions under BSAD and gives details of constraints allocations.
EDF Energy	Unclear at this stage – there are significant issues around this question	At this very early stage it is difficult to assess the potential for P217 to improve simplicity and transparency in cash-out. On one level, it may be that cash-out arrangements face a 'tri-lemma', where the goals of correctness, simplicity and transparency are mutually exclusive (to the extent that you cannot have all three in full measure within the P217 approach). In particular, there may be some incompatibility in terms of 'Rules vs. Discretion' with simplicity and transparency. For example, you could have a very 'simple' process whereby the SO has full discretion and arbitrarily decides on all bid/offer actions and whether they are 'energy' or 'system', similar to the method used by RTE in France. However, this method would be very opaque. Compare this to a 'rules' based method, where the energy/system split is decided by a set of clearly defined rules (such as CADL, NIV tagging etc.) and participants can see the method used to decide the split. However, in order to approach a set of rules that gets the 'correct' price within the P217 framework, the rules would be likely to be very complex. This is because P217 as it stands uses a mix of mechanistic rules (e.g. CADL will be retained to work out fast reserve 'system' actions) and discretion (transmission constraint 'system' actions are manually identified by the SO). If cash-out arrangements truly are a tri-lemma then it may not achieve any of efficiency, transparency or simplicity.
Scottish and Southern Energy plc.	Neutral	Whilst superficially it may appear that P217 could have the potential to improve the simplicity and transparency in the cash out arrangements, we remain to be convinced.
National Grid	Qualified Yes	This modification will provide greater visibility to the industry of the activity undertaken by the System Operator to manage locational issues. From this perspective transparency would be improved. This modification, however, will not have a material impact on the level of complexity surrounding the imbalance methodology and as such we do not believe that this modification will increase simplicity. The biggest potential issue for this modification, however, is whether it improves the cost reflectivity of the imbalance price.
Uskmouth Power Company	Yes	Recent experience suggests that cash-out prices are "polluted" by actions taken to resolve constraints. We agree that ideally cash-out would be reflective of the "energy" only costs that the SO incurs in balancing the system. However, we recognise that there is no simple definition of energy actions and that it is therefore inevitable that cash-out will contain some element of "energy plus" costs. However, better tagging could be used to reduce the current level of pollution and make cash out prices more reflective of energy costs. We do not believe that the nature of the electricity regime is compatible with "simplicity", but the industry should aim to get as close to a cost reflective and transparent regime as it can.

Question 3: Do you agree with the Modification Group's approach on tagging principles as set out in Section 4.1 of the Definition Consultation document? Views would be welcome on Arbitrage, De Minimis, CADL, BSAD, constraints, ABSVD, Non-BM Volumes, Emergency Instructions and MaxGen.

Respondent	Response	Rationale
Good Energy Ltd	Yes/No	No comment.
RWE Trading	Yes	We support the high level principles set out in the definition consultation document as a reasonable way of treating the various components that make up cash out prices.
Immingham CHP	Yes	We reserve judgment on the detail until further assessment has occurred.
International Power plc	Yes	Yes apart from CADL – If the mod aims to get to a better division between system and energy trades, the CADL tagging rules should be reviewed so that only BOAs of less than 15 minutes duration are tagged. Under the current CADL rules, if the first BOA is less than 15 minutes duration then any subsequent BOAs of more than 15 minis are also tagged.
Centrica	Yes (mostly)	Arbitrage tagging should remain, as it adds to the overall efficiency of the BM. De Minimis tagging was introduced to resolve a specific issue of compatibility between NGET and Logica systems. This issue probably does not exist any more, and in any case all De Minimis tagged actions will be removed by CADL-tagging. Depending on the cost of removing the tagging mechanism from the central systems (and/or designing the new post-Isis systems without it) we would support the removal of De Minimis tagging, almost as a housekeeping change. CADL-tagging, while imprecise and in need of analysis to examine the issue mentioned on p16 of the consultation document, appears to be a pragmatic way to remove the system-tagged actions. BSAD – see Q5 below. Constraints – we agree with the proposed solution, and hope that the costs of operation by NGET do not prove prohibitive. ABSVD – It seems clear that if a way could be found of automating the ABSVD submission process so that it could be incorporated into the instantaneous pricing calculation, that would be the ideal – however, it is difficult to see how this is done, and we suspect that the costs involved would far outweigh the benefits gained. Non-BM volumes – similarly with ABSVD, it seems like the ideal solution would be prohibitively expensive and complex. Emergency instructions are system actions and should be tagged as such. Maxgen is an energy requirement and should be included as energy.

Respondent	Response	Rationale
British Energy	Yes/No	In our view, the prime objective of P217 should be to address the widely acknowledged issue of transmission constraints affecting cashout prices. Detailed consideration of other elements of tagging does not have the same priority or level of consensus and should not divert resource from this primary objective. This said, we are in broad agreement with the proposed approach to tagging. However, note that actions included in ABSVD and Non-BM volumes could be taken for pure energy balancing or in combination with or for other reasons, and treatment as 'system' actions not included in imbalance price should be taken only as a pragmatic approach given their current relatively small volume and National Grid's inability to determine a volume/price promptly. [We think it should be made clear that the terminology 'energy', 'system' and now 'energy plus system' are simply a shorthand, and that many actions may be taken for a variety of reasons. The aim is to try to identify 'in-merit', 'out of merit' and 'in-merit and providing other services' actions relative to an idealised world where 'merit' actions are required only to balance energy over each half-hour. However, this is very difficult to do, and the practical distinction is whether the cost of an action is to be targeted on parties in imbalance or shared between all parties.]
Scottish Power	Yes	ScottishPower agree with the tagging principles that:- • Arbitrage, De Minimis, CADL should be included as is currently the case. We accept that Arbitrage and CADL are deemed system actions. De Minimis tagging was put in place to resolve the SO system issue, and while this may no longer exists, the tagging is still relevant as cost of system testing would be overly expensive and time consuming. • BSAD should be included in the Main imbalance price calculation as they reflect SO actions to balance the system, and be disaggregated for transparency. • The big tagging principle would reduce the effect of system constraints on the main Energy Imbalance Price, which have been the main issue/argument raised by P211 and P212. However, the Constraint Flagging principles [4.1.5.2] do not take account of actions taken outwith the constraint area to restore balance to the system and will therefore only remove part of the effect of system constraints on the main Energy Imbalance Price. • We accept the fact that with ABSVD and Non-BM volumes, prompt pricing would not be possible and therefore the current treatment of these volumes should remain the same. • Emergency instructions would occur (infrequently) when there are system problems, therefore we accept that it should be treated as 'System' actions. MaxGen is normally called for when there is insufficient energy in the system, and therefore should be treated as 'Energy' action.
EDF Energy	See issues	The main reservation we hold is the classification of Reserve as an

