

4.7 Issue Form

Issue Form - BSCP40/04	Issue Number 114 <i>(mandatory by BSCCo)</i>
Issue Title <i>(Mandatory by originator)</i> Issues relating to Settlement of ABSVD for ancillary services delivered through independent aggregators	
Issue Description <i>(Mandatory by originator)</i> <p>Applicable Balancing Services Volume Data (ABSVD) is provided by NGESO to Settlement, in order to ensure that Lead Parties' Energy Imbalance positions are adjusted to reflect ancillary services that the assets within their BM Units provide to NGESO. The original ABSVD process (introduced by Modification Proposal P71) was intended to work with BM Units for which the Lead Party was both Balance Responsible Party (BRP, liable for Energy Imbalance) and Balancing Service Provider (BSP, providing ancillary services to NGESO). But, more recently, Modifications P344 and P354 have provided mechanisms for NGESO to submit ABSVD where the customer's BSP (an independent aggregator) is different to their BRP (the electricity supplier):</p> <ul style="list-style-type: none"> • Modification P354 (‘Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level’) allows NGESO to notify Settlement of ABSVD for the individual Import Metering System (and Export Metering System, if applicable) that is providing ancillary services. NGESO does not need to know which Supplier is responsible for each Metering System, as the Supplier Volume Allocation Agent (SVAA) will determine this, and allocate the ABSVD to the appropriate Supplier(s); and • Modification P344 (‘Wider Access and Project TERRE’) allowed independent aggregators to accede to the BSC (as “Virtual Lead Parties”) and place customers in Secondary BM Units so they can deliver balancing services. This has had the consequence of allowing NGESO to submit ABSVD against Secondary BM Units. However, such submissions are not handled consistently in Settlement, in that they are sometimes but not always applied to Suppliers' imbalance positions (see issue 2 below for detailed discussion). <p>Experience of operating these processes has revealed a number of issues that were either not considered or not resolved during the P344 and P354 processes, as described below. We believe it would be helpful for an Issue Workgroup to examine these issues, including any potential impacts on demand flexibility services (both turn-up and turn-down) and participation of domestic customers.</p> <p>Interest across the industry on energy flexibility continues to grow, with Utility Week having run Flexibility Forums to bring together individuals from across the flexibility market. Likewise, the Association for Decentralised Energy (ADE) held a virtual “Demand Turn-up” roundtable with interested parties in late March 2024; this session touched on both P415 (Facilitating access to wholesale markets for flexibility dispatched by Virtual Lead Parties) and Local Constraint Markets (LCMs) and discussed the need for a coordinated approach.</p> <p>We also propose that the workgroup should prioritise its work, and make interim reports back to the Panel where necessary, so that any more urgent issues can be resolved more quickly. Compensation cash flows in relation to demand turn-up have recently been the subject of industry discussion - for example the Energy UK response to the C16 proposal for an alternative price adjustment mechanism instead of ABSVD for the Local Constraint Market (LCM), as well as the discussion groups held by Utility Week and ADE, which suggests issue 1 below may warrant particularly urgent consideration.</p>	

Issue 1 – Supplier Compensation for ABSVD Payments

Two recent Modification Proposals have proposed that Suppliers should receive (or make) payments when their Imbalance position is adjusted as a result of customers in their BM Units taking actions through an independent aggregator:

- Modification Proposal P415 ([‘Facilitating access to wholesale markets for flexibility dispatched by Virtual Lead Parties’](#)) introduces payments to (or from) Suppliers when their Imbalance position is adjusted due to customers in their BM Units delivering Deviation Volumes to a Trading Virtual Lead Party. This Modification Proposal will be implemented in the November 2024 BSC Systems Release; and
- Modification Proposal P444 ([‘Compensation for Virtual Lead Party actions in the Balancing Mechanism’](#)) proposes payments to (or from) Suppliers when their Imbalance position is adjusted due to customers in their BM Units delivering Bid Offer Acceptances via a Virtual Lead Party. This Modification Proposal is still being assessed (following a send-back by Ofgem), with the option of direct compensation still being discussed.

