

<p align="center"><b>Modification Proposal – BSCP40/03</b></p>	<p><b>MP No: P334</b> (mandatory by BSCCo)</p>
<p><b>Title of Modification Proposal:</b> Inclusion of Non-BM STOR costs and volumes into the cashout price in time for publication after the end of the Settlement Period</p>	
<p><b>Submission Date:</b> 28 January 2016</p>	
<p><b>Description of Proposed Modification</b> Place a specific requirement on the Transmission Company to provide its best estimate of non Balancing Mechanism (BM) Short Term Operating Reserve (STOR) volumes and costs as part of its Balancing Services Adjustment Data required under paragraph 6.3.1(a) (ii) of BSC Section Q ‘Balancing Mechanism Activities’.</p>	
<p><b>Description of Issue or Defect that Modification Proposal Seeks to Address</b> Section Q6.3.1 (a) (ii) requires the Transmission Company to submit its best estimate of Balancing Services Adjustment Data (as described in paragraph 6.3.2) in relation to a Settlement Period as soon as reasonably practicable after Gate Closure for, and in any event not later than the end of, such Settlement Period.  Q6.3.1 (b) requires this information to again be submitted the next day. It is through this route that the prices and volumes of non-BM STOR actions are incorporated into the revised imbalance cashout price for the II Settlement Run which takes place 5 working days (WD) later.  The delay in the inclusion of this information relating to non BM STOR can result in both a change in the direction of the Net Imbalance Volume or NIV (from long to short) and in the cashout price.  Cashout is meant to provide the principle incentive for demand and supply to be balanced in the short term. To provide this incentive this, cash-out prices need to be accurate in the short term. If the price published after the end of the Settlement Period cannot be relied upon then this incentive is reduced. This can lead to sub-optimal trading decisions being made.</p>	
<p><b>Impact on Code</b></p>	
<p><b>Impact on Core Industry Documents or System Operator-Transmission Owner Code</b> Potentially National Grid’s BSAD methodology statement.</p>	
<p><b>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties</b></p>	
<p><b>Impact on other Configurable Items</b></p>	

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<p><b>Justification for Proposed Modification with Reference to Applicable BSC Objectives</b></p> <p>The timely inclusion of non BM STOR in cashout will reduce the incidence of changes to the price in the WD+5 II Settlement Run. With this improved confidence in the accuracy of the cashout price published at the end of the Settlement Period, the ability of market participants to value trades ahead of gate closure will be enhanced. This better facilitates Objective (b) as the number of actions that the System Operator has to take after Gate Closure to balance the System will be reduced, facilitating the efficient, economic and co-ordinated operation of the GB Transmission System.</p> <p>It also better facilitates Objective (c) as the whole market would have access to the same information. Without this change, smaller players who might have less resources to devote to predicting the impact that non-BM STOR will have on the cashout price will be disadvantaged.</p> <p>In addition, reducing the incidence of cashout price changes promotes greater efficiency in the implementation and administration of the balancing and settlement arrangements, facilitating Objective (d).</p>	
<p><b>Is there a likely material environmental impact?</b></p> <p>No.</p>	
<p><b>Urgency Recommended:</b></p> <p>No.</p>	
<p><b>Justification for Urgency Recommendation</b></p> <p>N/A</p>	
<p><b>Self-Governance Recommended:</b></p> <p>No.</p>	
<p><b>Justification for Self-Governance Recommendation</b></p> <p>N/A</p>	
<p><b>Fast Track Self-Governance Recommended:</b></p> <p>No.</p>	
<p><b>Justification for Fast Track Self-Governance Recommendation</b></p> <p>N/A</p>	
<p><b>Should this Modification Proposal be considered exempt from any ongoing Significant Code Reviews?</b></p> <p>Not applicable.</p>	

**Details of Proposer:***Name:* Libby Glazebrook*Organisation:* ENGIE*Telephone Number:* 0207 320 8805*Email Address:* libby.glazebrook@engie.com**Details of Proposer's Representative:***Name:* Libby Glazebrook*Organisation:* ENGIE*Telephone Number:* 0207 320 8805*Email address:* libby.glazebrook@engie.com**Details of Representative's Alternate:***Name:* Andrew Russell*Organisation:* ENGIE*Telephone Number:* 0207 320 8608*Email address:* andrew.russell@engie.com**Attachments:** No