

Phase

[Initial Written Assessment](#)[Definition Procedure](#)[Assessment Procedure](#)[Report Phase](#)[Implementation](#)

P371 'Levelling the playing field - Inclusion of Spin-Gen, Non-BM Fast Reserve and Non-Tendered Fast Reserve actions into the calculation of the Imbalance Price and extension of the cash-out price arrangements to Fast Reserve'

This Modification Proposal seeks to include the price of Non-Balancing Mechanism (BM) Fast Reserve actions into the calculation of the Imbalance Price. The aim is to correct the calculation of the Imbalance Price; guarantee fair and harmonised treatment of all services; provide greater transparency and, ultimately, ensure National Grid ESO's compliance with the Balancing Services Adjustment Data Methodology Statement (BSAD).

This Assessment Procedure Consultation for P371 closes:

5pm on Friday 5 July 2019

The Workgroup may not be able to consider late responses.



The P371 Workgroup initially recommends **approval** of P371.

This Modification is expected to impact:

- BSC Parties
- National Electricity Transmission System Operator (NETSO)

P371
Assessment Procedure
Consultation

17 June 2019

Version 1.0

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About This Document

The purpose of this P371 Assessment Procedure Consultation is to invite BSC Parties and other interested parties to provide their views on the merits of P371. The P371 Workgroup will then discuss the consultation responses, before making a recommendation to the BSC Panel at its meeting on 8 August 2019 on whether or not to approve P371.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach. It also summarises the Workgroup's key views on the areas set by the Panel in its Terms of Reference, and contains details of the Workgroup's membership and full Terms of Reference.
- Attachment A contains the draft redlined changes to the BSC for P371.
- Attachment B contains the specific questions on which the Workgroup seeks your views. Please use this form to provide your response to these questions, and to record any further views or comments you wish the Workgroup to consider.
- Attachment C contains the P371 Proposal Form.

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Why Change?

Non-Balancing Mechanism (BM) and Non Tendered Fast Reserve actions are not included in the Imbalance Price calculations as these actions are not being included in the Balancing Service Adjustment Data (BSAD). The Proposer and the P371 Workgroup contend that in order to move towards an Imbalance Price which reflects the costs of all energy actions, the fair and harmonised treatment of all services, greater transparency and, ultimately, the National Electricity Transmission System Operator (NETSO)'s compliance with the BSAD obligation, non-BM Fast Reserve actions should be included in the Imbalance Price calculation.

Solution

P371 proposes to require NETSO to include details of non-BM Fast Reserve actions in the BSAD file used in the Imbalance Price calculation, mirroring the treatment of other non-BM actions. This will allow the Imbalance Price to reflect non-BM Fast Reserve actions.

Impacts & Costs

P371 will impact all **Trading Parties** and **NETSO**. NETSO will be required to include details of non-BM Fast Reserve actions in the BSAD file for use in calculating the Imbalance Price.

Trading Parties will be impacted as P371 will ensure the Imbalance Price is reflective of instructed non-BM Fast Reserve actions.

The implementation effort required for NETSO to make the necessary changes is approximately 16 weeks, at a cost of £500k. There are no impacts on BSC Central Systems for P371.

Implementation

The recommended Implementation Date for P371 is:

- **25 June 2020** as part of the June 2020 BSC Systems Release.

Recommendation

The Workgroup unanimously believe that the P371 Proposed solution would better facilitate Applicable BSC Objective (c), agree by majority that the Proposed solution better facilitates Applicable BSC Objectives (b), and should therefore be **approved**. No Members identified any detrimental impacts and a minority believed that the Proposal would better facilitate Applicable BSC Objectives (a), (d) and (e).

2 Why Change?

Background

Imbalance Pricing (also known as 'cash out') is a key part of the wholesale trading arrangements in Great Britain. The wholesale electricity market is set up so that BSC Parties that require electricity for their customers (Suppliers) enter into contracts with organisations that produce electricity (Generators).

For any given Settlement Period (half hour trading period), Parties may trade with each other up to the start of the relevant Settlement period. However Parties need to submit Physical Notifications (PNs) for each Settlement Period so that the NETSO can understand the overall imbalance of the Transmission System. This is done at a point one hour beforehand, known as Gate Closure. At this point the PNs become Final Physical Notifications (FPNs). After Gate Closure, Parties must try to adhere to the FPNs submitted to NETSO. They should only deviate from their FPN at the instruction of NETSO.

Parties will aim to balance their position for a given Settlement Period at this time such that the amount of energy they generate or buy matches the amount of energy they consume or sell. However, there are circumstances where this does not happen, such as a Generator experiencing an unexpected outage that does not allow them to generate the expected amount of energy, or a Supplier over, or under, estimating the amount of demand their customers actually use. This leaves the Party in a position of imbalance.

