

This report summarises the operation of the Balancing and Settlement Code (BSC) for the second quarter of 2011/12 and describes BSC Panel and Committee activities. It also reviews performance against our Business Strategy and 2011/12 Budget.

Our strategy this year is to maintain and build upon our previous achievements to fulfil our mission – “To deliver the BSC effectively, efficiently and economically, to the benefit of our customers”, and to support the best strategic outcomes for the evolving industry by pursuing our vision – “to be a leader in the efficient transformation of energy markets by providing shared solutions to address common industry problems.”

We aim to achieve our strategy by fulfilling four strategic priorities designed to improve our service to our customers and stakeholders. These are to:

- Actively manage, and continually improve, BSC services to ensure that we deliver in an efficient, effective and economic way
- Drive efficiencies and savings in our operational business
- Improve the customer experience and develop richer customer relationships
- Develop our services and adapt our business to address industry challenges
- To pursue our vision, we will develop our services and adapt our business to address industry challenges.

Managing and Improving BSC Services

CP1334 'New PARMS Serials'

We successfully implemented CP1334 'New PARMS serials' on Friday 1 July 2011 with enhanced customer support and training to ensure our customers were ready and additional validation of the first set of submissions. Supplier Agents started reporting the new serials from the July 2011 reporting period. We received positive feedback from Supplier Agents on the increased dialogue and support for them.

BSC Audit and Technical Assurance of Metering Annual Service Reviews

The BSC Audit and Technical Assurance of Metering Annual Service Reviews closed on Monday 4 July 2011. We received useful feedback on these processes and your comments will feed into discussions with the BSC Auditor and Technical Assurance Agent to help us to improve the quality of our service.



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Driving efficiencies and savings in our operational business

Consultation on half hourly settlement for Profile Classes 1-4

On 19 July, we published a consultation/impact assessment document to explore the case for settling the domestic and smaller commercial energy market (Profile Classes 1-4) using half hourly metered data. This work builds on the success of the cost benefit analysis work of mandating half-hourly settlement for larger commercial customers (Profile Classes 5-8) published earlier this year and resulted in Modification P272. We are looking to further optimise the settlement arrangements for the benefit of consumers and industry and help to reap the benefits of smart meters.

BMRS Zones Review

The BSC Panel agreed the recommendations in the Balancing Mechanism Reporting Service (BMRS) Zones Review Report, which you can download from our website as Attachment A to Panel Paper 186/09. As a result, we changed the BMRS, as described in Section 9 of the Report as part of the June 2012 Release.

Annual Performance Assurance Report

We presented the Annual Performance Assurance Report (APAR) to the Performance Assurance Board (PAB) on Thursday 28 July 2011 where the PAB approved the document. The APAR is a summary of the outcome of the application of the Performance Assurance Techniques during 2010/11.

Risk Evaluation Register 2012-13

We presented the Risk Evaluation Register (RER) 2012-13 to the Performance Assurance Board (PAB) on Thursday 25 August. This followed responses we received to the Industry Consultation. PAB reviewed and approved the RER which will take effect from 1 April 2012. The PAB also welcomed ELEXON's approach to the RER review process, which engaged customers more, resulting in greater interest and better quality responses. The RER 2012-13 is published on the Performance Assurance Processes page of our website.

Risk Operating Plan 2012/13 Consultation

The Performance Assurance Board (PAB) endorsed the Risk Operating Plan (ROP) 2012/13 for Industry Consultation on 29 September 2011, and we published it for consultation on Friday 30 September 2011.

Improving the customer experience

Supplier Volume Allocation (SVA) Forum Feedback

We held this year's SVA Forum on 22 September 2011. Over 35 attendees came along to hear presentations on our assurance activities and industry changes, and attend a breakout group on Estimated Annual Consumption (EAC) / Annualised Advances (AAs). The feedback rated the event highly and gave us excellent pointers on how we could improve.

Introducing ELEXON Seminar Feedback

We received some positive and constructive feedback for our "Introducing ELEXON" Seminar on Wednesday 14 September from our audience of the Big Six, smaller Suppliers and other attendees.

Our next "Introducing ELEXON" Seminar is on Wednesday 30 November 2011.

MIDS Review

In April, the N2EX intraday (spot) market went live. The majority of trading on this power exchange is on products that are not currently included in the reverse price calculation, such as the Day Ahead Auction product. As this represents a much more significant change than has occurred in previous years, the Imbalance Settlement Group (ISG) sought views from the industry on the suitability of including the Day Ahead Auction product and the Overnight product in the MIDS, or altering the timeband weightings. The Panel approved this change at its October meeting.

ELEXON Responses to Industry Consultations

Over the quarter, we responded to a number of consultations, including: the Council of European Energy Regulators' consultation on retail market design; the European Commission consultation "Guidelines on Fundamental Electricity Data Transparency; and the DECC Consultation "Possible models for Capacity Mechanism" (part of its Electricity Market Reform proposals).

Developing our services

[Ofgem report highlights need for ELEXON governance reform](#)

In July, Ofgem published an open letter and an independent report into ELEXON's future diversification and governance. We welcome this opportunity for public debate about how ELEXON can contribute to helping the industry meet the challenges of moving to a low carbon economy.

