

Assessment Procedure Consultation Responses

P323 'Enabling inclusion and treatment of SBR in the Imbalance Price'

This Assessment Procedure Consultation was issued on 31 July 2015, with responses invited by 17 August 2015.



Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

Consultation Respondents

Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
RWE Supply and Trading GmbH	9/4	Generator, Interconnector User, Supplier, ECVNA and MVRNA
InterGen	3/6	Generator , ECVNA, MVRNA
SSE PLC	6/0	Generator, Interconnector User, Supplier
ENGIE UK-Turkey	13/0	Generator, Supplier
Centrica	15/0	Generator, Supplier, Interconnector User, Non Physical Trader
Good Energy	1/2	Supplier, ECVNA, MVRNA
ScottishPower Group	9/16	Generator, Supplier, Non Physical Trader, ECVNA, MVRNA, Supplier Agent
E.ON	5/2	Generator, Supplier, Non Physical Trader, Interconnector User, ECVNA, MVRNA
SmartestEnergy	1/0	Supplier
First Utility Ltd	1/0	Supplier
EDF Energy	9/0	Generator, Supplier, Non Physical Trader

P323
Assessment Consultation
Responses

18 August 2015

Version 1.0

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Question 1: Do you agree with the Workgroup's initial (majority) view that P323 does better facilitate the Applicable BSC Objectives than the current baseline?

Summary

Yes	No	Neutral/No Comment	Other
8	3	-	-

Responses

Respondent	Response	Rationale
RWE Supply and Trading GmbH	Yes	We agree that P323 will better facilitate the applicable BSC objectives than the current baseline. Since the use of SBR at times of system stress is as a substitute for demand control, pricing such instructed volumes at the Value of Loss Load is appropriate. The modification will improve the price signals for cash out and deliver a more economic and efficient electricity market.
InterGen	Yes	-
SSE PLC	Yes	<p>Contracting and dispatch of SBR and DSBR services results in a significant intervention in the energy market that will inappropriately dampen imbalance prices and corresponding scarcity signals/incentives to balance unless an appropriate proxy value is included in the formulation of Imbalance prices (currently proposed as VoLL which SSE supports).</p> <p>We note that the Transmission Company is currently consulting on the necessary changes required to amend Statements established through its Transmission Licence Condition 16 to ensure that SBR and DSBR actions are identified and reported for appropriate treatment in the imbalance price (http://www2.nationalgrid.com/uk/industry-information/electricity-codes/balancing-framework/c16-consultations/).</p> <p>We therefore agree with the Proposer's view that should the revised C16 Statements be approved and adopted, it is necessary to amend the BSC to ensure that it is consistent with the provisions of the Transmission Licence, therefore supporting applicable objective a).</p> <p>Additionally SSE supports the majority view of the workgroup that the modification will improve the baseline in support of applicable objective c), as it ensures that appropriate pricing signals are sent to</p>

Respondent	Response	Rationale
		<p>the market to encourage forward contracting and exhaustion of all feasible options to balance.</p> <p>Finally, we support the conclusion of the proposer and majority of the workgroup that the solution represents a pragmatic means of allowing the Transmission Company to discharge its obligations for what is anticipated to be an infrequent event and therefore supports objective d).</p>
ENGIE UK-Turkey	No	<p>The P323 proposed solution may lead to the cashout price changing from a few hundred pounds/MMh to £3000/MWh 5WD after the event. Whilst ENGIE supports the pricing of SBR and DSBR at VoLL in cashout, this needs to be done in a way such that accurate prices are published 15 minutes after the half hour.</p> <p>In ENGIE's view, P323 does not better facilitate the following BSC objectives:</p> <p>Objective b - cashout prices are supposed to provide a signal to trade to imbalance exposure. The 5 working day delay will create uncertainty as to the cashout price and hinder making trading decisions. This is detrimental to the efficient and economic operation of the Transmission System</p> <p>Objective c – delays to publishing the correct cashout prices will be detrimental to competition for smaller parties who may not have the resources to estimate what cashout prices should be. This places them at a disadvantage compared to larger companies when they are valuing trades around times of system stress.</p> <p>Objective d – manual workarounds are not an efficient long term solution</p>
Centrica	Yes	<p>It will enable the proposed changes to C16 methodology statements to have practical effect (objective a) and is a proportionate solution to allow the Transmission Company to efficiently discharge its obligations under what should be an infrequent occurrence (objective d).</p>
Good Energy	No	<p>P323 does not better facilitate Objective (c) for the following reasons:</p> <ul style="list-style-type: none"> The proposed manual process has the effect of imbalance prices not being known until well after the event which has the potential to distort the market due to lack of real-time

