

# CP Consultation Responses

## CP1460 'Timely inclusion of SBR Actions into imbalance cashout'



This CP Consultation was issued on 11 April 2016 as part of CPC00766, with responses invited by 6 May 2016.

### Consultation Respondents

Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
VPI Immingham	1/0	Generator
Good Energy	1/2	Supplier, ECVNA, MVRNA
ScottishPower	3/2	Generator, Distributor, ECVNA, MVRNA
ENGIE	13/0	Generator, Supplier
EDF Energy	8/0	Generator, Supplier
InterGen (UK) Ltd.	3/0	Generator
SSE	3/0	Generator, Supplier, Interconnector User
Energy UK	0/0	Trade Association

## Summary of Consultation Responses

Respondent	Agree?	Impacted?	Costs?	Impl. Date?
VPI Immingham	✓	✓	✗	✗
Good Energy	✓	✓	✗	✗
ScottishPower	✓	✗	✗	✗
ENGIE	✓	✓	✓	✗
EDF Energy	✓	✓	✓	✗
InterGen (UK) Ltd.	✓	✓	✗	✗
SSE	✓	✓	✓	✗
Energy UK	✓	✗	✗	✗

## Question 1: Do you agree with the CP1460 proposed solution?

### Summary

Yes	No	Neutral/No Comment	Other
8	0	0	0

### Responses

Respondent	Response	Rationale
VPI Immingham	Yes	More rapid provision of information with aid trading decisions and allow parties to respond to pricing signals in the market.
Good Energy	Yes	We agree with the CP1460 proposed solution on the basis that it appears to be the only solution that could be implemented this winter, albeit not necessarily from winter start. We consider there is a need to replace the current manual process with an automated solution for all the reasons mentioned by the proposer and by Elexon. We are especially concerned that lack of real-time transparency of information around times of system stress results in sub-optimal trading and that smaller parties are particularly adversely affected because they lack the resource to estimate what the cash-out price should be.
ScottishPower	Yes, with reservations	<p>National Grid's contracting strategy and LoLE forecasts of between 5 and 14.5 hours for winter 2016/17 (source: CP1460 Consultation) makes it inevitable that on winter highest demand days with little or no BMU wind output in Winter 2016/17 that SBR plant will be dispatched to SEL.</p> <p>Should it then be necessary to dispatch this plant above SEL spending £228k on an automatic solution clearly would deliver a positive benefit to market participants and all of the other stakeholders by more accurate, timely and transparent imbalance price signals.</p>
ENGIE	Yes	SBR Actions are priced for cashout purposes at £3000/MWh. With a 50MWh PAR, the cashout price could well be £3000/MWh if SBR is dispatched above SEL. The current manual process for incorporating SBR Actions into cashout does not provide this scarcity signal until 5WD after the event. With Ofgem anticipating greater use of SBR for this coming winter, the cashout price published 15 minutes after the end of the settlement period

Respondent	Response	Rationale
		<p>could differ from that published 5WD later by thousands of pounds. This could lead to traders making sub-optimal trading decision on the basis of highly misleading information.</p> <p>It is therefore imperative that cashout prices contain a timely scarcity signal of SBR use. ENGIE fully supports the proposed CP 1460 solution as it will replace the current manual process (which, from the P323 FMR, was only ever designed to be a temporary solution) with an automated solution. It is only under this automated solution that the timely scarcity signal will be fully and unequivocally visible to market participants.</p>
EDF Energy	Yes	<p>Prompt reporting of imbalance price provides a clear indication to participants of the likely value of electricity in forthcoming settlement periods. The proposal will support prompt reporting of important price behaviours. Even though the cost is high, the materiality of participant responses to high prices is significant, and we think the proposal is justified, even for one winter.</p> <p>We are disappointed at the high cost for implementing this change. However, a cost of £227k is equivalent to only 76 MWh of imbalance at 3000 £/MWh. Hopefully SBR will not need to be used, but there is a small chance it will be, and if it is the impacts are considerable. We think the cost, although high, is justified even for one winter, given the materiality for competition and security of supply.</p> <p>Imbalance price influences trading activity and the physical behaviour of generation and demand. Without prompt reporting, there is a likelihood that participants, acting without information, will act inefficiently. If the reported price is too low, participants might not take action that could avoid extreme costs. If the reported price is too high, participants might take expensive actions to avoid costs which would not have turned out to be extreme. Either of these outcomes is undesirable for participants and consumers.</p> <p>A main purpose of the imbalance arrangements is to incentivise behaviours which reduce the cost of balancing and deliver security of supply efficiently. Imbalance Price depends on the collective behaviour of all participants and can only be calculated with knowledge of all the actions taken by the System</p>

