

BSC Modification Proposal Form		At what stage is this document in the process?
<h1>P369</h1> <h2>National Grid Legal Separation changes to BSC</h2>		<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 5px; margin-bottom: 5px;">01 Modification</div> <div style="border: 1px solid blue; padding: 5px; margin-bottom: 5px;">02 Workgroup Report</div> <div style="border: 1px solid purple; padding: 5px; margin-bottom: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid orange; padding: 5px;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>This proposal seeks to modify the BSC to reflect the creation of a new National Grid Electricity System Operator (NGESO) that is legally separated from National Grid Electricity Transmission Limited (NGET).</p>		
	<p>The Proposer recommends that this Modification should:</p> <ul style="list-style-type: none"> be sent directly into the Report Phase <p>This Modification will be presented by the Proposer to the BSC Panel on 12 July 2018. The Panel will consider the Proposer's recommendation and determine how best to progress the Modification.</p>	
	<p>High Impact: National Grid</p>	
	<p>Medium Impact: None</p>	
	<p>Low Impact: None</p>	

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Timetable		
The Proposer recommends the following timetable:		
Initial Written Assessment presented to Panel	12 July 2018	
Report Phase Consultation	16 July 2018 – 27 July 2018	
Draft Modification Report presented to Panel	12 July 2018	
Final Modification Report submitted to Authority	9 August 2018	
Final Modification Report published	16 August 2018	

 Any questions?

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1 Summary

What is the issue?

Within the National Grid (NG) Group a new Electricity System Operator (ESO) entity (NGESO) is being established, that is legally separate from the transmission owner, NG Electricity Transmission (NGET). The separation will allow the new ESO to play a more proactive role in managing an increasingly flexible electricity system that can realise benefits for consumers. The formal separation shall be achieved by 1 April 2019.

The Balancing and Settlement Code (BSC) as well as the Code Subsidiary Documents (CSDs) include multiple references to NGET in terms of the ESO functions set out in its Transmission Licence. Each of these references need to be reviewed to ensure that the references continue to remain accurate following the legal separation of the ESO functions from NGET and their transfer to NGESO.

What is the proposed solution?

This Modification proposes to:

- Amend all references that refer to ESO functions to become 'Transmission Company' where possible (exceptions outlined below); and
- Amend the definition of 'Transmission Company' to refer to ESO obligations only.

The proposed definition of Transmission Company includes the acronyms and words: 'NGESO', 'National Grid Company' and 'NGC'. All references to 'NGET', the 'National Grid Electricity Transmission Limited', 'National Grid' and 'System Operator' have been updated to become 'Transmission Company' where possible (exceptions outlined below). This will ensure all terminology is accurate and aligns with NGESO's future functions, as well as avoiding possible confusion over future responsibilities. A definition for NGET is not required to be added to the Code due to all references within the BSC relating to NGESO functions only.

To avoid the need for disruptive and costly changes to BSC Central Systems:

- references to 'NGC' in the CSD's are proposed to be retained (NGC is now included within the definition of 'Transmission Company');
- existing redundant references to 'System Operator Consumption Imbalance' and 'System Operator Production Imbalance' within the Interface Definition Documents (IDD) will have '[redundant]' inserted next to them and be marked as housekeeping for the purpose of future changes already impacting BSC Central Systems;
- the acronym 'SO' shall be defined as 'Transmission Company' in the IDD, User Requirements Specification (URS) and Service Description (SD) documents when in reference to BSC Central Systems data items.

Exceptions to the solution are:

- references to the 'NGET Connection Agreement' to become 'NGESO Connection Agreement' as this is a specified title;
- references to 'system operator' in the lower case are to remain as this is a generic term (an operator of a non-specific system); and
- references to 'System Operator BM Cashflow' are to remain as this is a defined term.

2 Governance

Justification for proposed progression

This Modification should not be considered suitable for treatment as Self-Governance as the Party responsible for system operation will be amended and so may result in a material impact on:

- competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
- the operation of the national electricity transmission system.

It is proposed to recommend to the Panel that this Modification Proposal proceeds directly to the Report Phase. The reasons for this proposed approach are:

- No fundamental ways of working or contractual interfaces of the system operator are envisaged to be changed. Although the change in entities is significant, the anticipated impact on industry parties is minimal. Subsequently, it is considered that the recommendation which the Panel should make to the Authority in relation to this Modification is self-evident.

Requested Next Steps

This Modification should be:

- sent directly into the Report Phase.

3 Why Change?

Background

Following the joint statement titled "[Statement on the future of Electricity System Operation](#)" issued by BEIS, Ofgem and National Grid on 12 January 2017 and consequential consultation response by Ofgem on [ESO separation](#) on 3 August 2017, the obligations in the BSC will need to be modified to reflect the System Operator requirements and to place the current Transmission Owner requirements on NGET as a Transmission Owner.

NGET and NGESO will become separately licensed entities as a consequence of NGET partially transferring its existing licence to NGESO (the System Operator elements only) to NGESO under section 7A Electricity Act 1989 and NGET will retain the Transmission Owner elements.

What is the issue?

