

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses**Responses from P18A Review/P38 Assessment Consultation**

Consultation issued 12 November 2001

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	NGC	P18a&P38_ASS_001	1
2.	Ennergy-Koch Trading Ltd	P18a&P38_ASS_002	1
3.	Edison Mission Energy	P18a&P38_ASS_003	3
4.	TXU	P18a&P38_ASS_004	12
5.	SEEBOARD	P18a&P38_ASS_005	2
6.	London Electricity plc	P18a&P38_ASS_006	4
7.	Slough Heat & Power	P18a&P38_ASS_007	1
8.	Dynegy	P18a&P38_ASS_008	1
9.	BGT	P18a&P38_ASS_009	2
10.	Innogy	P18a&P38_ASS_010	6
11.	Enron Europe	P18a&P38_ASS_011	1
12.	Powergen UK plc	P18a&P38_ASS_012	4
13.	ScottishPower UK plc	P18a&P38_ASS_013	5

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

P18a&P38_ASS_001 – NGC

P18A Review / P38 Consultation 12 November 2001.

Respondent: National Grid		
Representing (please list all parties):		
Q1) Do you have any general comments related to the P18A Review / P38 Modification you wish to make before answering the detailed questions?		
We believe it is important to distinguish variants of P38 which are not contrary to the imbalance pricing principles which underly the current BSC and P18a; and those variants which are contrary to these principles. For example, P38 as stated introduces the new concept that the allocation of a BOA to system or energy should be separate for separate half-hours, despite the fact that a BOAs is a continuous whole.		
Q2) What do you regard to be an acceptable timetable to produce indicative imbalance prices on the BMRS?		
The current timing of 45 minutes appears reasonable.		
Q3) How much value do you place on <u>prompt</u> indicative price reporting on the BMRS?		
Prompt indicative price reporting is desirable, and it may be reasonable to sacrifice some accuracy for a prompt (< 45 minute) initial indicative price.		
Q4) How much value do you place on the <u>accuracy</u> of the indicative prices reported on BMRS?		
We place considerable value on the accuracy and purity of final prices. It may be reasonable to trade off some accuracy for prompt reporting of indicative prices within 45 minutes.		
Q5) Having answered Q2 to Q4, if it proves infeasible to meet all your requirements simultaneously, what trade-offs would you be willing to make between promptness of indicative prices and accuracy of indicative prices?		
The final indicative price, after 45 minutes, should be accurate. It would be acceptable to issue initial indicative prices (option (iv) below) after 15 minutes, even if at that timescale those prices were slightly inaccurate.		
Q6) How would your view to the questions 3 and 4 change if P12 were approved by the Authority and gate closure was reduced to 1 hour?		
Views are not changed.		
Q7) Section 7 of the consultation document presents a table of potential options (i) to (vii). It is recognised that it is early in the assessment process, however, it would help gauge support if you could rate each of the solutions. Please use a rating of low / medium / high to indicate how well you feel the option MAY address the trade off between promptness of indicative prices, the accuracy with which they are reported, the intellectual purity of the CAD definition and the complexity of the potential changes.	(i)	High
	(ii)	Medium
	(iii)	Low
	(iv)	Medium
	(v)	Low
	(vi)	Low
	(vii)	Low

Q8) It is expected that the Modification Group will assess consultation options (v) and (vii). However, some guidance on the scope of the CAD0 definitions to consider within consultation option (vi) would help. Do you agree that the scope should be limited to the consideration of those definitions that would have previously been of type CAD1, or should the scope be widened to cover CAD2 and CAD3?

We should limit the scope to those of type CAD1. There were good reasons of software complexity to reject CAD2 and CAD3 during the consideration of P18A, and it is too early to consider overturning those decisions.

Q9) Do you believe that there is a material problem of BOA crossing Settlement Period boundaries, where price changes occur and affect the imbalance prices?

No. The fact (from Appendix B) that only two BOAs of price >500 £/MWh over a 3½ month period show a price change, show that there is small current materiality in this effect.

Q10) If you believe Q9 do you further believe that the intellectual purity of P38 is sufficient to address this perceived issue without unduly affecting other imbalance prices?

N/a. In any event, P38 is intellectually impure and flawed. The whole concept of a BOA in the BSC acknowledges that it has a minute-by-minute profile, running across half-hour boundaries and price changes. Thus whether a BOA should be labelled 'energy' or 'system', for the purposes of imbalance price setting, should be irrespective of the half-hour boundaries.

Q11) To what degree would you be willing to see a change to the imbalance price calculation in order to deliver more prompt prices?

We believe that the accuracy and purity of final imbalance prices should not be sacrificed for the promptness of indicative prices.

Q12) Do you have any further comments?

P18A appears to be working successfully at present. It is too early to attempt to refine it further.

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

P18a&P38_ASS_002 - Entergy-Koch Trading Ltd

P18A Review / P38 Consultation 12 November 2001.

Respondent: Entergy-Koch Trading Ltd
Representing (please list all parties):
<p>Q1) Do you have any general comments related to the P18A Review / P38 Modification you wish to make before answering the detailed questions?</p> <p>No</p>
<p>Q2) What do you regard to be an acceptable timetable to produce indicative imbalance prices on the BMRS?</p> <p>15 Minutes but 45 minutes for P18A prices is acceptable</p>
<p>Q3) How much value do you place on <u>prompt</u> indicative price reporting on the BMRS?</p> <p>Very high</p>
<p>Q4) How much value do you place on the <u>accuracy</u> of the indicative prices reported on BMRS?</p> <p>Very High</p>
<p>Q5) Having answered Q2 to Q4, if it proves infeasible to meet all your requirements simultaneously, what trade-offs would you be willing to make between promptness of indicative prices and accuracy of indicative prices?</p> <p>The accuracy of BMRS prices has been questionable from Go-Live and in fact since P18A their accuracy is always suspect. Only by looking in detail at BOAs can one get an idea as to whether a price will stand or not. Whether the wait is seven days or two it is too long. Solutions have been offered to Elexon to calculate P18A prices outside of the BMRS and publish them within 45 minutes. That is acceptable. Why has the solution not been adopted? The issue is not that BMRS prices are reported within 15 or 45 mins it is that we have to wait until March 2002 to see the interim solution and Sep 2002 to see the enduring solution</p>
<p>Q6) How would your view to the questions 3 and 4 change if P12 were approved by the Authority and gate closure was reduced to 1 hour?</p> <p>They would not change.</p>

