

Interconnector Trades - Procurement Framework Webinar

8th April 2022

nationalgridESO

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Agenda

1. Introductions
2. Why are we looking to change?
3. What are we looking to change?
 - Phase 1 – Minor immediate changes
 - Phase 2 – Longer term package of changes
 - a) Development & launch of ACP
 - b) Auction Rules - Major changes
 - c) Auction Rules - Minor changes
4. When are we changing?
5. Next steps
6. Questions

Introductions

Rachel Turner: Trading Manager

Becky Whiteman: Senior Trader

James Bradley: Senior Trader

Jamie Hughes: Trader

Why is change needed?

| In 2018 NGENSO; | Whereas in 2022 NGENSO: |
|--------------------------------------|---|
| Traded on 2 ICs, | (will soon) Trade on 5 ICs <i>and counting</i> |
| Had few number of participants | 20+ Registered Trading Partners |
| Simple block profiles requirements | Can require large and complex profiles |
| Very manual auction process | Much more automated auction |
| And Interconnectors: | Interconnectors typically; |
| Only had 2x ID capacity auctions | Have 4x ID cap auctions |
| 2-5 hour (before delivery) nom gates | Hourly nom gates ~75 minutes before delivery |

However still:

- No formal, documented, rules for the auctions
- Can be an opaque process for newcomers
- Still rely on Email for communication
- Auction timings could be slicker

Need to evolve our processes and remove ambiguity around our behaviour, and of that of our counterparties and are looking to formalise this to sit alongside the GTMA.

What are we going to change?

Change coming in 2 Phases

Phase-1

Relatively small changes to be implemented soon

- Principally required for readiness for Eleclink
- Underlying changes preparing for future

Phase-2

The second phase, much larger change:

- Moving to a new Auction Communication Platform to replace email
- Implement a formal set of rules governing the auction process

Phase 1: What are we going to change?

Eleclink Readiness

Phase-1

Relatively small changes to be implemented soon:

1. Launching Eleclink with nomenclature; 'EL' as a possible unit for trading over;
2. Re-naming of IFA, to become IFA1 for the avoidance of any doubt or confusion*;
3. Removal of linking Bids/Offers to specific Lots; and
4. Providing a new bid template with corresponding changes (for those who utilise it)
 - ii. Minor changes to include 'EL' and switch to 'IFA1'
 - iii. A further more major update will likely come later in summer

**Any Bids received after phase-1 date labelled 'IFA' will be assumed to be for 'IFA1' and so will be automatically amended to ensure continuity and smooth functioning of the auctions*

Phase 2: What are we going to change?

Development of Auction Communication Platform (ACP)

Phase-2

The second phase, much larger change: moving email-based communication to a new Auction Communication Platform

- All auction requirements, bids and offers, and results will be transmitted over it
- Make process more timely, automated, and robust.
- Secure, cloud-based service accessible via API or a browser-based UI,
- Many user configurable settings
- But many design details are still to be confirmed
- Retain email process as fallback option

Asking for volunteer lead users to help design and test platform

Auction Communication Platform (ACP)

Anticipated features

- Reliable and secure cloud based platform
- Connection will be through both a Web UI and/or API to submit bids/offers
 - Will also accept personal webhooks for receiving data
- Users to self manage accounts and access
- All transmissions will be fully digitally signed and guarantee non-repudiation
- Automatic validation of the bids/offers when submitted
 - Data will be validated against system defaults and limits
 - And specifically against the current live requirements
- Results sent simultaneously upon auction close to all parties
- Full bid history will be available
- User notifications & alerts fully configurable (SMS, Email, Browser)
- configurable User limits: max bid volume, max price etc.

Phase 2: What are we going to change?

Introduction of Auction Rules: *“Interconnector Trades – Procurement Framework”*

To go with the new Platform, we will introduce new set of rules to formalise the process

- Auction process has evolved and matured
- Timings and complexity always changing
- Removes ambiguity for both NGESO and participants
- Removes entry barriers for new participants
- Clarifies new timings (now possible) with ACP

Phase 2: What are we going to change?