Respondent	Response	Rationale
		Operator, including the types of action. Participants rely on NGET and Elexon to bring all this information together quickly and publish indicative information on the BMRS.
InterGen (UK) Ltd.	Yes	<p>It is very important to Generators that all material factors feeding into the imbalance calculation be known to market participants as soon as is practicable so that decision making on trading and plant dispatch can be made. CP1460 allows timely publication of cashout prices to include SBR usage and would thereby aid trading decisions and would allow parties to better respond to pricing signals in the market. Providing such a signal in a more timely manner would address the limitations of the current manual process introduced by P323. We consider that this scarcity signal will only be fully visible to market participants if CP1460 is implemented.</p> <p>The P323 Final Modification Report makes clear that the P323 manual process was designed to be a temporary solution to be implemented for winter 2015/16, when SBR volumes were smaller than 16/17 and LOLE smaller. As SBR has now been approved by Ofgem for the next two winters an enduring solution should not be delayed any further and should be implemented in time for the 16/17 SBR delivery window.</p>
SSE	Yes	<p>We accept that the probability of SBR services being used may be low but there should be provisions to robustly manage the associated risks and impacts on the market if such an event is to happen.</p> <p>In our view, CP1460 is a proportionate remedy to the risk arising from inaccurate short-term imbalance costs as a consequence of the manual nature of the P383 solution. Without accurate imbalance costs we risk making potentially significantly costly and inefficient trading decisions.</p>
Energy UK	Yes	<p>We consider that the implementation of CP1460 could allow cashout prices to include a more timely signal of SBR use, aid trading decisions and allow parties to better respond to pricing signals in the market. Providing such a signal in a more timely manner could address the limitations of the current manual process introduced by P323. We consider that this scarcity signal may be more visible to market participants if CP1460 is implemented.</p> <p>The P323 Final Modification Report makes clear that the P323 manual process was designed to be a</p>

Respondent	Response	Rationale
		<p>temporary solution to be implemented for winter 2015/16 in anticipation of an enduring solution to be developed by industry and progressed through a Change Proposal. We consider that this CP could be a step toward such an enduring solution.</p> <p>We recall however that the Capacity Market will now be implemented earlier than previously envisaged and will replace SBR/DSBR for winter 2017/18. There is thus less potential for use to be made of SBR/DSBR than previously envisaged. Furthermore, the use of SBR/DSBR would only occur after range of other activities and publications by National Grid. These would serve to alert market participants of the increased possibility that SBR/DSBR may be used. This change should therefore only be introduced if evidence demonstrates that the expected benefits of implementation are greater than the associated costs.</p>

## Question 2: Do you agree that the draft redlining delivers the CP1460 proposed solution?

### Summary

Yes	No	Neutral/No Comment	Other
6	0	1	1

### Responses

A summary of the specific responses on the draft redlining can be found at the end of this document.

Respondent	Response	Rationale
VPI Immingham	Yes	-
Good Energy	No comment	We do not have a view on this.
ScottishPower	Yes	-
ENGIE	Yes	-
EDF Energy	Unsure	<p>The proposed changes to BSCP18 simply remove the workaround post-event adjustments developed in association with P323. We are unsure whether there is a risk of errors or omissions in the proposed approach (eg. the precise circumstances in which an action is or isn't priced at VOLL for imbalance, "special" SBR services) for which the existing workaround could provide an ongoing opportunity for correction.</p> <p>The proposed changes will require a process to execute the data processing envisaged. We are unsure whether some of this should be included in BSCP18, given that it does involve adjustments to Bid-Offer Acceptance data submitted to BMRS by NGET (according to new other data provided in advance).</p>
InterGen (UK) Ltd.	Yes	-
SSE	Yes	-
Energy UK	Yes	-