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

Q7) Section 7 of the consultation document presents a table of potential options (i) to (vii). It is recognised that it is early in the assessment process, however, it would help gauge support if you could rate each of the solutions. Please use a rating of low / medium / high to indicate how well you feel the option MAY address the trade off between promptness of indicative prices, the accuracy with which they are reported, the intellectual purity of the CAD definition and the complexity of the potential changes.	(i)	L
	(ii)	L
	(iii)	H
	(iv)	L
	(v)	L
	(vi)	H
	(vii)	L
Q8) It is expected that the Modification Group will assess consultation options (v) and (vii). However, some guidance on the scope of the CAD0 definitions to consider within consultation option (vi) would help. Do you agree that the scope should be limited to the consideration of those definitions that would have previously been of type CAD1, or should the scope be widened to cover CAD2 and CAD3? The scope should not be limited		
Q9) Do you believe that there is a material problem of BOA crossing Settlement Period boundaries, where price changes occur and affect the imbalance prices? No		
Q10) If you believe Q9 do you further believe that the intellectual purity of P38 is sufficient to address this perceived issue without unduly affecting other imbalance prices? N/A		
Q11) To what degree would you be willing to see a change to the imbalance price calculation in order to deliver more prompt prices? 45 minutes is soon enough. Certainly better than 2-7 days		
Q12) Do you have any further comments? No		

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

P18a&P38_ASS_003 – Edison Mission Energy

P18A Review / P38 Consultation 12 November 2001.

Respondent: Libby Glazebrook
Representing (please list all parties): Edison First Power, First Hydro Company, Lakeland Power
<p>Q1) Do you have any general comments related to the P18A Review / P38 Modification you wish to make before answering the detailed questions?</p> <p>If the P18 debate is re-opened in order to seek a better solution that allows prompt price reporting, it should be a solution that better separates out system from energy trades. An alternative definition of CAD should not be implemented simply because it further dampens cashout prices. P38 or a variant to Mod 18A should therefore only be implemented if it can be shown that it separates such trades better.</p> <p>From ELEXON's analysis, P38 will tag trades at the start and tail of every acceptance if the start and tail last less than 15 minutes in a settlement period. Over the morning run and evening run down, P38 will cause half of new acceptances on average to be tagged even if the overall duration of the trade is greater than 15 minutes. This will not improve upon the intention of the trade tagging process - to separate out system from energy trades.</p> <p>Currently the high SBPs seen at these times act as an incentive to generators to match their metered position to their contracted position. The increased amount of tagging under P38 will reduce incentives for generators to balance when they are rapidly changing their output to meet their contractual position. This will be at a critical time for the SO in its management of the system and could lead to frequency excursions.</p>
<p>Q2) What do you regard to be an acceptable timetable to produce indicative imbalance prices on the BMRS?</p> <p>Little can be done to modify prices to reflect changes in demand or competitor actions as the situation will have changed by the time the prices become effective. It would be useful to have imbalance prices in time to make changes for similar time periods the next day. Therefore, with a 3.5 hour gate closure, a delay of up to 18 hours would be acceptable.</p>
<p>Q3) How much value do you place on <u>prompt</u> indicative price reporting on the BMRS?</p> <p>Prompt prices are essential with a one hour gate closure but less so at 3.5 hrs.</p>
<p>Q4) How much value do you place on the <u>accuracy</u> of the indicative prices reported on BMRS?</p> <p>There is little point publishing prices that are known to be inaccurate although there would be a point at which a degree of inaccuracy would be acceptable if the prices could be delivered promptly. The next stage of ELEXON's analysis will hopefully highlight the degree of accuracy that could be provided if indicative prices were published under the current timescales which could be compared to corrected prices published in the following settlement period.</p>
<p>Q5) Having answered Q2 to Q4, if it proves infeasible to meet all your requirements simultaneously, what trade-offs would you be willing to make between promptness of indicative prices and accuracy of indicative prices?</p>

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

See Q6. Alternative options could deliver both promptness and accuracy so there should be no need for a trade-off. The options are:

- CAD definition 0
- Setting the CADL(max) to 20 minutes to allow publication in the settlement period after gate closure.
- Establishing the degree of inaccuracy in indicative price vs corrected prices.

Q6) How would your view to the questions 3 and 4 change if P12 were approved by the Authority and gate closure was reduced to 1 hour?

Prompt accurate prices are essential with a one hour gate closure. This will allow BM participants to reflect in their future Bid/Offer prices the changing market and participant circumstances in timescales where the changes will be applicable. This particularly applies to PX trades, participants need to be aware of imbalance prices in setting their PX prices.

On the assumption that gate closure is reduced after the Phase C is implemented, the proposed delay of the enduring solution will mean that BM/PX traders will not be able to reflect this information in their prices until a minimum of two hours after gate closure. With a one hour gate closure, imbalance prices need to be published as quickly as possible after real time to allow traders to modify prices in time for the next Gate Closure.

Q7) Section 7 of the consultation document presents a table of potential options (i) to (vii). It is recognised that it is early in the assessment process, however, it would help gauge support if you could rate each of the solutions. Please use a rating of low / medium / high to indicate how well you feel the option MAY address the trade off between promptness of indicative prices, the accuracy with which they are reported, the intellectual purity of the CAD definition and the complexity of the potential changes.	(i)	low/med
	(ii)	medium
	(iii)	low
	(iv)	low/med
	(v)	high
	(vi)	low
	(vii)	very low

Q8) It is expected that the Modification Group will assess consultation options (v) and (vii). However, some guidance on the scope of the CAD0 definitions to consider within consultation option (vi) would help. Do you agree that the scope should be limited to the consideration of those definitions that would have previously been of type CAD1, or should the scope be widened to cover CAD2 and CAD3?

Please see answer to Q1 although consideration needs to be given to the timescales for implementing the various options compared to the purity of the solution.

Q9) Do you believe that there is a material problem of BOA crossing Settlement Period boundaries, where price changes occur and affect the imbalance prices?

From ELEXON's analysis this does not appear to be a material issues.

Q10) If you believe Q9 do you further believe that the intellectual purity of P38 is sufficient to address this perceived issue without unduly affecting other imbalance prices?

Q11) To what degree would you be willing to see a change to the imbalance price calculation in order to deliver more prompt prices?

See the answer to Q1, any modifications to the pricing mechanism should provide a better

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

way of separating out system balancing trades from energy balancing and not just be an arbitrary change to ensure dampened cashout prices.

Q12) Do you have any further comments?

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

P18a&P38_ASS_004 – TXU

P18A Review / P38 Consultation 12 November 2001.

