

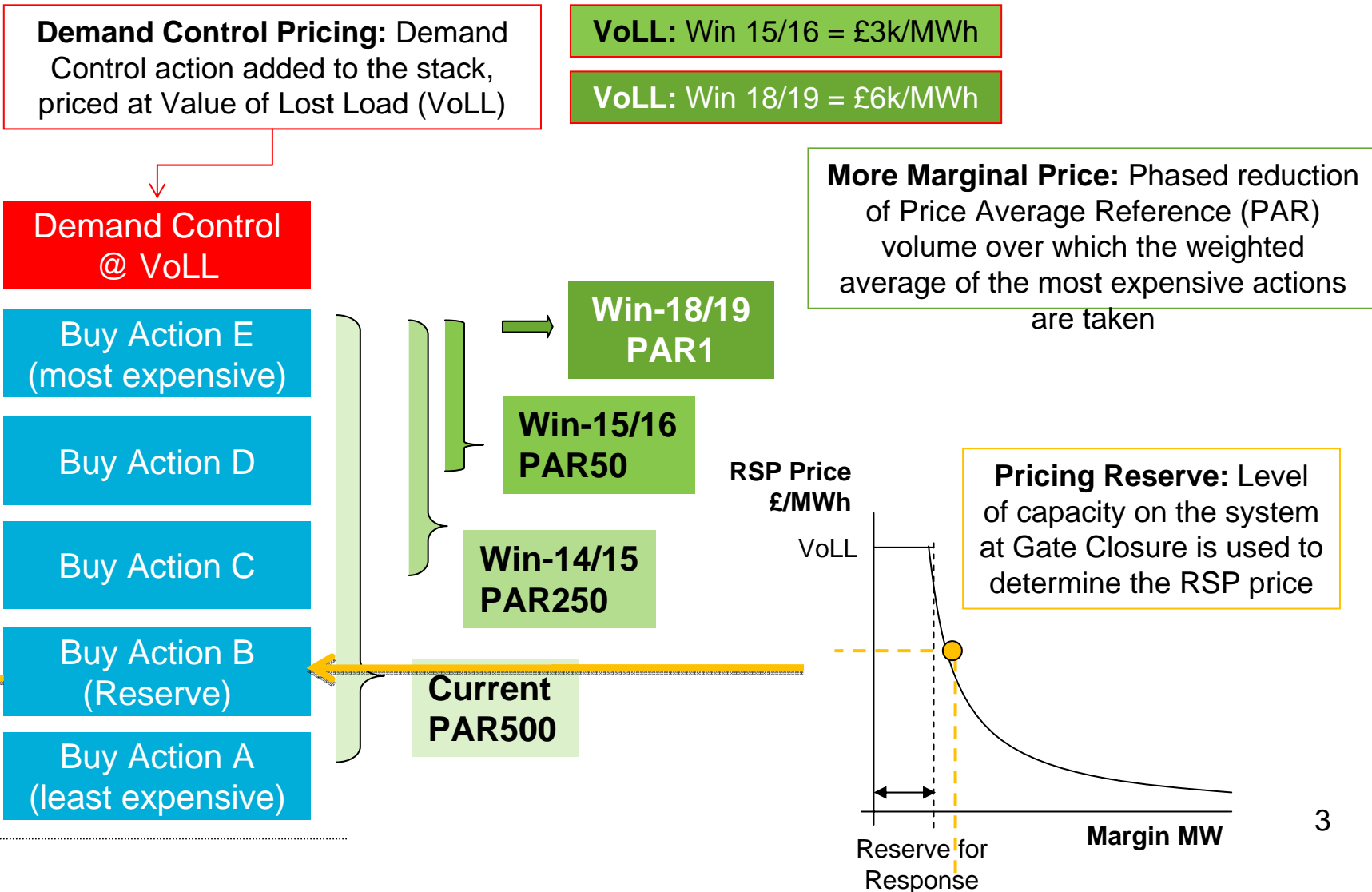
Electricity Balancing Significant Code Review

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Electricity Balancing SCR - Progress to Date

- **March 2012:**
Ofgem announced intention to launch an electricity cash-out SCR
- **August 2012:**
Initial Consultation – stakeholder views sought on a range of initial policy considerations (scope was ‘balancing’, wider than just ‘cash-out’)
- **February 2013:**
Open Letter on EBSCR and Future Trading Arrangements – scope of EBSCR reduced
- **July 2013:**
Draft Policy Decision – stakeholder views sought on a package of reforms to increase efficiency of the cash-out price signal
- **May 2014:**
Publication of **Final Policy Decision** with directions to National Grid to raise modifications to the Balancing and Settlements Code (BSC) for the June 2014 BSC Panel meeting
- **June 2014:**
Commencement of BSC modification (P305) process, Ofgem have ‘strongly urged’ industry towards specified implementation timescales (detailed in following slides)
- **March 2015:**
Panel recommendation sent for Authority decision (e.g. Proposed vs Alternative, P305 vs P316) 2