Currently, there is no such mechanism in the BSC for payments to (or from) Suppliers when their Imbalance position is adjusted (using ABSVD) due to customers in their BM Units delivering ancillary services via an independent aggregator.

In principle, the lack of such a mechanism in the BSC does not prevent Suppliers, independent aggregators and customers making appropriate arrangements through bilateral (or trilateral) negotiation. But anecdotally we believe that such arrangements are often not made, as some aggregators feel sharing commercially sensitives MPAN information with Suppliers will negatively impact their business, meaning there are no cash flows associated with ABSVD volumes.

This has the potential to create issues for both Suppliers and independent aggregators, as summarised in the following table:

Potential impacts on Suppliers and Independent Aggregators of ABSVD without associated compensation payments		
Direction of ABSVD	Impact on Supplier	Impact on Independent Aggregator
Positive ABSVD e.g. demand reduction, or additional generation	<p>The Supplier loses out, as the Imbalance adjustment removes energy from their account, with no associated payment:</p> <ul style="list-style-type: none"> • For demand reduction, this is energy they paid for in the wholesale market. • For additional generation, it is energy they may need to pay the generator for. 	<p>Aggregator is not required to pay for the energy, and may therefore have an advantage over other BSPs. For example, a Supplier providing the same ancillary service would have had to buy the energy.</p>
Negative ABSVD e.g. demand turn-up, or reduced generation	<p>The Supplier profits, as the Imbalance adjustment adds energy to their account, with no associated payment:</p> <ul style="list-style-type: none"> • For demand turn-up, this is energy they can then sell to the customer. • For reduced generation, they still have the benefit of the energy, without having to buy it from the generator. 	<p>The aggregator does not receive any payment for the energy, and may therefore have a disadvantage over other BSPs. For example, a Supplier providing the same ancillary service would have received payment for the energy (e.g. by selling it to a customer).</p>

In their feedback on issue 1, NGENSO flagged a number of scenarios/impacts they considered worthy of further discussion:

- Negative ABSVD actions undertaken by independent aggregators tend to be delivered by time shifting demand. Whilst the aggregator's end customer may save some costs on the corresponding reduced energy use outside of the service window, with these savings indirectly linked to the aggregator action but without any direct payments.
- Where negative ABSVD action are due to time shifting, for example from a battery, matched with a corresponding demand turn down outside the ABSVD window, Supplier may be unable to forecast this "rebound" action. The Supplier energy position may therefore be longer than expected; if this occurred when wholesale prices are higher than tariff prices, costs will increase, reducing the Supplier's profit.
- Likewise, the impact on time shifting for positive ABSVD actions should also be considered for demand reduction, even though most of the positive ABSVD actions are delivered by non-time shifting generators.

Issue 2 – Inconsistency in whether to adjust Suppliers' positions for BM Unit ABSVD submitted against Secondary BM Units

When the solution for Modification P344 was developed, we don't appear to have considered the possibility that NGENSO would submit BM Unit ABSVD for Secondary BM Units, as we assumed that any ABSVD for independent aggregators' customers would be submitted through the non-BM Unit ABSVD process. This assumption has proved incorrect, as NGENSO does now submit BM Unit ABSVD for Secondary BM Units. In calendar year 2023 the gross total volume was 22.7 GWh (comprising 16.5 GWh of positive ABSVD, and 6.2 GWh of negative ABSVD). This is considerably larger than the volume submitted through the non-BM Unit (P354) route.

