

# Assessment Procedure Consultation Responses

## P342 'Change to Gate Closure for Energy Contract Volume Notifications'

This Assessment Procedure Consultation was issued on 19 September 2016, with responses invited by 7 October 2016.



### Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

### Consultation Respondents

Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
The Renewable Energy Company (Ecotricity)	2/0	Generator and Supplier
Bristol Energy	1/1	Supplier and ECVNA
RWE Supply and Trading GmbH	8/2	Generator, Supplier, Interconnector User, ECVNA and MVRNA
SmartestEnergy	1/0	Supplier
ENGIE	12/0	Generator and Supplier
UK Power Reserve	2/0	Generator and Supplier
Centrica	13/2	Generator, Supplier, Interconnector User, ECVNA and MVRNA
ScottishPower Energy Management Ltd	7/2	Generator, Supplier, Interconnector User, ECVNA and MVRNA
Energy24 Limited	2/2	Supplier, Non Physical Trader, ECVNA and MVRNA
EDF Energy	6/0	Generator, Supplier and Non Physical Trader
APX Commodities Limited	0/1	ECVNA
National Grid Electricity Transmission plc	1/0	Transmission Co.
Uniper UK	2/0	Generator, Interconnector User and Non Physical Trader

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Question 1: Do you believe that P342 would better facilitate the Applicable BSC Objectives compared to the current baseline and so should be approved?

## Summary

Yes	No	Neutral/No Comment	Other
8	4		1

## Responses

Respondent	Response	Rationale
The Renewable Energy Company (Ecotricity)	No	<p>We are not a primary notifier and as this is the case, we rely on the notification of a trade by the gate closure to ensure we are being supplied with exactly what we have locked in as a trade. If we receive notification after delivery has commenced, this opens us up to risk of purchasing incorrect volumes. Conversely if the primary notifier has failed to notify or has notified for an incorrect date, we are left with the complex recourse of a default in contrast to the present arrangement whereby we can call the counterparty and resolve the mismatch in advance of delivery.</p> <p>While the work group analysis offers useful data in terms of volumes, it offers little credence to the benefits of the change itself.</p> <p>We consider balancing in advance is a fundamental part of the BSC, especially in relation to objective D). This proposal would not promote efficient implementation and administration of balancing and settlement arrangement, it would instead be negligible of this objective.</p>
Bristol Energy	No	<p>We believe that this proposal could lead to a reduction in liquidity before gate closure with parties waiting until after gate closure to true their position. This favours larger and Vertically integrated parties who trade on a 24/7 as opposed to smaller suppliers who only trade during working hours. It therefore detrimental to objective (c) and is only supportive of object (d) for larger parties.</p>
RWE Supply and Trading GmbH	Yes	<p>We believe that there will be marginal benefits in allowing parties to trade after gate closure for physical notifications has occurred. This will improve competition in the GB electricity market (Objective A)</p>

Respondent	Response	Rationale
SmartestEnergy	Yes	We agree that P342 will better facilitate Applicable BSC objective (c) by allowing a more efficient and effective transfer of risk and providing the potential to increase market liquidity.
ENGIE	No	<p>ENGIE questions the proposer's stated benefits of this modification. The proposer believes that trading should be permitted to continue up until a point where the indicative imbalance price has been published, to 'allow efficient and effective transfer or risk'. At the point the cashout price is known we cannot see why any parties would want to trade at anything other than the cashout price. The proposer's point is not valid.</p> <p>The proposer also believes the introducing this modification will increase trading liquidity. ENGIE does not agree, and believes it will merely split existing pre gate closure liquidity into 2 parts. The first part before gate closure which relates to BMU plant having to submit FPNs and a second part after gate closure.</p> <p>We do not therefore agree with that P342 promotes objective c, Instead we believe it will be detrimental to objective c - implementing this modification would introduce an additional advantage to non BMU embedded generation:</p> <ul style="list-style-type: none"> <li>• BMUs are obliged to submit FPNs before gate closure and to follow them thereafter <ul style="list-style-type: none"> <li>o Decoupling FPN and Trading (ECVN) deadlines as proposed under P342 does not benefit BMUs, as they cannot increase their output to take advantage of trading opportunities after gate closure</li> </ul> </li> <li>• Embedded generators do not have to submit FPNs and can freely self-dispatch (assuming not under STOR contract)</li> </ul> <p>Introducing a later trading deadline would advantage these generators - they could both trade and re-dispatch after the FPN gate closure. The modification report dismisses this advantage saying that such parties can already adjust their position after the Gate Closure. Whilst they can do this, the current BSC does not allow them to both trade and adjust their output.</p> <p>The Group also considers that P342 will better facilitate objective e if the European Regulations will</p>