## Question 3: Will CP1460 impact your organisation?

### Summary

Yes	No	Neutral/No Comment	Other
5	1	1	1

### Responses

Respondent	Response	Rationale
VPI Immingham	Yes	More rapid provision of information will enable us to make more informed trading decisions on the day itself when costs are incurred
Good Energy	Yes	<p>CP1460 will have a beneficial impact in ensuring we are no longer adversely affected by the current lack of timely inclusion of SBR Actions into imbalance cash-out.</p> <p>Our internal systems would need to be reconfigured to receive the revised SAA-I014 but there is negligible cost associated with this.</p>
ScottishPower	No	-
ENGIE	Depends	If the new SBR Flag to identify those BOAs taken by the Transmission Company for SBR purposes is put at the end of the current SAA-I014 data flow then the impact on ENGIE's IT systems can be minimised. With the flag at the end of the data flow, market participants (depending on the exact IT system) may be able to ignore the data item entirely and it would then have no impact.
EDF Energy	Yes	We would be better able to identify whether to trade or change physical position for future settlement periods in order to mitigate the impact of extreme events. Eg. Buy or action very expensive energy to avoid potential shortfall.
InterGen (UK) Ltd.	Yes	The use of SBR could create expectations that prices will rise to £3,000/MWh. To only find out 5 days later via a manual process is simply unacceptable. CP1460 will allow InterGen to make fully informed trading decisions at times when system prices could rise to £3,000/MWh. To find out 5 days after the event whether you have made a correct economic decision or not is not acceptable.
SSE	Yes	The addition of a flag to the SAA-I014 will have some system impacts. These have not been fully assessed; however current indications are that they



Respondent	Response	Rationale
		should be manageable and have a relatively low cost to implement.
Energy UK	N/A	CP1460 will not impact Energy UK directly.  Energy UK members consider that the provision of information in a more timely manner could enable them to make more informed trading decisions.

## Question 4: Will your organisation incur any costs in implementing CP1460?

### Summary

Yes	No	Neutral/No Comment	Other
2	4	1	1

### Responses

Respondent	Response	Rationale
VPI Immingham	No	-
Good Energy	No	-
ScottishPower	No	-
ENGIE	Minimal	As noted in Q3, if the Flag is at the end of the flow then the impact and therefore costs will be minimal.
EDF Energy	Yes	We would have some costs to accommodate changes to the SAA-I014 data flow, and to revise internal procedures for identifying extreme imbalance scenarios. However, the changes to SAA-I014 should be small, and provided firm notice of at least 3 months is given, the costs should be minimal.
InterGen (UK) Ltd.	No	-
SSE	Yes	With reference to Q3, there will be one-off costs to implement changes to SAA-I014.
Energy UK	N/A	Energy UK will not incur costs in implementing CP1460.

**Question 5: Do you agree with the ELEXON proposed implementation approach for CP1460 (i.e. 30 December 2016 as part of a Standalone Release)?**

**Summary**

Yes	No	Neutral/No Comment	Other
0	8	0	0

**Responses**

Respondent	Response	Rationale
VPI Immingham	No	Given the SBR window starts on 1 <sup>st</sup> November, we believe that any change must be in place ahead of the SBR window starting. Although no-one knows when or how SBR will be used, it is just as likely to be called in November as February and therefore the solution should be in place for the whole Winter.
Good Energy	No	<p>CP1460 should be implemented as early as possible. If it is impossible to meet the deadline for inclusion as part of the November 2016 BSC Systems Release, then it should be as a Standalone Release – but preferably no later than 30 November 2016. We do not support implementation over the period between Christmas and New Year because our internal systems could not be configured to receive the revised SAA-I014 until after this period. We would have similar concerns about any proposed implementation on any Friday.</p> <p>If it is impossible for implementation to take place until after Christmas then we would prefer postponement until 4th January 2017.</p>
ScottishPower	No	We support the Proposer's implementation date of 3 November and strongly question the rationale of Elexon's standalone implementation of 30 December. With a shelf life of one winter (2016/17) this wouldn't seem to provide value for money and we would strongly urge Elexon to meet the proposer's implementation date of 3 November 2016. The NISM of 4 November 2015 and the 5-14.5h LOLE for 2016/17 should persuade Elexon to manage the logistics to deliver this change prior to the 2016/17 SBR period.
ENGIE	No	ENGIE supports the use of a standalone release in order to get this CP implemented but not the implementation date.

