

ELEXON Report

Meeting Name	BSC Panel
Meeting Date	13 October 2011
Purpose of paper	For Information
Summary	The paper provides a summary of recent issues and development in the period 3 September to 5 October 2011.

1. Overview

- 1.1 This paper is provided for the information of the Panel. It presents an overview of activities and developments within ELEXON and the balancing and settlement arrangements and summarises the business of the Panel meeting. At the end of the report a summary of issues under consideration by other industry Codes is presented for information. Detailed information on operational matters will be provided in other reports, particularly the Trading Operations Report.

2. ELEXON News

ELEXON Response to Industry Consultation

- 2.1 In September we responded to three consultations:
- The Council of European Energy Regulators' consultation on retail market design
 - The European Commission consultation "Guidelines on Fundamental Electricity Data Transparency"
 - The DECC Consultation "Possible models for Capacity Mechanism" (part of its Electricity Market Reform proposals)
- 2.2 Our responses are available on the ELEXON website.¹

European Developments

- 2.3 The first meeting of a DECC/Ofgem Stakeholder Group on EU Network Codes and Framework Guidelines was held at ELEXON offices on 6 October. This Group is aimed at drawing together and discussing UK stakeholder views prior to the finalisation of, what will be legally binding, Network Codes. This complements the Joint European Standing Group (JESG). The JESG is looking at the Codes from a more detailed, technical viewpoint during their development and, at the time of writing, its next meeting is scheduled for 12 October.

¹ [Industry Insights](#)

3. Operational News

Website improvements

- 3.1 Cognizant have developed a number of performance improvements for the slowest pages of the website. These changes are expected to be deployed on the weekend of 15/16 October.

Funds Administration Agent (FAA)

- 3.2 The FAA service experienced two service level agreement breaches during August. A process control review was carried out jointly by ELEXON and Logica and identified a number of improvements which Logica have been asked to implement. This further justifies the decision to target the re-engineering of the FAA as the first "test and learn" process in the wider BPO re-engineering project.

4. Summaries of Panel Business – Tabled

Report from the Imbalance Settlement Group (ISG)

- 4.1 At its meeting on Tuesday 27 September 2011, the ISG considered 5 decision papers, including one ex-committee paper which was approved prior to the meeting, and noted two information papers.
- 4.2 Key decisions included recommending changes to the Market Index Definition Statement (MIDS) following industry consultation. The ISG noted the consultation responses it had received and agreed to recommend changes to the weightings of the Overnight product and timebands 7 and 8, as well as the inclusion of the Day Ahead Auction product resulting from the introduction of a second Market Indicator Data provider.
- 4.3 Panel paper 187/01a contains a report of the ISG meeting.

Report from the Supplier Volume Allocation Group (SVG)

- 4.4 At its meeting on Tuesday 4 October 2011, the SVG considered five decision papers. Key decisions included the recommendation to the Panel to introduce cost reflective Scaling Weights, so as to apply GSP Group Correction to half hourly meters from 1 April 2013 (and reviewed each year thereafter). The SVG also agreed amended terms of reference to the Supplier Agent Forum and Software Technical Advisory Group and the process for the review of Annual Fraction of Yearly Consumption.
- 4.5 The SVG also received an update on PSRG regarding the results of the recent consultation/impact assessment on mandating Half Hourly (HH) Settlement for Profile Classes 1-4 and noted that although the majority view of respondents was that it was too early to mandate HH settlement in the near future, the **PSRG felt that HH settlement at some point in the future was the 'right' decision. The SVG agreed that it showed that the strategic importance of this profiling and settlement review work and the expertise and knowledge of the PSRG and that this should be highlighted to the Panel.** The SVG noted that the next steps



would be finish off the Cost Benefit Analysis Report, develop a 'roadmap' for non half hourly settlement (NHH) in a smart metered world and to make clearly visible on how NHH and elective HH will work (or need to change) for smart meters.

4.6 Panel paper 187/01b contains a report of the SVG meeting.

Report from the Performance Assurance Board (PAB)

4.7 At its meeting on Thursday 29 September 2011 the PAB considered three decision papers and noted two information papers.

4.8 Panel paper 188/01c contains a report of the PAB meeting.

Report from the Trading Disputes Committee (TDC)

4.9 At its September meeting the TDC made its final decision to authorise the Post-Final settlement runs (PFSRs) for Settlement days 1 July to 31 July 2009 for all GSP Groups currently in the Disputes process.