Respondent	Response	Rationale
		<p>transparency of information.</p> <ul style="list-style-type: none"> By enabling SBR to be priced at VoLL it disadvantages smaller parties without the ability to monitor BMRS and trade 24/7, which exposes them to significant risk of bearing severe imbalance charges. This risk is most acute for small renewable suppliers and independent (non-portfolio) generators where, if the wind does not blow or a generator trips at times of system stress, the resulting imbalance could potentially put them out of business. Conversely, the changes would allow larger market participants to exert market power and take advantage of being able to determine when SBR has been utilised in advance of it being formally published. The greater likelihood of extreme cash-out prices increases credit cover requirements which disadvantages smaller parties who tend to find it more difficult to provide the funding, and have a higher cost of capital, and so results in cash being utilised that would otherwise be used by the rest of the business. <p>P323 does not better facilitate Objective (d) because the proposed manual process is less efficient to administer and inherently more prone to error than an automated solution. Any error could have major consequences for individual Parties.</p> <p>We consider P323 to be neutral to the other Applicable BSC Objectives.</p>
ScottishPower Group	Yes	<p>We agree with the majority workgroup views against the Objectives.</p> <p>Against Objective C we agree that balancing actions taken in lieu of involuntary demand disconnection should be appropriately reflected in cash out, and that this is an adequate solution to enable this. Reflecting the value of BM actions into imbalance prices should better facilitate competition. As previously reflected in our P305 responses, we recognise that there is a potential for smaller Suppliers to be adversely affected as they may not have the level of resources / systems a major Party can put in place to monitor and respond to events 24/7.</p>

Respondent	Response	Rationale
		<p>Against Objective D, we agree with the workgroup that the proposal represents a pragmatic and practical solution in the short term given the time and development constraints applying but that a cost benefit analysis should be carried out on an enduring system solution should the SBR and DSBR services be extended until 2017/18.</p> <p>We believe that the Proposal is neutral against Applicable Objectives (a), (b), (e) and (F).</p>
E.ON	Yes	<p>As SBR is procured to mitigate against Demand Control actions that would otherwise have been necessary; it is appropriate that the volume for SBR is included in the Main Price methodology at the Value of Loss Load (VoLL), as would have been the case for the Demand Control action that it mitigates.</p> <p>The Proposal aligns with the proposed changes to the C16 licence condition documents currently subject to separate consultation by National Grid.</p>
SmartestEnergy	Yes	<p>Objective A: Yes, this enables the transmission licensee to efficiently discharge its obligations.</p> <p>Objective D: Yes, this enables a higher level of efficiency in the balancing and settlement arrangements.</p>
First Utility Ltd	No	<p>We agree that this mod meets objective a) as it will enable the TC to implement C16 (if approved).</p> <p>However, as proposed, it introduces a potential distortion, see Q9 response concern 1). The effect will be detrimental to objective b) in promoting competition as it will over recover costs, and add additional unnecessary volatility to prices that will disadvantage smaller less predictable portfolios, which by their very nature tend to have a greater exposure to cashout prices. The dis-benefit of this is greater than the benefit of the mod, as the mod prevents certain parties being over- rewarded at the expense of all players, whereas this dis-benefits smaller players thus leading to less effective competition.</p> <p>In terms of objective d) we believe this mod will not promote efficiency in the implementation of the BSC as it introduces a manual process.</p>
EDF Energy	Yes, in principle	<p>The relevant BSC Objectives are BSC Objectives C and D.</p> <p>In principle, we believe that P323 should better</p>

Respondent	Response	Rationale
		<p>facilitates BSC Objective C (promoting effective competition in the generation and supply of electricity) by providing appropriate signals to the market when SBR is used. However, we are concerned that, since the published bid-offer prices and acceptances and the indicative imbalance prices on BMRS will not necessarily represent the prices that will be used for SBR generators in the subsequent settlement runs, its effectiveness will be compromised.</p> <p>P323 should also better facilitate BSC Objective D (promoting efficiency in the implementation of the balancing and settlement arrangements) by enabling the Transmission Company to discharge its obligation relatively efficiently. To be efficient, however, we believe the information mentioned above must be provided in a timely fashion.</p>

Question 2: Do you agree that the draft legal text and redlined changes in Attachment A and B deliver the intention of P323?