The report correctly identifies that there are a number of solutions to ELEXON extending its role, with varying philosophies and differing approaches to corporate structure and governance. We look forward to continuing to actively engage with BSC Parties, DECC and Ofgem to finalise a solution and develop the changes that will need to be made.

Central Services Performance

You can find further details about our operational performance, including performance against our key performance indicators in the ELEXON reports presented to the BSC Panel every month:

- ELEXON report 185 9 June – 14 July
- ELEXON report 186 8 July – 5 Aug
- ELEXON report 187 8 July – 5 Aug
- ELEXON report 188 3 Sep – 5 October

We report operational issues that affect customers in ELEXON circulars. You can read past circulars [here](#).

[Performance of each Supplier Meter Registration Service \(SMRS\) and Master Registration Agreement \(MRA\) arrangements.](#)

The SMRSs experienced no performance issues during this quarter.

Governance and Change

Modifications

6 new Modification Proposals were raised:

- P273 - Make the SVA Funding Share Calculation robust to changes in Scaling Weights
- P274 – Cessation of Compensatory Adjustments
- P275 – Extending BSC Performance Assurance
- P276 – Introduce an additional trigger/threshold for suspending the market in the event of a Partial Shutdown
- P277 – Allow Interconnector BM Units to choose their P/C Status
- P278 – Treatment of Transmission Losses for Interconnector Users

0 Modification Proposals were withdrawn.

3 Modification Proposals were submitted to the Authority for decision:

- P268 - Clarify the P/C status process for exempt BM Units
- P270 - The Application of Line Loss Factors to GSPs that are not Transmission-interconnected
- P271 - NETSO Consultation in relation to any potential changes to the BSC which takes place in forums other than the BSC Panel

1 Modification Proposal was approved by the Authority:

- P268 - Clarify the P/C status process for exempt BM Units

2 Modification Proposals were approved by the BSC Panel as a Self-Governance Modifications:

- P269 - Prevention of Base Trading Unit BMUs' Account Status Flipping from Consumption to Production (the "Flipping" mod)
- P273 - Make the SVA Funding Share Calculation robust to changes in Scaling Weights

2 Modification Proposals were rejected by the Authority:

- P264 - Two-thirds majority requirement for Panel recommendations on licence originated Modifications
- P229 - Introduction of a seasonal Zonal Transmission Losses scheme

2 Modification Proposals were pending Authority decision at 30 September 2011:

- P270 - The Application of Line Loss Factors to GSPs that are not Transmission-interconnected

- P271 - NETSO Consultation in relation to any potential changes to the BSC which takes place in forums other than the BSC Panel0 Modifications were implemented.

Change Proposals

7 new Change Proposals were raised:

- CP1350 – Clarifying Meter Technical Details relating to Metering Systems that can be read remotely
- CP1351 - Improving Half Hourly Metering Equipment commissioning and storage of associated commissioning data
- CP1352 – Remove option of postal FAA invoices
- CP1353 – Including the ECOES Meter Information flow (D0312) in BSCP514
- CP1354 – Clarifying commissioning requirements of BSCP537 Qualification Appendix 1: Self Assessment Document (SAD)
- CP1355 – Update to BSCP537 Qualification Appendix 2: Testing Requirements
- CP1356 – Demand BM Unit Aggregation Rule Example for BSCP75

0 Change Proposals were implemented

BSCP40 issues:

- No BSCP40 issues were raised or remain open during this period (as at 30 September 2011).

Standing Issues:

1 new Standing Issue was raised during this period:

- Issue 43 - On-site Generation during Planned Outages

2 Standing Issues remained open (as at 30 September 2011):

- Issue 41 – Improving the Speed and Accuracy of Data Flows
- Issue 43 - On-site Generation during Planned Outages

2 Standing Issues were closed during this period:

- Issue 42 – Black Start Generator – Defining a ‘Local Shutdown’
- Issue 40 - Review of Elexon Governance and Funding Arrangements for New Business Opportunities

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BSC Panel and Committee Activity

As well as considering the Modifications in the section above, the Panel:

- Made a number of resolutions in respect of Defaulting Parties
- Approved the changes recommended by the Balancing Mechanism Reporting Service (BMRS) zones review
- Noted the re-appointment of PricewaterhouseCoopers as the BM Auditor by National Grid and approved the associated cost of the BM Audit for the periods 2011/12 to 2014/15
- Approved the appointment of a PAB member and a PAB alternate
- Determined that it was not appropriate to review the Panel Election provisions set out in the BSC at this time
- Approved BSC Panel meeting dates for 2012.



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Imbalance Settlement Group (ISG)

The ISG continues to oversee and contribute to the development of the CVA arrangements. Decisions included:

- Approving three Metering Dispensations and rejecting one.
- Approving two Non Standard BMU applications, one subject to National Grid establishing that relevant Transmission owners find the configuration acceptable.
- Approving CP1349, "Changes to accommodate EU metering standards".
- Approving one Trading Unit application relating to Power Station consisting of 3 Combined Cycle Gas Turbines.
- Approving the Line Loss Factor Methodology Review for 2012-13.
- Approving the annual Market Index Definition Statement (MIDS) review.
- Approving the associated MIDS data review.