4.10 The table below summarises the TDC's decision on PFSRs for the stated settlement Days, indicating whether PFSRs were authorised or not.

GSP Group	July 2009
Eastern	Authorised
East Midlands	Authorised
London	Authorised
Merseyside & North Wales	Authorised
Midlands	Authorised
Northern	Authorised
North Western	Authorised
Southern	Not in process
South Eastern	Authorised
South Wales	Authorised
South Western	Authorised
Yorkshire	Authorised
South Scotland	Not in process
North Scotland	Not in process

4.11 The TDC heard Trading Disputes DA407 and DA416. Both Disputes were raised by the Distributor after site visits had found there to be a mismatch between the CT Ratio and Meter programming, resulting in the sites' consumption being under-recorded.

4.12 For all Disputes the TDC determined that the Dispute was raised in accordance with the Disputes Deadline and determined that a Settlement Error had occurred, and therefore upheld the Dispute. Rectification will be by means of a Post-Final Settlement Run.

5. Information Relating to Other Industry Codes

5.1 Since the last ELEXON Report, the following electricity code panels have met:

Table 1 – Code panel meetings since last report

Panel/committee	Meeting date
STC ² Committee	13 September 2011
DCUSA ³ Panel	21 September 2011
GCRP ⁴	22 September 2011
MDB ⁵	29 September 2011
CUSC ⁶ Modifications Panel	30 September 2011

5.2 We're also involved in various workgroups under the DCUSA, MRA, CUSC and Grid Code. This month's areas of interest are:

- **CUSC**

- A Workgroup recommends introducing 'Proposer ownership' into the CUSC change process. The Workgroup's recommended solution is consistent with that introduced to the BSC by Approved Modification [P247](#) in 2010. The proposal is out for its final consultation, and the CUSC Panel will make its recommendation to Ofgem at its October meeting.
- Ofgem has approved a change to correct an anomaly in how CUSC Modification Reports record recommendations. The QC highlighted this anomaly during progression of the BSC's and CUSC's changes regarding two-thirds majority Panel voting. The QC's advice was that it does not affect the BSC.
- The CUSC Panel recommends approval of the equivalent CUSC change to [P271](#) 'NETSO consultation in relation to any potential changes to the BSC which takes place in forums other than the BSC Panel'. The CUSC Panel recommends approving the alternative solution, making its recommendation identical to the BSC Panel's.

² System Operator-Transmission Owner Code.

³ Distribution Connection and Use of System Agreement.

⁴ Grid Code Review Panel.

⁵ Master Registration Agreement (MRA) Development Board.

⁶ Connection and Use of System Code.

- The CUSC Panel recommends approving a change **to address Ofgem's outstanding concerns over** the legal text for the CUSC Governance Review proposals, which were implemented at the end of last year.
- **The CUSC's Governance Standing Group (GSG) is considering whether the CUSC should allow** Panel and Workgroup members to claim expenses, as under the BSC.

- **Grid Code**

- The GCRP has discussed the events of 10-14 September, during which National Grid had to issue a number of Emergency Instructions to reduce the output of wind farms in Scotland. GCRP members have some questions about the BSC's provisions for the Settlement of Emergency Instructions, and we will meet with them and National Grid to discuss these further.
- National Grid has issued a [consultation document](#) on 'Managing intermittent and inflexible generation in the Balancing Mechanism', **which was informed by the events of 10-14 September**. We are currently reviewing this consultation, and will respond on any relevant BSC matters.
- **We are attending the Grid Code's** Offshore BM Unit Configuration Workgroup, which is looking into additional information that National Grid may require from operators of complex wind farms. The Workgroup believes **that the BSC concept of 'Switching Group' (introduced by [BSC Modification P240](#) to support complex switching arrangements at wind farms) may not adequately support the more complex configurations it is now considering**. We have taken an action to investigate this issue, and will report back to the Grid Code Workgroup and the BSC's Imbalance Settlement Group (ISG).
- The Grid Code is establishing three other Workgroups of relevance to the BSC, which have not yet met. Two of these will consider requirements for the submission of Physical Notifications and other data by intermittent generation such as wind farms. The other will clarify ambiguities in the rules for operational metering at Embedded Small Power Stations (i.e. those with capacity less than 50 MW in England and Wales, 30 MW in South Scotland or 10 MW in North Scotland).