Respondent: Phil Russell		
Representing (please list all parties): All TXU Europe Parties (12)		
Q1) Do you have any general comments related to the P18A Review / P38 Modification you wish to make before answering the detailed questions?		
<p>Seems sensible to review these together. We seem to have arrived at a situation where BMRS can not fulfil its original function because we have changed the Code Rules in a such a way that it is not possible. We believe that this consequence was raised in the Assessment of P18A stage but given its Urgent status and the Timetable for it, it is debateable how much attention was given to this in view of the desire to mitigate "price spikes".</p> <p>On balance we would rather retain the original purposes of BMRS – i.e to publish (realistically accurate) Indicative System Prices -</p>		
Q2) What do you regard to be an acceptable timetable to produce indicative imbalance prices on the BMRS?		
<p>We would like to return to the 15 mins originally specified, but we accept that the CADL functionality is an additional complexity in running BMRS and if this means it has to be 30mins, so be it.</p>		
Q3) How much value do you place on <u>prompt</u> indicative price reporting on the BMRS?		
<p>If it wrong – not a lot. If it is believed it will be used as an input to decisions by Participants on their future actions.</p>		
Q4) How much value do you place on the <u>accuracy</u> of the indicative prices reported on BMRS?		
<p>Prefer "accuracte" to "prompt" per se.</p>		
Q5) Having answered Q2 to Q4, if it proves infeasible to meet all your requirements simultaneously, what trade-offs would you be willing to make between promptness of indicative prices and accuracy of indicative prices?		
<p>Prefer "accuracte" to "prompt" per se.</p>		
Q6) How would your view to the questions 3 and 4 change if P12 were approved by the Authority and gate closure was reduced to 1 hour?		
<p>The principle remains the same irrespective of the Gate Closure period.</p>		
Q7) Section 7 of the consultation document presents a table of potential options (i) to (vii). It is recognised that it is early in the assessment process, however, it would help gauge support if you could rate each of the solutions. Please use a rating of low / medium / high to indicate how well you feel the option MAY address the trade off between promptness of indicative prices, the accuracy with which they are reported, the intellectual purity of the CAD definition and the complexity of the potential changes.	(i)	
	(ii)	
	(iii)	
	(iv)	
	(v)	Medium
	(vi)	
<p>Issue / Version No: 1.0</p>		
<p>©ELEXON Limited 2001</p>		
<p>Date of Issue: 3 December 2001</p>		

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

(vii)	High
<p>Q8) It is expected that the Modification Group will assess consultation options (v) and (vii). However, some guidance on the scope of the CAD0 definitions to consider within consultation option (vi) would help. Do you agree that the scope should be limited to the consideration of those definitions that would have previously been of type CAD1, or should the scope be widened to cover CAD2 and CAD3?</p> <p>Undecided as we do not fully understand the issues – hopefully these could be explored further as part of the 2nd Consultation ?</p>	
<p>Q9) Do you believe that there is a material problem of BOA crossing Settlement Period boundaries, where price changes occur and affect the imbalance prices?</p> <p>This may be more of an issue if P12 is implemented – given the description of the implementation issues if P38 is approved by the Authority then it is likely to be after a decision on P12.</p>	
<p>Q10) If you believe Q9 do you further believe that the intellectual purity of P38 is sufficient to address this perceived issue without unduly affecting other imbalance prices?</p> <p>All other things being equal, then “yes” – this view may well change once the costs of implementation are known.</p>	
<p>Q11) To what degree would you be willing to see a change to the imbalance price calculation in order to deliver more prompt prices?</p> <p>In principle this is acceptable.</p>	
<p>Q12) Do you have any further comments?</p> <p>Only that we agree with the comments in the Paper that this area is particularly complex !</p>	

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

P18a&P38_ASS_005 – SEEBOARD

P18A Review / P38 Consultation 12 November 2001.

Respondent: Dave Morton
Representing (please list all parties): SEEBOARD Energy Limited & SEEBOARD Power Networks plc
Q1) Do you have any general comments related to the P18A Review / P38 Modification you wish to make before answering the detailed questions? No
Q2) What do you regard to be an acceptable timetable to produce indicative imbalance prices on the BMRS? This should be implemented as soon as possible. Although not ideal we accept that under P18A price publication will be further delayed. However, we do not see it as being a material issue to our operations or to the efficient functioning of the market. If others prove, and they have yet to, that there is a material impact then we see that there may be merit in publishing more prompt indicative prices to align with the current timetable followed by corrected indicative prices. However, the benefit of publishing a new data stream should be weighed up against the potentially substantial cost of doing so. We would not at this stage support changing the parameters of P18A or the CAD definition to specifically bring forward the time-scale unless, of course, it can be shown that the 'benefits' of P18A will not be reduced.
Q3) How much value do you place on <u>prompt</u> indicative price reporting on the BMRS? We value efficient and timely indicative price reporting very highly. However, see response to Q2.
Q4) How much value do you place on the <u>accuracy</u> of the indicative prices reported on BMRS? We value accurate indicative price reporting very highly. However, see response to Q2.
Q5) Having answered Q2 to Q4, if it proves infeasible to meet all your requirements simultaneously, what trade-offs would you be willing to make between promptness of indicative prices and accuracy of indicative prices? We do not believe that a 'trade off' is appropriate.
Q6) How would your view to the questions 3 and 4 change if P12 were approved by the Authority and gate closure was reduced to 1 hour? Our view is that if all the benefits of reducing gate closure to 1 hour are to be realised the importance of timely and accurate reporting will be greater than it is now. However, it still may be the case that indicative and corrected price reporting will satisfy market requirements. It may also be appropriate with greater experience of P18A to change the definition of CAD.

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

<p>Q7) Section 7 of the consultation document presents a table of potential options (i) to (vii). It is recognised that it is early in the assessment process, however, it would help gauge support if you could rate each of the solutions. Please use a rating of low / medium / high to indicate how well you feel the option MAY address the trade off between promptness of indicative prices, the accuracy with which they are reported, the intellectual purity of the CAD definition and the complexity of the potential changes.</p>	(i)	H
	(ii)	M
	(iii)	L
	(iv)	M
	(v)	M
	(vi)	M
	(vii)	M
<p>Q8) It is expected that the Modification Group will assess consultation options (v) and (vii). However, some guidance on the scope of the CAD0 definitions to consider within consultation option (vi) would help. Do you agree that the scope should be limited to the consideration of those definitions that would have previously been of type CAD1, or should the scope be widened to cover CAD2 and CAD3?</p> <p>We agree that scope should be limited to type CAD1</p>		
<p>Q9) Do you believe that there is a material problem of BOA crossing Settlement Period boundaries, where price changes occur and affect the imbalance prices?</p> <p>This is an issue but more analysis needs to be done to understand the materiality</p>		
<p>Q10) If you believe Q9 do you further believe that the intellectual purity of P38 is sufficient to address this perceived issue without unduly affecting other imbalance prices?</p> <p>More analysis needs to be done</p>		
<p>Q11) To what degree would you be willing to see a change to the imbalance price calculation in order to deliver more prompt prices?</p> <p>More analysis needs to be done</p>		
<p>Q12) Do you have any further comments?</p> <p>No</p>		

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

P18a&P38_ASS_006 – London Electricity plc

P18A Review / P38 Consultation 12 November 2001.