Following a Settlement Period, ELEXON will compare the volume of energy each Party contracted (traded) with its Metered Volumes, adjusted for any balancing actions. Any surplus or shortfall that the Party has is paid for using the imbalance price.

The System Sell Price (SSP) and the System Buy Price (SBP) are the 'cash-out' prices or 'imbalance prices' that are used to settle the difference between the contracted generation or consumption and the amount that was actually generated or consumed in each half hour trading period. These two types of cash-out prices are defined as follows:

- SSP is **paid to** BSC Trading Parties who have a net surplus of imbalance energy (the Party generated or bought more energy than it consumed or sold); and
- SBP is **paid by** BSC Trading Parties who have a net deficit of imbalance energy (the Party consumed or sold more energy than it generated or bought).

As there is a single price calculation; SBP will equal SSP in each Settlement Period. These prices are designed to incentivise Parties to balance their position.

Electricity Balancing Significant Code Review

In August 2012, Ofgem launched its [Electricity Balancing Significant Code Review \(EBSCR\)](#) to look at imbalance prices, in order to address long-standing concerns that it had raised in 2010 within its [Project Discovery](#) report. In particular, Ofgem expressed concerns that imbalance prices were not creating the correct signals for the market to balance, which could increase the risks to future electricity security of supply and undermine balancing efficiency, unnecessarily increasing costs.

Upon completion of the SCR, the Authority issued a direction to NETSO to raise [P305 'Electricity Balancing Significant Code Review Developments'](#) to progress the outcomes.



Imbalance Pricing

The Imbalance Price is used to settle energy imbalance volumes. At the end of a Settlement Period, BSC Systems compare a Party's contracted (traded) volume with the metered volume of energy used in the Settlement Period. If a Party is in imbalance of its contracted volume, then it will be subject to imbalance charges.



Physical Notifications

A notification made by (or on behalf of) the Lead Party to the Transmission Company under the Grid Code as to the expected level of Export or Import, as at the Transmission System Boundary, in the absence of any Acceptances, at all times during that Settlement Period

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Modification P305

P305 aimed to address the fact that previous methods for pricing reserve costs into cash-out did not accurately reflect the real-time value of this reserve and excluded the cost of some reserve products altogether. As such, by including non-BM STOR utilisation costs into the cash-out calculation, cash-out prices were expected to be more reflective of NETSO's energy balancing costs. This was deemed important given the increasing usage of Non-BM STOR by NETSO. P305 introduced Reserve Scarcity Pricing (RSP).

Reserve Scarcity Price

The RSP is a pricing mechanism designed to respond to system scarcity so that STOR actions better reflect prevailing market conditions. The RSP rises as the system gets tighter (i.e. the gap between available and required generation narrows).

The RSP is calculated for each Settlement Period as the product of a measure of system reliability called Loss of Load Probability (LoLP) and the Value of Lost Load (VoLL).

For Short Term Operating Reserve (STOR) actions the RSP is compared to the Utilisation Price and the higher of the two is used to price the action. As STOR Utilisation prices are predetermined this process allows the end price of the STOR action (RSP or Utilisation) to reflect prevailing market conditions.

Short Term Operating Reserve (STOR)

In addition to balancing actions called upon in the BM, NETSO can procure additional capacity. These additional sources of power are referred to as reserve. Most of the reserve that NETSO procures is called STOR.

NETSO procures STOR ahead of time via a competitive tender process. Under STOR contracts, availability payments are made to the balancing service provider in return for the capacity being made available during specific times (STOR Availability Windows). When STOR is called upon, NETSO pays for its use at a pre-agreed price (its Utilisation Price). Some STOR is dispatched in the BM (BM STOR) while some is dispatched separately (Non-BM STOR).

Fast Reserve

Fast Reserve provides rapid and reliable delivery of active power through increasing output from generation or reducing consumption from demand sources.

Similarly to STOR, Fast Reserve is contracted from providers in advance of delivery. The availability of capacity is procured at a pre-agreed utilisation price, which risks not reflecting the value of such capacity to the market at times of scarcity.

System v Energy Balancing

There are two types of balancing actions. Energy imbalance actions address overall mismatches between generation and demand at a national level across the Settlement Period as a whole. System imbalance actions tackle local or regional constraints in the capacity of the transmission network, or short-term variations between demand and supply within a Settlement Period.



Fast Reserve

Fast Reserve is an energy balancing service used to control frequency changes that might arise from sudden, and sometimes unpredictable, changes in generation or demand. The service is open to Balancing Mechanism (BM) and Non-BM providers.