The three EBSCR Policies that Sharpen the Cash-out Price



The fourth EBSCR Policy: Single Cash-out Price

		System Position	
		Long	Short
Party Position	Long	Receive Main Price	Receive Reverse Price
	Short	Pay Reverse Price	Pay Main Price



		System Position	
		Long (SSP sets price) / Short (SBP sets price)	
Party Position	Long	Receive Main Price	
	Short	Pay Main Price	

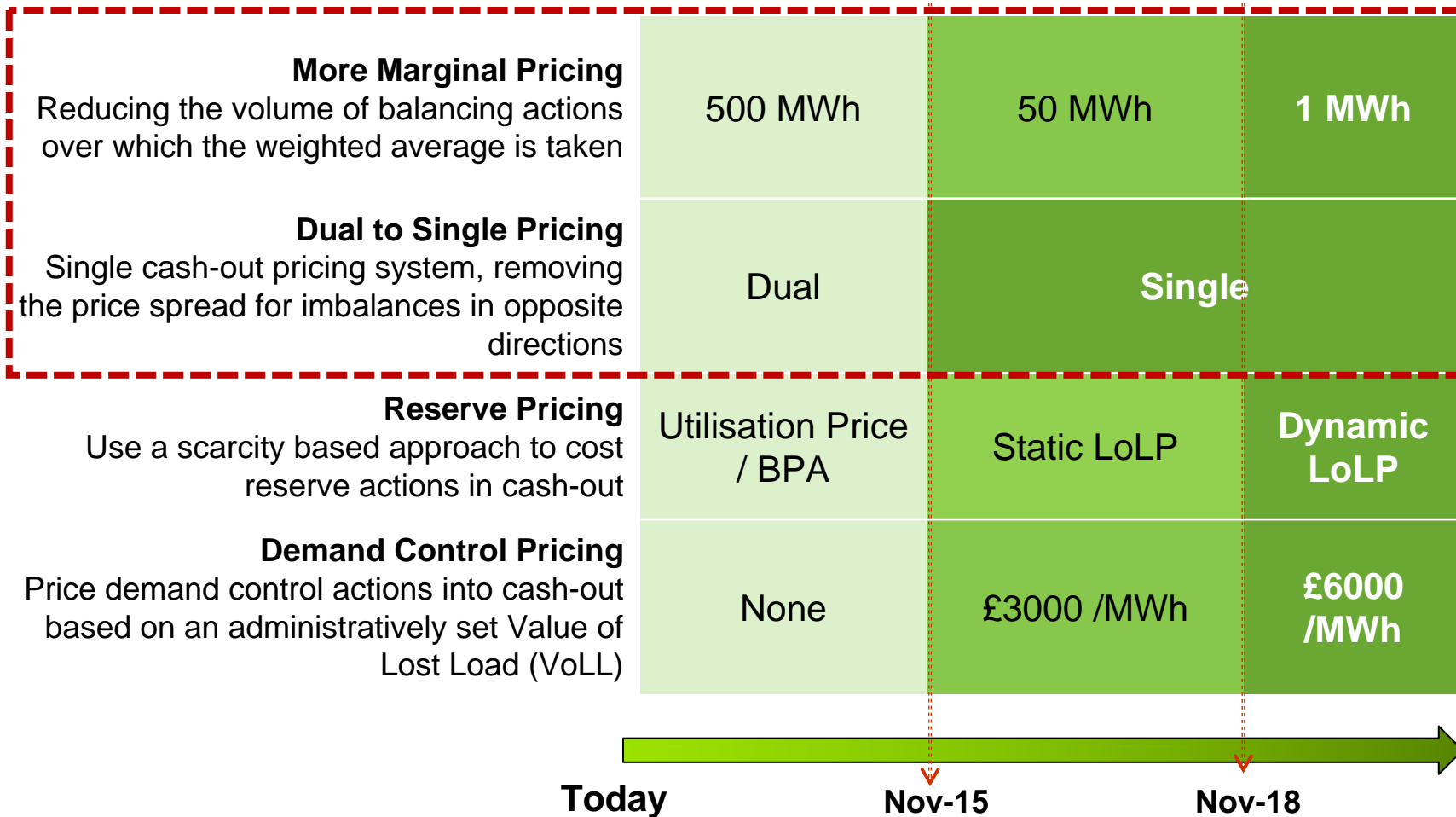
Reverse price \Rightarrow inefficiency:

- Those parties are effectively helping to balance the system
- The price is not reflective of the cost saving to the SO (and consumer)

Proposed P305 Implementation Solution

The latest EBSCR policy package timescales are as follows:

