

Update on trading conduct provision

Presented to Wholesale Advisory Group

20 February 2014

Have come up with a draft proposal

- Board received WAG recs in December
- Started with Code of conduct
- Tested general form and specifics
- Analysed data to test potential impact
- Developed proposal that is almost the same as WAG's
- Following slides show WAG recs vs draft proposal
 - **Green** = draft proposal is same, **Red** = significant difference, **Orange** = uncertain

General form of conduct provision

WAG recommendation:

- Positive obligation on suppliers to observe a high standard of trading conduct

Draft proposal:

- Same

Specific guidance

WAG recommendation:

- Define safe harbour within which participants are deemed to be compliant
- Safe harbour is not determinative – ie could still meet requirement outside of safe harbour

Draft proposal:

- Same

Parties subject to provision

WAG recommendation:

- Generators and IR providers

Draft proposal:

- Same?
- Generators making offers and ancillary service agents making reserve offers

When trading conduct provision applies

WAG recommendation:

- When they are gross pivotal

Draft proposal:

- At all times

When first and second principles apply

WAG recommendation:

- When they are gross pivotal

Draft proposal:

- At all times

When third principle applies

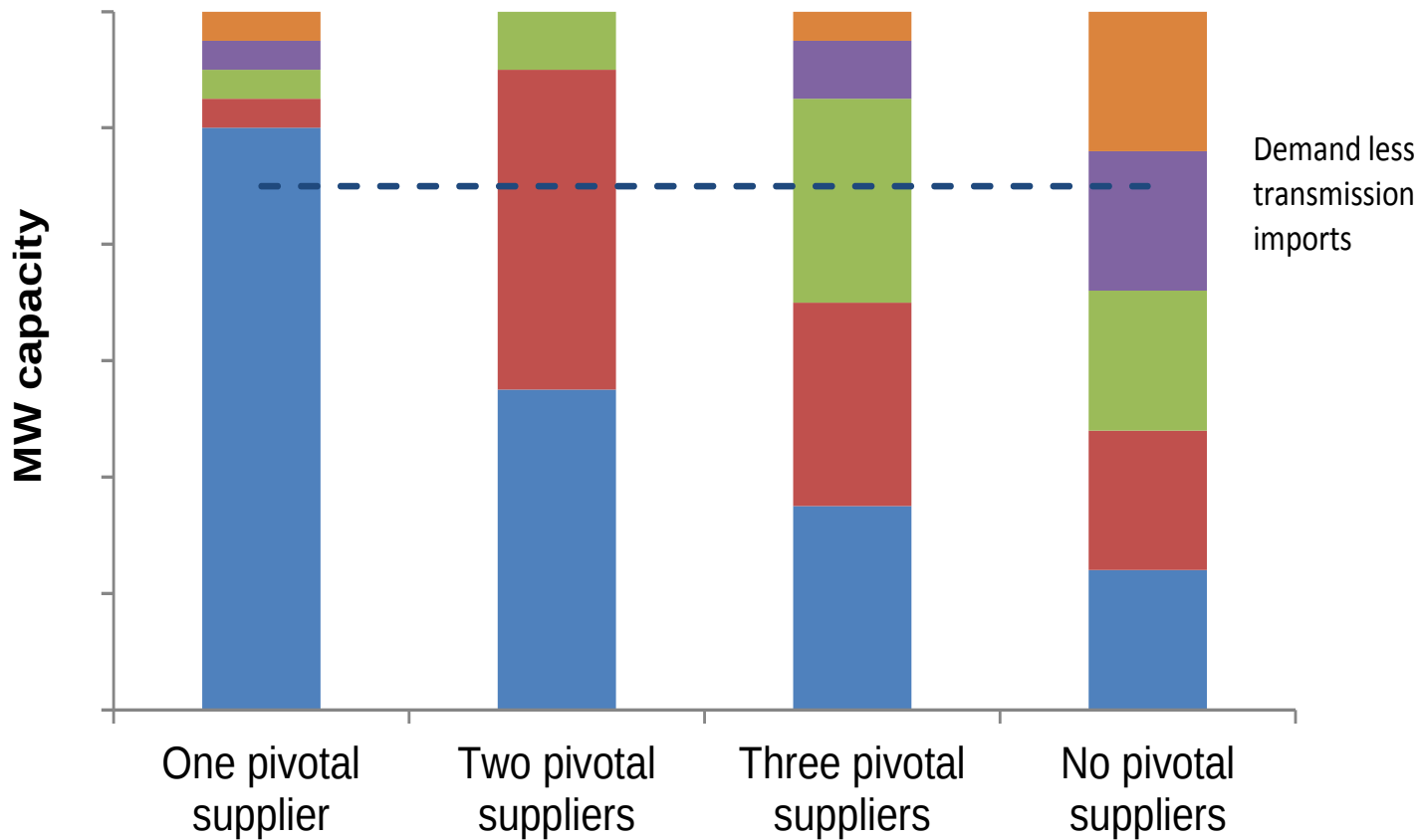
WAG recommendation:

- When they are gross pivotal

Draft proposal:

- Same?
- When they are sole pivotal supplier

Pivotal supplier situations



Safe harbour principle 1

WAG recommendation:

- All generating capacity expected to be physically available is offered

Draft proposal:

- Same?
- This principle would apply to IL providers too

Safe harbour principle 2

WAG recommendation:

Draft proposal:

- Changes to offers should be signalled as soon as possible
- Same

Safe harbour principle 3

WAG recommendation:

- Price and quantity pairs in offers are not materially different between adjacent trading periods, except where there is a bona fide physical factor that alters the participant's capability to generate electricity

Draft proposal:

- Similar effect?
- Offers from sole pivotal supplier do not result in material increase in price unless the dispatched quantity increases (compared with prices and quantities in trading period immediately prior to being sole pivotal supplier)

Next steps

- Settle on draft proposal
- Present draft proposal and consultation paper to Board in March
- Consultation March-April
- Consider submissions and make recommendations to Board in June