Supplier Volume Allocation Group (SVG)

The SVG continues to oversee and contribute to the development of the SVA arrangements. Apart from its normal work, the SVG:

- Agreed that the new data should not be used for this year's autumn and winter as a set has already been agreed and is being used by market participants.
- Agreed that the MDD input file be populated with the existing data for the seasons which are not being updated to avoid SVAA validation issues.
- Approved the revised Terms of Reference for the Supplier Agents Forum (SAF) and the Software Technical Advisory Group (STAG).
- Considered the consultation responses received on the proposal that the GSP Group Correction Factor Scaling Weights should be amended for HH consumption and agreed the following, for endorsement by the BSC Panel:
 - i. the Scaling Weights should be set to 1.0 for NHH consumption, 2.3 for NHH line losses, 1.0 for HH line losses and 0.0 for HH consumption.
 - ii. the amendment to the Scaling Weights should take effective from 1 April 2013
 - iii. the Scaling Weights should be reviewed in 2013 and that each year thereafter the SVG shall consider whether there has been a significant market change that may affect the Scaling Weights and carry out a review if appropriate; and
 - iv. in principle that GSP Group correction should be applied to HH consumption from 1 April 2014 and this be signalled to the market now.

Trading Disputes Committee (TDC)

Apart from its normal work the TDC:

- Approved seven Trading Disputes with an estimated materiality of approximately £360k. Five of these Disputes were from the same LDSO
- Approved an Extra Settlement Determination (ESD) methodology to rectify Trading Disputes DA329 which related to over 5,000 NHH mpans which were disconnected in error
- ESD payment amounts were approved for Trading Disputes DA348 and DA360.

Performance Assurance Board (PAB)

Apart from its normal work, the PAB:

- Heard reports from the BSC Auditor and the Technical Assurance Agent on their findings from 2010/11.
- Received the findings of checks on Meter Operators and Distribution Businesses regarding their processes for maintaining meter records.
- Heard progress updates on active elements of the PAB Strategy, including a set of KPIs that will indicate the efficiency and effectiveness of the PAF.
- Approved the Annual Suppliers Charges review.
- Approved the performance rating criteria for top risks SR0022, SR0024, SR0025 using new PARMS Serials (which go live 1 July 2011). You can find the new criteria at http://www.elexon.co.uk/ELEXON%20Event%20Documents/PAB20123_06_Approval_BUSRR_criteria_for_Settlement_Risks_using_new_PARMS_Serials%20V2.pdf and also at http://www.elexon.co.uk/ELEXON%20Event%20Documents/PAB124_05_NCSRR__BUSRR_Threshold_Review.pdf.
- Approved changes to the Risk Operating Plan for quarterly peer comparison using the new PARMS Serials
- Approved a revised Settlement Risk register for 2012/13 to go out for industry consultation (response deadline 22 July)
- Held discussions looking at the impact of smart on the BSC assurance framework.

Review Against the Annual Budget

- Expenditure for the first six months of 2011/12 (year-to-date) stands at £13.76m, which is £2.41m (14.9%) under budget. The forecast outturn for the full financial year 2011/12 currently stands at £31.66m, £3.84m (10.8%) below budget.
- The position against budget for the year-to-date (YTD) and the forecast for the full year (FY) is summarised below.

Expenditure by Type	Year to Date (£m)	Variance (£m)	Full Year (£m)	Variance (£m)
ELEXON				
Operational	7.02	1.37	16.05	1.12
Demand Led	0.19	0.49	1.00	0.38
Contracted	6.49	0.30	13.61	0.34
Smart	0.06	0.25	1.00	2.00
Total	13.76	2.41	31.66	3.84

Unfavourable variances to budget are in brackets.

Operational Expenditure

Operational expenditure is £1.37m under budget for the first half year and £1.12m under budget full year. This is mainly driven by a lower than expected NGC pension deficit repair and employer contribution, as well as savings from headcount reduction and a delay in filling vacant roles.

Demand Led Expenditure

Demand Led expenditure for the first six months is £0.49m under budget and £0.38m under budget full year. This is mainly driven by a reduction in the potential modifications forecast based on change and modification proposals in the pipeline for the next six months.

Contracted Expenditure

The first six months shows a £0.3m under spend against budget, driven mainly by timing on completion of new customer entrant qualification and a reduced operational audit scope against budget assumptions. The release of the provision for TAA procurement gives rise to a full year under spend of £0.34m against budget.

Smart Metering

Our budget for work on smart metering was based on a number of assumptions and estimates. We've been supporting DECC's Smart Metering Implementation Programme and ensuring that the BSC is fit for smart, and will continue to do so. While the shape of the overall arrangements is becoming clearer, detail around the DCC and SEC roles has not yet emerged. Their respective appointment processes have been outlined and we now understand that these will occur in 2012 – 13. In response to this definitive phasing, we are in a position to release £2m of our £3m smart metering budget back to BSC Parties.