Respondent	Response	Rationale
	raised	'energy' action (or at least, not even partly a 'system' action) that should be included in the main Energy Imbalance Price. We feel the classification should closer match that as outlined in Ofgem's Impact Assessment of P211 and P212. The procurement of reserve is undertaken in support of maintaining the quality (security and continuity) of electricity supplies and ultimately to ensure that the Grid can remain energised at all times. Reserve provides benefits to all system users (but particularly to consumers). Reserve would need to be procured even in a balanced market, even if generators very rarely failed and demand forecasting were perfect, to cover the possibility of a generation failure – in line with Grid's SQSS security and quality of supply standards (which translate into operational reserve requirements). There will be instances where units are bid down and others offered up where there is zero net energy delivered, but if units are taken out of merit order (either to resolve transmission constraints, to maximise longer-run system efficiency, or because of dynamic and technical parameters in order to create reserve optionality to maintain security of supply) they may not be appropriately NIV-tagged out of the cash-out calculation. In addition, because reserve is (by definition) virtually never fully utilized and is aimed at maintaining system security, it seems inequitable and not properly allocatively efficient to allocate the costs of the over-provision of reserve on parties out-of balance (especially when the difference between imbalance volume and reserve volume is great). To ensure the system maintains the required security and quality of supply standards, the SO still has to procure the reserve. Finally, where BOAs are used to create flexibility on the system, the actions will feed into the calculations of cash-out in the periods in which the actions are taken, not the period (which is frequently different) for which some or all of the reserve was required. Even if the reserve, notwithstanding its roots in the security and quality of supply standards, was nonetheless somehow deemed an 'energy' action, targeting the costs to out of balance parties in another period does not appear to be allocatively efficient. We disagree that Maxgen would always be required as an energy action. If there is an import constraint in a specific area, and maxgen is used to meet the demand in that area (when other cheaper actions were available in other non-constrained areas), then this would surely be classed as a system action.
Scottish and Southern Energy plc.	Mostly but not entirely	Arbitrage: Yes. Seems a pragmatic approach De Minimis: Yes. Seems a pragmatic approach CADL: Yes. Seems a pragmatic approach BSAD: No. We understand that the SO's proposals in this area remain to be finalised. However, we are concerned that tagging all BMUs within a constraint area could still lead to 'over-tagging' which would be discriminatory and thus run counter to better meeting the Applicable BSC Objectives. Constraints: No. We do not agree with the Option 2 approach as

Respondent	Response	Rationale
		currently explained, notwithstanding the fact that the SO have yet to finalise the proposal. In particular we are concerned that undue discrimination will arise where "tag[ging] out all BOAs on BM Units identified in the constraint area" occurs due to 'over-tagging'. This is because (a) what constitutes a 'constraint area' is not defined and (b) certain actions in this 'area' (depending on the size of the 'area') could clearly be for 'energy' only purposes so should not be classified as either 'system' or 'energy and system'. Additionally it is conceivable that certain constraints areas, contingent upon their definition, could be virtually permanently tagged out of the price setting mechanism, which clearly cannot be appropriate as a degree of energy balancing will still exist in those areas. As this suggested approach would thus be discriminatory it cannot better meet the Applicable BSC Objectives. ABSVD: Yes. Seems a pragmatic approach Non-BM Volumes: Yes. Seems a pragmatic approach Emergency Instructions: Yes. Seems a pragmatic approach MaxGen: Yes. Seems a pragmatic approach
National Grid	Qualified Yes	We agree with the approach advocated by the modification group in relation the the tagging principles other than a concern over the manner in which BSAD is to be treated (See response to Question 4) However we would like to highlight some possible consequences of introducing a requirement on the SO to identify and publish BOA taken to resolve locational transmission issues. It is important that these consequences should be considered in order for parties to make an inform decision as to the merits of this proposal. This modification will provide BSC parties with greater understanding of the location of active constraints on the transmission system and an understanding of the number of options available to the System Operator to resolve them. This may lead to parties, who are able, to price their bids and offers more keenly in order to maximise the returns available to them in these scenarios. However we recognise that the public visibility of the constraints, and the visibility of the activity undertaken in order to resolve them, may create an inverse pressure on these price submissions and costs may not alter materiality as a consequence of this increased visibility. Of greater concern is the ability of portfolio parties to potentially move load in and out of areas where certain running arrangements may lead constraints to manifest themselves. This may have an impact on the number of hours in which the system is constrained and require the acceptance of a greater proportion of out of merit actions. This may lead to an increased cost to the market.
Uskmouth Power Company	Yes	We would make the following comments on the specific elements: Arbitrage – we agree this would need revisiting in light of the tagging methodology developed. Our initial feeling is that it will remain relevant as originally it was a mechanism designed to capture the movement of power generation by location, i.e. you reduce generation in the north to increase it in the south. This principle would still seem relevant when trying to make user that cash-out reflects energy costs rather than locational issues.

Respondent	Response	Rationale
		De Minimis – this will probably have to stay if the systems issue remains. CADL – We feel that CADL is a relatively effective way of capturing actions most likely to by system. However, it may be possible to use CADL as a base, but allow the SO to specifically "tag in" actions that it believes were energy, for example TV pick-ups delivered via pump storage. Keeping the principle may make the tagging the SO is asked to do easier. BSAD – We agree this needs further consideration, but the tagging could be incorporated in the new tagging rules. Constraints – should all be tagged out. ABSVD – We feel that this is a system issue more than an energy one. Non-BM Volumes – We agree that the price and complexity of addressing these actions are probably not worth it. Pragmatic solutions are required. Emergency instructions & MaxGen – these should be tagged as part of the new tagging process as they could be used for either energy of system reasons and therefore seem to fall within the scope of the modification.