Respondent	Response	Rationale
		<p>require, in the future, a change to Gate Closure for contract notifications. Since this isn't yet known, it is not relevant. Modifications to the BSC should not be made because there might be a change in the future.</p> <p>Finally, the workgroup has considered an analysis of the outturn imbalance positions of the largest BSC parties and appears to have concluded that the these imbalances exist and that they would be smaller if trading could continue closer to delivery. There is however no obligation on a BSC party to be balanced and many of these imbalance could be intentional - they could for example be seeking to take advantage of the single cashout price. Without more detailed examination of the reasons for these imbalances, it cannot be concluded that they would reduce if P342 were implemented.</p> <p>In summary, ENGIE believes that the arguments that support the need for this modification are weak. It is not clear that the modification promotes competition, it provides an advantage to non BMU embedded generation (at a time when Ofgem is already questioning the appropriateness of embedded benefits) and is not yet needed to comply with European regulations (and may not be needed at all).</p>
UK Power Reserve	Yes (with caveat)	<p>We believe the modification would better facilitate both competition and the effective management of the system and its balancing as per B, C and D. However, we do believe there is the potential for negative impact under B, C and D in that parties would be able to, post event, resolve their imbalance positions which undermines the punitive nature of being in a position of imbalance. This would provide a significant advantage to larger and more hands on parties compared to smaller party members, who would not necessarily have the staffing and trading capabilities to benefit from this. This would in effect disproportionality place the risk of imbalance on the smaller and weaker parties providing an undue benefit to larger parties. For this reason, we would support the workgroups unraised modification of limiting actions to the start of a settlement period instead of after it.</p>
Centrica	Yes	
ScottishPower Energy	Yes	ECVN & FPN are independent of each other and as such the ability of market participants to submit

Respondent	Response	Rationale
Management Ltd		their final ECVN before during or after delivery permits greater self-balancing leading to greater efficiency in the GB electricity market. EBS will react to real time data allowing the System Operator to maintain frequency. Currently unusable non-BMU embedded generation or demand reduction facilities can be brought into play at commercial rates.
Energy24 Limited	No	<p>Our analysis suggests that P342 will not better facilitate Objective(c), in fact it could potentially drive out smaller, non-vertically integrated players. Large energy groups with diverse portfolios comprising demand and generation business lines, and 24/7 trading teams can exploit the ability to continue trading after Gate Closure. The scope for such behavioural modification risks putting smaller players, who do not have 24/7 trading operations at a competitive disadvantage. We believe most generators submitting FPNs, under normal/historic operation, will seek to close out their positions prior to Gate Closure, as such leaving only limited scope for trades post Gate Closure. This is in line with the conclusions drawn in Appendix 1 of the consultation document, whereby after accounting for the net of buy and sell orders, and allowance for a 20% deviation from the last traded price, potential trades per Settlement Period will range from 1MWh to 44MWh. As there is no guarantee that parties or trading exchanges will be willing to facilitate trading up to the new deadline there is no particular reason to believe that Objective (c) is any better facilitated under this proposal until responses from trading exchanges are available. As far as objective (e) is concerned, once again we do not believe P342 will better facilitate the BSC objective. Should European Regulations decide to separate the submission deadline for ECVNs and MVRNs from Gate Closure, there is no guarantee that the new submission deadline will be 60 minutes after the start of the Settlement Period. When considering other BSC objectives (particularly Objective (b)) it is possible that separating the submission deadline for ECVN's and MVRN's would lead to a less efficient, economic and co-ordinated operation of the National Transmission System as there is less of a requirement for parties to match/run to their planned/expected levels during the period that National Grid will have to balance the system and may give rise to greater deviation from expected levels of demand and generation, thus increasing the cost of balancing and lowering the efficiency of</p>

Respondent	Response	Rationale
		<p>the system. Furthermore, whilst a FPN is a notice of intention, it is not unusual for generating units to deviate from this and notify the industry via a MEL submission where an unexpected outage has occurred. There may be scope for generating units within a portfolio to operate in this manner to allow 'room' to vary output in order to better balance portfolios through later ECVN/MVRN submission once the indicative imbalance price is known. If this is considered a possibility, it would appear to give rise to greater impact upon National Grid's ability to manage the system based upon forecast FPN data/demand data and therefore impact Objective (b) and it would be useful to reconsider the context of this modification once National Grid has provided a view on both the likelihood of this and how it might manage such occurrences.</p>
EDF Energy	Yes	<p>In line with the modification proposal, as originally raised, we believe that this modification would promote Objective c):</p> <p>An increase in liquidity in the prompt market would reduce the effective bid-offer spread available to parties close to real time by enabling trading to continue. This would give the opportunity to parties to hedge positions caused by short notice changes to their demand or generation forecasts, providing protection to smaller parties – both generators and suppliers – who may be less able to absorb changes to their position as a result of portfolio effects. This would promote competition in the sale and purchase, and thus generation and supply of electricity.</p> <p>We believe that this modification would increase liquidity in the within-day markets. Elexon's analysis has identified that there is a substantial volume of imbalance across the industry at gate closure which is in opposite directions – in other words, the parties could have traded and reduced their respective absolute imbalances at an agreed price. While much of this volume will be unknown/unforecastable imbalance, it is reasonable to assume that some is not, and that the parties in question would be willing to close these positions. This is supported by the analysis from EPEX Spot that indicates that there currently is a significant volume of tradeable volume left open at market closure on the APX Power UK exchange. It is therefore a reasonable conclusion that the change</p>