We believe these BM Unit ABSVD volumes will be applied to Suppliers' imbalance positions, provided that the VLP does submit Delivered Volume data for the relevant MSID Pairs. This is because the BM Unit ABSVD (QAS_{ij}) volume submitted for the Secondary BM Unit will be included in:

- The Period BM Unit Balancing Services Volume (QBS_{ij}) value for the Secondary BM Unit, in accordance with BSC Section T4.3.2;
- The Period Secondary BM Unit Delivered Volume (QSD_{ij}) for the Secondary BM Unit, in accordance with BSC Section T4.3B.2; and
- The Period Secondary BM Unit Supplier Delivered Volume (QSD_{ij2}) for each Supplier BM Unit 'i' containing customers with a Delivered Volume for Secondary BM Unit 'i2', in accordance with BSC Section T4.3B.4.

This works provided that the VLP does submit Delivered Volumes for the Settlement Period in question (either in relation to the ABSVD, or in relation to a BOA that happens to occur in the same Settlement Period). However, in many cases it appears that VLPs do not do this. This is understandable, given that the requirement to do so was introduced by Modification P344 in the context of Balancing Mechanism (BM) participation, not delivery of ancillary services.

Issue 3 – Settlement does not correctly consider interaction of non-BM Unit ABSVD with Bid Offer Acceptances or Deviation Volumes

The Section T rules for calculating whether Bid Offer Acceptances were delivered do not take non-BM Unit ABSVD into account. To illustrate this, consider a Secondary BM Unit that is instructed by NGENSO to provide a 1 MWh Offer Volume, and 1 MWh of ancillary services (notified as ABSVD). However, it only delivers 1.5 MWh (rather than the expected 2 MWh):

- If the ABSVD was notified through the BM Unit route, the Secondary BM Unit would be treated as only having delivered 1.5 MWh, because:
 - $QBS_{ij} = 2$ MWh (i.e. it includes both the Offer Volume and the ABSVD);
 - The Period Expected Metered Volume (QME_{ij}) therefore reflects the obligation to deliver 2 MWh;

- The Period Secondary BM Unit Non-Delivered Volume ($QSND_{ij}$) is therefore calculated as 0.5 MWh, with the VLP exposed to Imbalance Charges and Non-Delivery Charges on the 0.5 MWh that the BM Unit did not deliver;
 - The Period Secondary BM Unit Delivered Volume (QSD_{ij}) will be 1.5 MWh, and therefore the adjustment made to Suppliers' Imbalance positions will be 1.5 MWh (which reflects the volume that was actually delivered); and
 - If the BM Unit is a Trading Secondary BM Unit (as introduced by Modification P415) none of the Deviation Volume will be allocated to the VLP's Energy Account for trading in the wholesale market.
- However, if the ABSVD was notified through the non-BM Unit route, it is not taken into account for purposes of considering volumes delivered in the Balancing Mechanism or wholesale markets:
 - $QBS_{ij} = 1$ MWh (i.e. it includes the Offer Volume, but not the ABSVD);
 - The Period Expected Metered Volume (QME_{ij}) therefore reflects an obligation to deliver 1 MWh only;
 - The Period Secondary BM Unit Non-Delivered Volume ($QSND_{ij}$) is calculated as 0 MWh, with the VLP not exposed to Imbalance Charges or Non-Delivery Charges;
 - The Period Secondary BM Unit Delivered Volume (QSD_{ij}) will be 1 MWh;
 - If the BM Unit is not a Trading Secondary BM Unit, the total adjustment made to Suppliers' Imbalance positions will be 2 MWh (i.e. 1 MWh through the P344 route, and 1 MWh through the P354 route). This is more than the physically delivered volume;
 - If the BM Unit is a Trading Secondary BM Unit, the total adjustment made to Suppliers' Imbalance positions will be 2.5 MWh (i.e. 1 MWh through the P344 route, 1 MWh through the P354 route, and 0.5 MWh through the P415 route).

This inconsistency occurs because neither the P344 nor P415 solutions include provisions for considering whether the Secondary BM Unit in question was also instructed to deliver non-BM Unit ABSVD in the same Settlement Period.

