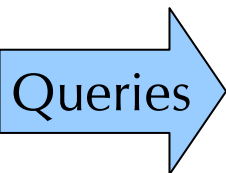


# Recommendations from the Tagging workstream

Hannah Cook

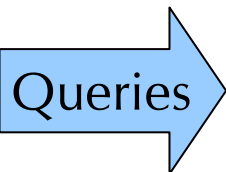
# Background

Tagging workstream convened to assess whether a defect exists in relation to the current tagging mechanisms



## GAS

- Is the current tagging approach appropriate?



## ELECTRICITY

- Does the current approach
  - Remove too many/too few actions?
  - Tag out appropriate trades?

## Query: Gas

- Trades taken for 'locational' reasons are explicitly identified by NG
- These are tagged and excluded from cash out price calculations
- National Grid highlighted it had not taken a trade for 'locational' reasons since summer 2003
- The group considered this was satisfactory

HOWEVER

- Further consideration may be required in the event that NG engages in new trading activity
- Proposed under UNC Mod 061/062

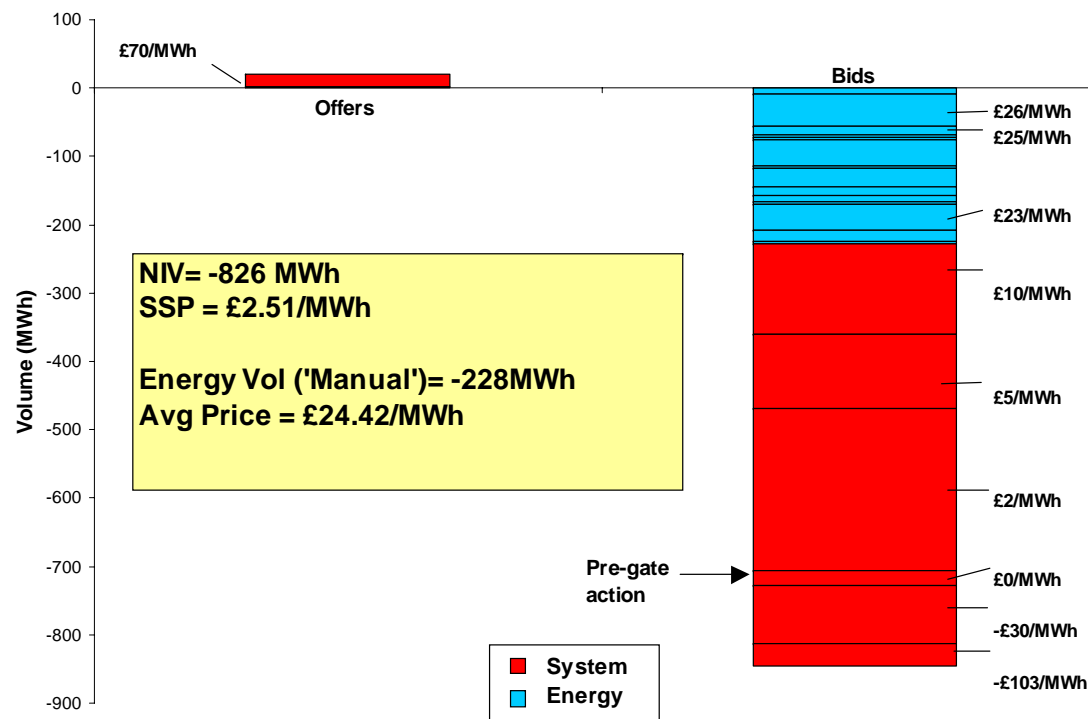
## Query: Electricity

NIV tagging and the associated mechanistic rules do not appropriately tag system actions from the main stack