Respondent	Response	Rationale
		<p>to ECVN notification deadline would facilitate more trading on the power exchanges, increasing liquidity.</p> <p>The introduction of a single cashout price regime under P305 enabled an equivalent transfer of risk after the current definition of gate closure. This would be done by two parties agreeing a contract price and volume, and settling financially at the difference between the contract price and the cashout price. We have investigated industry appetite for this route for trading, and while possible, the potential regulatory and financial compliance burden would be excessive. Enabling the submission of ECVNs beyond the current definition of Gate Closure, and thus allowing energy trading using BSC Central Systems to continue for an additional two hours achieves the same ends at a much lower cost to the industry.</p> <p>The cost of enabling this change within the BSC systems is very low, at £4k. Thus, even if there were only a small increase in liquidity, the cost incurred per additional MWh traded would quickly fall to a negligible level.</p> <p>We further believe that this modification could promote Objective e), in the event that the European Regulations require, in the future, a change to Gate Closure for contract notifications in the United Kingdom.</p> <p>We believe that the modification is neutral with respect to the remaining Objectives.</p>
APX Commodities Limited	Yes	<p>We consider that P342 will better facilitate BSC Objective (c). We consider that the main benefit of the modification proposal will be to allow market participants to trade closer to real time, which should provide an opportunity for Trading Parties to obtain more accurate information on the anticipated cash-out price and their metered positions. This should enable Trading Parties to make more efficient trading decisions and better manage exposure to imbalance.</p> <p>We do not consider that it is possible to have a firm view on whether the modification proposal will increase volumes traded or participation in the wholesale market (liquidity). We have participated in projects to reduce nomination lead times in Switzerland, Germany, France and Austria and consider that these resulted in improved wholesale</p>

Respondent	Response	Rationale
		<p>market functioning. However, we note that parties are likely to have less of an incentive to trade after submitting physical notifications.</p> <p>We do not have a view on whether allowing parties to trade in real time dispatch will have a negative impact on security of supply.</p>
National Grid Electricity Transmission plc	Other	<p>In terms of applicable objective C, we recognise the potential benefits of P342 outlined by the proposer in relation to market efficiency, competition and liquidity. We do though share some of the concerns raised around a level playing field between those parties who have to comply with Grid Code requirements around FPNs and those who do not.</p> <p>In terms of applicable objective E, we agree that there may be benefits in relation to implementation of some EU-related initiatives (e.g. the Cross-Border Intraday or XBID project under the EU Guideline on Capacity Allocation and Congestion Management / CACM). This is related to the ability of GB participants in XBID to be able to refine their contracted positions (although not their physical positions if Grid Code restrictions apply) in the situation where the results of the continuous XBID trading are only made available later than 60 minutes before the start of the relevant Settlement Period. In terms of applicable objective B, we currently have not identified any significant operability issues as a result of P342. This is because FPNs must still be respected by generators as a result of Grid Code requirements and, whilst these requirements do not apply to some smaller embedded generators or demand side players, the potential for changes in output / physical position within gate or in real time by these players exists now. However, where we are keen to understand further the impact of this mod is around whether it provides an increased incentive for this type of behaviour to take place. If P342 is found to incentivise parties to significantly change their output / physical position within gate or in real time compared to what currently happens, this could cause operability issues and the detriment under B would be likely to outweigh any other benefits.</p>
Uniper UK	Yes	<p>Just about yes. In theory P342 could be useful but we are not convinced that it would have much impact and there are negatives as well as positives. Moving the ECVN submission deadline could allow parties to trade a little longer and trade out</p>



Respondent	Response	Rationale
		<p>unexpected positions which could promote Objective C for competition. However it could also be detrimental to competition through favouring certain types of parties. For instance this proposal could be more useful to intermittent generators who found themselves with an unexpectedly long position; such a situation though likely to involve smaller volumes could be expected to arise much more frequently than conventional plant tripping.</p> <p>Also, we would not expect that we or other parties would alter behaviour significantly; therefore any benefits to liquidity or competition under Objective C are uncertain.</p> <p>It would be premature to determine a positive impact to Objective E; this is not definite until the European Balancing Guideline and its applicability or not to the UK is finalised.</p>

## Question 2: Do you agree with the Workgroup that the draft legal text in Attachment A delivers the intention of P342?

### Summary

Yes	No	Neutral/No Comment	Other
11		2	

### Responses

Respondent	Response	Rationale
The Renewable Energy Company (Ecotricity)	Yes	We agree that it delivers the intentions, insofar that it covers situations of default.
Bristol Energy	No Comment	
RWE Supply and Trading GmbH	Yes	This a relatively simple modification to implement.
SmartestEnergy	No Comment	
ENGIE	Yes	
UK Power Reserve	Yes	We believe the draft legal text does meet the requirements set out as part of P342.
Centrica	Yes	
ScottishPower Energy Management Ltd	Yes	It appears to make the minimum changes to the current text required to meet the P342.
Energy24 Limited	Yes	All instances of "Gate Closure" with respect to ECVN's and MVRN's have been replaced with "the Submission Deadline".
EDF Energy	Yes	
APX Commodities Limited	Yes	The definition of "Submission Deadline" could be closer to the definition of "Gate Closure" – "means, in relation to a Settlement Period, the spot time 1 hour after the spot time at the start of that Settlement Period".
National Grid Electricity Transmission plc	Yes	The proposed drafting appears to be the simplest manner of delivering the intent of P342 without impacting other areas of the code.
Uniper UK	Yes	