NETSO is required to determine which balancing services should be classified as SO-Flagged i.e. System Actions. The System Management Action Flagging Methodology Statement classifies System Management as:

- any balancing service used by National Grid that partially or wholly resolves a transmission constraint;
- any system-to-system balancing service used by National Grid in respect of electricity flows over an interconnector, to avoid adverse effects arising on the National Electricity Transmission System from significant load profile changes;
- any system-to-system balancing service used by a Transmission System Operator (TSO) other than National Grid, for the purposes of resolving a system operation issue in a connected transmission system;
- any balancing action used to despatch Supplemental Balancing Reserve for the purposes of testing the service whether through or outside the Balancing Mechanism;
- any balancing action used by National Grid primarily to manage the Rate of Change of Frequency (RoCoF) or to manage Fault Levels;
- any automatic Low Frequency Demand Disconnection relay demand control action.

What is the issue?

Non-BM and non-Tendered Fast Reserve actions are not included in the imbalance price calculations as these actions are not being included in the BSAD. The Proposer and the P371 Workgroup contend that in order to move towards an Imbalance Price which reflects the costs of all energy actions, the fair and harmonised treatment of all services, greater transparency and, ultimately, NETSO's compliance with the BSAD obligation; non-BM Fast Reserve actions should be included in the Imbalance Price calculation.

Non-Tendered Fast Reserve

The Proposer recognises that the inclusion of the availability fee, paid by NETSO to balancing service providers, in the Imbalance Price has the potential to be a complex issue. As such the Proposer intends to investigate this issue in a separate BSC Issue outside of P371 so that the benefits of including non-BM Fast Reserve actions in the imbalance price can be realised more quickly.

Proposed solution

This Modification Proposal aims to correct the Imbalance Price, making it more reflective of the costs incurred by NETSO in balancing the Transmission System by including non-BM Fast Reserve actions into the calculation of the Imbalance Price.

Under the P371 solution, NETSO will begin including data on non-BM Fast Reserve actions taken in the BSAD file. The actions will not be identifiable as Fast Reserve actions, and so will be treated and reported on the Balancing Mechanism Reporting Service (BMRS) in the same manner as all other actions in the BSAD (with the exception of non-BM STOR, which is separated out).

This Modification aims to make it clear to NETSO when developing future Balancing Services and associated systems that all energy actions should flow through into the Imbalance Price calculation.

This solution does not include spin-gen or Non-Tendered Fast Reserve. The Proposer recognises the inclusion of these requires further consideration and does not want to delay P371 to do so.

Legal text

The proposed solution will require changes to [BSC Section Q 'Balancing Services Activities'](#), and [Section X-1 'General Glossary'](#). The redlined changes can be found in Attachment A.

Assessment Consultation Question

Do you agree with the Workgroup that the draft legal text in Attachment A delivers the intention of P371?

Please provide your rationale.

The Workgroup invites you to give your views using the response form in Attachment B

Are there any (other) alternative solutions?

The Workgroup considered an alternative solution that built upon the above solution. In the alternative solution, the BSAD file would be amended to contain a flag identifying Fast Reserve Actions. This would mean that Fast Reserve actions would be identifiable and so would be separated out for reporting purposes on BMRS. The Alternative solution discussed by the Workgroup would replicate the treatment of STOR actions for Fast Reserve. The Workgroup did not believe that the additional benefits of this solution outweighed the additional costs and so did not choose to raise this as an alternative. The primary contributing factor in this was the uncertainty in the use of non-BM balancing services in the medium to long term. See section 6 for further details.

Assessment Consultation Question

Do you agree with the Workgroup that there are no other potential Alternative Modifications within the scope of P371 which would better facilitate the Applicable BSC Objectives?

Please provide your rationale and, if 'No', please provide full details of your Alternative Modification(s) and your rationale as to why it/they better facilitate the Applicable BSC Objectives.

The Workgroup invites you to give your views using the response form in Attachment B

Estimated central implementation costs of P371

The implementation effort required for NETSO to make the necessary changes is approximately 16 weeks, at a cost of £500k. There are no impacts on BSC Central Systems for P371. ELEXON's costs to implement the P371 solution are approximately £240 to implementing the changes to the BSC.

P371 impacts

Impact on BSC Parties and Party Agents

Party/Party Agent	Impact
All Parties	All Trading Parties are affected by the Imbalance Price as it affects Trading Charges. A change in the Imbalance Price will also affect non BSC Parties as Trading Parties may choose to alter their Trading behaviour in response to the Imbalance Price.

Impact on National Electricity Transmission System Operator

As part of the solution NETSO will be required to start sending ELEXON information on non-BM Fast Reserve Balancing Actions. These actions will not be differentiable from other actions in the BSAD file.

Impact on BSCCo

Area of ELEXON	Impact
Release Management	ELEXON will be required to implement this Modification.

Impact on BSC Settlement Risks

Risk 28 – If implemented, P371 will alter the data provided by NETSO through the BSAD file. There will therefore be an impact on the risk that NETSO provide inaccurate or incomplete data. This risk currently exists. P371 does not introduce a new risk but as there will be an increase in the quantity of data being provided the risk arguably increases. This will be managed through rigorous testing during implementation to ensure that the correct data is being provided from NETSO to ELEXON.