Respondent: Liz Anderson
Representing (please list all parties): London Electricity plc on behalf of itself, SWEB Ltd, Sutton Bridge Power and Jade Power Generation
What do you regard to be an acceptable timetable to produce indicative imbalance prices on the BMRS ?
- 45 minutes
How much value do you place on <u>prompt</u> indicative price reporting on the BMRS?
- We consider that prompt reporting of cashout prices is very important and that, in particular, the current situation whereby cashout prices are incorrectly reported initially with "18 A compliant" prices only published 5+ days in arrears, is completely unacceptable and destabilising to the market. Were the price to be published 2 days in arrears, that would represent some improvement but would still be very inefficient.
How much value do you place on the <u>accuracy</u> of the indicative prices reported on BMRS?
- We would be very willing to see much prompter price reporting – within 45 minutes – on the basis that there could, from time to time, be errors due to difficulties in BMRA data collection from various systems. If the price were correct 95+ % of the time, including the effect of Mod 18A, and incorrect or not publishable at all for a small percentage of the time, that would still represent a very considerable improvement over the current situation where the prompt prices are not 18A-compliant 100 % of the time. We are realistic in our expectations.
There will be more value after / if P12 is implemented, in shortening the cashout prices publication delay still further – ideally to within 5 minutes of gate closure. However we would regard anything within 15 to 20 minutes as broadly acceptable.
If it proves infeasible to meet all your requirements simultaneously, what trade-offs would you be willing to make between promptness of indicative prices and accuracy of indicative prices?
- see the answer to the preceding question
How would your view to the questions 3 and 4 change if P12 were approved by the Authority and gate closure was reduced to 1 hour?
- our views on the value of prompt price reporting would remain. There would be a higher value on very near-real-time price reporting, i.e. the additional value of publishing prices a few minutes or tens of minutes closer to real time, would be greater. It is hard, within this general context to our response, to be definitive about precisely what would or wouldn't be acceptable.
Do you believe that there is a problem of a high proportion of BOAs crossing Settlement Period boundaries, affecting the imbalance prices?

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

- We note that only 2.7% of BOA acceptances cross the period boundaries, from the material that was presented to the P18A/P38 group. For this reason, the number of BOAs that would not be "inspected" for duration under P38 and that might not be screened out of imbalance price calculations would not be large, and we feel that Mod 38 could be useful, particularly if gate closure is shortened to 1 hour, to enable P18A (with P38, in this scenario) compliant prices to be calculated and published still closer to real time, shaving a few more tens of minutes off the delay from gate closure. An alternative or supplementary approach could be to flag at the time of (prompt) BMRA cashout price calculation, those periods where the BOA crosses a period boundary, and to publish updated BMRA prices later on.

Do you believe that P38 is sufficient to address the perceived issue without unduly affecting other imbalance prices ?

- yes, see answer given above

To what degree would you be willing to see a change to the imbalance price calculation in order to deliver more prompt prices?

- see answer above : we generally support the principle of P38 and feel that the additional shortening of cashout price calculation / publication delay would be particularly valuable if/after P12 is implemented.

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

P18a&P38_ASS_007 – Slough Heat & Power

P18A Review / P38 Consultation 12 November 2001.

Respondent: Slough Heat and Power		
Representing (please list all parties):		
Q1) Do you have any general comments related to the P18A Review / P38 Modification you wish to make before answering the detailed questions? The outcomes of pricing Modifications have a big impact on the contract prices offered to embedded generators. In particular, there is concern that prices are opaque and complex – a charge levied at the Pool, which was one of the justifications for NETA. There are concerns with P18A and the delays in price reporting because it is so difficult to determine whether a particular balancing action will contribute to the price or not. This delay puts non-BSC parties (both customers and embedded generators) at a distinct disadvantage commercially. P38 was proposed in order to improve price transparency, which is a pre-requisite for liquid competitive markets. This has been compromised by P18A (albeit for good reasons).		
Q2) What do you regard to be an acceptable timetable to produce indicative imbalance prices on the BMRS? 15 minutes after the end of trading should remain the target. This is a target maximum delay in price reporting		
Q3) How much value do you place on <u>prompt</u> indicative price reporting on the BMRS? Very important. However, it should be remembered that if the indicative price cannot be relied upon then it is of no value.		
Q4) How much value do you place on the <u>accuracy</u> of the indicative prices reported on BMRS? Inaccurate prices are useless unless the inaccuracy is less than £1.		
Q5) Having answered Q2 to Q4, if it proves infeasible to meet all your requirements simultaneously, what trade-offs would you be willing to make between promptness of indicative prices and accuracy of indicative prices? No trade-off is acceptable or necessary, which was why P38 was proposed.		
Q6) How would your view to the questions 3 and 4 change if P12 were approved by the Authority and gate closure was reduced to 1 hour? Not at all. A 1-hour gate closure may allow parties to trade out their expected position, but if there is no prompt transparency of price outcome, parties will remain exposed.		
Q7) Section 7 of the consultation document presents a table of potential options (i) to (vii). It is recognised that it is early in the assessment process, however, it would help gauge support if you could rate each of the solutions. Please use a rating of low / medium / high to indicate how well you feel the option MAY address the trade off between promptness of indicative prices, the accuracy with which they are reported, the intellectual purity of the CAD definition and the complexity of the potential changes.	(i)	Very low
	(ii)	Very low
	(iii)	Very low
	(iv)	Low
	(v)	Medium
	(vi)	Med/High
	(vii)	High

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

Q8) It is expected that the Modification Group will assess consultation options (v) and (vii). However, some guidance on the scope of the CAD0 definitions to consider within consultation option (vi) would help. Do you agree that the scope should be limited to the consideration of those definitions that would have previously been of type CAD1, or should the scope be widened to cover CAD2 and CAD3?

Not concerned – P18A was always a pragmatic solution and so the nth degree of purity is spurious

Q9) Do you believe that there is a material problem of BOA crossing Settlement Period boundaries, where price changes occur and affect the imbalance prices?

Bid/offer pricing strategies are in their infancy – there is a potentially serious problem in the near future. However, this issue was raised in the Modification as an issue of economic logic and was always secondary to the imperative of prompt price reporting.

Q10) If you believe Q9 do you further believe that the intellectual purity of P38 is sufficient to address this perceived issue without unduly affecting other imbalance prices?

The logic of P38 is sound and sufficient to address the problem. Other imbalance prices will not be adversely affected because the additional volume of energy that may be removed from the price will not be significant.

Q11) To what degree would you be willing to see a change to the imbalance price calculation in order to deliver more prompt prices?

This is a loaded question that cannot be answered unconditionally. Imbalance prices reflective of underlying energy imbalance fundamentals are to be recommended but there seems no reason why this is not deliverable by P38, with the advantage that there is both promptness and improved transparency.

Q12) Do you have any further comments?