Question 4: Would you support the dis-aggregation of BSAD?

Respondent	Response	Rationale
Good Energy Ltd	Yes/No	No comment
RWE Trading	Yes	The disaggregation of all forward trades would ensure that National Grid forward trades are treated in the same way as Bid/Offer acceptances for the purpose of setting cash out prices. We would support "flagging" of constraint-reflected trades to ensure that they are not capable of setting cash out prices where they are more expensive than energy trades. Any flagged trades less expensive than an energy trades should be classified as system trades.
Immingham CHP	Yes	Increased transparency
International Power plc	Yes	To allow a price stack to be constructed in merit order, disaggregation will be necessary, particularly for system actions that lie within the NIV
Centrica	Yes	Centrica believes that the disaggregation of BSAD would improve transparency and cost reflectivity, and agree that furthermore it would allow some trades to be constraint tagged.
British Energy	Yes	Disaggregation of BSAD is desirable so that: • all actions taken by National Grid are treated equally and transparently in the appropriate position in the price stack; • the correct actions are tagged; • the actual actions are available for determination of possible replacement price for actions initially tagged as 'system' under P217 but actually required for balancing energy. However, although disaggregation of BSAD is desirable for these reasons to obtain a more accurate cost-reflective imbalance price, the cost and timescales for achieving this should not stand in the way of prompt implementation of that part of the proposal dealing with tagging of actions associated with transmission constraints.
Scottish Power	Yes	ScottishPower agree that if BSAD is to be included in the main Energy Imbalance Price calculation, the BSAD trades should be disaggregated. This would increase transparency and it would create a consistent approach to all trades (BOAs and forward trades).
EDF Energy	Yes	The rationale behind disaggregation of BSAD seems fairly sound and should only increase the efficiency of the formation of the stack. We are unsure as to what the effect would be of including 'system' BSAD in the calculations and using a Replacement Price.
Scottish and Southern Energy plc.	Yes with reservations	We note the comments in section 4.3.1 of the consultation document, namely:- "It should be noted that if BSAD were to be disaggregated it could be subject to the 'constraint flagging' process identified in Section

Respondent	Response	Rationale
		4.1.5." As noted above, we are concerned that this approach could lead to 'over-tagging' which would be discriminatory and thus run counter to better meeting the Applicable BSC Objectives.
National Grid	Undecided at this time	We believe there are both advantages and disadvantages in disaggregating BSAD within the imbalance price methodology. We are currently undecided on whether this would better facilitate the applicable BSC objectives and we would like to explore these issues further in the course of this modification. However we believe it is useful to highlight some of the initial concerns that have led us to this position at this time. One concern is the impact that the visibility of forward actions taken for constraints will have on the System Operators position as a distressed buyer. Currently the SO is able to look at both the forward market and the balancing mechanism to determine the most efficient course of action in resolving a locational issue. A proportion of this efficiency is derived by the uncertainty that the counter party experiences in determining whether they are being procured for constraints or energy balancing and the relative strength in the price negotiation that this provides them. If this knowledge is revealed then this may have implications for the "keenness" of the counter parties pricing and the cost exposure to the System Operator, and consequently cost exposure to the wider market. It will also have an impact on the general ability for the System Operator to forecast its costs in advance. Effectively if the counter party is the only option available to resolve a particular issue then the System Operator will have no choice but to pay the price demanded. This issue may also be experienced in a scenario where there is a constrained area in which there is limited competition from BMU to resolve that issue, compounded by the fact that these various BMU options may be owned by a single BSC party. Such behaviour may have a significant impact on the costs the System operator incurs in managing locational transmission issues. There is also a concern over the loss of confidentiality for trading counter parties. The loss of anonymity in relation to schedule 7A trades may lead some parties to be less inclined to enter into these trades and so diminish the pool of options available to the SO in this area. This by its very nature may lead to a general increase in costs.
Uskmouth Power Company	Yes	It would seem to fit with the intention of the modification to identify all SO actions, where practical and not prohibitively expensive, to create a more pure energy cash-out price.

Question 5: Do you believe that BSAD should be included in the main Energy Imbalance Price calculation?

Respondent	Response	Rationale
Good Energy Ltd	Yes/No	No Comment
RWE Trading	No	We believe that there is a case the National Grid forward trades are already reflected in the market price through the introduction or withdrawal of capacity as a consequence of trading in the forward trades. We would suggest that this is an area for consideration in the assessment phase with possible consideration as an option for an alternative amendment.
Immingham CHP	Yes	But only where it relates specifically to the energy imbalance (e.g. energy trades).
International Power plc	Yes	BSAD trades are taken to balance the system so should be included in the cashout price.
Centrica	Yes	We agree with the group's conclusion that BSAD should be disaggregated and included in the main imbalance price calculation. Although it is true that some NGET exchange trades will impact the MIP to some (difficult to measure) extent, the volume of other trades will dilute this effect and so we do not believe that double counting is necessarily an issue.
British Energy	Yes	Although we acknowledge that forward trades taken by National Grid may influence market prices, and their inclusion in imbalance prices could be considered to give double counting, on balance we prefer the simple concept that imbalance prices are reflecting the cost of all actions taken by National Grid to achieve balance, regardless of whether they are taken before or after gate closure. Concerns about whether National Grid should be taking pre-gate actions or whether they are taking the right actions should be considered separately from this proposal.
Scottish Power	Yes	ScottishPower believe that if the principle of main Energy Imbalance Price is to reflect the SO's cost of balancing the system, and as trades in the BSAD form such SO costs, then BSAD should be included in the main Energy Imbalance Price calculation.
EDF Energy	See issues raised	Unsure. If the SO is taking actions in the forward markets for utilisation in a given time period, it would seem fairly allocatively efficient to target these costs into the time period for which the actions are intended for (and hence sit in the cash-out calculations). We appreciate that the SO's actions in the forward market will affect the cash-out through the market price, but most of this is likely to fall into the reverse price, rather than the main price. In addition, if there is any asymmetry in the SO's abilities to procure actions in the forward market, there may be inappropriate distortion of cash-out prices. For instance, if it is easy and cheap to acquire upward actions in the