Issue 4 – Requirement for advance notice of MSID Pairs providing non-BM Unit ABSVD

Section 2.1 of BSC Procedure BSCP602 ([‘SVA Metering System & Asset Metering System Register’](#)) requires NGENSO to provide details of any MSID Pairs for which they will be providing non-BM Unit ABSVD five Working Days in advance. This has proven to be an obstacle that may impose unnecessary delays to customers signing up to provide ancillary services.

It appears that the original P354 requirement did not include this requirement, and it was introduced as a (probably unintended) consequence of Modification P388 [‘Aligning the P344 and P354 Solutions’](#). The requirement to provide advance notice that an MSID Pair is being used is necessary in the context of P344, where there may be a previous VLP (who needs to be informed of, and have an opportunity to challenge, the change of VLP). But this does not apply in the context of ABSVD (as NGENSO is a monopoly buyer of ancillary services), so in this context the requirement appears to serve no purpose.

Issue 5 – Imbalance adjustments for flexibility provided to Distribution System Operators

One of the purposes served by ABSVD is to ensure that Suppliers are not exposed to Imbalance charges when their customers provide flexibility to NGENSO. There is no corresponding process for flexibility provided by customers to Distribution System Operators (DSOs). There is therefore a risk of Suppliers being exposed to Imbalance cash flows outside of their control.

Following discussions with NGENSO, it requested the following two additional issues be added to this paper for consideration within any future issues groups:

Issue 6 – Imbalance adjustments for sites with multiple Import and/or Export MSIDs

According to P354 procedures, ABSVD applies to unique co-locational MSID pairs. However some sites has multiple and/or an uneven number of Import/Export MSIDs, making submission difficult. Some of the MSIDs associated with the site cannot currently be submitted, unless Elexon grants an exception to allow all site-related MSID to be accepted.

Issue 7 – Increased number of MSIDs wanting to use P354 ABSVD route due to data availability issue

In the surge of flexibility services that allows smaller assets to take part in Balancing Services, there is an increased volume of assets requiring ABSVD. However, submission via the BMU ID route is not always possible for some Aggregators due a lack of transparency in MSID associated data (i.e. it is unclear whether the MSID is settled Half Hourly or Non-Half Hourly, and/or what is the associated BMU ID). In addition, the Aggregator is not be able to register the BMU ID (either via form BSCP15/4.1 or the Kinect Platform) as this BM Unit does not belong to them, adding further complexity.

For example, ESO recorded over 100,000 domestic consumers signing up with Aggregators to be part of the , Winter 2023/24 Demand Flexibility Service (DFS). However due to the barriers to sharing market information, aggregators are not be able to provide relevant information to meet the ABSVD requirements, either via the BMU ID or P354 route. Whilst it is debatable that the P354 methodology is a more feasible solution to allocate imbalance volume for this segment, HH settlement will still remain a barrier.

Justification for Examining Issue *(Mandatory by originator)*

All of these issues have the potential to reduce or distort competition in the flexibility market, which in turn could increase the balancing costs passed on to consumers.

Issue 1 – Supplier Compensation for ABSVD Payments

In the absence of appropriate compensation payments for energy notified as ABSVD, there will not be a level playing field between VLPs and other providers of these services (such as Suppliers). VLPs will be able to reduce demand or increase generation (to provide positive ABSVD volumes to NGENSO) without paying the cost of sourcing it (and may therefore have an artificial advantage in the provision of such services). Conversely, when they increase demand or reduce generation (to provide negative ABSVD volumes to NGENSO) they do not receive the payments that a Supplier would in the same circumstances. This may distort competition in the market for such services, ultimately increasing the costs passed on to consumers.

Issue 2 – Inconsistency in whether to adjust Suppliers' positions for BM Unit ABSVD submitted against Secondary BM Units

The current inconsistency in approach may make it difficult or impossible for Suppliers to pass on appropriate costs to customers providing ancillary services to NGENSO.