The BSC as well as the CSDs include multiple references to NGET in terms of the ESO functions set out in its Transmission Licence. Each of these references need to be reviewed to ensure that the references continue to remain accurate following the legal separation of the ESO functions from NGET and their transfer to NGESO.

4 Code Specific Matters

Technical Skillsets

N/A

Reference Documents

[BSC Section X, Annex X-1 'General Glossary'](#)

[Future Arrangements for the Electricity System Operator: Response to Consultation on SO Separation](#)

5 Solution

Proposed Solution

This Modification proposes to amend references to ‘NGET’, ‘System Operator’ and the ‘Transmission Company’ within the BSC and the CSD’s to ensure that they pertain solely to NGESO and its future functions.

In order to minimise the extent of the amendments necessary to the BSC and CSD’s and ensure that the references to Transmission Company continue to remain accurate following legal separation of the ESO functions from NGET, this Modification proposes to amend:

- i. the definition of the ‘Transmission Company’ in [BSC Section X, Annex X-1 ‘General Glossary’](#), to refer solely to NGESO as the new ESO, and to its corresponding new Transmission License;
- ii. the definition of ‘Transmission Licence’ in Annex X-1, to ensure alignment with the definition of Transmission Licence proposed in the most recent draft of the ESO Transmission Licence published by Ofgem; and
- iii. all references to NGET within Annex X-1 and the CSDs to Transmission Company or NGESO as appropriate, to avoid confusion;
- iv. all references to National Grid within the CSD’s to Transmission Company when in reference to NGET plc and to Transmission System when in reference to National Electricity Transmission System (NETS);
- v. all references to System Operator within the CSD’s to Transmission Company when in reference to NGET save where the change will be unnecessarily disruptive to BSC Central Systems; and
- vi. all references to ‘System Operators’ within the CSD’s to Transmission Company when in reference to NGESO and to Transmission System when in reference to NETS save where the change will be unnecessarily disruptive to BSC Central Systems.

6 Impacts & Other Considerations

Impacts

Although this Modification proposal does not directly impact other industry codes, other proposed Modifications to industry codes (Connection and Use of System Code (CUSC), Distribution Connection and Use of System Agreement (DCUSA), Distribution Code, Grid Code, Security and Quality of Supply Standards (SQSS) and System Operator-Transmission Owner Code (STC)) are being raised in parallel to this modification proposal as a result of the transfer of the ESO functions from NGET to NGESO.

NGESO will also submit a Novation Application utilising BSC process detailed in BSCP65 to transfer NGET’s BSC rights and obligations to NGESO as the new ESO and Transmission Licensee.

Also associated with this Modification will be the transfer of the ELEXON share ownership from NGET to NGESO.

ELEXON assessed the NG and BSC Central System data interfaces, in order to gauge if this Modification would have any impacts on said systems. The assessment concluded that all Central System data interfaces were related to ESO functions only. Therefore, ELEXON, CGI and NG unanimously agreed that no system changes would be required as part of the Modification.

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

At the time of submitting this proposal, the Authority is conducting three SCRs:

- [Switching](#);
- [Electricity Settlement](#); and
- [Targeted Charging Review](#).

We do not believe this Modification will impact any of the above SCRs. As such, we request that this Modification be exempt from the SCR process.

As this Modification does not propose to alter any of the fundamental working practises or contractual interfaces between NGET as the current ESO and ELEXON, the impact on industry parties is anticipated to be minimal. Therefore it is considered that this Modification should be considered exempt from all current SCR.

Ofgem confirmed SCR exemption on the 29 May 2018.

Consumer Impacts

As per the January 2017 statement the separation aims to 'allow the ESO to play a more proactive role in managing a more flexible electricity system'. A more independent system operator will help to keep household bills down by working to ensure and enable more competition, coordination and innovation across the system.'. However, as references to NGET within the BSC and CSDs are solely in context to its ESO functions which will not be affected by this proposed Modification, the impact on consumers is anticipated to be nil.

Environmental Impacts

None identified.

7 Relevant Objectives

Impact of the Modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Positive
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	Neutral
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Neutral
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

The Proposer believes that this change will better facilitate relevant objective (a) as:

- Attributing the appropriate obligations to NGESO as system operator and the transmission owner in accordance with the proposed new NGESO Transmission Licence and modified NGET Transmission Licence obligations.

8 Implementation Approach

This Modification is proposed to be implemented on 29 March 2019, as part of a combined ad hoc March BSC Release with another Modification. The following text shall be added into BSC Section C in order to specify that the added text shall take effect from the 1 April 2019:

‘2.2.4 Modification Proposal P369 and any modifications to Code Subsidiary Documents or any other document maintained under the Code made pursuant to Modification Proposal P369 shall take effect from 00:00 hours on 1 April 2019.’

This is due to this BSC Modification, the associated NGENSO BSC novation and the BSC share transfer being required to take effect on 1 April 2019; the date on which the ESO functions will transfer from NGET to NGENSO. All other impacted code administrators intend to implement their respective changes on this day.

9 Legal Text

Suggested Text

Please see attachment B for the proposed legal text.

10 Recommendations

Proposer’s Recommendation to the BSC Panel

The BSC Panel is invited to:

- Agree that P369 should not be progressed as a Self-Governance Modification Proposal; and
- Agree that P369 be sent directly into the Report Phase