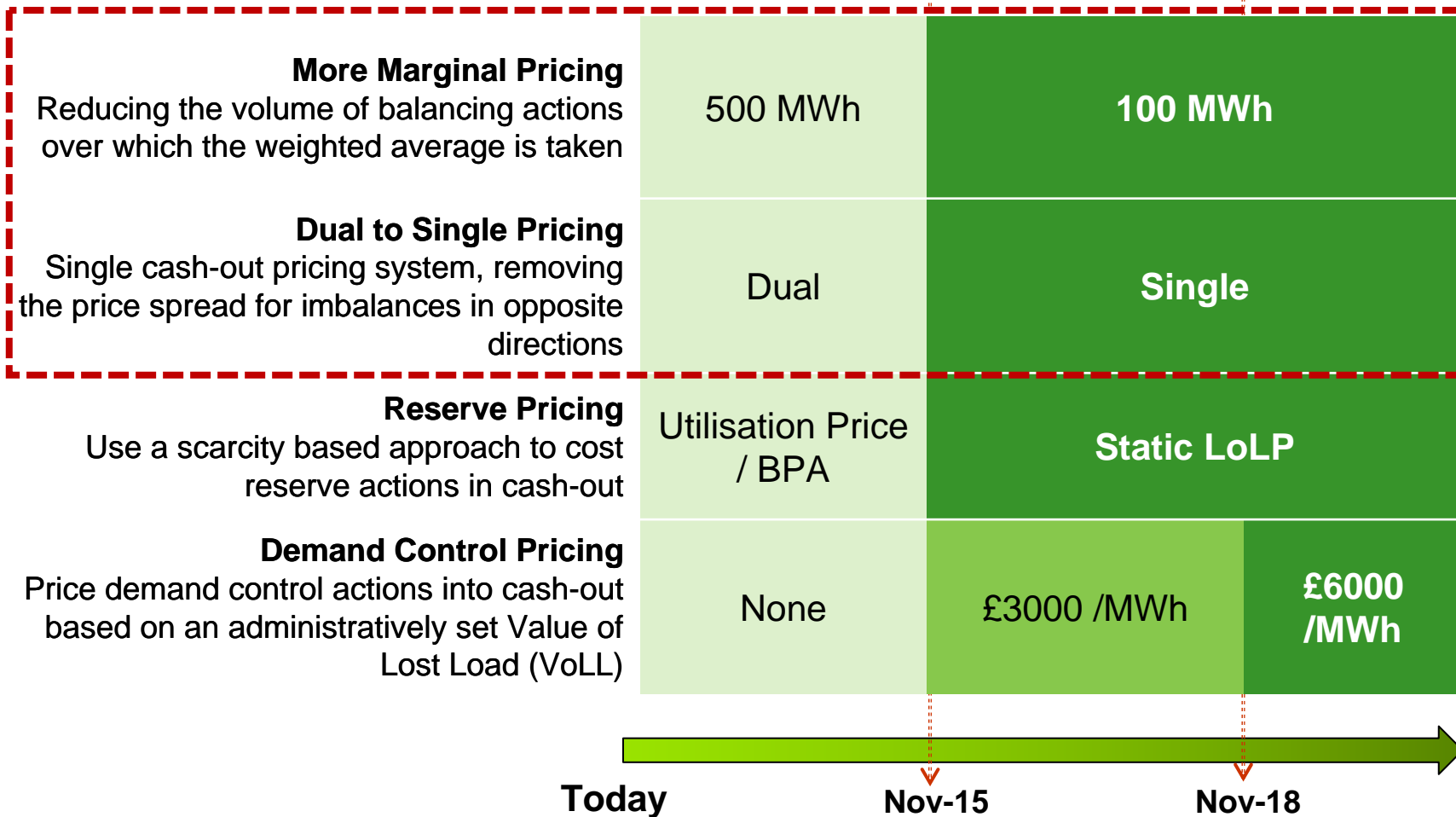
P316



Alternative P305 Implementation Solution

The latest EBSCR policy package timescales are as follows:

P316A



Operational Impacts on Market Participants

More Marginal Pricing

- Impact limited to general sharpening of imbalance prices

Dual to Single Pricing

- Market index price continues to be produced (despite no longer being used for reverse price)

Reserve Pricing

- Indicative LOLP / “De-rated margin” forecasts published ahead of real time
 - 12:00 D-1 for SP up to end of next day
 - then 8, 4, 2 and 1 hour ahead of SP
- Gate Closure value used in cash-out price
- Non BM STOR will feed into calculation
 - Disaggregated actions visible

Demand Control Pricing

- New data feeds provided in addition to existing system warnings providing:
 - notification of demand control instruction
 - estimated volume
 - SO-flag status and event type
 - notification of cessation of demand control
- Automatic LFDD SO flagged therefore will not feed VoLL into cash-out price calc



Q&A

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