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

### Summary

Yes	No	Neutral/No Comment	Other
9	2	1	1

### Responses

Respondent	Response	Rationale
The Renewable Energy Company (Ecotricity)	Yes	If approved, we agree that this would be a reasonable implementation date.
Bristol Energy	No Comment	
RWE Supply and Trading GmbH	Yes	It is sensible to implement as soon as practicable.
SmartestEnergy	Yes	2nd November 2017 seems feasible.
ENGIE	No	ENGIE do not believe this modification should be implemented
UK Power Reserve	Yes	We agree with the rationale for the 02/11/2017 implementation date, although we would want to confirm this would not pose an issue for follow on implementation by power exchanges as there would be an issue if the modification was implemented too rapidly to allow them to change their systems to take advantage of the difference.
Centrica	Yes	
ScottishPower Energy Management Ltd	Yes	As part of a scheduled BSC Systems Release is most appropriate.
Energy24 Limited	No	As with previous industry modifications, we believe that changes of this magnitude should not occur before volatile periods and thus after the Winter of 2017/18 is a preferred implementation date.
EDF Energy	Other	<p>If the scheduled change is such that it is not possible to implement this change before November 2017, then November 2017 is a suitable implementation date.</p> <p>However, we believe that this modification would provide an immediate benefit to the industry, and as such should be implemented as quickly as possible. Given the 28-day lead time quoted for</p>

Respondent	Response	Rationale
		implementation, we urge Elexon to reconsider whether the February or June 2017 releases were feasible, in order to maximise the benefits from this change.
APX Commodities Limited	Yes	We consider that the 2 November 2017 implementation date is appropriate.
National Grid Electricity Transmission plc	Yes	The date of November 2017 seems to be appropriate as it is important that system changes are managed and not concentrated in single releases.
Uniper UK	Yes	The next feasible BSC release is sensible.

Question 4: Do you agree that there is no Alternative Modifications within the scope of P342 which would better facilitate the Applicable BSC Objectives compared to the Proposed Modification?

## Summary

Yes	No	Neutral/No Comment	Other
8	3	1	1

## Responses

Respondent	Response	Rationale
The Renewable Energy Company (Ecotricity)	No	We believe that the potential Alternative Modification referred to in the Assessment Procedure document should be explored further as we feel that this would be a greater solution to the perceived issue.
Bristol Energy	No Comment	
RWE Supply and Trading GmbH	Yes	
SmartestEnergy	Yes	
ENGIE	Yes	
UK Power Reserve	No	We would believe that alternative implementation time frames would potentially address some of the highlighted issues of the modification, in particular we would support an alternative modification that moved the deadline to be the start of the Settlement Period so as to prevent trading of positions post fact.
Centrica	Yes	
ScottishPower Energy Management Ltd	Yes	
Energy24 Limited	Yes	The limited scope to trade after Gate Closure restricts the ability to better facilitate BSC Objective (c), as such we do not believe an Alternative Modification will overcome this shortcoming.  With regards to Objective (b) and (e), our rationale remains the same as that provided for Question 1.
EDF Energy	Yes	We understand that certain Working Group participants believe that permitting ECVN submission beyond the start of delivery of the Settlement Period may have a negative impact on

Respondent	Response	Rationale
		<p>the security of supply.</p> <p>We do not believe that these fears are justified, as per our response to question 10.</p>
APX Commodities Limited	Other	We do not consider that a potential alternative would necessarily better facilitate the Applicable BSC Objectives. We do not know whether allowing market participants to trade during and after the settlement period will have any unintended consequences or have a negative impact on security of supply.
National Grid Electricity Transmission plc	No	The potential P342 alternative modification discussed in the Assessment Consultation (and referenced in Q5 below) should be formally considered by the WG for completeness.
Uniper UK	Yes	

Question 5: Do you believe that the potential P342 Alternative Modification would better facilitate the Applicable BSC Objectives compared to the Proposed Modification and so should be raised?

## Summary

Yes	No	Neutral/No Comment	Other
5	4	1	3

## Responses

Respondent	Response	Rationale
The Renewable Energy Company (Ecotricity)	Yes	This is because it maintains the fundamental principle of matching to the notification no later than the commencement of delivery.
Bristol Energy	No Comment	
RWE Supply and Trading GmbH	Yes	We believe that there will be marginal benefits in allowing parties to trade after gate closure for physical notifications has occurred. This will improve competition in the GB electricity market (Objective A)
SmartestEnergy	No	
ENGIE	Yes	
UK Power Reserve	Yes	We believe there is the potential for negative impact under B, C and D in that parties would be able to, post event, resolve their imbalance positions which undermines the punitive nature of being in a position of imbalance. This would provide a significant advantage to larger and more hands on parties compared to smaller party members who would not necessarily have the staffing and trading capabilities to benefit from this. This would in effect disproportionality place the risk of imbalance on the smaller and weaker parties providing an undue benefit to larger parties. For this reason, we would support the workgroups unraised modification of limiting actions to the start of a settlement period instead of after it.
Centrica	Yes	This would do away with the issue regarding security of supply and the need to delay the publication of the cashout price.
ScottishPower Energy Management Ltd	Other	We believe that the Alternative Modification may have some merit but we would need to be convinced that there is additional benefit when compared to the Proposed Modification. It may have