Impact on BSC Systems and process

BSC System/Process	Impact
N/A	No BSC system changes will be required to implement P371.

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Impact
None	N/A

Impact on Code	
Code Section	Impact
BSC Section Q 'Balancing Services Activities'	Changes will be required to state that non-BM Fast Reserve Actions will be included in the BSAD file sent to Settlement Systems. Draft legal text can be found in Attachment A.
BSC Section X Annex X-1 'General Glossary'	

Impact on Code Subsidiary Documents	
CSD	Impact
None	N/A

Impact on other Configurable Items	
Configurable Item	Impact
None	N/A

Impact on Core Industry Documents and other documents	
Document	Impact
Ancillary Services Agreements	No impacts identified.
Connection and Use of System Code	
Data Transfer Services Agreement	
Distribution Code	
Distribution Connection and Use of System Agreement	
Grid Code	
Master Registration Agreement	
Supplemental Agreements	
System Operator-Transmission Owner Code	

Impact on Core Industry Documents and other documents

Document	Impact
Transmission Licence	
Use of Interconnector Agreement	

Impact on a Significant Code Review (SCR) or other significant industry change projects

There is no identified impact on any open SCRs. The Authority confirmed that P371 was not in the scope of any ongoing SCRS on 11 September 2018.

Impact on Consumers

This Modification will not alter the principles of Balancing and Settlement and so we do not envisage any impact on consumers.

Impact on the Environment

This Modification will not alter the principles of Balancing and Settlement and so we do not envisage any impact on the environment.

5 Implementation

Recommended Implementation Date

The Workgroup recommends an Implementation Date for P371 of:

- 25 June 2020 as part of the June 2020 BSC Systems Release.

This is the next available release that P371 can be included in based on NETSO's implementation lead times provided in its Impact Assessment. NETSO reported that they would not be able to start work on P371 until P344 'Project TERRE' was implemented. The earliest work would start was expected to be January 2020.

The Proposer commented that they would prefer the Modification to be implemented on 1 April 2020 to align with the implementation of [P354 'Use of ABSVD for non-BM Balancing Services at the metered \(MPAN\) level'](#), but agreed that this was a pragmatic approach.

In theory, given the 16 week lead time, P371 could be delivered in late April 2020. The Workgroup debated whether P371 should be delivered earlier than the scheduled June 2020 Release. The Workgroup agreed that it was more efficient to wait for the scheduled Release, particularly as there were other high priority items for NETSO to focus on.

Assessment Consultation Question

Do you agree with the Workgroup's recommended Implementation Date?
Please provide your rationale.

The Workgroup invites you to give your views using the response form in Attachment B

Self-Governance

The Workgroup initially agree that P371 should not be progressed as a self-Governance Modification as it will impact on the Self-Governance Criteria by affecting competition as it will have the potential to alter the Imbalance Price, paid by Parties that are out of balance.

Assessment Consultation Question

Do you agree with the Workgroup's view that P371 is not a Self-Governance Modification?
Please provide your rationale.

The Workgroup invites you to give your views using the response form in Attachment B

The Workgroup considered the potential impacts of including additional actions taken by NETSO and how this would be reflected in the Imbalance Price. The Workgroup noted that Modification P305 '[Electricity Balancing Significant Code Review Developments](#)', which included non-BM STOR actions in the Imbalance Price through the BSAD file, did not specifically state that Fast Reserve actions should not be included in the BSAD. The Proposer contended that NETSO should already be including these actions in the data provided to ELEXON, believing them to fall under 'relevant balancing actions'.

Futureproofing of a solution

The Workgroup considered how any solution could be futureproofed, and noted that with the developments of Project TERRE and Manually Activated Reserve Initiative (MARI), there was likely to be a significant reduction in the usage of bilateral balancing services. However, it determined that considering the current baseline, reserve contracts represent a substantial proportion of contracted capacity and therefore a solution was relevant, regardless of the unknown, potential change in the usage of bilateral balancing services.

The Workgroup also acknowledged that NETSO had indicated the need to maintain specific GB reserve products and the BM in addition to TERRE, reinforcing the argument that P371 solution should be implemented. In addition, the Workgroup commented that all balancing actions should be reported (rather than just specifically named actions within the code).

NETSO suggested that P371 could be used to establish principles, so that a more streamlined Self-Governance Modification could be used to further extend the scope of the Imbalance Price calculation. It was noted that P371 or the BSC does not preclude NETSO including Demand Turn Up actions. Although it is not specifically named in the BSC the data can be included as it is a relevant balancing action.