Respondent	Response	Rationale
		forward market but very expensive to acquire downward actions, then there could be a situation where the SO would (quite reasonably) purchase a lot of its forward actions in the forward markets and leave downward actions to the Balancing Mechanism. If BSAD is not included in the Energy Imbalance price (EIP) calculation then you could have a lot of Bid actions (that do actually have an opposing upward action and would have otherwise been removed from the EIP calculation by NIV tagging) distorting the EIP. The decision to include BSAD in the P211 approach was primarily because the derivation of BSAD is outside of the scope of the BSC, and should be discussed elsewhere.
Scottish and Southern Energy plc.	Yes	We believe that energy related BSAD should continue to be included in the main Energy Imbalance Price calculation, to the extent that they are costs incurred by the SO in matching supply with demand and maintaining system margin, and should be recovered from those Parties causing the imbalance.
National Grid	Yes	The System Operator has a number of different avenues by which to procure the services necessary to manage and resolve the residual market energy imbalance in real time. These avenues include services that can be acquired in the balancing mechanism or in forward market timescales. The determination of the manner in which these services are procured are effectively driven by two considerations. Firstly through physical necessity, the lead times or dynamics of certain services prohibit their procurement within BM timescales, or secondly for economic efficiency, procuring services in forward market timescales rather than the BM can bring greater revenue certainty to providers and as such tend to provide economic benefits to the SO in its procurement decisions. The Utilisation of all these services, however, have the same aim and that is to resolve the energy imbalance on the system in the most efficient, economic way. The costs that the SO incurs in carrying out this function are as a consequence of the need to balance the system and as such an imbalance price methodology that aspires towards cost reflectivity must include all this activity.
Uskmouth Power Company	Yes	Where appropriate and given the comments above.

Question 6: Do you believe that Option fees (via the BPA and SPA) should be included in the main Energy Imbalance Price calculation?

Respondent	Response	Rationale
Good Energy Ltd	Yes/No	No comment. Insufficient justification is given in the document
RWE Trading	Yes	We support the cost reflective inclusion of option fees and warming payments into cash out prices. However, we note that the current treatment of option fees is inconsistent and may in itself cause a distortion of cash out prices. We believe that this area of cash out requires further consideration as part of the assessment phase.
Immingham CHP	No	The cost of options, which are essentially an availability or capacity payment, relates primarily to reserves held for the benefit of the system as a whole and should not be targeted through cash-out on energy imbalances.
International Power plc	Yes	If parties were perfectly balanced, the SO would not need to hold reserve. It is important that these costs are targeted at those that create the need for reserve regardless of whether the reserve is utilised in real time. Given that the utilisation prices of these BM units are fixed at the time the contract is struck and so cannot reflect scarcity, it is worth reviewing how these option fees are allocated to strengthen the cashout price signals at times of system stress
Centrica	Yes	Option fees are part of the cost of procuring energy on behalf of the parties in imbalance and therefore should be included in the BPA/SPA.
British Energy	Yes	Reserve is held for the benefit of parties who may go out of balance. It is reasonable that (a) those parties with imbalance when reserve is utilised and/or (b) those with imbalance at times of higher probability of utilisation, should pay most or all of the option fees. It is not practical to attribute a particular reserve holding to a particular potential or actual imbalance. The current method of distributing the cost of the reserve holding between imbalance parties according to a combination of an estimated probability of utilisation of the reserve at any given time and imbalance at that time is a pragmatic way of reflecting the cost on those most likely to use the reserve. We are open to improvements to this method, or alternative methods of reflecting the costs on those most likely to use the reserve (probabilistically or on average). However, this should not detract from development of those parts of the proposal concerned with transmission constraints.
Scottish Power	Yes	ScottishPower accept that as option fees form part of the SO costs for energy balancing, then it should be included in the main Energy Imbalance Price calculation. However, we also acknowledge the view that it should be socialised as an insurance policy against high imbalance price. Therefore, if the industry accepts such insurance, then we are happy to accept this socialisation.
EDF Energy		Again, this is a discussion that should probably be had elsewhere.

Respondent	Response	Rationale
Scottish and Southern Energy plc.	Yes	We agree with the majority of the Working Group, as noted in section 4.3.1, that "there are potentially preferable ways for reflecting the option fees than the current calculation of BPA and SPA, although these were still to be explored".
National Grid	Yes	Option fees and availability costs reflected in the BPA are a cost incurred by the System Operator in order to enable the effective and economic resolution of market participants' collective imbalance positions. As such they represent a genuine cost that the SO incurs in carrying out this obligation. If the imbalance price aspires to be reflective of the costs of energy balancing then these costs must be included in the calculation. At present the way in which these costs are reflected into imbalance prices is through a formula established within the BSAD methodology. It is recognised that this is an imperfect, pragmatic solution hindered by the need to calculate prices in prompt timescales. Therefore, although we believe that the costs should be allocated into the imbalance price we recognise that their may be merit in exploring the manner in which this achieved.
Uskmouth Power Company	No	They should probably be included only in the event that the option is then exercised, for the purpose of delivering energy and not system actions. However, this may prove too difficult and therefore excluding them may be easier.

Question 7: Do you agree with the Modification Group's view that the replacement price should be set using the 'chunky marginal' methodology?