Respondent	Response	Rationale
		exactly the same outcome.
Energy24 Limited	No	The rationale is the same as that for Question 4.
EDF Energy	No	As per question 4.
APX Commodities Limited	Other	We do not consider that the potential alternative would necessarily facilitate the Applicable BSC Objectives. We do not know whether allowing market participants to trade during and after the settlement period will have any unintended consequences or have a negative impact on security of supply.
National Grid Electricity Transmission plc	Other	Building on the response to Q1, if it is identified that there is an increased incentive for parties to significantly change their output / physical position within gate or in real time, we believe that the potential P342 Alternative Modification would better fulfil the applicable objectives than the proposed (noting that, if this were the case, neither would better fulfil the applicable objectives than the baseline).
Uniper UK	No	<p>The potential Alternative to move the submission deadline to the beginning of the Settlement period not after the half-hour has ended would be little improvement on the current baseline. The publication of the indicative imbalance price is what is likely to put a stop to trading; as that is ~20 minutes after the settlement period ends, to make a difference the final ECVN submission deadline would need to be beyond that. Consequently the Proposed P342 Modification would better facilitate the BSC Objectives.</p> <p>Including MVRNs is another matter; the ability to change an MRVN at some time other than 0000 would be helpful. However we would expect this to be used very infrequently, to minimise the risk of errors. As it would reduce central costs we would thus support this aspect being incorporated if the proposal was implemented, but in essence would only use this facility in exceptional circumstances.</p>



Question 6: Do you believe that P342 would meet the Self-Governance Criteria and so should be progressed as a Self-Governance Modification?

## Summary

Yes	No	Neutral/No Comment	Other
2	10	1	

## Responses

Respondent	Response	Rationale
The Renewable Energy Company (Ecotricity)	No	We believe that this should not be progressed as a Self-Governance Modification proposal due to the potential material impact.
Bristol Energy	No	This proposal has different impacts on different parties and has the potential for unintended consequences beyond the BSC. Therefore should be decided by the Authority.
RWE Supply and Trading GmbH	No	There are wider implications for electricity trading and security of supply which require consideration by Ofgem.
SmartestEnergy	No	
ENGIE	No	Ofgem must be allowed to decide on this modification given the unfair advantage it gives non BMUs.
UK Power Reserve	Neutral	
Centrica	No	I believe it would have a material effect on the national electricity transmission system and security of supply.
ScottishPower Energy Management Ltd	No	<p>We are not convinced that P342 meets the Self Governance Criteria as it could have a material effect on:</p> <ul style="list-style-type: none"> <li>• competition in the generation, distribution or supply of electricity,</li> <li>• the commercial activities connected with the generation, distribution or supply of electricity,</li> <li>• the operation of the national electricity transmission system;</li> <li>• matters relating to sustainable development,</li> </ul>

Respondent	Response	Rationale
		<ul style="list-style-type: none"> <li>• safety or security of supply,</li> <li>• the management of market or network emergencies and is likely to discriminate between different classes of Parties.</li> </ul> <p>As it is currently a non-BMU embedded generator or generators with a PPA or supply agreement with a Generator/Supplier could change its output within gate closure when requested by that Supplier/Generator, if the Supplier/Generator perceived it would be out of balance in a particular ISP within gate closure. This is with no reference to the System Operator.</p> <p>National Grid could despatch plant to meet a shortfall only to find that demand has been reduced by the unexpected running of an embedded generator. Though the actions are helping the System Operator, the actions will also lead to unnecessary cost &amp; inefficiency through BM despatch.</p> <p>Under P342 that Supplier/Generator or Aggregator could now actively trade that embedded generator within gate closure with other counterparties and notify a new Contract Position up to one hour after the start of the ISP without reference to the System Operator. Other generators are required to submit to the System Operator and follow PNs whereas these generators are not. This class of generators is growing as wind, solar, battery and other new technologies become more prevalent in the distribution network, having a larger impact at delivery on the GB transmission system.</p>
Energy24 Limited	No	P342 will impact competition in the wholesale electricity market and will also affect Generators and Non-physical traders differently, thereby violating criteria (a)(ii) and (b) for Self-Governance modifications.
EDF Energy	Yes, with caveats	<p>We believe that P342 meets all of the Self-Governance Criteria, with the exception of a) ii).</p> <p>With this criterion, we believe that the modification, by allowing exchange-based trading to continue for an additional two hours for each Settlement Period, there would be a material benefit to competition in within day trading, which is one of the commercial activities connected with the generation and supply of electricity. Under a strict interpretation of the criteria, this modification therefore would not be one that should be progressed as a Self-Governance</p>

Respondent	Response	Rationale
		<p>modification.</p> <p>We understand that there will shortly be guidance issued around the materiality of a change which would trigger the non-Self-Governance process. Subject to this guidance, we believe that the spirit of the Self-Governance Criteria is that this modification should be progressed as a Self-Governance modification.</p>
APX Commodities Limited	No	We consider that the change proposal may have a material impact on wholesale market functioning.
National Grid Electricity Transmission plc	No	Given the references to P305 (which was taken forward following Ofgem's Electricity Balancing Significant Code Review) and also the potential for level playing field arguments as a result of this modification, we do not believe that P342 meets the Self-Governance Criteria (i.e. it should not be progressed as a Self-Governance Modification)
Uniper UK	Yes	In the spirit of progressing Modification Proposals as Self-Governance unless they would clearly have a substantial impact on the market we believe that if possible for P342 to progress as Self-Governance then that should be done.