The Workgroup questioned how long NETSO expected to continue using non-BM Fast Reserve actions. NETSO responded that it expected to move away from 'route to market' descriptions of services (such as BM and non-BM), and took an action to assess the expected lifetime of non-BM Fast Reserve as a balancing product.

Separability of reported actions

The Workgroup considered how any Fast Reserve actions included under the P371 solution should be reported to industry. It questioned whether Fast Reserve actions should have a bespoke 'FR' flag reported against them. Doing so would allow actions to be separated out from other actions on the BSAD file and reported separately on BMRS and is a pre-requisite for the comparison to be made between the Utilisation Price and RSP. It questioned whether a new flag would be required, or whether an existing flag could be extended to capture this detail.

Similarity to STOR

The Workgroup considered that if Fast Reserve actions were to have an identifying flag, then the actions could be treated in the same way that STOR actions are. It noted that ELEXON validates STOR flags by comparing the actions to the availability window. While STOR availability windows are aligned, this was not the case for Fast Reserve. The

Workgroup questioned the value of the validation exercise, noting that NETSO has auditable processes for ensuring the integrity of data. It commented that by removing the validation exercise, a generic 'RSP flag' could be applied to multiple categories of action. Following consideration of impact assessments, the Workgroup concluded that this additional level of granularity did not provide a significant benefit.

Accuracy of the NIV

The Workgroup considered that while the impact of Fast Reserve actions on the cash-out price was unknown, there may be a more pronounced impact on the NIV by excluding these actions. A Workgroup member commented that while the change to the NIV might not always be significant, there was the possibility that exclusion of Fast Reserve actions could make a short market appear long, which would impact all Trading Parties. ELEXON showed the Workgroup analysis that indicated that the NIV reflects the true market length with a high degree of accuracy. However the Workgroup believed that the impact of Fast Reserve of recent years was dampened by historic data in the analysis. The Proposer believed that trends indicated Fast Reserve usage would increase, thus exacerbating the issue.

Analysis

ELEXON presented its analysis into how inclusion of non-BM Fast Reserve actions in the Imbalance Price calculation would affect the cash-out price. The Workgroup noted the three main findings:

- In the majority of cases, impact on the Imbalance Price was minimal ($>£1/\text{MWh}$), though in a small number of instances reached as much as $£70/\text{MWh}$;
- No significant impact on the accuracy of the NIV by including FR actions in the calculation; and
- In a small number of cases, the flip in the direction of the NIV did not match the true market length, but this defect will be addressed by the implementation of P354 in April 2020.

The Workgroup noted that under the period looked at in ELEXON's analysis, non-BM Fast Reserve actions would have been marginal in setting the Imbalance Price in a small number of Settlement Periods (114). The Proposer contended that even if the impact on Imbalance Price was minimal, exclusion of these actions from the calculation was against the principles in the market arrangements and that this should be addressed.

The Workgroup noted that the analysis has not been able to consider which Fast Reserve actions would have been flagged as System Balancing actions, and so had presented a 'worst case' scenario.

Solution options

The Workgroup were presented potential solutions. Option 1 would require NETSO to provide details of non-BM Fast Reserve actions on the BSAD file, thus allowing it to be reflected in the Imbalance Price calculation. Option 2 would require NETSO to provide this data and also amend the BSAD to flag Fast Reserve actions so that they could be separated for reporting purposes, and considered for repricing under the RSP process. The

Workgroup also considered a third option where a generic RSP flag could be added. This would allow actions to be considered for repricing, but would not allow granular reporting of actions as in option 2.

The Workgroup commented that solution option 1 would address the defect in a simple and effective manner, which it expected to be implemented quicker than the alternative. It therefore commented that the additional benefit realised by the more complex option would need to outweigh the cost and time requirements.

The Workgroup noted that the second solution option, including a 'Fast Reserve' flag, would allow Fast Reserve actions to be considered for repricing by the RSP. It noted that the RSP was rarely used and so would need to consider whether the benefit of this would be realised effectively as well as confusions that the RSP may have with the EB GL. The Workgroup considered whether a generic flag could be used rather than a bespoke 'Fast Reserve' flag, but did not see that it would provide any additional benefit, and thought it could risk reducing the integrity of data.

The Workgroup requested Impact Assessments from NETSO and ELEXON's service providers to better understand the development required for the options so that it could make an informed decision on its preferred solution.

Following the Impact Assessment, NETSO proposed a potential third option. NETSO stated this option was proposed more to understand the appetite for a new Modification as it would require a lot more thought before it could be implemented. The proposal was to build on option 2 and create a generic BSAD interface between NETSO and BSCCo systems, allowing balancing services to be added and removed without needing to amend the data file. Instructed volumes would be provided in near-real time and allow reporting on each balancing service.

