

Report Phase Consultation Responses

P443 ‘To Cap NGENSO Interconnector Trades at the Value of Lost Load (VoLL)’

E L E X O N

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

This Report Phase Consultation was issued on 17 April 2023, with responses invited by 17 May 2023.

Consultation Respondents

Respondent	Role(s) Represented
EDF	Generator, Supplier
Triton Power	Generator

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Version 1.0

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Question 1: Do you agree with the Panel's initial majority recommendation that P443 should be rejected?

Summary

Yes	No	Neutral/No Comment	Other
1	1	0	0

Responses

Respondent	Response	Rationale
EDF	Yes	<p>EDF does not support this modification. Our response and rationale for reaching this decision is set out below.</p> <ul style="list-style-type: none"> The proposer points to one occurrence, on 20th July 2022, where the trades cost ~£69m / £9,500MWh were above the VoLL at £6,000/MWh. This is a rare event and putting in market interventions to prevent these situations needs to be carefully considered. Security of Supply is an important consideration. Imbalance prices provide useful signals for market participants to be incentivised to take actions before gate closure. Removing the usefulness of this signal could promote behaviour that would become inefficient. Customers need to be protected from expensive trading actions. The proposer and the workgroup report has not clearly identified that the ESO is dis-incentivised to trade in the most economical way. The ESO has an obligation placed on them to trade in an economic manner and therefore if they are deemed to not act in that way can be challenged.
Triton Power	No	<p>Triton understands the concerns around this change proposal. However, since it was raised NGENSO has done nothing to try and address the concerns that led to this mod being raised. We would have more effective competition (objective c) if we had greater transparency around interconnector actions and their prices. The market needs far more clarity around interconnector actions; why, with which interconnector and at what price. This is just the basic information that all BMUs have to provide to the market when they are used via the BM.</p> <p>We still believe that it will be more efficient (objective d) if the market (including customers) are not running the risk of potential cash-out prices being</p>

Respondent	Response	Rationale
		<p>set above VoLL due to interconnector actions over which they have no control and limited visibility. We have grave concerns that NGESO continues to believe that it can act to keep the lights on with no consideration of the potential impacts on those who pay the bills. The BSC cannot be efficient if it runs the risk of putting parties out of business because NGESO has taken actions which does not impact its own economics and with parties that are not regulated by Ofgem.</p> <p>In an ideal world we would have pushed to limit NGESO's interconnector trades to VoLL, but we recognise that there may be times when Ofgem and/or DESNZ would rather keep power flowing at higher prices. The proposal to just cap these trades at VoLL for the purpose of cash-out is a compromise. However, we believe that Ofgem could approve the change to meet their statutory obligation to protect the interests of customers while they address the wider issues associated with interconnector trading and the transparency surrounding interconnector actions and prices.</p> <p>We would further urge DESNZ to consider how future trading relationships with the EU and other interconnected markets could make the regulatory relationship clearer. If parties are to be allowed to sell into the GB electricity market then either NGESO needs to manage the price at which they trade or Ofgem needs to have some ability to hold parties in third countries to account.</p>

Question 2: Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P443?

Summary

Yes	No	Neutral/No Comment	Other
1	0	1	0

Responses

Respondent	Response	Rationale
EDF	No response	No rationale provided
Triton Power	Yes	No rationale provided

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

Summary

Yes	No	Neutral/No Comment	Other
2	0	0	0

Responses

Respondent	Response	Rationale
EDF	Yes	No rationale provided
Triton Power	Yes	We very much welcome the proposal for a manual workaround as we believe that the coming winter looks tighter than last winter.

Question 4: Do you agree with the Panel's initial view that P443 should not be treated as a Self-Governance Modification?

Summary

Yes	No	Neutral/No Comment	Other
1	0	1	0

Responses

Respondent	Response	Rationale
EDF	No response	No rationale provided
Triton Power	Yes	It does not meet the self-governance criteria.

Question 5: Do you agree with the Panel's initial consideration that P443 does impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC?

Summary

Yes	No	Neutral/No Comment	Other
1	0	1	0

Responses

Respondent	Response	Rationale
EDF	No response	No rationale provided
Triton Power	Yes	No rationale provided

Question 6: Do you have any comments on the impact of P443 on the EBGL objectives?

Summary

Yes	No	Neutral/No Comment	Other
1	0	1	0

Responses

Respondent	Response	Rationale
EDF	No response	No rationale provided
Triton Power	Yes	<p>As noted previously, we do not believe that the way interconnectors trade is consistent with competition. For example the interconnector flows do not pay TNUoS, so cannot be said to be competing on a equitable basis with those that do. The transparency around the actions over interconnectors and more importantly the pricing of those actions is also not consistent with the transparency requirements that all other GB market players have to comply with. Discrimination is not an issue, but undue discrimination is and we believe that the market arrangements are unduly discriminatory against GB parties compared to those trading over the interconnectors.</p> <p>We would further note that the EU does not allow the UK to participate in TERRE and there are resulting interconnector trade prices that do not appear to be market related (for example the BALIT prices for SO to SO transactions). The timing of trades is also an issue. Interconnectors also do not contribute to the efficient development of the GB market as they do not pay TNUoS and if their operations change (as they have been know to do) they can add to constraint costs, which they also do not pay. So again the role and operation of interconnectors really need to be revisited.</p> <p>More widely, EBGL causes wider issues in the market, such as extended consultation times. We would urge DESNZ to review the UK's compliance with the EBGL given they seem to add not value to UK plc.</p>

Question 7: Do you have any further comments on P443?

Summary

Yes	No
0	2

Responses

Respondent	Response	Rationale
EDF	No response	No rationale provided
Triton Power	No	No rationale provided