## Question 7: Will P342 impact your organisation?

### Summary

Yes	No	Neutral/No Comment	Other
12			1

### Responses

Respondent	Response	Rationale
The Renewable Energy Company (Ecotricity)	Yes	Yes. This is because it will increase risk should our counterparties fail to notify us or notify us erroneously regarding the trade, leading us to incur costs as a result of mismatched or un-matched trades.
Bristol Energy	Yes	We believe the impact could be detrimental if it reduces the liquidity of the market before gate closure and makes us more reliant on secure and promote. We are also concerned that this ability to trade after gate closure could lead to parties behaving in a way that impacts the imbalance price, which does not appear to have been fully considered by the working group.
RWE Supply and Trading GmbH	Yes	Yes – we will need to amend our systems and process to ensure that the gate closure for physical notifications and contract notifications can occur at different times.
SmartestEnergy	Yes	
ENGIE	Yes	ENGIE operates transmission connected peaking plants and the future viability of these plants is being increasingly hampered by competition from embedded plants which receive unfair embedded benefits / subsidies. The Ofgem open letter at the end of July successfully frames this issue.  The implementation of P342 will introduce an additional embedded benefit.
UK Power Reserve	Yes	Yes, we would be heavily impacted by this modification. It remains unclear if we would be positively or negatively impacted depending on actions taken in the market and behavioural changes in the industry.
Centrica	Yes	Yes, It would lead to system changes and two deadlines could lead to more mistakes being made.
ScottishPower Energy	Yes	It has the potential to increase BSUoS costs for the

Respondent	Response	Rationale
Management Ltd		organisation through inefficient balancing actions
Energy24 Limited	Yes	We will need to initiate changes to internal systems, documents and processes, as well as external agreements, processes and systems between the approval date and implementation date of this modification.
EDF Energy	Yes	<p>Yes. A minor change will be required to our Trading and Risk Management system to change the relationship between the current time and the first period for which an ECVN can be submitted.</p> <p>Staff training will need to take place in line with the update to ECVN submission deadlines.</p>
APX Commodities Limited	Yes	We would expect to reconfigure the intraday market to allow members to trade closer to real time.
National Grid Electricity Transmission plc	Other	The impact on NGET depends largely on whether there is an increased incentive for parties to significantly change their output / physical position within gate and in real time (i.e. irrespective of whether or not they are bound by the Grid Code to adhere to their FPN position). If this incentive is increased there is definitely a negative impact on real time balancing of the system as demands would be more volatile and likely to differ more from forecast levels.
Uniper UK	Yes	Yes, though as stated we would not anticipate much impact on our activities. The facility to trade out in the event of a plant trip might be useful, but that should be a rare occurrence in comparison with the situation for other party types e.g. wind generators.

## Question 8: Will your organisation incur any costs in implementing P342?

### Summary

Yes	No	Neutral/No Comment	Other
10	2		1

### Responses

Respondent	Response	Rationale
The Renewable Energy Company (Ecotricity)	Yes	Not for the physical implementation of the change, but as a result of mismatched or un-matched trades, we are significantly more likely to be incurring a cost for these as a result of this change than if the current method remained.
Bristol Energy	Yes	We may have consider extending trading hours and employ additional traders working anti-social hours.
RWE Supply and Trading GmbH	Yes	We expect the costs to be small.
SmartestEnergy	Yes	Our ECVN submission software will require changes.
ENGIE	Yes	There will be considerable costs to changing our IT processes and internal trading procedures.
UK Power Reserve	No	Presuming power exchanges incur no cost that is then passed onto customers
Centrica	Yes	We would need to change our system in order to deal with two deadlines. It would have to stop nominations at one time but allow trading until another time.
ScottishPower Energy Management Ltd	Yes	Yes, as it will need to develop systems and processes to trade and balance post gate closure to mitigate potential increases in BSUoS.
Energy24 Limited	Yes	In implementing the changes discussed in Question 7, including legal costs associated with amending exiting contracts and agreements.
EDF Energy	Yes	The changes will be in configuration and report design only, and so are expected to be minimal (no more than £10k).
APX Commodities Limited	Yes	The cost to reconfigure the intraday market.
National Grid Electricity	Other	As above, if the incentive on parties to significantly change their output / physical position within gate and in real time is increased as a result of P342

Respondent	Response	Rationale
Transmission plc		then balancing costs will increase (potentially significantly) with a corresponding increase in BSUoS.
Uniper UK	No	

Question 9: Will setting the MVRN submission deadline to 60 minutes after the start of the relevant Settlement Period increase the risk of Settlement error?