The Workgroup commented that the creation of a means for publishing more general balancing data went beyond the scope of P371 and that it would expect NETSO to further investigate this under its forward looking plan. A Member believed the market should evolve to adopt Secondary BM Units such that specific non-BM balancing services would participate in the BM. He therefore questioned whether this option was the right one for the future. For these reasons, the P371 Workgroup did not wish to progress this option as part of the Modification.

Electricity Balancing Guidelines (EB GL) consideration

The Workgroup sought to ensure that any solution would comply with the EB GL to protect its longevity. The Workgroup noted that EB GL requires balancing to be done using the standard balancing products (TERRE and Manually activated Reserves Initiative (MARI)) and approved specific products, which is expected to include Fast Reserve. The Workgroup believed that EB GL does require the inclusion of all balancing actions in the calculation of Imbalance Prices as there are no clauses within Commission Regulation (EU) 2017/2195 which allows exempt particular Balancing actions not to be included. Therefore the inclusion of Fast Reserve would support the EB GL obligation.

The Workgroup also referenced the [Ofgem letter of 4 June regarding the Balancing Terms and Conditions for Article 18 of the Commission Regulation \(EU\) 2017/2195](#). In this letter Ofgem asked NETSO to either remove the provisions that set fixed prices for utilisation of those services from the Article 18 of EB GL national terms and conditions, or submit a new

Article 16.6 exemption request clearly outlining the higher economic efficiency for GB. The future of pre-determined prices is very important with regards to RSP, as the RSP process was introduced as part of P305 due to the defect that pre-determined and fixed STOR prices did not reflect scarcity and therefore did not reflect real time prices. If fixed prices have a limited life then the need for a RSP may also have a limited life. When assessing which option to select as the solution, the Workgroup considered the extra spend necessary to allow Fast Reserve actions to be compared to the RSP (Option 2) against the uncertainty over whether the current process would be enduring or time limited. A Workgroup Member noted that expected future work in this area may be better placed to introduce RSP when there is more certainty.

The Workgroup were keen to understand from NETSO if it intends to rely more and more on standard products and for specific products to be included in the BM, as this would have an important bearing on the longevity of the P371 solution. If non-BM balancing services will 'wither on the vine' in the short to medium term, there is little point in spending the extra money on option 2. On the other hand, if products such as non-BM Fast Reserve are here to stay, it would be worth spending the extra money on option 2, as this provides extra transparency and a more reflective signals as the non-BM Fast Reserve can be included in the RSP calculations.

The Workgroup therefore requested that this be included in its Assessment Procedure Consultation.

Assessment Consultation Question

Do you think that non-BM balancing services will continue to be used given the context of the EB GL requirements to use standard and specific balancing products?

Please provide your rationale.

The Workgroup invites you to give your views using the response form in Attachment B

Spin gen payments

In addition to including non-BM Fast Reserve actions in the Imbalance Price calculation, the Proposer believed that availability payments made to Generators should also be captured. The Workgroup noted that warm up payments were included through the Buy Price Adjuster (BPA), but that as it was hard to map availability payments to the appropriate Settlement Periods where the service was used, it would be challenging to ensure these were truly reflective, adding that payments were only made when no energy was being delivered to the system. The Workgroup considered that it would be challenging to identify the true value of availability payments, believing that even if it wasn't used, there was value in having assets on standby.

Based on this, the Proposer agreed that considering how availability fees could be reflected was a significant piece of work and did not want to delay the benefits that could be realised by correcting the Imbalance Price calculation for non-BM Fast Reserve actions. As such the Proposer agreed that this should be the focus of the Modification, with availability fees being explored through a subsequent BSC Issue.

Preferred solution

The Workgroup considered Impact Assessments undertaken by NETSO and ELEXON's service providers. The Workgroup considered that while solution option 2 would provide greater transparency and data available to market participants, it did not believe that

these benefits outweighed the additional costs (and implementation times), given the uncertainty over the future of non-BM balancing services.

Workgroup Members expressed surprise at the NETSO costs required to deliver the simpler option 1 (and option 2), and questioned whether a breakdown of costs could be provided, to elaborate on the cost provided in the impact assessment. Some Workgroup Members argued that from a principle based approach, option 2 was the right thing to do, but agreed that a pragmatic approach should be taken.



Preferred solution

Following consideration of the Impact Assessments undertaken by NETSO and ELEXON's Service Providers, the Workgroup unanimously decided that the perceived additional benefits of the more complex option did not outweigh the additional cost and lead time required for implementation. As such, the Workgroup concluded that option 1, whereby NETSO includes non-BM Fast Reserve in the BSAD file, is preferred. This does not include a flag and so the Fast Reserve actions will not be separable from other reported actions.

The Workgroup unanimously agreed that this solution was better than the current baseline and so should be approved.

