

<b>Modification Proposal – BSCP40/03</b>	<b>MP No: P333</b> <i>(mandatory by BSCCo)</i>
<b>Title of Modification Proposal:</b>	
Inclusion of DSBR volumes into the cashout price in time for publication after the end of the Settlement Period	
<b>Submission Date:</b>	
28 January 2016	
<b>Description of Proposed Modification</b>	
Place a specific requirement on the Transmission Company to provide its best estimate of Demand Side Balancing Reserve (DSBR) volumes as part of its Balancing Services Adjustment Data required under paragraph 6.3.1(a) (ii) of BSC Section Q ‘Balancing Mechanism Activities’.	
<b>Description of Issue or Defect that Modification Proposal Seeks to Address</b>	
<p>Section Q6.3.1 (a) (ii) requires the Transmission Company to submit its best estimate of Balancing Services Adjustment Data (as described in paragraph 6.3.2) in relation to a Settlement Period as soon as reasonably practicable after Gate Closure for, and in any event not later than the end of, such Settlement Period.</p> <p>Q6.3.1 (b) requires this information to again be submitted the next day. It is then incorporated into the revised cashout price published for the working day (WD) +5 II Settlement Run.</p> <p>Cashout is meant to provide the principle incentive for demand and supply to be balanced in the short term. To provide this incentive, cash-out prices need to be accurate in the short term so as to form appropriate and timely market signals. With the introduction of potentially ‘explosive’ cashout due to BSC Modification Proposal 305, and with DSBR priced at the Value of Lost Load (£3000/MWh), the delay in including the volume could lead to a very large positive change in the cashout price reported at WD+5 compared to the one reported immediately after the Settlement Period has ended. The use of DSBR could also create an expectation that prices will rise to £3000/MWh but because of the Net Imbalance Volume (NIV) tagging process this may not happen. Either way, the 5 day delay in including DSBR volumes in cashout may lead to entirely wrong real-time signals being made to market participants which could lead to sub-optimal trading decisions being made on days when scarcity is apparent.</p> <p>It is essential that this Modification is implemented by November 2016 as part of the November 2016 BSC Release (or sooner) to align with the service provision for DSBR (November to February). A delay in implementation to the following BSC Release would mean that cashout prices will fail to capture the use of SBR in a timely way for a further winter.</p>	
<b>Impact on Code</b>	

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<b>Impact on Core Industry Documents or System Operator-Transmission Owner Code</b>	
Potentially National Grid's BSAD methodology statement.	
<b>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties</b>	
<b>Impact on other Configurable Items</b>	
<b>Justification for Proposed Modification with Reference to Applicable BSC Objectives</b>	
<p>When DSBR is utilised, until the WD+5 Settlement Run when the DSBR volume is incorporated into the cashout price calculation, there is uncertainty as to the cashout price. Without this change, the cashout price published 15 minutes after the end of the Settlement Period will therefore lack a fundamental scarcity price signal. This uncertainty could lead to sub-optimal trading decisions being made that are detrimental to the efficient, economic and co-ordinated operation of the GB Transmission System. Addressing this source of uncertainty would therefore facilitate Objective (b).</p> <p>This change also better facilitates Objective (c) as the whole market would have access to the same information. Without this change, smaller players who might have less resources to devote to predicting the impact that DSBR instructions will have on the cashout price could be disadvantaged.</p> <p>In addition, reducing the incidence of cashout price changes promotes greater efficiency in the implementation and administration of the balancing and settlement arrangements, facilitating Objective (d).</p>	
<b>Is there a likely material environmental impact?</b>	
No.	
<b>Urgency Recommended:</b>	
No.	
<b>Justification for Urgency Recommendation</b>	
N/A	
<b>Self-Governance Recommended:</b>	
No.	
<b>Justification for Self-Governance Recommendation</b>	
N/A	
<b>Fast Track Self-Governance Recommended:</b>	
No.	

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<b>Justification for Fast Track Self-Governance Recommendation</b>	
N/A	
<b>Should this Modification Proposal be considered exempt from any ongoing Significant Code Reviews?</b>	
Not applicable.	

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**Attachments:** No