## Summary

Yes	No	Neutral/No Comment	Other
2	4	6	1

## Responses

Respondent	Response	Rationale
The Renewable Energy Company (Ecotricity)	No Comment	We are not in a position to comment on MVRN's.
Bristol Energy	No Comment	
RWE Supply and Trading GmbH	No	We do not believe that this is a significant risk but it does increase the potential to make errors in this area.
SmartestEnergy	Other	There is no justification for moving the MVRN gate closure as trades would not be done on the same timescale as energy trades. It would be moving it for the sake of it and introducing the risk of errors which there would be no time to correct.
ENGIE	No Comment	
UK Power Reserve	Yes	We believe the modification should be restricted to just the ECVN element at this time. We have not seen adequate argument that a change to MVRN would be required or provide any benefit.
Centrica	No	
ScottishPower Energy Management Ltd	No	We are not convinced that this action will itself increase the risk of Settlement error and believe that if the gate closure is changed for ECVNs then the same gate closure should apply to MVRNs.
Energy24 Limited	No comment	We have no response to this question.
EDF Energy	No	MVRN submission takes place infrequently – generally on change of ownership or offtake agreement for a BMU. These submissions are generally submitted well in advance with an effective date in the future. Pushing the deadline for submission for a given Settlement Period out by 90 minutes will have no impact on forward looking MVRNs, and could only possibly impact within-day



Respondent	Response	Rationale
		<p>MVRNs, which we understand are exceedingly rare.</p> <p>There is no increase in risk from this deadline change – if an erroneous MVRN is submitted effective from the next period for which the submission deadline has not passed, and is corrected one hour later, then two SPs would be in error under both the current and the future arrangements. The only difference is which SPs have been submitted in error, which is a completely random risk.</p>
APX Commodities Limited	Neutral	
National Grid Electricity Transmission plc	No comments	
Uniper UK	Yes	Yes, the risk of errors might be more likely, but we would anticipate parties being aware of this and consequently unlikely to use this facility often.

## Question 10: Do you believe P342 will have an impact on security of supply?

### Summary

Yes	No	Neutral/No Comment	Other
7	4	1	1

### Responses

Respondent	Response	Rationale
The Renewable Energy Company (Ecotricity)	Yes	As previously advised in our above comments for question 1.
Bristol Energy	Yes	Trading after the end of the settlement period will not only allow trading of energy despatched. It cannot encourage more generation into the market retrospectively.
RWE Supply and Trading GmbH	No	We believe that the views of the system operator are relevant in this area.
SmartestEnergy	No	We understand that National Grid will continue to balance as if there had been no change. If parties continue to trade with each other the net imbalance will not change. We are slightly surprised that there will be no impact on National Grid's local balancing decisions but we defer to their greater experience.
ENGIE	Yes	Yes – allowing later trading will allow embedded generators to take advantage of a tight market and produce more. This will however be to the detriment of BMUs resulting in a further loss of income. As highlighted in Q7 – such disparities do collectively challenge the viability of peaking plant that is transmission connected.
UK Power Reserve	Yes	The modification seeks to give greater ability for parties to limit their exposure to a position of imbalance, this would reduce the negative elements of being in imbalance in the first place and potentially lead to a lessening of the positional management to avoid being in imbalance, thus creating a greater degree of imbalance on the system which would have a negative impact on security of supply.
Centrica	Yes	If people can change their demand through embedded generation, this could cause a problem for National grid as they could be going against what national grid are trying to do. For example:

Respondent	Response	Rationale
		national grid try to turn down stations and all embedded generation turn down stations at the same time causing potential issues with security of supply. The cashout price can be calculated with very good accuracy in the settlement period so this would happen.
ScottishPower Energy Management Ltd	Yes	P342 could create a tradable market for any non-BMU generation or demand-reducers within gate closure providing access to an additional power market trading physical assets close to or at delivery. National Grid is trying to capture this market in its Power Responsive campaign. However an HH price driven tradable alternative may be more attractive and indeed less risky for these embedded generators/demand reducers/aggregators. As it may be more attractive it delivers more generation/demand-reducing volume at delivery, therefore reducing any shortfall in the GB market and minimising the risk of 'the lights going out'. EBS will react to real time data allowing the System Operator to maintain frequency.
Energy24 Limited	Yes	<p>As per our rationale/query in Question 1, the varying in operation of generating units/market participants within gate closure may give rise to increased variation from forecasts increasing the difficulty of managing the system for National Grid. To some extent, the key market incentive to balance at Gate Closure may be removed and it is currently unclear how this will impact actual physical operation of the Transmission System.</p> <p>Furthermore, it is currently unclear if the trading exchange will vary their current trading times. Where changes do occur and this allows trading up until after the Settlement Period has begun it could reduce liquidity prior to Gate Closure making balancing more difficult for smaller individual parties as well as National Grid.</p> <p>Additionally, should the tighter liquidity conditions coupled with the absence of 24/7 trading teams (discussed in our response to Question 1) result in small players exiting the market, we foresee an adverse impact on security of supply.</p>
EDF Energy	No	The concerns raised by parties with respect to security of supply are that parties may be incentivised to change the dispatch patterns of their generation or offtake in response to market price