“Interconnector Trades – Procurement Framework”

Major changes introduced:

1. Auction Timings - (Question 3 in Consultation)

Bidding Window

- 20 minutes minimum, but larger for complex or large requirements
- would simple formula to determine ideal length of window be helpful?

Auction Processing

- 30 minutes maximum
- If delayed, bids can be withdrawn by participants

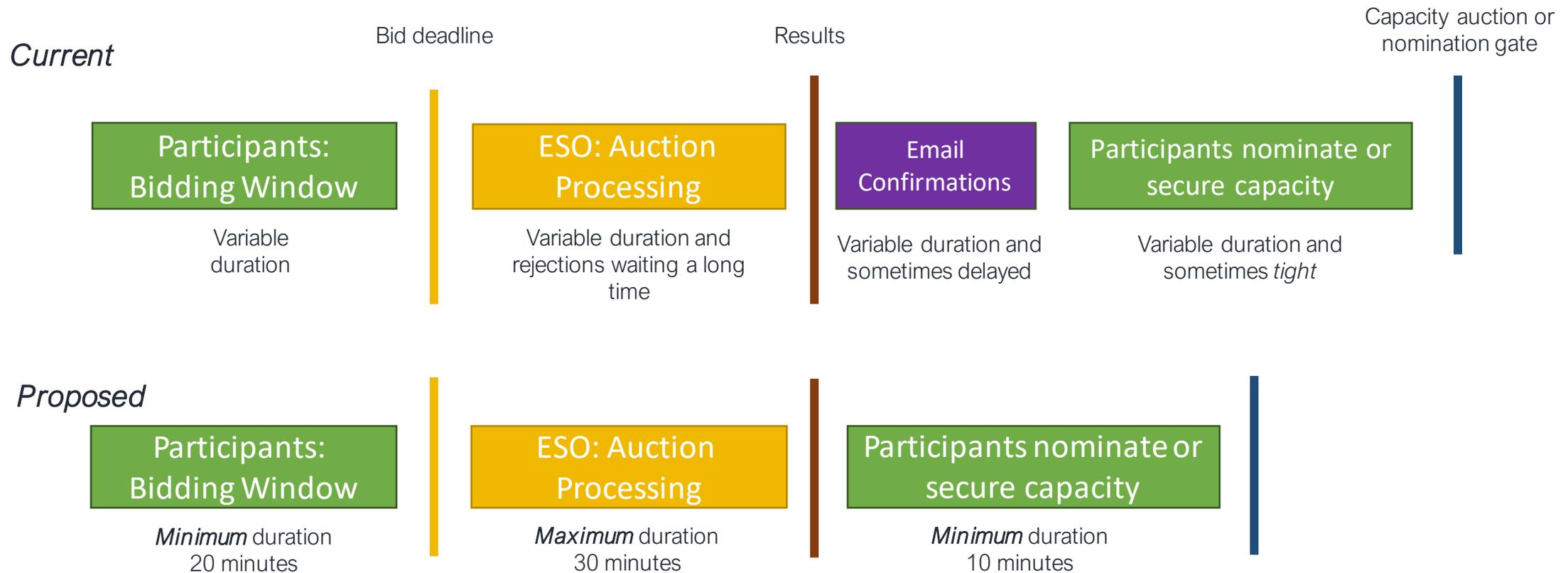
Auction Results

- Minimum of 10 minutes before any relevant cap auction or nomination gate

2. Trades become firm upon communicating results (Question 4 in Consultation)

- Bids/Offer received before deadline will be treated as firm,
- Once results are communicated, trades will be deemed as ‘agreed’
- Abolish return confirmation - the ACP (and associated notifications) will provide non-repudiation

Auction timelines current and proposed



Phase 2: What are we going to change?