Respondent	Response	Rationale
Good Energy Ltd	Yes/No	Until the analysis is completed it is not possible to agree or disagree with this proposal.
RWE Trading	Yes	Cash out prices should, where possible, reflect the marginal cost of energy balancing. The use of a marginal or chunky marginal replacement price should minimise the impact of actions classed as system on resolving the net imbalance volume. It should be recognised that the chunky marginal approach provides for prompt price reporting but that ideally a replacement price should be derived from the cost of actions that National Grid would have taken if it had not taken the specific system action "out of merit order".
Immingham CHP	Yes	This would deliver consistency.
International Power plc	No	This adds yet another layer of complexity. If a chunky replacement price is used, the chunk size will need to be justified else it will be an arbitrary number. If the chunk is too big, the resulting cashout price will not be cost reflective of the alternatives available to the SO and if it is too small, a single action could have been used anyway. It would be simpler to use the most expensive untagged action to ensure that the cashout price is not diluted. In any case, the final cashout price will not be based on the marginal action, it will be diluted dependent on the PAR value. Having a chunky replacement price AND a chunky marginal price would seem excessive.
Centrica	Yes	We agree with the majority view of the group that a 'chunky' marginal approach is appropriate. It is clear that the marginal price approach, while theoretically providing the closest proxy to the next most expensive action that NGET would have had to have taken to resolve the NIV, does impose a risk that it is not a sufficiently large, representative action. We would not envisage the size of the 'chunk' to be particularly large, but look forward to the analysis during the assessment phase to inform our opinion further.
British Energy	Yes	In theory, the appropriate replacement price for a volume required to make up NIV is the next most expensive feasible available action beyond that already included, whether it be an action taken (and for some reason tagged as 'system'), or an action available but not taken. The most expensive untagged action would be a simple proxy for this. However, in practice, actions may not have been taken in rigorous price order and small expensive actions might have been used because of dynamic constraints. Using a 'chunky marginal' approach reduces the probability of replacement price being set by anomalous prices. However, we would expect the 'chunk' to be relatively small and certainly considerably less than the 500 MW currently used for PAR

Respondent	Response	Rationale
		tagging.
Scottish Power	Yes	ScottishPower agree that when replacement price is required, the price should be at the marginal end as these acceptances should be greater than the highest price 'energy' acceptances. We also agree that the chunky marginal should be used, as this would minimise the potential of a single corporate entity's attempt to influence the market.
EDF Energy	See issues raised	The choice of setting the Replacement Price using a chunky marginal method is understood for practical and familiarity reasons, however EDF Energy considers that the Replacement Price could perhaps better be calculated from an unconstrained schedule. Using the constrained schedule to calculate the replacement price may be slightly problematic because it is possible that actual volumes and prices submitted may have been affected by the market power that units sitting behind a transmission constraint may have. Calculating the Replacement Price from an unconstrained schedule should give, by definition, the correct price (since you want to replace the price of a volume that has been tagged as a 'system' action with the price that it would have cost to acquire that volume from a set of pure 'energy' action). We may also need to do a little work to address the possibility that a small 'system' action that would normally sit high in the system chunk in the stack (and hence be subject to the Replacement Price along with the rest of the 'system' chunk) may be erroneously left untagged (a serious and perhaps regular possibility given the nature of the ex-ante tagging methods proposed) and go into the stack as an 'energy' action. This would then have the effect of changing all 'system' actions sitting below it in the stack into 'energy plus' actions, which under proposed rules would no longer be subject to the Replacement Price but now will sit in the stack as bid. This could have a material effect on the calculation of the Energy Imbalance Price. A first-go suggestion could be to introduce some kind of De-Minimis style rule for energy-plus actions, but the group would need to further discuss this, and that might not address larger BOAs that were erroneously un-tagged.
Scottish and Southern Energy plc.	Yes	Yes. There has been considerable discussion about the 'chunky marginal' methodology. There is merit in a consistent approach being used across the BSC. We agree that the optimum PAR level for replacement price methodology should be discovered through assessment analysis.
National Grid	Yes	The rationale for the utilisation of a chunky marginal replacement price appears to have two aspects associated with it. Firstly that the price at which an alternative service could be procured would be at a price similar to or greater than the price of a similar service procured in the same settlement period. This is in line with the system Operators obligation to act economically and efficiently which would lead it to procure the cheapest service it is able to. This appears to be a sensible conclusion to draw and so the move towards a more marginal pricing methodology would appear the appropriate way forward. The rationale for a chunky marginal approach, as apposed to a fully marginal methodology, is the concern that the tagging methodology will not completely capture all that activity that should not be included in the imbalance price. Whilst we understand the concern and can conceive of

Respondent	Response	Rationale
		the need for some mitigation against an imperfect tagging process we do not believe it is likely to be a very material concern and we would advocate that the size of the "chunk" is constructed accordingly.
Uskmouth Power Company	Yes	As you need to try to find a replacement price that is reflective of costs and this offers a solution that feels about right. It is not a perfect solution, but the other options are more likely to create replacement prices that are either too low or too high.

Question 8: Do you agree with the Modification Group's view that the main Energy Imbalance Price should be set using the 'chunky marginal' methodology?

Respondent	Response	Rationale
Good Energy Ltd	Yes/No	Until the analysis is completed it is not possible to agree or disagree with this proposal.
RWE Trading	Yes	Cash out prices should, where possible, reflect the marginal cost of energy balancing. The use of a marginal or chunky marginal replacement price should minimise the impact of actions classed as system on resolving the net imbalance volume.
Immingham CHP	Yes	Yes, as above. We believe that the tagging issues are sufficiently complex that any changes to PAR should be subject to separate assessment, at a later stage.
International Power plc	Yes	Some BSC Parties have raised concerns that cashout prices are being polluted by system actions and P217 should allow more system trades to be tagged. Whilst we believe these concerns are overstated, P217 should reduce (but perhaps not totally remove) this system pollution. Because the pollution risk will be much reduced, the PAR value can be reduced to allow prices to better reflect the marginal cost of balancing; as part of the assessment, the mod group should consider reducing the size of the chunk.
Centrica	Yes	We believe that the current 'chunky marginal' approach should be maintained, with a PAR500 value. P217 is a significant change to the arrangements in its own right, and we do not believe that PAR500 should be altered as part of this modification. We would like to see continued running of the new regime for a sustained period first to examine the full impact on the market, and then assess the appropriateness of the PAR500 value following an in-depth review of the impact of P217.
British Energy	Yes	Using a 'chunky marginal' approach reduces the probability of price being set by anomalous prices, for example mistakes by National Grid or actions taken due to transmission constraints. It could also moderate the impact of extreme prices when normal market operation has failed due to absence of available balancing actions, particularly given the absence of demand response in such circumstances. However, identification and tagging of actions influenced by transmission constraints under P217 reduces the required size of 'chunk' and we would expect PAR to be relatively small and certainly less than the 500 MW used currently.
Scottish Power	Yes	While ScottishPower remain of the view that average pricing would give the best compromise, in term of incentive to imbalance and promote competition, particularly for small parties, we accept that the current arrangement (P205) retain the benefit of a stronger signal to Parties to balance their position without the inherent unmanageable risks of P194