Summary

Yes	No	Neutral/No Comment	Other
9	-	2	-

Responses

Respondent	Response	Rationale
RWE Supply and Trading GmbH	Yes	We agree that the draft legal text will deliver the intention of P323
InterGen	Yes	-
SSE PLC	Yes	-
ENGIE UK-Turkey	Yes	-
Centrica	Yes	-
Good Energy	No comment	We do not have a view on this.
ScottishPower Group	Yes	
E.ON	Yes	We have no additional comments on the proposed text changes.
SmartestEnergy	No comment	No Comment.
First Utility Ltd	Yes	The text appears to achieve the stated aims.
EDF Energy	Yes, but	The draft legal text appears to deliver the intention of P323 but the issues we raised throughout this response still applies.

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

Summary

Yes	No	Neutral/No Comment	Other
9	2		

Responses

Respondent	Response	Rationale
RWE Supply and Trading GmbH	Yes	It is important that there are clear pricing signals in relation to the use SBR (and DSBR) in place from winter 2015.
InterGen	Yes	-
SSE PLC	Yes	The changes are required to coincide with the introduction of modification P305 in November 2015, and in particular the establishment of a VoLL price proxy for (currently) unpriced demand control actions.
ENGIE UK-Turkey	No	<p>BSC Parties cannot react to an imbalance price published 5WD after the event. Implementation should be delayed until an automatic solution can be developed that delivers accurate cashout prices 15 minutes after the end of the settlement period. In the interim, a manual solution could be adopted where SBR is instructed above SEL and/or DSBR is instructed, using one of the methods described below.</p> <p>The cashout price could automatically be set to £3000/MWh in settlement periods where the system is net short. This would be a simple straight forward solution.</p> <p>Alternatively, the BPA could be set to a value that approximately gives a £3000/MWh . This would be applied (as it is for the BPA) when the system is short. This could be done either by estimating the value for each settlement period when these services are used or by automatically setting it to a value that based on historic outturn prices would give a cashout prices of around £3000/MWh (for example the BPA could be set to £2700/MWh).</p> <p>The BPA would be recalculated as set out in the P323 requirements specification after the event to give the correct price. BSC Parties would then know that whilst the initial cashout price would be</p>

Respondent	Response	Rationale
		<p>incorrect it would be in the right 'ballpark' which would assist with making trading decisions.</p> <p>The Assessment Consultation notes that [if the BPA is over estimated] this solution could result in a final imbalance price that exceeds the VoLL. This should not be seen a reason to reject this solution - parties would know that the cashout price was approximately right and would be corrected 5WD after the event and reset to give a cashout price at VoLL. Parties could therefore trade on the basis of this certainty.</p> <p>Since the SO has an obligation to use all feasible offers before instructing DSBF then SBR, there could be instances where the cashout price published 15 minutes after the event exceeds VoLL as the SO has accepted offers in the balancing mechanism above £3000/MWh. A criticism of adjusting the BPA might therefore be that the market would not know whether the above £3000/MWh cashout price was due to an over estimated adjustment to the BPA or due to the acceptance of the high priced offer. This could easily be resolved - the BMRS would show that an offer over £3000/MWh had been accepted and the volume instructed. BSC parties could then form a view as to whether the cashout price above £3000/MWh was legitimate or because of an error in estimating the BPA.</p> <p>Either of these solutions could be implemented if the SO sent a manual flow to the settlement body at the time the instruction to generate above SEL on an SBR unit is issued. National Grid's reluctance to do this (citing risk of errors and having to employ someone potentially out of normal office hours) is disappointing given that the Control Room operates 24/7. Set against the potential imbalance costs that BSC parties may be exposed to under a £3000/MWh cashout, the additional staffing costs would seem very minor.</p> <p>For DSBF the Assessment Consultation notes:</p> <p>"The Group also considered an ex ante approach in relation to reporting DSBF. In that the TC could, for the DSBF it had dispatched, forecast the volume of DSBF it reasonably expected to be delivered and report this as part of the BSAD file used for the BMRA's indicative price calculation. This forecast of DSBF would be used in place of actual volumes</p>