- **DCUSA**

- A DCUSA Workgroup has assessed a number of implementation options for a change to allow Non Half Hourly customers to move to Half Hourly Settlement without affecting their Distribution Use of System Charges. The group is now investigating whether its **selected option (which is a 'quick win' option and does not require changes to BSC Systems)** could be implemented for April 2012. Longer-term options (which may require BSC System changes) will be discussed separately by the



DCUSA's Methodology Issues Group (MIG), which reports to the Distribution Charging Methodology Forum (DCMF).

Table 2 – Code panel meetings during the next month⁷

Panel/committee	Meeting date
DCUSA Panel	19 October 2011
STC Committee	25 October 2011
MDB	27 October 2011
CUSC Modifications Panel	28 October 2011

Cross-Codes Electricity Forum

- 5.3 Together with National Grid and ElectraLink, we held our ninth Cross-Codes Electricity Forum on 16 September. This forum focused on the future of Half Hourly Settlement, and also provided an update on European developments in addition to a round-up of current Grid Code, CUSC, BSC and DCUSA changes. You can download the presentation slides [here](#). The session received great feedback from attendees in the room. Unfortunately, webinar users were unable to hear the presenters due to microphone problems and we are working to resolve these as soon as possible.
- 5.4 The next Cross-Codes Electricity Forum is on 18 November 2011. Visit the [Cross-Codes Electricity Forum](#) webpage or contact Kathryn Coffin for more information.

Peter Haigh

Chief Executive

⁷ The next GCRP meeting is 17 November 2011.



188/01

Appendices:

Appendix 1 – Smart Update
Appendix 2 – ELEXON Monthly KPIs

Attachments:

Attachment 1 – 188/01a: Report from ISG
Attachment 2 – 188/01b: Report from SVG
Attachment 3 – 188/01c: Report from PAB
Attachment 4 – 188/01d: Report from TDC

Appendix 1: Smart Update

An update on our smart related activities will be provided at the BSC Panel meeting. The highlights of the last month include:

Smart consultations

As previously reported a series of consultation documents were issued in mid August. We are currently finalising our responses to:

- DECC: Consultation on draft licence conditions and technical specifications for the roll-out of gas and electricity smart metering equipment (closes 13 October)
- DECC: Consultation on draft licence conditions for a code of practice for the installation of smart electricity and gas meters (closes 10 November)
- DECC: A call for evidence on data access and privacy (closes 13 October)
- Ofgem: Commercial Interoperability: proposals in respect of managing domestic customer switching where **meters with advanced functionality are installed** (closes 14 October).

We shall not be answering all questions but shall respond on questions relevant to the BSC and our experiences. We will publish our responses on the consultations page of the ELEXON website.

Within our response on the technical specifications we will explain the potential interaction between the existing metering Codes of Practice and Smart Metering Equipment Technical Specifications. Whilst settlement requirements need to be maintained, duplicating requirements across Codes is likely to cause confusion. We believe that Section L of the BSC should be modified to recognise the Smart Metering Equipment Technical Specifications and that compliance with these would be sufficient to discharge BSC obligations.

On 29 September DECC issued a consultation on the DCC (A consultation on the detailed policy design of the regulatory and commercial framework for the DCC⁸). At 145 pages and containing 104 questions it is an extensive document: those wanting an overview are directed to the 8 page Executive Summary. Responses to the document are required by 24 November and will be used by the Smart Metering Implementation Programme to further

⁸ <http://www.decc.gov.uk/assets/decc/11/consultation/smart-metering-imp-prog/2883-cons-detailed-policy-design-of-dcc.pdf>

develop the framework. The document provides valuable insight into the emerging shape of the DCC and its relationship with its users and service providers.

Following the consultation, the Government plans to issue its conclusions on the matters discussed within the document, the draft DCC licence conditions, the draft Prohibition Order and the draft Licence Application Regulations. A further consultation is also planned on the key DCC provisions to be contained in the Smart Energy Code. No dates have been stated for when these documents will be released.

Whilst much of the document is focused on the DCC itself, it also addresses the adoption volumes for the pre-DCC communications contracts and the communications service requirements. These user aspects will be employed in the service provider procurements.

Supporting the SMIP

We continue to provide support to the SMIP's Business Process specification workstream in line with the agreed MoU. This work continues to schedule.

We also attended an industry workshop on how to measure the benefits from the smart rollout. We provided material on how aggregated settlement data could be used to provide insight into gross changes in energy volumes and this was well received. We will continue to provide input to this workstream as required.

