

Modification proposal:	Balancing and Settlement Code (BSC) P373: Reversing the changes relating to Approved Modification P297 (P373)		
Decision:	The Authority ¹ directs that this modification be made ²		
Target audience:	National Grid Transmission Plc (NGET), Parties to the BSC, the BSC Panel and other interested parties		
Date of publication:	20 February 2019	Implementation date:	28 February 2019

Background

In 2013 National Grid Electricity Transmission (NGET) (as the electricity system operator (ESO)) raised Grid Code modification GC0068³ to allow market participants to submit new and revised dynamic data to the ESO. This modification was raised to take advantage of the ESO's new Electricity Balancing System (EBS).

P297 'Receipt and Publication of New and Revised Dynamic Data Items'⁴, was raised by NGET as the ESO to make this data available to ELEXON, thereby providing transparency of the actions ESO was taking to balance the system through the Balancing Mechanism Reporting Service (BMRS).

The ESO's EBS platform has suffered significant delay, leading to the ESO being unable to provide the data needed for ELEXON to test and deliver the Approved Modification P297. This has required the ESO to request three extension requests on the implementation date for P297, the latest extension being flagged as a holding date only. The Panel indicated at its meeting on 13 September 2018 that although there existed a precedent for successive extensions, the Panel considered the ESO's latest request a more substantial concern. It was, therefore, reluctant to request a further extension for P297 because:

- The length of time since P297 was originally approved is substantial - the baseline against which P297 was assessed has likely changed;
- The ESO was still unable to provide a delivery date for the entire P297 solution;
- The ESO had suggested that some elements of the P297 solution could be delivered towards the end of 2019, requiring an amendment to the P297 solution; and
- A general lack of certainty related to P297.

Taking all of this into consideration, the ESO believed the best course of action was to reverse P297.

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ <https://www.nationalgrideso.com/codes/grid-code/modifications/gc0068-grid-code-new-and-revised-unit-data-and-instructions>

⁴ <https://www.elexon.co.uk/mod-proposal/p297/>

The modification proposal

P373 proposes to fully reverse the changes to the BSC for Approved Modification P297. By approving P373 the P297 obligations will be removed. Reversing the P297 changes will maintain ELEXON and ESO compliance with the BSC.

BSC Panel⁵ recommendation

At the BSC Panel meeting on 11 October 2018, a majority of the BSC Panel considered that P373 would better facilitate the BSC objectives and the Panel therefore recommended its approval. The Panel agreed with the Proposer that P373 will better facilitate Applicable BSC Objectives (a) and (d) and should therefore be approved.

Our decision

We have considered the issues raised by the P373 modification proposal and the Final Modification Report (FMR) dated 15 November 2018. We have considered and taken into account the responses to the industry consultation, attached to the FMR⁶. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC;⁷ and
- directing that the modification be made is consistent with our principal objective and statutory duties.⁸

Reasons for our decision

We have considered the P373 proposal against the BSC objectives and we consider that this modification proposal will better facilitate BSC objectives (a) and (d) and has a neutral impact on the other applicable objectives.

(a) the efficient discharge by the licensee of the obligations imposed upon it by this licence

We agree with the proposer that by approving P373 (which reverses the P297 decision) applicable BSC objective (a) is better facilitated as, under the requirements of P297, the ESO was obligated to provide to ELEXON a new and revised set of dynamic data items that it would receive from customers through the implementation of GC0068. As GC0068 has not been implemented, due to delays with the delivery of EBS, the ESO is unable to deliver this data to ELEXON to facilitate the original implementation of P297.

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

⁵ The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and Standard Special Licence Condition C3 of the Electricity Transmission Licence available at: www.epr.ofgem.gov.uk

⁶ BSC modification proposals, modification reports and representations can be viewed on the Elexon website at www.elexon.co.uk

⁷ As set out in Standard Condition C3(3) of NGET's Transmission Licence: <https://epr.ofgem.gov.uk>

⁸ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

We agree with the proposer that applicable BSC objective (d) is better facilitated as the uncertainty around the delivery date of EBS is impacting the ability of market participants and ELEXON to plan appropriately for implementation. Removing this uncertainty completely from market participants would better facilitate objective (d).

Addressing Concerns

Although we have decided to approve P373, we are disappointed with the process that has led to this situation. In particular, the approach the ESO has taken to manage industry expectations around the P297 and GC0068 requirements has not met our expectations. We are continuing to work with the ESO to understand further why EBS has not been delivered fully and when the planned EBS functionality may be implemented by the ESO. There are a number of interrelated EBS issues which continue to evolve and require further scrutiny. We have asked the ESO to be as open and transparent as possible about EBS issues and future developments.

The ESO's balancing systems have a significant impact on competition and efficiency. EBS is a key deliverable under the RIIO-T1 price control that was expected to deliver significant consumer benefits through more efficient system operation. The ESO should see delivering the benefits of EBS as part of its baseline expectations under the RIIO-T1 price control. Our decision to approve P373 has been influenced by the ESO's recent analysis⁹ of implementing the GC0068 and P297 requirements ahead of full EBS go-live. A critical part of our consideration in reaching this decision was the ESO's commitment, published by the ESO alongside this decision, to progress implementing the benefits of GC0068/P297 through other means. Specifically, the ESO has committed to raise modification proposals to implement profiled stable export and stable import limits in the Grid Code and enable publication of this data on BMRS; and to raise a BSC issues group to better estimate the benefits associated with a greater number of run-up/run-down rates and last time to cancel synchronisation.

We note that the ESO's performance with regards to these issues will be considered as part of our ESO performance and incentives framework. In the 2018-2019 mid-year review¹⁰ of the ESO's performance both P297 and EBS were discussed by the ESO performance panel. The delivery of, and communication associated with, the EBS project was taken into account when reviewing the ESO's performance under Principle 2, *driving overall efficiency and transparency in balancing, taking into account impacts of ESO actions across time horizons*. P297 was also a consideration in the assessment of the ESO's performance under Principle 4, *promote competition in the wholesale and capacity markets*.

Decision notice

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority hereby directs that modification proposal BSC P373: Reversing the changes relating to Approved Modification P297, be made.

⁹ https://www.nationalgrideso.com/sites/eso/files/documents/NGESO%20P297-GC0068%20Cost%20Benefit%20Analysis%20Jan-19%20for%20publication_0.pdf

¹⁰ https://www.ofgem.gov.uk/system/files/docs/2018/12/2018-19_myf_report.pdf

Grendon Thompson
Head of ESO Regulation

Signed on behalf of the Authority and authorised for that purpose