

TX Workgroup

ISSUE 0067 - Transparency of future SMP prices and artificial buy price

5th November 2015

Background

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- Issue raised at DSR workgroup regarding transparency of System Marginal Prices (SMPs) further out than the current standard of day-ahead
- Concern that multi-day trades may impact SMPs further out than the current D+1 transparency.
- There was also a concern that the taking of multiday trades may *artificially* raise SMPBuy above outturn market conditions.

Transparency of SMP prices

- **SMP transparency** – The OCM operator currently obligated to publish system prices both within day and day ahead.
- UNC TPD Annex D-1 Trading System Arrangements, 5.1 -
Market Offers in respect of a Market Offer Date will be capable of acceptance by Trading Participants between 08:00 hours on the Day preceding the Market Offer Date and 02:35 hours on the Market Offer Date....
- UNC TPD Section F1 General and System Prices, 1.2.1 (c) *the "System Average Price" for a Day is (subject to Section D4.1.4 and 4.1.6) the price in pence/kWh calculated as the sum of all Balancing Transaction Charges divided by the sum of the Market Transaction Quantities and Non- Trading System Transaction Quantities for all Balancing Transactions respectively effected in respect of that Day.*
- Members of OCM trading platform have access to anonymous trade information post event

Information on multi-day trades

- National Grid apply weightings to multi-day trades so the value of taking them is appropriately captured within system prices
- Weighting factors are calculated based on the probabilities of a GDW over the multi-day trade period.
- Weighting factors will be published on each gas day for which a GDW is issued. These weighting factors will be published at least 30 mins before accepting an offer.
- Weighting factors will be published at the following link in the event of a GDW - <http://www2.nationalgrid.com/uk/industry-information/gas-transmission-system-operations/balancing/over-the-counter-and-multi-day-trades/>

Impact of multi-day trades on SMP prices

- The below example demonstrates how SMPBuy is weighted over the length of a multi-day trade:

Bid type	Volume (kWh/day)	Price (p/kWh)	Duration (days)	Total cost (p)
Multi-day (buy)	200	10	3	6000

	Day 1	Day 2	Day 3
Probability of GDW (%)	100	20	5
% of price applied	80	16	4
Market Offered price (p)	24	4.8	1.2

- Day 1 SMPBuy weighted higher vs. day 2 & day 3 due to probability of GDW
- In this example the day 3 trade impact will not be published on the OCM till day 2.
- Impact of multi-day trades on future SMPBuy dependent on likelihood of GDW on that day.

Discussion

Close

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