### ANALYSIS

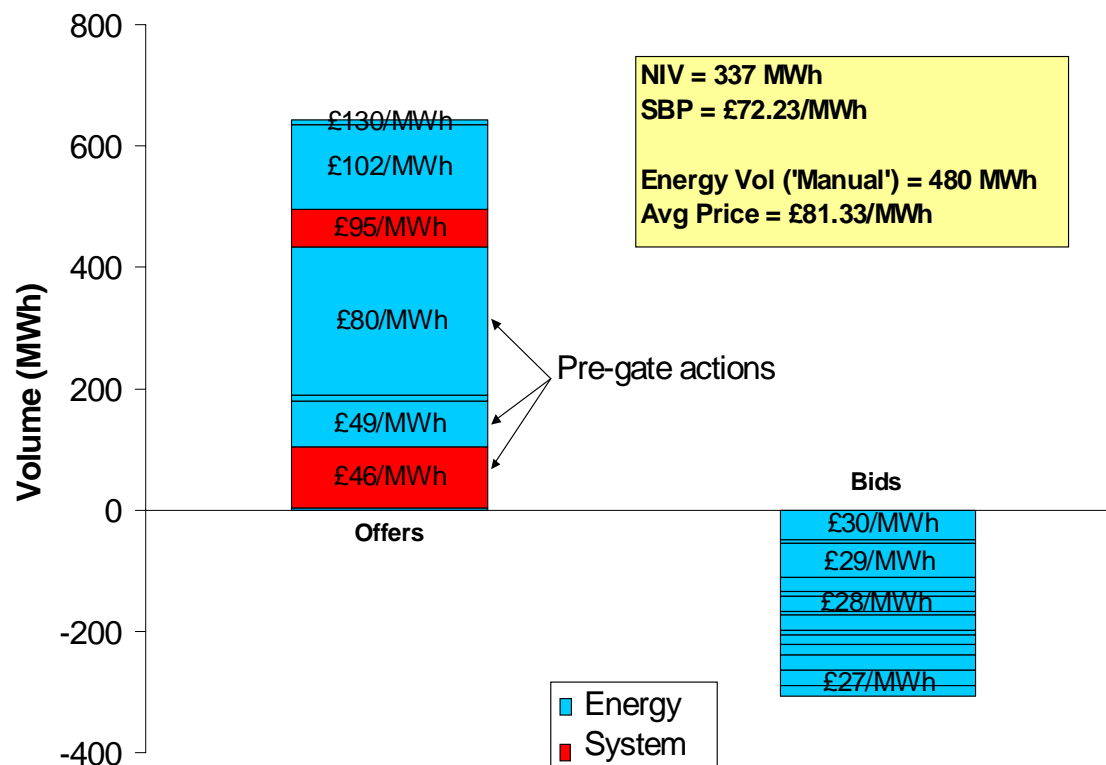
- National Grid carried out discretionary tagging for settlement periods requested by the group
- Analysis highlighted two key concerns:
  - during constraint periods, “system” actions remain in the main stack
  - NIV assumptions, such as “system” actions being the most expensive, are challenged

# Example of defect



- Highlights that during a period of system constraint, a high proportion of system actions remain in the main stack
- Has a consequent impact on the cash out price

# Example of defect



- Highlights that system actions are not always the most expensive actions taken
- Challenges the assumptions under NIV tagging that the reverse stack should be tagged from the top of the main stack

## Initial views

- **Primary concern** – the existence of “system” actions in the main stack during constraint periods was a key concern for the group
- **Secondary concern** – that the NIV tagging assumptions did not always hold true

Further  
analysis

- National Grid will look into frequency of constraint periods to shed light on the scale of the problem
- Possible further analysis by National Grid regarding these periods

## Potential Solutions (1)

- Some suggestion that it may be appropriate to look into the inclusion a replacement price “energy”
- Replacement price would apply to “system” actions included in the main stack
- Further analysis of criteria to identify “system” actions

Members of the tagging workstream were keen to hear the views of the wider CORWG regarding this potential solution



## Potential Solutions (2)

No NIV tagging

- Results highlighted a significant impact; BUT
- Group were generally supportive of NIV tagging principles

Proportional tagging

- Tags the volume in the reverse stack proportionally from each trade in the main stack
- Results did not show a significant change

Offset tagging

- Tags energy actions in reverse stack from the bottom (not the top) of main stack
- Group did not consider results convincing
- Elexon to extrapolate analysis for a year

A large, prominent ofgem logo in the center of the slide, with the word "ofgem" in white lowercase letters inside an orange rounded rectangle.

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