Respondent	Response	Rationale
		<p>dispatched/delivered.”</p> <p>No reason is given as to why this cannot be adopted to allow timely reporting of DSBR in cashout. Inaccurate forecasting would only be an issue if the TC forecast an expectation of dispatch of less than 50MWhn (the value of PAR from this November) and actually dispatched more than this or estimated more than 50MWh and dispatched less.</p>
Centrica	Yes	-
Good Energy	No	<p>We consider it to be totally inappropriate to use a manual solution to implement the changes required to cash-out by P323 because of the inherent risk of error from a mistake in the calculation and/or the adjustment being applied initially to the wrong settlement period. Any such error could have major consequences for individual Parties. If SBR actions are to be included in the imbalance price calculation priced at VoLL we consider it to be imperative for this to undertaken from the outset via an automated solution. Implementation should be deferred to the extent necessary to avoid putting at risk other changes already approved for implementation by 5 November 2015.</p>
ScottishPower Group	Yes	-
E.ON	Yes	Yes, so that SBR volume can be priced at VoLL in line with implementation of P305.
SmartestEnergy	Yes	It makes sense to bring in this changes at the same time as the P305 changes.
First Utility Ltd	Yes	On the proviso the implementation aligns with the implementation date of C16.
EDF Energy	Yes	<p>We agree that P323 should be implemented on 5 November 2015 to align with the implementation of P305.</p> <p>We understand that, to meet the 5 November date, a decision from the Authority will be necessary on or before 29 October 2015; otherwise the implementation date would be 10 working days following the Authority decision.</p>

Question 4: Do you have a potential Alternative Modification, within the scope of P323 that would better facilitate the Applicable BSC Objectives compared to the Proposed Modification?

Summary

Yes	No	Neutral/No Comment	Other
3	8	-	-

Responses

Respondent	Response	Rationale
RWE Supply and Trading GmbH	No	-
InterGen	No	-
SSE PLC	No	-
ENGIE UK-Turkey	Yes	Two potential alternatives for SBR are proposed in Q3.
Centrica	No	-
Good Energy	Yes	As the scope of P323 is to ensure that a workable solution is in place for winter 2015-16, we consider that a better solution for including SBR actions in the imbalance price calculation priced at VoLL is for the Transmission Company to: <ol style="list-style-type: none"> reprice BOAs to £3000/MWh; allow BM Cashflow to be set according to the inflated Offer Price; reconcile the difference between what they had contractually agreed to pay the SBR provider and what they had incorrectly been paid through BM Cashflow.
ScottishPower Group	No	-
E.ON	No	-
SmartestEnergy	No	-
First Utility Ltd	Yes	An alternative that addresses the two issues identified in Q9. We would ask the workgroup to identify how this could be achieved.
EDF Energy	No	-

Question 5: Will P323 impact your organisation?

Summary

Yes	No	Neutral/No Comment	Other
8	3	-	-

Responses

Respondent	Response	Rationale
RWE Supply and Trading GmbH	Yes	The impact of P323 will be in the form of improved price signals
InterGen	No	-
SSE PLC	Yes	<p>SSE are exposed to the energy imbalance price through its active participation in electricity generation, supply and wholesale markets and therefore any change to the formulation of imbalance price and associated incentives impacts its risk management activities.</p> <p>However, changes to systems, documents and processes are minimal, and even more so when viewed as a marginal increment to effort already being expended to prepare for the implementation of P305.</p>
ENGIE UK-Turkey	Yes	Like all BSC Parties, P323 will have an impact on ENGIE in that cashout prices when SBR and DSBR are used will only be known 5WD after the settlement period.
Centrica	Yes	Marginally, through the monitoring of SBR actions that National Grid takes and the corresponding impact they have on the cash-out price.
Good Energy	Yes	<p>Enabling SBR to be included in cash-out priced at VoLL increases the risk of us, as a small renewable supplier, bearing significantly higher imbalance charges which will add to the overall supply costs for the business. In addition it is likely to lead to increased credit cover requirements.</p> <p>The delay in us knowing when SBR has been utilised will lead to us making poorer trading decisions in trying to mitigate this risk.</p> <p>We are unable to make any cost estimate of these impacts in the absence of any analysis undertaken centrally for BSC Parties of the potential impact of SBR (and DSBR) on the market. Without this we are also unable to assess what remedial action we may</p>