We continue to monitor and review the published workings of the other SMIP workstreams. ELEXON will support the forthcoming SMIP workgroup on 'consequential changes to existing Codes and Agreements'. This work will commence at the end of October.

Issue of Pre-Qualification Questionnaires for DCC Service Providers

On 9 September DECC published Pre Qualification Questionnaires for the two prime DCC Services procurements: Data Services (a single national contract comprising hosting, application maintenance, and systems integration) and Communications Services (three regional contracts). PQQ responses are required to be returned by 14 October. Whilst we are not pursuing any of these roles, the documentation provides a useful insight into the shape of the emerging arrangements. To that end we are keeping a close watch on these procurements.

The procurement process calls for clear evidence (commercial and technical) that the bidders are able to meet the SMIP's requirements and will be conducted using a structured dialogue process. Whilst no overall timetable has been published, the documentation notes that "owing to the nature of the services concerned the ... procurement will be inherently complex ... culminating in the selection of preferred bidders towards the end of 2012".

The use of Half Hourly Data for Settlement

A consultation to see whether there is a case for mandating half hourly (HH) settlement for domestic and smaller industrial consumers (Profile Classes 1-4) closed on 12 September. The majority of respondents concluded that HH settlement should not be mandated in the near future but is the right solution for the longer term. As a result costs and benefits were not quantified and the case remains unproven at this time. There clearly is some reluctance at over layering this change on top of the substantial work programme that will be required for the roll-out of smart metering.

With growing numbers of smart meters being installed there is now an appreciable volume of smart data. We are discussing with some Suppliers whether we can access it and use it investigate the types of issues that the market will experience through the smart transition. It could provide valuable insight into the potential impacts on profiling and Settlements and help the market to prepare. In the meantime we continue to press for the release of the Energy Demand Research Project data.

Smart Grids

Recognising the energy production and usage challenges going forward, intelligently integrating the actions of all users of the electricity networks is seen as an essential to delivering sustainable, economic and secure electricity supplies. Smart Grids are starting to emerge from the shadows of Smart Metering and this is evidenced by the establishment of various working groups, associations and a growth in conferences. This field will impact the current settlement arrangements as new technologies and players enter the market place. We are keen to understand the potential and to help deliver solutions. We have therefore initiated a smart grids workstream within our smart programme.

We understand that the Smart Grid Forum anticipates publishing its views on Solution Sets, Enablers and Opportunities in October and we will review and comment on it when it is published.

Smarter Markets

On 28 September The Ofgem Smarter Market's team held an industry event to launch a project to scope a strategy for developing smarter markets from the platform of smart metering. The presentation materials are published on Ofgem's website⁹.

The project scope is "any aspect of how energy markets operate that must or may change as a result of smart meter rollout and where changes could deliver material benefits for consumers". Suggested areas to be addressed include:

⁹ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=2&refer=MARKETS/SM/STRATEGY>

- Demand Side Response
- Time of Use Tariffs
- Half Hourly Settlement
- Change of Supplier
- Code consolidation
- Data Collection and Data Aggregation
- Market Entry Processes

These areas are key aspects of the Supplier Volume Allocation processes and we have championed change in several of them. We will contribute to the debate and alongside other Central Bodies will work with the Ofgem team to better understand the issues and to identify potential solutions.

Phase 1 of the Project is built around evidence gathering and will include an industry consultation which is currently targeted for December. Findings will be published around June 2012.

ELEXON Smart Metering appearances

We presented at the SBGI Utility Metering Seminar in Birmingham on 14 September. Focusing on the need to maintain data quality of both the smart and legacy metering, the presentation was well received and the theme has been picked up in the trade press.

Smart Budget

Our expenditure this year (2011/12) up to the end of September¹⁰ is:

	Released Funds	Committed Funds
Smart Support ¹¹	£171k	£70k
Smart Opportunities ¹²	£23k	£19k
Total	£206k	£89k

¹⁰ This includes negotiated payments for Conferences extending through to March 2012

¹¹ Comprising Smart 1 - Evolving the BSC Arrangements & Smart 2 - Supporting the SMIP

¹² Comprising Smart 3 – Progressing the new Smart Opportunities



We continue to maximise the use of our internal resources and so limit external expenditure. Since previously reported, £6k of Smart Opportunities funding of has been used to support legal advice on progressing our vires and external advice on company structuring.