Views on the Applicable BSC Objectives

Does P371 better facilitate the Applicable BSC Objectives?		
Obj	Proposer's Views	Other Workgroup Members' Views ¹
(a)	<ul style="list-style-type: none"> Positive 	<ul style="list-style-type: none"> Neutral (<i>majority</i>) Positive (<i>minority</i>)
(b)	<ul style="list-style-type: none"> Positive 	<ul style="list-style-type: none"> Positive (<i>majority</i>) Neutral (<i>minority</i>)
(c)	<ul style="list-style-type: none"> Positive 	<ul style="list-style-type: none"> Positive (<i>unanimous</i>)
(d)	<ul style="list-style-type: none"> Positive 	<ul style="list-style-type: none"> Neutral (<i>majority</i>) Positive (<i>minority</i>)
(e)	<ul style="list-style-type: none"> Positive 	<ul style="list-style-type: none"> Neutral (<i>unanimous</i>)
(f)	<ul style="list-style-type: none"> Neutral 	<ul style="list-style-type: none"> Neutral (<i>unanimous</i>)
(g)	<ul style="list-style-type: none"> Neutral 	<ul style="list-style-type: none"> Neutral (<i>unanimous</i>)

Applicable BSC Objective (a)

The Proposer believes that the P371 solution better facilitates Applicable BSC Objective (a) as they perceive the change will address the existing non-compliance with the C16 (and BSAD methodology) requirements. The Proposer contends that although not explicitly listed in the methodology, NETSO should already be including details of non-BM Fast Reserve in the file.

One Workgroup Member agreed the Objective (a) would be better facilitated for the reasons given by the Proposer. The rest of the Workgroup believed the impact would be neutral as it did not believe that NETSOs compliance with C16 was a matter for the BSC to address.

What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(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

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(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]

(f) Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

(g) Compliance with the Transmission Losses Principle

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¹ Shows the different views expressed by the other Workgroup members – not all members necessarily agree with all of these views.

Applicable BSC Objective (b)

The Proposer believes that the solution will make the cash out price more reflective of market conditions at times of scarcity, which will send sharper signals to market participants and consequently reduce the strain on the transmission system.

The majority of the Workgroup agreed the P371 will better facilitate objective (b) for the reasons given by the Proposer. One Member did not believe that reflecting non-BM Fast Reserve actions in the Imbalance Price would affect the operation of the Transmission System and so believed the effect would be neutral.

Applicable BSC Objective (c)

The Proposer believes that making the cash out prices more reflective of the actions taken by NETSO to balance the system will ensure consistent treatment of balancing services and therefore promote competition in the market.

The Workgroup unanimously agreed with the Proposer that by including non-BM Fast Reserve actions in the Imbalance Price calculation it would be more reflective of market conditions and guarantee consistent treatment of different balancing service providers which would aid competition.

Applicable BSC Objective (d)

The Proposer believes that including non-BM Fast Reserve actions on the cash out price will make it more reflective of the actions taken by NETSO, which will in turn promote competition and enhance efficiency in the BSC arrangements.

The minority of Members agreed with the Proposer that P371 would better facilitate objective (d). The majority of members agreed that the rationale provided by the Proposer was sound, but argued that it related to objective (c) rather than (d). As such, the majority of the Workgroup believed that P371 would be neutral against objective (d).

Applicable BSC Objective (e)

The Proposer believes that by including non-BM Fast Reserve actions in the cash out price, the intent of the EB GL will be better reflected in the pricing calculation by ensuring that all energy balancing actions are reflected in the price.

The Workgroup did not believe that the Modification would better facilitate objective (e). There were two main reasons for this: The Workgroup did not feel it had a deep enough understanding of the EB GL requirements to assess whether these were better facilitated by the proposal, and that given the lack of clarity around the exact requirements of EB GL, the Workgroup did not think that the Modification was relevant to this objective at this time. Further, the minority of Members believed that if there was a compliance issue with European legislation it was for NETSO to resolve.

Assessment Consultation Question

Do you agree with the Workgroup's initial unanimous view that P371 does better facilitate the Applicable BSC Objectives than the current baseline and so should be approved?

Please provide your rationale with reference to the Applicable BSC Objectives.

The Workgroup invites you to give your views using the response form in Attachment B