Introduction of Auction Rules: “Interconnector Trades – Procurement Framework” *Additional minor changes*

1. Possible minimum scheduled trade size

- **Currently 1MW but could be larger**

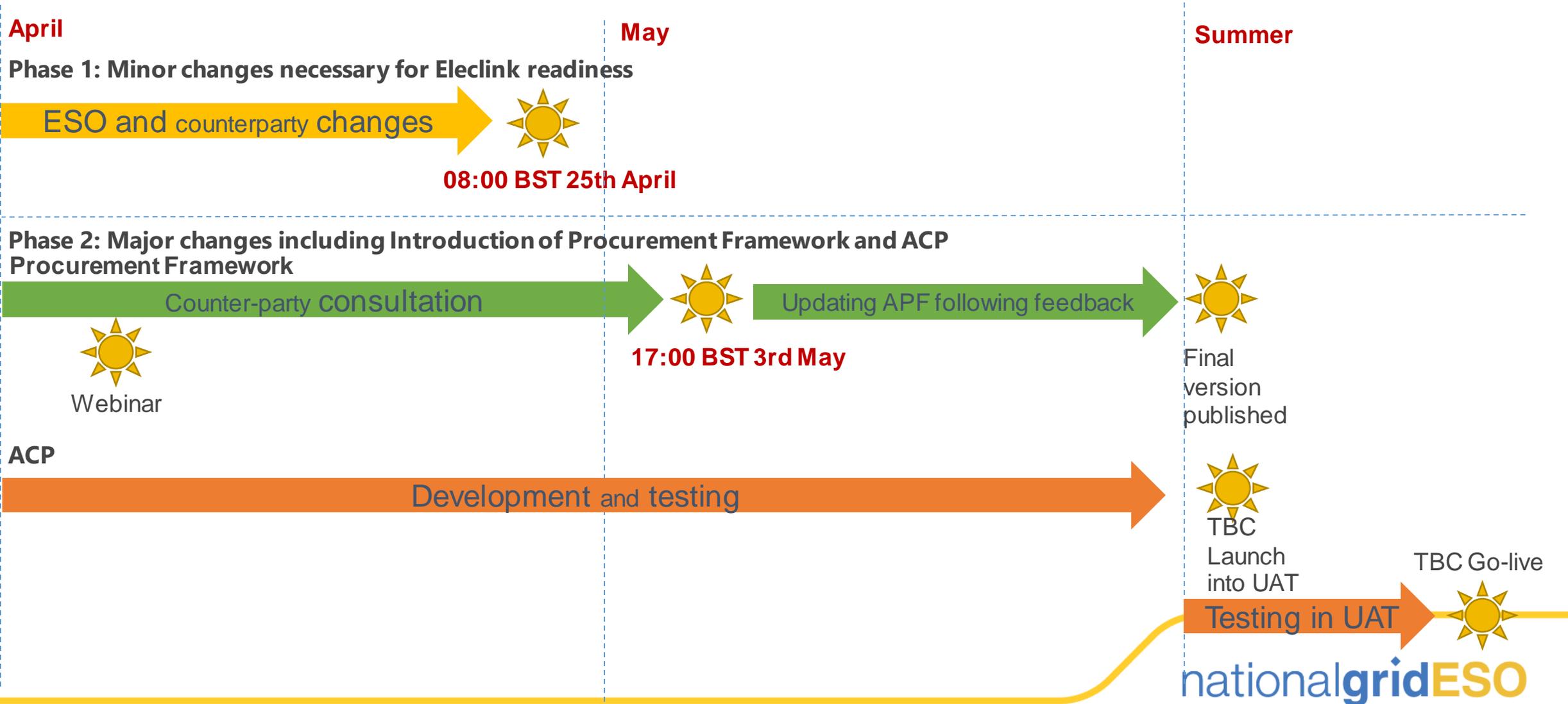
2. Auction clearing method

- **Considering impacts of potentially moving to ‘Pay as Clear’ auction style**

Other areas:

1. Ability to change requirement after Bidding Window during Auction Processing. Max increase to individual lot limited to additional 25%
2. Publication of auction results for improved transparency. May include Participant, Bid/Offer/Interconnector, MW, date, time and price

When are we changing timeline



Next steps

Consultation open until **Tuesday 3rd May at 5pm BST**.

Submit responses to the consultation questions via this [form](#)

All counterparty responses will be collated, anonymised and shared with all counterparties alongside our ESO response and updated APF by **Monday 23rd May**.

The new APF will not come into force until a date to be notified when we all parties have moved to the new auction platform.

Any other follow up questions can be addressed to trading@nationalgrideso.com

Questions?

Raise your hand or use the chat function to ask any questions.