Certain points in the Consultation Document require clarification:

Page 27 – discussion of CADL_{MAX} is misleading as it seems to offer criteria for setting CADL that do not accord with its original purpose, which was to define a boundary between actions taken for energy balancing purposes and those for system balancing purposes.

Page 27 – accuracy of indicative prices. While recognising the approximate nature of indicative prices, the primary uncertainties, outside CAD, are TLM and BSAD. Both these can be approximated with a high degree of confidence, making inaccuracies in indicative prices caused by these factors both small and, to an extent, predictable. Tagging of trades due to CAD can have a substantial impact on the extent to which an indicative price represents the final outcome, which makes such an indicative price useless even where there is a defined probability of that price turning out to have been accurate.

Page 28, final bullet – P38 is about prompt price reporting as stated. However, the judgement that this is not a material impact because it will not usually impact significantly on price calculations is highly misleading. Prompt price reporting is about market liquidity, consistent with the BSC objective of facilitating competition, which should not be low priority because the BSC objective of efficiency (through cost-reflective price calculation) has not been targeted to the same extent.

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

P18a&P38_ASS_008 – Dynegy

P18A Review / P38 Consultation 12 November 2001.

Respondent: Dynegy
Representing (please list all parties):
<p>Q1) Do you have any general comments related to the P18A Review / P38 Modification you wish to make before answering the detailed questions?</p> <p>It is disappointing that the industry are having to propose modifications to accommodate for the insufficiency of prompt reporting.</p>
<p>Q2) What do you regard to be an acceptable timetable to produce indicative imbalance prices on the BMRS?</p> <p>Dynegy do not support the reporting of indicative imbalance prices. We believe the publication of correct prices in real time is vital. One of the main selling points of NETA were to receive real prices in a timely manner.</p>
<p>Q3) How much value do you place on <u>prompt</u> indicative price reporting on the BMRS?</p> <p>Dynegy would question the value of prompt indicative price reporting, if there is no assurance or indication of how accurate the indicative option is.</p>
<p>Q4) How much value do you place on the <u>accuracy</u> of the indicative prices reported on BMRS?</p> <p>Accurately is vital, however this does not imply that prompt reporting can be considered as secondary. Both accurately and prompt reporting are vital when considering imbalance prices.</p>
<p>Q5) Having answered Q2 to Q4, if it proves infeasible to meet all your requirements simultaneously, what trade-offs would you be willing to make between promptness of indicative prices and accuracy of indicative prices?</p> <p>The industry should not be required to accept or decide the level of trade-off between prompt reporting and accurately. Both elements should be supplied by the BMRS.</p>
<p>Q6) How would your view to the questions 3 and 4 change if P12 were approved by the Authority and gate closure was reduced to 1 hour?</p> <p>The reduction in gate closure exacerbates the importance of both promptness and accurately. Dynegy do not believe that the balance is tilted in one particular direction through the reduction in gate closure.</p>

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

<p>Q7) Section 7 of the consultation document presents a table of potential options (i) to (vii). It is recognised that it is early in the assessment process, however, it would help gauge support if you could rate each of the solutions. Please use a rating of low / medium / high to indicate how well you feel the option MAY address the trade off between promptness of indicative prices, the accuracy with which they are reported, the intellectual purity of the CAD definition and the complexity of the potential changes.</p>	(i)	low
	(ii)	medium
	(iii)	low
	(iv)	low
	(v)	high
	(vi)	high
	(vii)	high
<p>Q8) It is expected that the Modification Group will assess consultation options (v) and (vii). However, some guidance on the scope of the CAD0 definitions to consider within consultation option (vi) would help. Do you agree that the scope should be limited to the consideration of those definitions that would have previously been of type CAD1, or should the scope be widened to cover CAD2 and CAD3?</p> <p>Dynegy believe that the scope should be limited to CAD 1 type, the simple BOA analysis, that has been previously been considered.</p>		
<p>Q9) Do you believe that there is a material problem of BOA crossing Settlement Period boundaries, where price changes occur and affect the imbalance prices?</p> <p>From the analysis provided in the consultation report, on the materiality of short duration BOA crossing settlement period boundary is considered insignificant.</p>		
<p>Q10) If you believe Q9 do you further believe that the intellectual purity of P38 is sufficient to address this perceived issue without unduly affecting other imbalance prices?</p> <p>Yes, P38 is sufficient to address the perceived issue.</p>		
<p>Q11) To what degree would you be willing to see a change to the imbalance price calculation in order to deliver more prompt prices?</p> <p>Dynegy are willing to see changes such as the implementation of P38 to guarantee the delivery of correct imbalance prices and the publication of these prices within 5-15 minutes.</p>		
<p>Q12) Do you have any further comments?</p> <p>Would it be possible for Elexon to provide an indication of an implementation date concerning P38. If the implementation date is far too lengthy then Dynegy may be forced into a second best solution of accepting indicative prices.</p>		

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

P18a&P38_ASS_009 – BGT

P18A Review / P38 Consultation 12 November 2001.

Respondent:	Simon Goldring/Danielle Lane
Representing (please list all parties):	British Gas Trading Limited & Accord Energy.
Q1) Do you have any general comments related to the P18A Review / P38 Modification you wish to make before answering the detailed questions?	<p>We are concerned that delays in reporting of indicative prices are leading to distortions in trading in S.T. (PX) markets. In particular delays may be increasing the prices of short-term markets. BRMS reported prices give a false impression of 'high' prices that are not revised until 7 days later. For example comments reported in the daily trade press refer to players seeing the prices as THE price, ignoring corrections that can be applied later.</p>
Q2) What do you regard to be an acceptable timetable to produce indicative imbalance prices on the BMRS?	<p>5 minutes after the publication of BSAD data</p>
Q3) How much value do you place on <u>prompt</u> indicative price reporting on the BMRS?	<p>Very High Value</p>
Q4) How much value do you place on the <u>accuracy</u> of the indicative prices reported on BMRS?	<p>Accuracy has slightly less value than promptness. ie. A 90% accuracy level would be acceptable to meet our preferred publication deadline.</p>
Q5) Having answered Q2 to Q4, if it proves infeasible to meet all your requirements simultaneously, what trade-offs would you be willing to make between promptness of indicative prices and accuracy of indicative prices?	<p>See comments above</p>
Q6) How would your view to the questions 3 and 4 change if P12 were approved by the Authority and gate closure was reduced to 1 hour?	<p>Prompt, accurate reporting would become increasingly important should gate closure be reduced to one hour as from a given point in time, more trading periods would still be open to trade and prices in these periods could influenced and distorted by inaccurate prices.</p>

