

Recommendations from CORWG: Tagging

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Issue considered and initial findings

Does a defect exist in relation to the current tagging mechanisms?

System actions
in electricity

- Defect detected in that system trades influence cash out price during times of system stress
- Constraint actions identified in 28% of settlement periods
- Defect appears to be material in terms of frequency and scale
- National Grid to carry out manual tagging for further periods

NIV tagging

- Assumptions underlying NIV tagging are not always appropriate e.g. system trades are not always the most expensive actions

Gas

- A defect was not identified in relation to gas discretionary tagging

Solutions proposed by CORWG

System actions
in electricity

- SO discretionary tagging
- Automated tagging – trades “out of price order” tagged as system
- Locational tagging – tagged according to a specific location
- Cap/Floor – tags offer acceptances above/below certain price level
- Bid offer acceptances from certain BMUs are tagged
- Each options unpinned by a “replacement price” for system actions

NIV Tagging

- No NIV tagging – group generally supportive of assumption that NIV provides a reasonable proxy for energy imbalance
- Proportional tagging - results did not show a significant change
- Offset tagging - group did not consider results convincing

Gas

- No defect identified and therefore no solutions were developed

Tagging: Ofgem's initial views

- Ofgem considers that tagging issues need to be addressed as a priority

System actions
in electricity

- Ofgem preference is for discretionary tagging by National Grid
- Alternative to reduce burden of discretionary tagging would flag actions taken out of price order that could be discretionary tagged

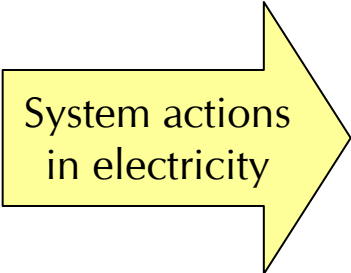
NIV tagging

- Ofgem considers that if issues associated with the correct tagging of system and energy actions are addressed the issue of NIV tagging becomes less relevant

Gas

- Ofgem considers that a lesson can be learnt from the gas experience: the existence of transmission access rights assists the tagging process

Way Forward



System actions
in electricity

- National Grid to assess further the feasibility and costs associated with engaging in discretionary tagging
- National Grid to provide potential tagging solutions in relation to the discretionary tagging
- Necessary to develop an approach to allow constraint resolution to be considered separately from energy markets e.g. transmission access reforms



Gas

- The issue of gas cash out may need to be revisited if further gas products are developed



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