Respondent	Response	Rationale
		<p>BSC modification P323 was only designed to be a temporary solution - the manual solution was implemented in such a way as to enable an enduring, automated solution that would produce timely imbalance prices to be activated at some point in the future. The P323 FMR notes that "If the Workgroup, the Panel or the Authority believe that system changes will be required in the future, a Change Proposal can be raised to progress them". The CP was first discussed with ELEXON in mid December 2015.</p> <p>The rationale for implementation has been clearly set out in the Change Proposal itself and also in the ELEXON consultation – the change is needed to ensure that cashout prices contain a timely scarcity signal on the use of SBR (which can be called from November to February). A delay in implementation to end December will mean that for half of the contract period, the timely cashout signal will be absent. ENGIE asks that a shortened timetable is developed such that this CP can be introduced at the start of November 2016. A delay would drastically reduce the benefit of the change.</p>
EDF Energy	No	<p>An earlier date would maximise the potential benefit of the proposal. It is disappointing that Elexon say they cannot implement this for November 2016, when the likelihood of use of SBR increases. We agree with the proposer that this is probably more material than proposals P297 and P321 currently in development.</p>
InterGen (UK) Ltd.	No	<p>All efforts should be made to ensure that the enduring solution is delivered by the beginning of November 2016. Any later will risk SBR plant being dispatched without the proper signals feeding through to the market prices.</p> <p>We believe that shortening the timetable to permit the implementing of this CP in time for the beginning of the SBR window on 1 November 2016 would be appropriate. No market participant can know in advance when or how SBR will be used, but it is just as likely to be called in November as February. We therefore consider that the solution should be in place for the whole of winter 2016/17. A delay until 30 December 2016 would mean that half of the SBR window for winter 2016/17 would have passed with no possibility for market</p>

Respondent	Response	Rationale
		<p>participants to benefit from a more timely signal of SBR use.</p> <p>We applaud the expedition of this proposal via the issuing of the CP consultation outside of the normal CPC timescales via an ad-hoc consultation (Approach 3). This will put a CP Assessment Report to the panel for a decision on the 12 May 2016. Surely similar pragmatism can deliver the required changes by November 2016.</p>
SSE	No	<p>CP1460 should be in place for the duration of Winter 2016/17, i.e. from 3rd November 2016 and not 30th December 2016.</p> <p>Whilst a November 2016 implementation date may present delivery challenges for central system providers, we are equally mindful of the very real impact on parties if SBR is enacted prior to CP1460 being delivered. At this stage we believe making the relevant changes are possible if decisions are made in a timely manner.</p>
Energy UK	No	<p>We consider that an implementation date of 30 December 2016 to be sub-optimal. P323 was intended to be a temporary manual measure in anticipation of the formulation and implementation of an enduring solution. The P323 Final Modification Report specifically anticipates the raising of a Change Proposal to work towards an enduring solution.</p> <p>We believe that shortening the timetable to permit the implementing of this CP (if approved) in time for the beginning of the SBR window on 1 November 2016 would be appropriate. No market participant can know in advance when or how SBR will be used, but it is just as likely to be called in November as February. We therefore consider that if the CP is approved, the solution should be in place for the whole of winter 2016/17. A delay until 30 December 2016 would mean that half of the SBR window for winter 2016/17 would have passed with no possibility for market participants to benefit from a more timely signal of SBR use.</p>