Issue 3 – Settlement does not correctly consider interaction of non-BM Unit ABSVD with Bid Offer Acceptances or Deviation Volumes

The current rules may provide opportunities for VLPs to obtain a double benefit from the same flexibility volume e.g. selling the same volume to NGENSO as both an Offer and an ancillary services volume; or selling the same volume to NGENSO as an ancillary services volume and in the wholesale market (via Modification P415).

We understand that there was some discussion of this issue with NGENSO while the P344 solution was developed, but it was mostly in the context of Short Term Operating Reserve (STOR). At that time there may have been a belief that NGENSO would not allow non-BM STOR and Offers to be delivered by the same Secondary BM Unit in the same Settlement Period. But non-BM Unit ABSVD is now used for more services, some of which may be delivered at the same time as Bid Offer Acceptances. This is therefore a live issue, with the potential to become significantly more material once P415 is delivered in November 2024.

Issue 4 – Requirement for advance notice of MSID Pairs providing non-BM Unit ABSVD

The Demand Flexibility Service (DFS) provides an example in which tight timescales for provider sign-up made it impossible to meet the five WD requirement. More generally the requirement appears to serve no purpose, and risks placing an unnecessary obstacle in the path of customers wishing to provide ancillary services to National Grid.

NGESO are supportive of notification timescales being relaxed for certain ancillary services; they have flagged that doing this may mean the validation checks for these notifications would be received by NGENSO after the event. This would impact any services that require an ABSVD Opt-out; for these services, the MSID pair must be validated prior to any opt-out volume being committed. NGENSO also believe the implementation of an automated validation process for qualifying MSIDs, via an API or similar, would be beneficial.

Issue 5 – Imbalance adjustments for flexibility provided to Distribution System Operators

The lack of imbalance adjustments (and associated compensation payments) may result in Suppliers incurring additional costs (which they pass on to customers), and distort competition between Suppliers and independent aggregators providing these services to DSOs.

Alternatively, the Workgroup may consider this issue is best left for the Market Facilitator to lead on, given the scope of this issue and how it impacts on multiple stakeholders and may need direction from government.

NGESO gave the following justification for the two additional issues they asked to considered:

Issue 6 – Imbalance adjustments for sites with multiple Import and/or Export MSIDs

In the absence of a standard methodology to apply ABSVD to sites with multiple and/or an uneven number of Import/Export MSIDs, there is a risk of allocating incorrect volumes and impacting the imbalance position. This could distort competition in the market for such services due to the ‘playing field’ being unfairly biased.

Issue 7 – Increased number of MSIDs wanting to use P354 ABSVD route due to data availability issue

Data availability constraints, and the potential BMU ID registration issue, creates concerns around operating in a level playing field and possible conflicts of interest. These can currently only be mitigated by ABSVD through the non-BMU route, as this is the most feasible solution to allocate imbalance. However, this route is still not viable for large numbers of MSIDs, or where MSIDs change their HH settlement status mid-way through the service.

Elxon and ESO would be required to modify their systems to manager a larger number of assets, as the P354 processes/systems were designed for a lower number of MSID pairs.

Potential Solution(s) *(Optional by originator)*

Potential solutions to the various issues described above are as follows.

Issue 1 – Supplier Compensation for ABSVD Payments

Potential solutions are similar to those considered under P415 and P444 i.e. Suppliers should receive compensation for positive ABSVD volumes, and pay compensation for negative ABSVD volumes. This could potentially apply to both BM Unit and non-BM Unit ABSVD.

Compensation could be mutualised, or paid by/to the VLP (where delivered by customers in a Secondary BM Unit). Mutualised compensation would have the potential downside of dis-incentivising delivery of demand turn-up services by independent aggregators.

