

Ørsted

P305 Electricity

Balancing Significant

Code Review

Introduction of a single system cash-out price.

What is the P305 regulation?

The P305 regulation was introduced by Ofgem on 5 November 2015, following recommendations and feedback from National Grid's EBSCR (Electricity Balancing Significant Code Review). The EBSCR is a long running project, designed to assess the effect of cash-out pricing on the wider market and future supply. P305 follows the P316 consultation, which was closed earlier this year.

To date, the market has operated according to two pricing mechanisms, working independently of one another as follows:

1) System Sell Price (SSP)

Volumes of surplus energy already purchased but not consumed (a long position) could be refloated on the market at the System Sell Price.

2) System Buy Price

Similarly, any deficit in volume in addition to their nomination (a short position) could be bought at the System Buy Price.

The EBSCR review concluded that this dual cash-out pricing structure would increase the cost of ensuring a secure future supply to consumers. In turn, this could lead to inefficient balancing and reduce incentives for the market to provide flexibility. To counteract these effects, P305 introduces a single system cash-out price.

What will be the impact of P305?

The regulation could increase the volatility of electricity prices. This is due to a decrease of the volume of transactions (from 500MWh to 50MWh) that are used in the calculation of imbalance prices. This calculation will change again (from 50MWh to 1MWh) on 1st November 2018 with similar effects.

What do I need to do?

In your electricity contract, Ørsted has included a provision against market fluctuation and manages this on your behalf. We will monitor prices and keep you up to date as necessary. This would usually be on a six-monthly basis, in the form of a P305 email report. Your first report will be sent in May 2016.

Ørsted also offers specific solutions designed to minimise risk and balance consumption:

- Portfolio Management – trading services to manage risk and price (minimum EAC of 40 GWh).
- Flexibility services – to manage and balance your consumption according to market prices and your operational requirements.

Please talk to your Account Manager for further details on minimising risk and managing consumption. You can find more information on P305 here at the Elexon website.