Respondent	Response	Rationale
		need to take and the costs involved.
ScottishPower Group	No	-
E.ON	No	None identified at this time.
SmartestEnergy	Yes	Had the automatic solution been implemented there would be no operational impact on our organisation. The sharper prices would have an impact on our imbalance. However since a manual solution is being proposed which creates a difference between the immediately published price and the prices published in the II run, we will need to implement some operational checks to take account of this.
First Utility Ltd	Yes	First Utility will need to develop methods of identifying settlement periods that have been identified as subject to SBR and DSBR actions, and flag these as needing special consideration in terms of any trading actions that may be taken. At present no systems exist to implement this. The development time and cost has yet to be determined, but is expected to be several months.
EDF Energy	Yes	As a BSC Party, we will be impacted to the extent that imbalance prices will more accurately reflect the value of the actions taken by the Transmission Company to balance the system. The shift trading team will also need to understand the finalised proposals; we expect some training will be necessary prior to implementation.

Question 6: Will your organisation incur any costs in implementing P323?

Summary

Yes	No	Neutral/No Comment	Other
3	7	1	-

Responses

Respondent	Response	Rationale
RWE Supply and Trading GmbH	No	-
InterGen	No	-
SSE PLC	No	Very minor one-off costs. Costs are minor regardless of whether implemented as part of a normal BSC Systems Release or outside of a normal BSC Systems Release.
ENGIE UK-Turkey	No comment	
Centrica	Yes	Marginal as above (q5)
Good Energy	Yes	Please see our response above to Question 5.
ScottishPower Group	No	-
E.ON	No	None identified at this time.
SmartestEnergy	No	Not of any significance.
First Utility Ltd	Yes	Costs will be incurred in developing the systems identified above. But the largest cost will be the risk management premium for avoiding the potentially higher prices at times of SBR and DSBR actions.
EDF Energy	No	-

Question 7: Should P323 get approval, do you believe that a CP should be raised to implement system changes to be implemented in time for the winter 2016/17?

Summary

Yes	No	Neutral/No Comment	Other
8	2	-	1

Responses

Respondent	Response	Rationale
RWE Supply and Trading GmbH	Yes	It is essential that an enduring solution is implemented for SBR if the service is procured beyond 2015/2016
InterGen	Yes	-
SSE PLC	Maybe	SSE would in an ideal world want to ensure that the integrity of prompt price reporting is maintained which would imply the need to deliver automation through system changes. However this has to be balanced with the expected frequency of dispatching SBR/DSBR to serve a genuine demand shortage (as opposed to test runs or ramping to SEL) and thus how often reported imbalance prices on the BMRS are likely to be altered by the effects of including SBR/DSBR @ VoLL in the price stack.
ENGIE UK-Turkey	Yes	<p>National Grid is forecasting a greater risk of loss of load for winter 2016/17 than 2015/16. If an automated solution proves elusive for this winter then it should be in place for next winter to ensure that the use of SBR and DSBR can be captured in cashout prices for publication 15 minutes after the half hour. Reasons given for not doing this are the cost and complexity of delivering an automated solution for an infrequent occurrence.</p> <p>From this November, cashout prices will automatically include pricing of demand disconnection volumes at VoLL. Since demand disconnection will only occur after SBR and DSBR have been called, their use must be more frequent than demand disconnection. A CP to deliver an automated solution is therefore appropriate given the precedent set for the treatment of demand disconnection.</p>
Centrica	No	SBR is still considered to be a temporary product, which should only be used infrequently. At this point in time, we support the manual solution proposed