Issue 2 – Inconsistency in whether to adjust Suppliers' positions for BM Unit ABSVD submitted against Secondary BM Units

The Workgroup should consider whether it would be desirable to introduce a more consistent approach, by (for example):

1. Amending the calculation of Period Secondary BM Unit Delivered Volume (QSD_{ij}) to exclude BM Unit ABSVD, so that these ABSVD volumes are never applied as adjustments to Suppliers' Imbalance positions; or
2. Clarifying that VLPs are required to submit Delivered Volumes when customers in Secondary BM Units provide ancillary services for which NGESO notified ABSVD, so that these ABSVD volumes are always applied as adjustments to Suppliers' Imbalance positions.

Issue 3 – Settlement does not correctly consider interaction of non-BM Unit ABSVD with Bid Offer Acceptances or Deviation Volumes

To address this issue (and allow orderly stacking of revenues) would require new BSC drafting to:

- Identify where non-BM Unit ABSVD volumes relate to MSID Pairs that have been allocated to a Secondary BM Unit; and
- Notify SAA of these volumes (aggregated to Secondary BM Unit level) so that they can be included as an adjustment in the Period BM Unit Balancing Services Volume (QBS_{ij}) value for the Secondary BM Unit.

Issue 4 – Requirement for advance notice of MSID Pairs providing non-BM Unit ABSVD

Timescales for notification of MSID Pairs by NGESO should be relaxed. For example, NGESO could be required to provide them in time for the Initial Settlement (SF) run. This would still be sufficient time for NGESO to submit Delivered Volumes within 45 days of the Settlement Day, as required by BSC Section Q 6.4.7(b). Note BSCP602 section 2.2B incorrectly stated 45 WD (Working Days), so will be corrected as part of any amendments to this process.

Issue 5 – Imbalance adjustments for flexibility provided to Distribution System Operators

This would require an ABSVD-like process for DSOs to notify Settlement of flexibility volumes. Changes to the Distribution Licence could be required (to introduce an equivalent to the C16 statement that defines the ABSVD methodology).

Alternatively, the Workgroup may consider it desirable to delay consideration of this issue until the Market Facilitator is in place who is able to more proactively facilitate a common approach across DSO.

Issue 6– Imbalance adjustments for sites with multiple Import and/or Export MSIDs

NGESO suggests allowing single Import and Export MSIDs declaration for sites with multiple and/or uneven number of Import/Export MSIDs as standard. This could include the condition that all possible unique MSID pairs taking part in the service are used.

Issue 7 – Increased number of MSIDs wanting to use P354 ABSVD route due to data availability issue

Making HH settlement status and BMU IDs public could ease this problem, coupled with a mandatory BMU ID registration for all Suppliers. NGESO suggest this could be done using a similar platform to that currently offered by Citizen Advice for [Smart Meter checks](#). Alternatively, automation of P354 processes currently undertaken by Elexon would allow for a greater volume of actions to be notified this way.

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4.8. Issue Form Guidelines

These guidelines are to be used to assist in the completion of the Issue Form, contained in Appendix 4.7. The guidelines state who should complete each item on the form and whether it is mandatory or optional. They also give a brief description of the information that should be given for each item. For further support on completing this Issue Form, please contact BSCCo. Once completed this form should be submitted to BSCCo.

- **Issue Number** –mandatory to be completed by BSCCo once the proposed issue has been received. This is a unique number.
- **Issue Title** – mandatory and is completed by the proposer of the Issue at the time the issue is raised. This should be unique where possible.
- **Issue Description** – mandatory and is completed by the proposer of the Issue. The description should include as much detail as possible of the issue being encountered.
- **Potential Solution(s) - optional** by originator – This is to be completed where the proposer of the Issue has potential solutions that they want to be discussed as part of a potential solution to the issue.
- **Justification for Examining Issue** – mandatory by proposer of the Issue – details of the business case for examining the issue. This section should also include a brief assessment of the risk associated with leaving the problem/issue unresolved, in terms of materiality and probability of occurrence.
- **Proposer's Details** – mandatory completion by proposer of the Issue – the name, organisation, email address and telephone number of the proposer. This should include details of any originators of the Issue, for example if BSCCo is raising an Issue on behalf of another participant.