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

<p>Q7) Section 7 of the consultation document presents a table of potential options (i) to (vii). It is recognised that it is early in the assessment process, however, it would help gauge support if you could rate each of the solutions. Please use a rating of low / medium / high to indicate how well you feel the option MAY address the trade off between promptness of indicative prices, the accuracy with which they are reported, the intellectual purity of the CAD definition and the complexity of the potential changes.</p>	(i)	Maintaining the status quo is not acceptable
	(ii)	Low (5)
	(iii)	Medium (4)
	(iv)	Medium (4)
	(v)	High (1)
	(vi)	High (2)
	(vii)	High (3)
<p>Q8) It is expected that the Modification Group will assess consultation options (v) and (vii). However, some guidance on the scope of the CAD0 definitions to consider within consultation option (vi) would help. Do you agree that the scope should be limited to the consideration of those definitions that would have previously been of type CAD1, or should the scope be widened to cover CAD2 and CAD3?</p> <p>The scope should be widened to include CAD2 and CAD3.</p>		
<p>Q9) Do you believe that there is a material problem of BOA crossing Settlement Period boundaries, where price changes occur and affect the imbalance prices?</p> <p>No.</p>		
<p>Q10) If you believe Q9 do you further believe that the intellectual purity of P38 is sufficient to address this perceived issue without unduly affecting other imbalance prices?</p> <p>No.</p>		
<p>Q11) To what degree would you be willing to see a change to the imbalance price calculation in order to deliver more prompt prices?</p> <p>See Q7 above.</p>		
<p>Q12) Do you have any further comments?</p> <p>N/A.</p>		

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

P18a&P38_ASS_010 – Innogy

P18A Review / P38 Consultation 12 November 2001.

Respondent: Innogy
Representing (please list all parties): Innogy plc, npower Limited, Innogy Cogen Trading Limited, npower Direct Limited, npower Northern Limited, npower Yorkshire Limited.
<p>Q1) Do you have any general comments related to the P18A Review / P38 Modification you wish to make before answering the detailed questions?</p> <p>Innogy has previously argued for the reduction of CADL to 5mins. We believe that this would mitigate to a large extent the current problems associated with price reporting time-scales without the potential distortion that would be introduced by P38.</p>
<p>Q2) What do you regard to be an acceptable timetable to produce indicative imbalance prices on the BMRS?</p> <p>20mins. This would be possible under existing reporting time-scales if the CADL were 5 minutes.</p>
<p>Q3) How much value do you place on <u>prompt</u> indicative price reporting on the BMRS?</p> <p>For the BM to be effective prices do need to be reported promptly, but the market must also have the opportunity to respond. With Gate Closure at 3.5 hours, the effectiveness of prompt reporting is devalued but this should not be seen as a reason for abandoning prompt reporting.</p>
<p>Q4) How much value do you place on the <u>accuracy</u> of the indicative prices reported on BMRS?</p> <p>Accuracy is important since misleading prices may give rise to a perverse response, but total precision may not be necessary to obtain an appropriate response.</p>
<p>Q5) Having answered Q2 to Q4, if it proves infeasible to meet all your requirements simultaneously, what trade-offs would you be willing to make between promptness of indicative prices and accuracy of indicative prices?</p> <p>A reduction in CADL would achieve an acceptable promptness of indicative price reporting without requiring any trade-off with the accuracy of those prices.</p>
<p>Q6) How would your view to the questions 3 and 4 change if P12 were approved by the Authority and gate closure was reduced to 1 hour?</p> <p>Our answers above purposefully seek to de-couple the issue of Gate Closure from price reporting. We believe a 1hr Gate Closure, or less, is also an essential ingredient in this market design.</p>

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

<p>Q7) Section 7 of the consultation document presents a table of potential options (i) to (vii). It is recognised that it is early in the assessment process, however, it would help gauge support if you could rate each of the solutions. Please use a rating of low / medium / high to indicate how well you feel the option MAY address the trade off between promptness of indicative prices, the accuracy with which they are reported, the intellectual purity of the CAD definition and the complexity of the potential changes.</p>	(i)	Medium
	(ii)	Low
	(iii)	Medium
	(iv)	Medium
	(v)	Medium
	(vi)	High
	(vii)	Low
<p>Q8) It is expected that the Modification Group will assess consultation options (v) and (vii). However, some guidance on the scope of the CAD0 definitions to consider within consultation option (vi) would help. Do you agree that the scope should be limited to the consideration of those definitions that would have previously been of type CAD1, or should the scope be widened to cover CAD2 and CAD3?</p> <p>The scope should be widened to cover CAD2 and CAD3. The criterion of simplicity need to implement an interim solution is less important in the context of this review. The overriding priority should be the intellectual purity of the definition.</p>		
<p>Q9) Do you believe that there is a material problem of BOA crossing Settlement Period boundaries, where price changes occur and affect the imbalance prices? Yes, although this problem would be mitigated if the CADL were reduced to 5mis.</p>		
<p>Q10) If you believe Q9 do you further believe that the intellectual purity of P38 is sufficient to address this perceived issue without unduly affecting other imbalance prices? No, because P38 has the potential to distort prices by excluding significant number of energy balancing BOAs.</p>		
<p>Q11) To what degree would you be willing to see a change to the imbalance price calculation in order to deliver more prompt prices?</p> <p>Any change in the calculation should not significantly compromise the purity of the price calculation in order to deliver more prompt prices. Intellectually purity should be maintained regardless of low perceived materiality based on limited Data Analysis.</p>		
<p>Q12) Do you have any further comments? N/A</p>		

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

P18a&P38_ASS_011 – Enron Europe

P18A Review / P38 Consultation 12 November 2001.

Respondent: Enron Europe
Representing (please list all parties):
<p>Q1) Do you have any general comments related to the P18A Review / P38 Modification you wish to make before answering the detailed questions?</p> <p>Elxon's analysis shows that P18A is largely doing what it was designed to do. P18A is separating most system balancing from energy balancing actions and results in imbalance prices with fewer system balancing related spikes. P18A is a very important step towards prices that more closely reflect underlying supply and demand and a properly functioning liquid short term market.</p> <p>Any modification that makes the separation of system and energy balancing actions worse is in danger of undoing one of the most beneficial BSC modifications since Go-Live. The Panel and Ofgem should reject any such modification on the grounds that it does not better meet the applicable BSC objective of promoting effective competition since prices will not reflect the fundamentals of a competitive market.</p>
<p>Q2) What do you regard to be an acceptable timetable to produce indicative imbalance prices on the BMRS?</p> <p>Indicative imbalance prices should be published as soon as possible after the end of a Settlement Period. A 45 minute delay in publishing indicative prices is acceptable.</p>
<p>Q3) How much value do you place on <u>prompt</u> indicative price reporting on the BMRS?</p> <p>The difference between a 15 minute indicative price and a 45 minute indicative price is of little or no value because: (i) a Party can only act (ie, notify contracts or make bids and offers) in respect of Settlement Periods more than 3.5 hours into the future, and (ii) there is little correlation between imbalance prices in different settlement periods.</p> <p>Suppose prices in respect of the Settlement Period ended 08:30 were published at 08:45. A Party could not use this information until the Settlement Period ended 13:00. If prices were published at 09:15, the Party could not use the information until the Settlement Period ended 13:30. There difference is of almost no value.</p>
<p>Q4) How much value do you place on the <u>accuracy</u> of the indicative prices reported on BMRS?</p> <p>Enron places more value on the intellectual purity of the price calculation than either the promptness or accuracy of prices. The prices that go into final settlement are more important than the initial indicative prices.</p>
<p>Q5) Having answered Q2 to Q4, if it proves infeasible to meet all your requirements simultaneously, what trade-offs would you be willing to make between promptness of indicative prices and accuracy of indicative prices?</p>

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

We strongly oppose any move towards prompt pricing that makes imbalance prices less reflective of the underlying supply and demand balance. In particular, P18A should not be undone for the sake of prompt price reporting.