Respondent	Response	Rationale
		and would require confirmation from the TC that it expected the product would be extended to beyond 2017/18, before a cost benefit analysis is carried out. Only if a CBA recommending a change is raised to automate this solution should further steps be taken in this area.
Good Energy	Yes	<p>We consider it to be totally inappropriate to use a manual solution to implement the changes required to cash-out by P323 because of the inherent risk of error from a mistake in the calculation and/or the adjustment being applied initially to the wrong settlement period. Any such error could have major consequences for individual Parties.</p> <p>The proposed manual process also has the effect of imbalance prices not being known until well after the event which has the potential to distort the market due to lack of real-time transparency of information.</p> <p>Should P323 be implemented, we consider it to be imperative for a CP to be raised to implement an automated solution in time for winter 2016/17.</p>
ScottishPower Group	Yes	An IA should be performed to ascertain the costs of a more automated solution. While it is expected that the service will be utilised infrequently, National Grid are consulting on whether to continue to procure the service until 2017/18. In that case, the costs and benefits of a more robust (but cost effective) system solution should be explored.
E.ON	Yes	We understand the limits to and risk associated with a system based solution for winter 2015/16 for P323. We therefore appreciate that the manual based approach proposed for winter 2015/16 is a pragmatic solution. We do however think it is important to provide timely price information to the market and would support exploring a potential change to central systems for winter 2016/17 if the associated costs are justified. This would be so that SBR volume can be included in the BMRA indicative price information, 15 minutes after the Settlement Period, as opposed to the Best View Prices at D+1 and II Run, five days later, under the proposed manual process.
SmartestEnergy	No	-
First Utility Ltd	No	This modification is expected to be redundant in 2019 when the Capacity mechanism is fully

Respondent	Response	Rationale
		<p>implemented.</p> <p>Therefore the cost benefit of any system changes will be limited by this and needs to be assessed with this in mind. This assessment should be done as part of P323 to avoid the cost of raising and processing an additional mod.</p> <p>The probability and frequency of SBR and DSBR actions being taken between now and then may not seem to warrant the potential costs additional system changes.</p>
EDF Energy	Yes, subject to assessment	<p>As mentioned above, we are concerned that, since the published bid-offer prices and acceptances and the indicative imbalance prices on BMRS will not necessarily represent the prices that will be used for SBR generators in the subsequent settlement runs, its effectiveness will be compromised. Therefore, we would be interested in implementing system changes that would alleviate the current shortcoming. However, an assessment of an enduring, automated solution must be conducted in advance to ensure costs and benefits are fully understood.</p>

Question 8: Do you believe that the energy volume instructed under an SBR Offer acceptance to reach or maintain the SEL related to it should be removed from cashout through an automatic flag as a system action?

Summary

Yes	No	Neutral/No Comment	Other
8	2	-	1

Responses

Respondent	Response	Rationale
RWE Supply and Trading GmbH	No	The volumes procured under and SBR offer acceptance to reach or maintain SEL should be reflected into cash out at the offer acceptance price. If SBR is an enduring ancillary service, then the Reserve Scarcity Pricing function should apply to the relevant volumes.
InterGen	Yes	-
SSE PLC	Yes	Pricing all volume associated with an SBR instruction, including ramps to SEL, risks overcharging out of balance parties during periods with little or no scarcity. It therefore seems more appropriate to SO-flag this volume and apply the replacement price methodology than price at VoLL, as it isn't obvious in this circumstance that demand control would be the next available action to the Transmission Company (which underpins the rationale to price the periods of scarcity for which the SBR was dispatched at VoLL).
ENGIE UK-Turkey	Yes	This is the simplest solution.
Centrica	Yes	It is essential that any SBR volume not connected to an emergency system event does not impact the calculated cash-out price, especially within settlement periods that are not forecast to be significant stress events. This will include all ramp volumes (up to SEL and down from SEL) as well as maintaining the SBR plant at SEL - all these volumes should be SO flagged. We strongly believe that only where an SBR plant is instructed above its SEL, i.e. an emergency situation has arisen and in the absence of SBR contracts, a demand control event would occur, should there be a corresponding impact on cash-out prices from SBR contracts.
Good Energy	Yes	As the SBR unit would not be providing the required Supplemental Balancing Reserve action until

Respondent	Response	Rationale
		operating above SEL we favour it being removed from cash-out through an automatic flag as a system action. It would not be appropriate for the energy volume to appear in cash-out at the Offer Price as it is likely that this would be higher than the energy value for those settlement periods.
ScottishPower Group	Yes	Only SBR & DSBR actions taken as the last resort before involuntary demand disconnection should enter into imbalance pricing at the VOLL price. Therefore, energy volumes delivered during ramping periods (where generation is greater than zero and less than SEL) should be flagged as system actions and not priced at VOLL.
E.ON	No	In our view depending on the timing of the stress event on the system, SBR plant held at SEL could still be contributing to avoiding a Demand Control action. Using the currently available SEL data for the SBR plant this shows total volume at SEL to be 1850MW, of the 2474MW of maximum volume or approximately 75%. We therefore think the volume at or below SEL should also be priced at VoLL. Notwithstanding, in absence of including it at VoLL we would support including the volume at PO.
SmartestEnergy	Yes	We agree with the proposer that energy volumes of SBR offer acceptances should be SO flagged.
First Utility Ltd	Yes	Yes as this is a system operation function to do with the characteristics of the plant not an energy balancing issue that is tradable.
EDF Energy	Other	See answer below. (sic) [Q9]

Question 9: Do you have any further comments on P323?