Respondent	Response	Rationale
		<p>signals, and that this may have a detrimental impact on system security.</p> <p>Large generators are obliged to follow their obligations under BC2 of the Grid Code, which requires them to follow their PN, unless instructed otherwise by National Grid, or in the event of unit availability limiting the generator to a lower load. This obligation would continue to apply in the event that this modification was approved, meaning there would be no impact from this class of plant.</p> <p>Smaller generators, which are not obliged to submit a Physical Notification, are currently able to self-dispatch, and can do so in the event of a forecast cashout price indicating that it is financially advantageous to do so. The change from this modification would be to allow a generator to lock in a positive spread from self-dispatch, as opposed to making a call on the cashout price when making the dispatch decision. Given that the market price should be converging towards the cashout price as the time before the cashout price is published, the difference to dispatch patterns as a result of this modification should be minimal. Customer demand could be similarly dispatched, although this is currently a very small portion of the overall market, and thus unlikely to have a material impact on security of supply.</p> <p>Furthermore, the incentive on parties in this case would be to make the System more balanced – in effect, to increase generation or reduce demand when the System is undersupplied, and vice versa. In the event that parties were to increase the level of real time self-dispatch as a result of this modification, this would be likely to bring the system more into balance, providing a benefit to the security of supply.</p>
APX Commodities Limited	Neutral	
National Grid Electricity Transmission plc	Other	<p>As set out in our answers to Qs 7 and 8 above, if the incentive on parties to significantly change their output / physical position within gate and in real time is increased as a result of P342 then there could be an impact on security of supply. It is true that short term operability is not the same as longer term ability to ensure that there is a sufficient margin of generation over demand. However, it remains that anything that could affect the decision-</p>

Respondent	Response	Rationale
		making of the System Operator (e.g. expected generation levels or forecast demand) has a corresponding impact on security of supply.
Uniper UK	No	While the deadline for FPNs remains at Gate Closure and parties cannot deviate from their FPN we do not think that changing the submission deadline for ECVNs would have any impact on National Grid's balancing activities.

## Question 11: Do you have any further comments on P342?

### Summary

Yes	No
7	6

### Responses

Respondent	Response	Comments
The Renewable Energy Company (Ecotricity)	No	
Bristol Energy	Yes	We are disappointed that there appears to have been no discussion by the working group of the impact on smaller parties. We would ask that ELEXON in its role as critical friend seeks to lead discussion in this area at the next modification group.
RWE Supply and Trading GmbH	No	
SmartestEnergy	Yes	<p>The consultation document states the following: "Some members noted that large embedded generation portfolios within Supplier BM Units are largely invisible to National Grid as they are not required to submit FPNs. Therefore, some Workgroup members felt that P342 could be detrimental to competition because it could be seen to favour some participants rather than others."</p> <p>However, large embedded generation portfolios of more than 50MW are notified to National Grid in the form of FPNs. It is not that they are invisible, it is that NGT choose not to make use of the data and/or enforce the rules.</p>
ENGIE	Yes	Noting that this modification would give an advantage to non BMU embedded generators, implementation would be inconsistent with Ofgem's direction of travel on the review of embedded benefits / subsidies which seeks to level the playing field between embedded and transmission connected generation.
UK Power Reserve	No	
Centrica	Yes	Having the deadline 60mins after the start of the relevant settlement period means that the cashout price will have to be delayed as the MIP value is needed in order to determine some cashout prices.

Respondent	Response	Comments
		We do not want to see Cashout prices delayed at all as this is a key piece of data that is used throughout the market to help you price future periods.
ScottishPower Energy Management Ltd	Yes	<ul style="list-style-type: none"> <li>We have concerns that this proposed change, if not properly assessed, could have significant impact on NGET's ability to make efficient decisions in the BM with the consequence of increasing the BSUoS costs. We would welcome further analysis of the potential impacts on BSUoS of allowing post gate closure trading with the subsequent self-dispatch of embedded generation.</li> <li>It is unclear how Interconnectors (including all of their stakeholders) would behave under P342 and we would welcome further analysis and an explanation in any further documents/consultations.</li> <li>The analysis in Appendix 1 attempts to identify the volume available to be traded within gate closure. It is important to recognise that being out of balance can be a conscious decision, for example, a potential low cash-out price versus certain high market price. Even with an exchange within gate closure, the requirement to trade is not mandatory, any short or long position could be deliberately left for the imbalance price.</li> <li>With regard to European Regulation or Network Code compliance it may be that the Gate Closure for PNs will also need to be reviewed and changed.</li> <li>The act of counterparties exchanging financial instruments, as suggested by the proposer of P342, is independent of P342.</li> </ul>
Energy24 Limited	Yes	<p>1) Initially, this proposal would appear to provide greater benefits for larger vertically integrated companies with demand and generation portfolios that would be able to be better utilised under these terms. Typically these will have active trading teams available 24/7 who may be able to better manage exposure to indicative imbalance prices.</p> <p>Thus, smaller parties who do not have these benefits are unlikely to be able to take advantage of such changes leaving them more open to the impacts of imbalance prices and potential impacts</p>

Respondent	Response	Comments
		<p>upon liquidity in 'normal' timescales.</p> <p>Where this occurs, it could become a barrier to market entry and potentially an additional reason for some parties to exit the market.</p> <p>2) We have noted points relating to changed mode of operation for generating units and a requirement to know how trading exchanges will manage the change as key parts of the appraisal process and until these are known we do not feel a fully informed response from the market is available – it is based upon assumption.</p> <p>A further opportunity to respond should be allowed once these areas are clarified.</p>
EDF Energy	No	
APX Commodities Limited	No	
National Grid Electricity Transmission plc	Yes	<p>It is important that the scrutiny by which FPNs are adhered to which already exists as a result of the P305 changes (single imbalance price) continues and we continue to support appropriate monitoring in this area.</p> <p>This response has been drafted largely based on the current balancing environment. It is likely that issues such as level playing between different types of market participant will become more prominent as the energy mix develops over the coming years and so this is a factor that may require consideration.</p>
Uniper UK	No	