Reporting a less accurate price sooner (eg, 15 minutes after the end of a Settlement Period) in addition to a more accurate price later (eg, at 45 minutes) is a good compromise between prompt price reporting and price accuracy.

Q6) How would your view to the questions 3 and 4 change if P12 were approved by the Authority and gate closure was reduced to 1 hour?

P38 should be considered against the current baseline, ie, the BSC without P12. Notwithstanding that, two reported prices (ie, a less accurate price followed by a more accurate price half an hour later) would be relatively more valuable if P12 were approved than two reported prices if P12 were rejected.

Q7) Section 7 of the consultation document presents a table of potential options (i) to (vii). It is recognised that it is early in the assessment process, however, it would help gauge support if you could rate each of the solutions. Please use a rating of low / medium / high to indicate how well you feel the option MAY address the trade off between promptness of indicative prices, the accuracy with which they are reported, the intellectual purity of the CAD definition and the complexity of the potential changes.	(i)	High
	(ii)	Med
	(iii)	High
	(iv)	Very High
	(v)	Low
	(vi)	Low
	(vii)	Low

Q8) It is expected that the Modification Group will assess consultation options (v) and (vii). However, some guidance on the scope of the CAD0 definitions to consider within consultation option (vi) would help. Do you agree that the scope should be limited to the consideration of those definitions that would have previously been of type CAD1, or should the scope be widened to cover CAD2 and CAD3?

The assessment stage should include CAD1, CAD2 and CAD3.

Q9) Do you believe that there is a material problem of BOA crossing Settlement Period boundaries, where price changes occur and affect the imbalance prices?

BOAs should be excluded on the basis of their overall duration, not on the basis of individual Settlement Periods. This reflects the fact that NGC balances the system continuously and does not treat each settlement period separately.

Q10) If you believe Q9 do you further believe that the intellectual purity of P38 is sufficient to address this perceived issue without unduly affecting other imbalance prices?

P38 does not differentiate between system balancing and energy balancing actions. Instead it arbitrarily excludes some BOAs from price calculations. This will have an unknown and arbitrary affect on prices.

Q11) To what degree would you be willing to see a change to the imbalance price calculation in order to deliver more prompt prices?

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

The best way of delivering prompt prices while maintaining the intellectual purity of P18A is to report 2 prices, ie, a less accurate price very close to the end of a settlement period and a more accurate price half an hour later.

Q12) Do you have any further comments?

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

P18a&P38_ASS_012 – Powergen UK plc

P38 - Redefined Definition Of C A D To Allow Prompt Price Reporting

I am writing in response to the consultation on the above modification proposal. This response is made on behalf of Powergen UK plc, Powergen Retail Limited, Diamond Power Generation Limited and Cottam Development Centre Limited.

We do not support a redefinition of Continuous Assessment Duration to improve the promptness of price reporting on BMRS. It is not clear to us that the reporting of prices within 15 minutes of the end of the period in question is a priority and the focus should be on the correct identification of balancing costs between those which are incurred for energy balancing and system operation respectively. We believe that the effect of P38 would be to increase the number of BOAs which are excluded from imbalance prices even though they have been accepted for the purpose of energy balancing.

Should the consultation identify that BSC Parties do value prompt price reporting sufficiently to make changes to the arrangements, the solution should seek to address the issue without introducing additional effects. Unfortunately, whilst it may allow more prompt reporting of prices, the proposed modification would affect the setting of the prices as well. We therefore cannot support the proposal and would be more supportive of alternative proposals which address the reporting of prices alone.

Our response to the questionnaire is attached. Please contact me in the first instance on 024 7642 4829 should you wish to discuss this further.

Yours sincerely,
Paul Jones
Strategy and Regulation

P18A Review / P38 Consultation 12 November 2001.

Respondent: Paul Jones
Representing (please list all parties): Powergen UK plc, Powergen Retail Limited, Diamond Power Generation Limited and Cottam Development Centre Limited
Q1) Do you have any general comments related to the P18A Review / P38 Modification you wish to make before answering the detailed questions?
The modification is proposed to enable prompt reporting of prices within the context of the implementation of P18a. Whilst it probably does achieve this, it also affects the setting of those prices. We therefore do not find this approach acceptable.
Should the issue of prompt price reporting prove to be of importance to BSC Parties in general, we would urge the modification group to consider options which address the problem of reporting alone. To do otherwise would be counter to the BSC objectives relating to the efficiency of the balancing mechanism.
Q2) What do you regard to be an acceptable timetable to produce indicative

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

imbalance prices on the BMRS?
We would accept 45minutes after the period in question.

Q3) How much value do you place on prompt indicative price reporting on the BMRS?

Prompt price reporting is not crucial under the present regime for gate closure as it is unlikely that the price in one period is a useful indicator of what the price will be 4 hours later.

Q4) How much value do you place on the accuracy of the indicative prices reported on BMRS?

This depends on the degree of accuracy.

- Indicative prices in live timescales may be acceptable if they give a general idea of the magnitude of prices. Here a small degree of inaccuracy is unlikely to change the nature of any decision which is made on the back of an indicative price.
- Over longer timescales it is more important to have accuracy to report financial positions correctly.

Q5) Having answered Q2 to Q4, if it proves infeasible to meet all your requirements simultaneously, what trade-offs would you be willing to make between promptness of indicative prices and accuracy of indicative prices?

Under present timescales it would be preferable to concentrate on accuracy over slightly longer timescales.

Q6) How would your view to the questions 3 and 4 change if P12 were approved by the Authority and gate closure was reduced to 1 hour?

A reduction in gate closure would make the prompt reporting of accurate prices more important. Again, as long as indicative prices were relatively accurate, they would suffice.

Q7) Section 7 of the consultation document presents a table of potential options (i) to (vii). It is recognised that it is early in the assessment process, however, it would help gauge support if you could rate each of the solutions. Please use a rating of low / medium / high to indicate how well you feel the option MAY address the trade off between promptness of indicative prices, the accuracy with which they are reported, the intellectual purity of the CAD definition and the complexity of the potential changes.