Respondent	Response	Rationale
		(PAR value of 100MWh). Irrespective of what effect P217 has on pollutions, we continue to believe that the less penal effect (with 500MWh PAR) will promote more generation capacity to be made available for the market, particularly at times of system stress. This would better facilitate Objective (b) – efficient operation of the transmission system. Furthermore, P205 offers a less penal scheme than P194, which will help safeguard competition in the market. The stronger signal under P194 is retained under P205 in times of system stress without penal costs where there is a genuine inability to balance. P194 greatly increases the risk to the market that some of these smaller Parties will default. P205 will reduce this risk, avoiding a significant increase in the cost to all participants in managing their risk exposure. This would be better for promoting competition PAR 500MWh therefore would still give the required pricing signal for balancing at time of system stress while reducing penal and volatile impacts.
EDF Energy	Yes	Marginal and small-increment chunky marginal pricing has a number of serious drawbacks that have been well documented and analysed elsewhere, notably in Ofgem's well-considered P205 decision. Under P205, the large chunk provides a method of mitigating some 'system' action distortions in cash-out prices. However, if current prices are still too high (as suggested by the Ofgem PEP analysis) and the tagging method arising from P217 is somewhat imperfect, prices may still need a sizeable chunk in order to get them to approach the 'correct' price (as proxied by the PEP).
Scottish and Southern Energy plc.	Yes	Yes. There has been considerable discussion about the 'chunky marginal' methodology. There is merit in a consistent approach being used across the BSC and we would therefore support a PAR 500(MWh) approach.
National Grid	Yes	BSC parties have no obligation to balance their contractual position prior to Gate Closure. The incentive to resolve their position in the forward market will be solely determined by the difference between likely exposure from imbalance prices and the cost of buying that energy forward. In order for parties to make an informed decision whether to carry imbalance or resolve their position, and also in order to lead to the most efficient outcome for the whole market, this price should provide a signal that approximates the opportunity cost of such BSC behaviour to the SO. On aggregate the forward market price is likely to reflect this imbalance price. It is effectively the opportunity cost of its contracting decision. If this imbalance price tends towards a more average methodology such as the current PAR 500MWH value then the marginal generating unit is likely to command greater prices in the Balancing Mechanism than the forward market as the price it commands in the forward market will reflect the value that buyers are willing to pay. The forward market will reflect the average of all the SO actions and so will not reach the price that the marginal unit can command in the BM. Effectively for generation that prices above the average there is no incentive for buyers to procure that energy in the forward market and it is cheaper to take imbalance

Respondent	Response	Rationale
		exposure. However that marginal cost is being incurred and is not being born by he party that caused that marginal cost to be incurred. A more marginal methodology will cause the imbalance price, and subsequently the forward market price, to reflect that cost and parties will have an imbalance price that better informs them of the opportunity cost of their balancing decisions. This must lead to a more efficient market outcome. This marginal price rationale was accepted in principle under BSC modification P194 but was modified to a more chunky marginal formula, under BSC modification P205. This was to mitigate the genuine concern that a proportion of the activity taken by the system operator was concerned with the resolution of locational system issues. It was believed that such activity and would lead to a distortion of the cost reflectivity of imbalance prices. If this modification is approved then it must be presumed that to a large degree this distortion has been removed. Whilst we understand that it may be appropriate to retain some measure of mitigation against any imperfection in the tagging process we do not believe any residual distortion is likely to be a significantly material issue and we would advocate that the size of the "chunk" is constructed accordingly.
Uskmouth Power Company	Yes	That would seem to create the right incentive to balance. However, it would have to be kept under review in light of the prices then being seen.

Question 9: Do you agree with the Modification Group's view that constraint information should be published ex-post, do you support this view?

Respondent	Response	Rationale
Good Energy Ltd	Yes	Whilst ex-post information is of limited value, it would allow parties to monitor the actions of NGC and challenge any "fuzzy" classifications
RWE Trading	No	We support the publication of the relevant 'system', 'energy plus system' or 'energy' tags to the bid/offer acceptances or to disaggregated BSAD trades rather than constraint specific information. National Grid should consider whether it should publish constraint information under the constraint flagging methodology.
Immingham CHP	Yes	This will increase transparency and understanding of the system and its market impact.
International Power plc	Yes	This will prevent opportunistic pricing to take advantage of the constraint. The assessment will need to define when the information will be published ex-post – will it be along with the HH cashout prices or for example the next day to further minimise opportunities to take advantage of the constraint?
Centrica	Yes	In order to avoid the possibility of parties basing their pricing strategy on the fact that a constraint has been declared, it is clear that the constraint information should be published ex-post. The consultation document does not mention a timescale for this publication and we would expect that the modification group will discuss this timescale shortly, weighing up the certainty of prompt reporting vs the possibility of encouraging 'keen' pricing if a constraint continues for a period of time after the publication of the information.
British Energy	Yes	Maximum transparency in the form of early publishing of active constraint zones or BM Units considered to be subject to potential constraint actions would increase scope for exploitation by affected parties. But transparency would also increase scope for regulatory scrutiny and whistle-blowing. On balance, in the absence of more detailed specification of the proposal, we support ex-post (gate closure or later) publishing of data.
Scottish Power	Yes	ScottishPower agree with the view that constraint information should be published ex-post.
EDF Energy	Yes	There may be a trade-off between transparency regarding constraints and the potential for agents to utilise information on constraints to set bid and offer prices using the market power that they may not have been aware of. If this is the case then ex-post publication of constraint information is probably preferable to ex-ante or real-time dissemination of the information as it minimises (though maybe does not eliminate) the potential for agents to recognise and act on transitory locational market power. It may also be desirable for the SO not to divulge too much detail

Respondent	Response	Rationale
		about the nature of any constraint, but simply to tag BOAs as 'transmission constrained'. This may increase opacity in the method, but as outlined above, it may be a necessary trade-off.
Scottish and Southern Energy plc.	Yes	Whilst we remain to be convinced of the benefits of publishing constraint information and are mindful of the risks that it creates (as outlined in section 4.1.5.3 of the consultation document) we believe that of the three options outlined that the third option (ex post publication) is preferred.
National Grid	Yes	If it is deemed appropriate to identify actions the System Operator undertakes to resolve locational system issues then post event would appear to be the most appropriate time in which to do so
Uskmouth Power Company	No	The generator behind a constraint will be aware of the issue when the rest of the market will not. As constraints are likely to last over a number of periods, if not days, it seems better that NGC simply flag them to the whole market and allow all market players to help monitor any potential abuse of a dominant position that occurs.

