

FAQs

Market-based Balancing

9 September 2015
Commercial Operator

Cash-outs	
1	<p>When will the first cash-outs be actioned under the mbb regime?</p> <p>Welded Points with a Cash-Out Quantity not equal to zero at the end of the day on 1 October will be cashed out. Practically, these cash-outs will be entered into OATIS on Friday 2 October.</p> <p>The last cash-outs under the current regime will occur on 30 September, for any AEOI remaining at the end of the day on 29 September (i.e., the last ILONs will be issued on 28 September, in respect of any AEOI at the end of the day on 27 September).</p>
2	<p>Will MDL cash-out Welded Points based on validated or unvalidated data?</p> <p>As a general rule, cash-outs will be carried out (entered into OATIS, published and invoiced) based on validated data. The only caveat to this is that cash-outs on Saturdays and Sundays will be entered into OATIS based on unvalidated data, and corrected with validated data on Mondays (refer #3 below).</p> <p>MDL will also publish ‘provisional cash-outs’ each day, as requested by stakeholders, based on unvalidated data; this is purely for information only, to assist primary balancing on the day. These will be published early morning on the BGIX, before the opening of business hours. The figures will be automatically updated when validated data becomes available.</p>
3	<p>Will MDL check validated data to check it is correct, before processing cash-outs?</p> <p>MDL will continue to run the data validation processes it currently runs. As noted in #2 above, this validation will occur before cash-outs are processed.</p>
4	<p>Will MDL cash-out Welded Points on Saturdays and Sundays, or wait until Monday?</p> <p>Cash-outs will be entered into OATIS every day of the week, including Saturdays and Sundays (assuming there are Cash-Out Quantities not equal to zero). As noted in #2 above, weekend cash-outs will be entered into OATIS based on unvalidated data, and updated on Mondays (if necessary) once validated data is available.</p>
5	<p>Will cash-outs be adjusted for metering corrections?</p> <p>Yes, as long as the adjustment wouldn’t be disadvantageous to the relevant Welded Party. Part 4 of Schedule 1 MPOC provides for metering corrections, as does section 4.5.</p> <p>In the event of a correction, MDL adjusts metered quantities – and resulting imbalances – for half the period since the previous test showed the measurement device to be accurate. For example, if the inaccuracy is traced to D_{n-10}, the quantity on Days_{n-5} to Day_n (the day the correction is notified) will be adjusted. If on any of those days:</p> <ul style="list-style-type: none"> • the adjusted quantities would result in a larger cash-out (whether positive or negative), then the original cash-out amount will be preserved; • the adjusted quantities would result in a smaller cash-out (whether positive or negative), then the smaller cash-out will replace the original cash-out. <p>In the latter case, this will be reflected in updated Cash-Out Quantities; if the invoice has already been issued, the adjustment will be made in the next invoice.</p>

6	<p>Are cash-out prices (finally) determined at the close of trading each day?</p> <p>Cash-out prices are final at the close of ID4, unless the Default Rule – which can only be calculated the next day (because it incorporates Operational Imbalance, which is only determined at the end of each day) – needs to be applied.</p> <p>Based on the Default Rule that will apply from 1 October 2015, this means that if:</p> <ul style="list-style-type: none"> the traded volume in Standard Products on Day_{n-1} and Day_n for delivery on Day_n was above 5TJ (in both cases); and the Trading Platform was available for at least an hour on Day_n, <p>then cash-out prices for Day_n will be final at the close of ID4 on Day_n.</p>
7	<p>When will the prices of MDL's buys/sells set cash-out prices?</p> <p>This is best illustrated by splitting the question into its two constituent parts.</p> <ul style="list-style-type: none"> The price at which MDL buys balancing gas sets the Marginal Buy Price for Day_n if that price is <i>higher</i> than the adjusted Average Market Price on Day_n. For example, if MDL's highest 'buy' on the day was \$7.65, the Average Market Price was \$7 and a 3% adjustment was applied (yielding an adjusted AMP of \$7.21), the Marginal Buy Price would be \$7.65. The price at which MDL sells balancing gas sets the Marginal Sell Price for Day_n if that price is <i>lower</i> than the adjusted Average Market Price on Day_n. For example, if MDL's lowest 'sell' on the day was \$4.90, the AMP was \$5 and a 3% adjustment was applied (yielding an adjusted AMP of \$4.85), the Marginal Sell Price would be \$4.85. <p>Refer section 12.12(b) and (c) of the mbb MPOC. Note also that Marginal Buy and Sell Prices are only one component of Cash-Out Buy and Sell Prices; Cash-Out Transmission Prices and Cash-Out Trading Fee Prices are also applied. Refer section 12.12(h) and (i).</p>
8	<p>What percentage adjustment will be applied to the Average Market Price, for the purpose of calculating the Marginal Buy and Sell Prices?</p> <p>MDL will set the adjustment at 1% for the first three months following implementation. From 1 January 2016 the adjustment will be increased to 3% and reviewed periodically.</p>
9	<p>Will traded prices of strip products be included in the Average Market Price calculation?</p> <p>No. MDL agrees with stakeholders that including strip product traded prices would run contrary to the underlying intent of the Average Market Price mechanism.</p>
10	<p>Will unstruck bids and offers be factored into default rule calculations?</p> <p>No. It was determined, following general consensus at implementation workshops, that including unstruck bids and offers in the default rule calculations would create unacceptable gaming risks. Also, this information is not publicly available.</p>
11	<p>How will MDL approach adjustments to the price elasticity factor of the default rule?</p> <p>The elasticity factor will initially be set at 1. It may later be adjusted, with five business days' notice, if appropriate. MDL has not formed any views as yet on what would lead to the factor being adjusted. Any adjustment would be discussed first with industry, before being actioned.</p>
Information	
12	<p>When and where will cash-out prices and volumes be published?</p>

	These will be published on the BGIX by midday each day.
13	<p>Will cash-out prices be published in real time? Will they factor in spot trades and MDL balancing gas buys/sells as they occur?</p> <p>Marginal Buy and Sell Prices will be published on the BGIX at or close to real-time. These will reflect spot trades in Standard Products made on Day_n or Day_{n-1}, for delivery on Day_n; they will also reflect MDL's balancing gas buys/sells.</p> <p>They will not, however, reflect the other two components of Cash-Out Buy/Sell Prices, being the transmission and trading fee components; these will be factored in only when cash-outs are processed. The Cash-Out Trading Fee will be published on the BGIX.</p>
Balancing	
14	<p>Will MDL impose a hard cap on the price at which will buy balancing gas?</p> <p>No. However this does not mean that MDL will buy balancing gas at any price. MDL, like other market participants, will have a Collateral Limit with emsTradepoint, above which it cannot trade. MDL will also continue to factor price considerations into its balancing decisions, as it always has done; even if a transaction would not result in a breach of MDL's Collateral Limit, if taking all relevant considerations (including price) into account MDL believes it would not be Reasonable and Prudent to buy, it will not do so.</p>
15	<p>Will MDL automatically buy or sell an amount of balancing gas equal to net cash-outs, each day?</p> <p>No. The quantum of MDL's 'daily Line Pack management' balancing transactions will be influenced – but not wholly determined – by net cash-out volumes. This is because, broadly speaking, under its Standard Operating Procedures (refer Diagram 4) MDL balances the net pipeline position to a range of 10TJ either side of target Line Pack. (Physical conditions will always prevail, such that the default scenario may be overridden if the buy/sell action would exacerbate a positive/negative pipeline position, or if there are other mitigating factors.) This is done to minimise the cost of balancing to users.</p>