(i)	High
(ii)	Medium
(iii)	Medium
(iv)	Medium
(v)	Low
(vi)	Low
(vii)	Low

Q8) It is expected that the Modification Group will assess consultation options (v) and (vii). However, some guidance on the scope of the CAD0 definitions to consider within consultation option (vi) would help. Do you agree that the scope should be limited to the consideration of those definitions that would have previously been of type CAD1, or should the scope be widened to cover CAD2 and CAD3?

Given that this issue is about price reporting, we do not see why it is expected that (v) and (vii) should be favoured for consideration. Indeed, the consideration should be given to those solutions which improve price reporting and do not affect the level of prices.

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

Q9) Do you believe that there is a material problem of BOA crossing Settlement Period boundaries, where price changes occur and affect the imbalance prices?

Balancing actions should be reflected in the prices for the periods for which they are taken. The fact that BOAs can span a number of periods, but only occur for a small time in one or two of them does not mean that they should be excluded in the setting of the imbalance price for those periods. Therefore, we believe that BOAs which cross boundaries should be accepted on a similar basis to those which occur within periods alone.

Q10) If you believe Q9 do you further believe that the intellectual purity of P38 is sufficient to address this perceived issue without unduly affecting other imbalance prices?

We believe that P38 is not intellectually pure in that it fails to address the correct split between energy and system balancing.

Q11) To what degree would you be willing to see a change to the imbalance price calculation in order to deliver more prompt prices?

We would not be willing to see this at all.

Q12) Do you have any further comments?

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

P18a&P38_ASS_013 – ScottishPower UK plc

ANNEX C – CONSULTATION QUESTIONS

Respondent: Abid Sheikh

Representing (please list all parties): ScottishPower UK plc, ScottishPower Energy Trading Ltd, ScottishPower Generation Ltd, ScottishPower Energy Retail Ltd, Emerald Power Generation Ltd

Q1) Do you have any general comments related to the P18A Review / P38 Modification you wish to make before answering the detailed questions?

We would like to reiterate the view which we have expressed in consultations on other modification proposals relating to imbalance pricing that there is a clear need to address all the issues relating to this area in a holistic manner. A 'bits and pieces' approach to modification of imbalance pricing calculation does not create stability for BSC Parties nor is it an efficient means of ordering the trading arrangements.

Q2) What do you regard to be an acceptable timetable to produce indicative imbalance prices on the BMRS?

Additional weight should be given to providing prompt indicative prices on the BMRS. We do not have a specific timetable in mind but would be concerned that the timetable is based on a robust cost/benefit analysis which indicates what is achievable and in which timescales.

Q3) How much value do you place on prompt indicative price reporting on the BMRS?

We would place considerable weight on promptness. By ensuring that indicative prices are available in reasonable timescales, there is the potential for greater liquidity to develop in short-term markets which would help to promote competition between trading participants.

Q4) How much value do you place on the accuracy of the indicative prices reported on BMRS?

Accuracy would also be beneficial in increasing competition but, on balance, and being aware that prompt indicative prices may be more likely to be delivered in the timescales required, we would prefer prompt price reporting.

Q5) Having answered Q2 to Q4, if it proves infeasible to meet all your requirements simultaneously, what trade-offs would you be willing to make between promptness of indicative prices and accuracy of indicative prices?

As our stated preference is for prompt pricing, we would be willing to accept a potential delay to the delivery of accurate prices. However, much would depend upon the implementation solution, the cost/benefit of the delays to be experienced to accuracy and the level of delivery in terms of how promptly prices were delivered through BMRS.

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

Q6) How would your view to the questions 3 and 4 change if P12 were approved by the Authority and gate closure was reduced to 1 hour?

A reduction in Gate Closure would possibly reduce energy balancing volumes in a thinner BM, creating more volatility in BM prices. On that basis, while we would continue to see the benefit of having prompt indicative prices, we would also expect that enhanced accuracy would become more significant.

Q7) Section 7 of the consultation document presents a table of potential options (i) to (vii). It is recognised that it is early in the assessment process, however, it would help gauge support if you could rate each of the solutions. Please use a rating of low / medium / high to indicate how well you feel the option MAY address the trade off between promptness of indicative prices, the accuracy with which they are reported, the intellectual purity of the CAD definition and the complexity of the potential changes.

(i) We would rate this option as low. It would not provide the prompt pricing which we would prefer.

(ii) We would rate this option as low.

(iii) We would rate this option as medium because of the benefits of prompt indicative prices. We are not yet convinced that the P18A solution has been given sufficient time to 'bed in'. This also seems to be a simpler solution.

(iv) We would rate this option as medium. The solution may be costly due to two sets of prices being made available.

(v) We would rate this option as high because of the benefits of prompt indicative prices. While we recognise that there may be some adjustment to the CAD definition, it is worth exploring this option to see whether prompt prices can be produced as a result.

(vi) We would also rate this option as high for similar reasons.

(vii) We would rate this option as low. We are not yet convinced by P38 as a solution.

Q8) It is expected that the Modification Group will assess consultation options (v) and (vii). However, some guidance on the scope of the CAD0 definitions to consider within consultation option (vi) would help. Do you agree that the scope should be limited to the consideration of those definitions that would have previously been of type CAD1, or should the scope be widened to cover CAD2 and CAD3?

On the basis of our previous consideration of the CAD options during the consultations for P18A, we would prefer to see consideration of the CAD0 definitions limited to CAD1 type definitions only.

Q9) Do you believe that there is a material problem of BOA crossing Settlement Period boundaries, where price changes occur and affect the imbalance prices?

Our understanding of the analysis in the consultation paper is that there is not a substantial problem in this regard and that instances of these occurrences are very low. We would conclude from this that the effort applied to excluding such BOAs from imbalance pricing will be disproportionate to the benefit to be derived.

Q10) If you believe Q9 do you further believe that the intellectual purity of P38 is

ANNEX D: Modification Proposal P38 and P18A Review - Consultation Responses

sufficient to address this perceived issue without unduly affecting other imbalance prices?

There is very little analysis in the consultation of the effects of P38 on imbalance prices and so it is difficult to determine whether it will necessarily provide an effective solution to deriving 'purer' energy imbalance prices. On balance, and having seen very little evidence to support P38, we would wish to reserve judgement on whether P38 is such an effective solution.

Q11) To what degree would you be willing to see a change to the imbalance price calculation in order to deliver more prompt prices?

We believe that the solution to be implemented through P18A has not been given an opportunity to 'bed in' and we would again wish to reserve judgement on making further changes to that solution. We recognise the issues which have arisen in terms of prompt pricing arising out of the current interim and enduring P18A solutions and would hope that this will be addressed in terms of our preferred options in respect of this consultation, as indicated above.

Q12) Do you have any further comments?