Appendix 1: Workgroup Details

Workgroup's Terms of Reference

Specific areas set by the BSC Panel in the P371 Terms of Reference	Conclusion
Has the compliance with current Code obligations and EU Regulation been considered?	As it is likely that Fast Reserve Actions will be a specific product, they should be included.
Which Balancing Actions should be classed as System Balancing Actions?	The Workgroup noted that NETSO has auditable processes for categorising balancing actions.
Have the impacts and changes to System Prices (Energy Imbalance Price) Parameters been investigated?	The Workgroup was presented analysis as part of the Assessment Procedure.
What checks can be done to ensure that relevant actions have been correctly flagged?	NETSO advised that this is out of scope of the Modification as it is covered in the SMAF.
How will the Balancing Services affected by this Modification change as part of National Grid's SNAPS work?	It is probable that Fast Reserve products will continue to be used as a specific product. The proposed solution strikes a balance between ensuring future robustness and effort required to deliver.
Is it possible to future proof any solution for P371 against possible changes in name of existing Balancing Services as well as the potential creation of new Balancing Services and their associated Actions?	
What changes are needed to BSC documents, systems and processes to support P371 and what are the related costs and lead times?	The proposed changes to the BSC can be found in attachment A.
Are there any Alternative Modifications?	None were formally proposed
Should P371 be progressed as a Self-Governance Modification?	P371 is not a Self-Governance Modification
Does P371 better facilitate the Applicable BSC Objectives than the current baseline?	Workgroup views are summarised in Section 7.

Assessment Procedure timetable

P371 Assessment Timetable	
Event	Date
Panel submits P371 to Assessment Procedure	11 September 2018
Workgroup Meeting 1	24 October 2018
Workgroup Meeting 2	13 February 2019
Workgroup meeting 3	5 June 2019
Assessment Procedure Consultation (15WD)	17 June 2019 – 5 July 2019
Workgroup Meeting 4	w/c 15 July 2019
Panel considers Workgroup's Assessment Report	8 August 2019

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Workgroup membership and attendance

P371 Workgroup Attendance				
Name	Organisation	24 Oct 2018	13 Feb 2019	5 June 2019
Members				
Lawrence Jones	ELEXON (<i>Chair</i>)	✓	✓	✓
Matthew Woolliscroft	ELEXON (<i>Lead Analyst</i>)	✓	✓	✓
Alessandra de Zottis	UK Power Reserve (<i>Proposer</i>)	✓	✓	✓
Adelle Wainwright	National Grid ESO	✓	✗	✗
Aily Armour-Biggs	Global Energy Advisory	✗	☎	✗
Andrew Russel	Engie	✓	✓	☎
Andy Colley	SSE	☎	☎	☎
Bill Reed	RWE	✓	✓	✓
Ewen Ellen	SP	✗	☎	✗
Grahame Neale	National Grid	✓	✗	✓
Graz Macdonald	Green Frog	☎	☎	☎
Josh Logan	Drax	✓	✓	✓
Jon Wisdom	National Grid ESO	✗	✓	✗
Lisa Waters	Waters Wye	✗	✓	☎
Oli Xing	Orsted	✓	✗	✗
Terry Carr	E.ON	✓	✓	✗
Attendees				
Damian Clough	ELEXON (<i>Design Authority</i>)	✓	✓	✓
David Stephens	ELEXON (<i>Lead Lawyer</i>)	✓	✗	✗
Tina Wirth	ELEXON (<i>Lead Lawyer</i>)	✗	✓	✓
Emma Tribe	ELEXON (<i>Market Operations</i>)	✗	✓	✗

Appendix 2: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
BM	Balancing Mechanism
BSAD	Balancing Services Adjustment Data
BSC	Balancing and Settlement Code
NETSO	National Electricity Transmission System Operator
STOR	Short Term Operating Reserve
ESO	Electricity System Operator
FPN	Final Physical Notification
SSP	System Sell Price
SBP	System Buy Price
EBSCR	Electricity Balancing Significant Code Review
RSP	Reserve Scarcity Price
BMRS	Balancing Mechanism Reporting Service
CSD	Code Subsidiary Document
SCR	Significant Code Review
TERRE	Trans European Replacement Reserves Exchange
MARI	Manually Activated Reserves Initiative
DTU	Demand Turn Up
NIV	Net Imbalance Volume
EB GL	Electricity Balancing Guidelines
EU	European Union
BPA	Buy Price Adjuster
WD	Working Day

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
4	EBSCR page of the Ofgem website	https://www.ofgem.gov.uk/electricity/wholesale-market/market-efficiency-review-and-reform/electricity-balancing-significant-code-review
4	Project Discovery page of the Ofgem website	https://www.ofgem.gov.uk/publications-and-updates/project-discovery-status-report
4, 12	P305 page of the BSC Website	https://www.elexon.co.uk/mod-proposal/p305/
7	BSC Section Q	https://www.elexon.co.uk/the-bsc/bsc-section-q-balancing-services-activities/
7	BSC Section X-1	https://www.elexon.co.uk/the-bsc/bsc-section-x-annex-x-1-general-glossary/
11	P354 page of the BSC Website	https://www.elexon.co.uk/mod-proposal/p354/
14	Ofgem letter on the electricity balancing Terms and Conditions	https://www.ofgem.gov.uk/publications-and-updates/decision-request-further-amendments-transmission-system-operators-proposal-terms-and-conditions-related-balancing-accordance-article-18-commission-regulation-eu-20172195?utm_medium=email&utm_source=dotMailer&utm_campaign=Daily-Alert_04-06-