## Question 6: Do you have any further comments on CP1460?

### Summary

Yes	No
5	3

### Responses

	Response	Comments
VPI Immingham	Yes	<p>We think that this is an important change and fully support the proposals. General lack of clarity regarding SBR costs is likely to cause significant issues in the market and inefficient decisions on the back of poor data could have significant financial implications, currently virtually impossible to quantify. Therefore we believe that this change should be implemented.</p> <p><b>Further clarification provided:</b></p> <p>We would rather have 2 months of this than none at all, especially as we do expect SBR to be called next Winter (but as you say, it might not be). We have been hit financially in the past by erroneous cash out data and are strong advocates of accurate information as close to real time as possible, recognising the cost implications of this, but believing the benefits far outweigh the (potential) costs.</p> <p>I am not close to the system side of things, but I don't believe there will be any impact on our systems as a result of the changes.</p>
Good Energy	No	-
ScottishPower	No	-
ENGIE	Yes	<p>With the manual solution implemented in such a way as to enable an enduring, automated solution, implementation by November 2016 would seem feasible. It is difficult to reconcile the 'future proofed' design of the manual solution with an implementation time for the enduring solution of 31 weeks and indicative central costs of £227k.</p> <p>The £227k implementation cost equates to 79MWh of imbalance at £3000/MWh. This level of imbalance and more can and does happen for a single BMU and with a £3000/MWh cashout price, imbalance costs could rapidly exceed the implementation cost. The implementation cost is therefore relatively low</p>

Response	Comments	
		<p>compared to the potential losses that could be incurred by a market participant trading on the basis of an incorrect market signal.</p> <p>The indicative implementation cost should not therefore be a factor in deciding whether or not to implement this change – the focus should be on putting timely scarcity signals into cashout prices to allow market participants to make the correct trading decisions.</p>
EDF Energy	Yes	<ol style="list-style-type: none"> <li data-bbox="651 553 1216 1220">1. We agree with suggestions that SBR providers could submit VOLL as their offer price (above SEL if necessary), so that little or no change to BSC imbalance calculations is required. This would require a reconciliation of automatically calculated bid-offer (and potentially non-delivery) payments between NGET and Elexon, and between the BM Unit registrant and Elexon, but we don't think this is significantly different from the routine settlement of BSC disputes. Although the materiality could be significant (potentially £m per hour), there ought to be time to co-ordinate special payments in time for the initial settlement run so that little or no net payment is required.</li> <li data-bbox="651 1317 1216 1937">2. At page 8/9 of the consultation, under "EMR Impacts", Elexon say (my underlining): <p data-bbox="699 1462 1209 1691"><i>"In order to make the system change, additional funding will have to be sought from the LCCC/ESC. <u>These additional costs are outside the BSC arrangements. It is not clear whether this funding is available.</u>" And</i></p> <p data-bbox="699 1709 1181 1937"><i>"Based on an implementation by November 2016, this will consequently impact ELEXON's commitment to deliver the CM solution for ESC. <u>Any implementation of CP1460 will require LCCC/ESC approval.</u>"</i></p> <p data-bbox="699 2011 1189 2121">This implies that Elexon believe the LCCC or ESC (Elexon) can veto BSC changes which affect EMR settlement, rather than</p> </li> </ol>

Response		Comments
		<p>simply contribute to impact assessment like other BSC parties. Where is this set out in the legal and commercial arrangements of the BSC and EMR?</p>
InterGen (UK) Ltd.	Yes	<p>We fully support CP1460. We consider that the provision of a more timely signal of SBR use to be desirable and beneficial for the market as a whole.</p> <p>We consider that a continued delay in the provision of information regarding SBR costs to market participants has the potential to cause significant issues in the market and could lead to inefficient financial and trading decisions being taken. This in turn could lead to market participants incurring costs unnecessarily.</p> <p>With regard to the time required to implement the Change Proposal, we recall that the current manual solution was designed and implemented in anticipation of an enduring and automated solution being subsequently proposed. With this in mind we believe that the implementation of an enduring solution before the onset of winter 16/17 should be relatively feasible.</p>
SSE	No	-
Energy UK	Yes	<p>We consider that the provision of a more timely signal of SBR use could be desirable and beneficial for the market as a whole. We recall however that a range of other activities and publications by National Grid also signal the possible use of SBR/DSBR. We believe therefore that in evaluating the CP, the Panel should consider the expected benefits in light of the associated costs.</p> <p>We consider that a continued delay in the provision of timely cashout prices that include the use of SBR has the potential to cause significant issues in the market and could lead to inefficient financial and trading decisions being taken. This in turn could lead to market participants incurring costs unnecessarily.</p> <p>With regard to the time required to implement the Change Proposal, we recall that the current manual solution was designed and implemented in anticipation of an enduring and automated solution being subsequently proposed. With this in mind we believe that - if the CP is approved - the implementation of an enduring solution before the</p>



	Response	Comments
		onset of winter 16/17 should be relatively feasible.