Question 10: Do you agree with the list of intended analysis to be completed during the P217 Assessment Procedure? Are there any other areas of analysis that you would find beneficial in assessing P217?

Respondent	Response	Rationale
Good Energy Ltd	Yes	The ability to reasonably predict cash out price prior to event (& excluding an incidents like Genset failure) is the key test. Does this modification make this ability any easier. There is also a "chicken & egg" scenario. The group agreed to decide PAR after the analysis, but can the analysis be done without knowing the value of PAR to be applied. Consideration should also be given to any possible change of strategy by parties that may result from the revised arrangements. Which may impact the analysis results based on historical re-running of data.
RWE Trading	Yes	As noted above the treatment of price adjusters is worthy of further detailed assessment.
Immingham CHP	Yes	
International Power plc	Yes	It is important that the SO undertakes some parallel running as part of the assessment stage to establish whether 'big' tagging can work in practice and whether the SO can actually identify system actions in advance of gate closure on a consistent basis. Without this, there is the risk that the mod could be implemented without establishing that it actually delivers.
Centrica	Yes	We agree that the proposed approach, for the most part, appears to be sensible. We recognise that there may be time and financial constraints on National Grid which mean that the extent to which they are able to perform a near-real-time simulation is less than optimal, but the simulation is essential for assessment of the modification. The historic data analysis proposed in the consultation document is also essential for analysis of the impact of P217, although clearly there may be behavioural changes in a P217 world which would not be picked up in the historical analysis. We have sympathy with the reticence of some group members to undertake any analysis of cashflows and the impacts on different classes of parties. Notwithstanding the difficulties in creating 'classes of parties' and assuming that there are characteristics common to all members of that 'class', we would assume that the results of the analysis listed above would enable any party to perform their own analysis on the associated output. Centrica also subscribes to the point of view that if the correct principles of cashout are applied, and a solution reached that satisfies those principles, then the impacts on parties (or 'classes of parties') are by definition appropriate and almost incidental to the fundamental principles. If the output of analysis of cashflow changes for any party is used as an argument for or against a modification, then there is an implication about the business model of that party and their ability to operate in the market. We believe that this should not form part of the

Respondent	Response	Rationale
		basis of an assessment of a modification. We agree that analysis of CADL and disaggregated BSAD is necessary, as proposed. It would be useful if analysis could be performed on the system actions of each type over the period examined for the constraint tagging analysis, to see if CADL is indeed stripping out the system actions listed on p13 of the consultation document. This may be quite onerous as the SO would have to tag every action and the function it performed, but if CADL is to be used as the tool for tagging out a number of actions, we should be able to see how effective it actually is.
British Energy	Yes/No	
Scottish Power	Yes	The analysis suggested seems appropriate. We also suggest that its impact on the main imbalance price and the replacement price analysis (both frequency and volume) should require particular attention.
EDF Energy	Yes	There is a lot of analysis required to properly assess this modification. Ultimately it may be desirable to assess the prices produced using the ex-ante tagging method (the 'bigger' tagging method) against the same periods using the ex-post PEP. We understand that much of this analysis will fall on Elexon and National Grid (since most of the analysis will be about the tagging process and about the formation of stacks) and appreciate that there are limits to the amount that they can be expected to undertake.
Scottish and Southern Energy plc.	Yes and Yes	With one addition, we agree with the list of intended analysis to be completed during the P217 Assessment Procedure as recorded in section 3.2.6 of the Consultation Document. Our one addition would be to include "an updated set of analysis undertaken for determining the level of PAR under" P205 as well as P194 in order "to determine the size of the 'chunk' for both the Replacement Price and the main Energy imbalance Price." It would be perverse to ignore P205 and only look at P194.
National Grid	Qualified Yes	
Uskmouth Power Company	Yes	

Question 11: Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P217 to the Assessment Procedure?

Respondent	Response	Rationale
Good Energy Ltd	Yes/No	If the value of PAR is changed, then it should be on a safety first approach. Any attempt to squeeze it to an effective marginal price, may result in a modification similar to that of P205 based on approval of P194, which could be avoided by being pragmatic
RWE Trading	Yes	It may be worth consideration of the current treatment of bid or offer acceptances that are non delivered in the calculation of cash out prices. As a minimum the tagging methodology should note that non delivered volumes are treated as if they are accepted in the calculation of NIV and cash out prices.
Immingham CHP	No	
International Power plc	No	
Centrica	No	
British Energy	No	None at this time. [Limits on maximum SBP (demand VOLL?) and minimum SSP (max reasonable compensation required by de-loaded generators?)]
Scottish Power	No	
EDF Energy	Yes	Given the wide-ranging scope of the modification, it is inevitable that other issues will arise.
Scottish and Southern Energy plc.	No	Nothing at this time.
National Grid	No	
Uskmouth Power Company	No	

Question 12: Any other comments?