Summary

Yes	No
4	7

Responses

Respondent	Response	Comments
RWE Supply and Trading GmbH	No	-
InterGen	No	-
SSE PLC	No	-
ENGIE UK-Turkey	No	-
Centrica	No	-
Good Energy	Yes	Requirement 10.1 refers to Requirements 5.1.2 and 5.1.3 whereas it should refer to Requirements 8.1.2 and 8.1.3.
ScottishPower Group	No	-
E.ON	No	-
SmartestEnergy	Yes	With reference to the working group's discussion on default SBR actions at £3000 we agree with the workgroup member who was concerned that it is possible the prices could be more than VoLL. Whilst we understand that P323 does not make the situation any worse, it is nonetheless an opportunity to introduce a cap. Clearly individual acceptances could be greater than £3000 but the average for a complete settlement period should not be greater than VoLL.
First Utility Ltd	Yes	<p>We have 2 significant concerns:</p> <p>1). It Is not clear from the proposal how SBR and DSBR BOA's that are for part of a settlement period should be treated.</p> <p>The concern is that actions which maybe for only part of a settlement period will impact the imbalance prices for the entire settlement period. For example, if the System Operator calls for an action that lasts for 10 minutes within a settlement period, it appears the price impact will be treated the same as if the action had been taken for the</p>

Respondent	Response	Comments
		<p>entire 30 min period. Thus, it is highly probable that those BSC parties out of balance during that period will pay more than the cost of the actions. This will have a distorting impact on competition as smaller portfolios tend to be exposed to higher levels of imbalance compared to larger portfolios.</p> <p>This appears to be a fundamental defect in the solution that has potential to severely counter the benefits of the modification by introducing a different issue.</p> <p>2) The assumption SBR BOA's will never be tagged. By way of example, in the event of their being a constraint issue the TC will do all it can to alleviate the constraint. However, there may come a point whereby all normal actions are exhausted and there is only an SBR/DSBR action left that would solve the constraint issue. To take the action would be sensible, but for the action to have an impact on cashout would not. System related actions regardless of source should be tagged before the energy imbalance price is set.</p> <p>We are also concerned that under this approach the price charged for power can exceed the agreed Value of Lost Load. We do not believe it is appropriate to charge customers more than the VOLL, hence believe that this mod should not allow this. We appreciate this happens elsewhere and also believe that new modifications should be raised to address this.</p> <p>We are concerned over the timeliness and accuracy of indicative prices:, whilst we believe that this is a temporary position and likely to occur very infrequently, we do not think it warrants more than a "reasonable endeavours" approach. However, if these assumptions are incorrect, this will need revisiting on an urgent modification basis.</p>
EDF	Yes	<p>In June, National Grid published an open letter (Open Letter to the UK Electricity Market Participants, Industry Stakeholders and Large Energy Consumers seeking views on proposals to include SBR and DSBR into cash-out) where it sought a number of views including the pricing of SBR utilisation when it does not represent a direct alternative to Demand Control e.g. during warming. We stated that SBR should not be priced at VoLL and that RSP should be used instead in this scenario.</p>

Respondent	Response	Comments
		<p>P323, states that during run up/down of the SBR plant, they will be SO flagged. There is no explanation why it will be SO flagged rather than, for example, priced at RSP. It will be useful if National Grid can explain why it came to the conclusion to use SO flagging during run up/down periods and for the work group to consider the appropriateness of their conclusion.</p> <p>If the use of SO-flag is deemed appropriate, we believe the minimum offer volume (ramps, minimum non zero time @ SEL) should always be SO flagged rather than 'may' be SO flagged. National Grid must be required to show a high level of transparency in a timely manner (ASAP and before gate closure if possible). We want to avoid the market being 'surprised' by changes to cashout (or BPA to begin with) at a later date.</p>