Respondent	Response	Rationale
Good Energy Ltd	Yes/No	
RWE Trading	No	
Immingham CHP	Yes/No	The work of the group should be expedited so that recommendations can be considered: +In parallel with the P211/212 decision +In sufficient time for winter 2008-09 implementation if approved. In this context, we reiterate the comment that we believe that the tagging issues are sufficiently complex that any changes to PAR should be subject to separate assessment, at a later stage.
International Power plc	Yes	We note the Authority's statement that it is minded to approve P211. At this point, P217 would appear to do a better job of determining a cost reflective cashout price than P211. It would be better if a decision on P211 could be delayed until the P217 assessment is complete. This will avoid unnecessary expenditure on implementing P211 which may be undone if the Authority determines that P217 is better still. We are also concerned that to avoid further expenditure, the Authority may reject P217 purely because a substantial amount of money has already been spent on implementing P211. Making only one change will also reduce the regulatory uncertainty of not knowing for how long a particular set of cashout arrangements will be in force.
Centrica	Yes	We believe that it is essential that P217 is subject to proper and thorough analysis. If the timetable is in any way reduced at the behest of Ofgem, there should be scope to re-extend it should there be a risk of insufficiently robust conclusions being available from the analysis provided.
British Energy	Yes	Executive summary includes a statement that the Modification Group: 'AGREED that, if BSAD is to be included in the main Energy Imbalance Price calculation, the BSAD volumes should be disaggregated. This would increase transparency and it would create a consistent approach to all trades (BOAs and forward trades);'. I recall this as an aspiration rather than a firm requirement of the final modification, dependent on the time and cost for implementation, which National Grid had indicated could be high. (see also 3.2.3 & 4.4.1) 'AGREED Applicable Balancing Services Volume Data (ABSVD) and Non-Balancing Mechanism (Non-BM) Reserve should

Respondent	Response	Rationale
		ideally be included as 'system' volumes in the calculation of the main Energy Imbalance Price. However, this can not practically occur under the current arrangements as the expost calculation of ABSVD and Non-BM Reserve volume would detrimentally impact prompt prices. Therefore the current treatment of these volumes should remain the same;' I do not recall agreement that ABSVD and Non-BM reserve should ideally be considered 'system' volumes. I recall acceptance that because the volumes may not be known promptly, and are relatively small, it is practical not to include them in the calculation of imbalance prices. For example, the utilisation of reserve on non-BM Units is quite likely to be for energy purposes, but the firm volume may not be known until later. [Note: If provision of all services to National Grid were in the form of a pre-defined expectation (like bids and offers) of volume with time, such volumes could be used in the prompt determination of imbalance prices. The consequences of non-delivery, measured later, could be specified in the relevant contracts. What matters in short term balancing is the price the System Operator was required or willing to pay on behalf of parties in imbalance.] 2.1 Current Arrangements: Consultation states that 'Overall system imbalance (i.e. Net Imbalance Volume or 'NIV') is currently determined by summing the Pre-Gate Closure trades (reflected in Balancing Services Adjustment Data or 'BSAD') with the Bids and Offers accepted by the SO.' Note that the Balancing Services Adjustment Data Methodology does not [?] explicitly exclude balancing services volumes actioned after gate closure, but National Grid practice is apparently to exclude them. Consultation states: 'The De-Minimis, CADL, emergency instructions and NIV Tagging functions are the processes to remove what are deemed to be system balancing actions from the main price.' The BSC does not use the terminology 'system balancing actions'. It simply does not use the prices of the actions identified in the calculation of imbalance prices, and therefore does not reflect the prices on parties in imbalance. 2.2 Current Open Modifications States: 'P211 was raised on 16 April 2007 by EDF Energy. P211 proposes to amend the calculation of the main Energy Imbalance Price such that when the market is short and System Buy Price (SBP) is the

Respondent	Response	Rationale
		main Energy Imbalance Price, then this is to be based on the least expensive Offers that the System Operator (SO) could have utilised on an unconstrained system.' It should be made clear that in the context of P211 'unconstrained system' means a transmission system without constraints on the physical flow of electricity, and balancing services without constraints on the notice, speed, frequency or granularity of delivery. Ie. No transmission or dynamic constraints. 4.1.5.1 Potential Constraint tagging options 'The Group noted that a constraint could be defined as 'any thermal, voltage or stability event that requires an action by the SO to resolve it'.' Note that this relates to 'transmission constraints' rather than dynamic and physical constraints of providers of balancing services, bids and offers. 'Whilst a full scheduling model might prove beneficial to identifying constraints, the Group believed this was likely to be prohibitively expensive to develop. Options 4 and 5 were therefore not preferred.' Cost does not necessarily preclude more complex analytical methods if a net benefit exists, but timescales could be very long, making simpler alternatives attractive. 4.6.1 Group discussion 'BSCCo suggested there may be merit in conducting a near real time simulation of the SO's proposed solution to constraint tagging in order to establish how accurate the methodology was at removing system actions.' There is currently no readily available tool able to identify the ideal mix of actions required to meet a given energy imbalance. Therefore any assessment of the accuracy of the SO's 'proposed solution' to identify system actions will contain an element of subjective judgement.
Scottish Power	Yes	In view of the number of pricing modifications raised in the last few years (ranging form P212 to P194 in term of imbalance penalty), ScottishPower believe that there need to be a compromise of principles that would be acceptable to all parties and at the same time be reflective and transparent. To this end, we suggest some consideration should be given to an average pricing methodology for the P217 pricing principles.
EDF Energy	Yes	We have comments regarding the timescale of the modification, in light of Ofgem's public letter to Elexon to speed up the process in order to

Respondent	Response	Rationale
		better fit in with Ofgem's assessment of P211 and P212. We believe that P217 should be assessed and analysed with the same scrutiny and rigour as other recent cash-out modifications such as P205, P211 and P212. Given the very long time scales involved with these and given that P217 appears at first to requires a much broader and in-depth assessment (P217 doesn't just look at changing the calculation of the stack, it looks to make large changes to the actions of the SO, the calculation of the stack, the calculation of the price etc.), there may be little benefit in trying to speed up the P217 process so that it can be assessed in the same time frame as P211 and P212. Should one of P211 or P212 be approved by Ofgem, the most desirable outcome would be for either of these modifications to be implemented at the first opportunity and assessment of P217 (which will likely take a considerable time) against the new baseline.
Scottish and Southern Energy plc.	Yes	Regarding the comment in section 4.1.3 of the report:- "Another Group member suggested that all BOAs from particular types of generators (such as pumped storage facilities), which are almost always taken for system reasons, could be tagged." As an operator of a pumped storage facility we wish to point out that at certain times the output from our plant is NOT utilised for system reasons. It would be wrong therefore to discriminate against this plant by identifying (via tagging) all BOAs from it as being for 'system' or even 'energy and system' purposes. This discriminatory (and random) approach which predetermines that certain plants will be automatically 'tagged' as 'system' for no other reason than they might be 'system' seems to undermine the rationale for P217.
National Grid	No	
Uskmouth Power Company	No	