Draft Modification Report

P373 'Reversing the changes relating to Approved Modification P297'

P373 seeks to reverse the changes to the Balancing and Settlement Code (BSC) for Approved Modification P297 'Receipt and Publication of New and Revised Dynamic Data Items'.

The BSC Panel recommends **approval** of P373

This Modification is expected to impact:

- The National Electricity Transmission System Operator
- ELEXON

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Phase

- Initial Written Assessment
- Definition Procedure
- Assessment Procedure
- Report Phase
- Implementation

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About This Document

This is the P373 Draft Modification Report, which ELEXON will present to the Panel at its meeting on 8 November 2018. It includes the responses received to the Report Phase Consultation on the Panel's initial recommendations. The Panel will consider all responses, and will agree a final recommendation to the Authority (Ofgem) on whether the change should be made.

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.
- Attachment A contains the Proposal Form for P373.
- Attachment B contains the draft redlined changes to the BSC for P373.
- Attachment C contains the full responses received to the Panel's Report Phase Consultation.

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1 Summary

Why Change?

Due to delays with National Grid Electricity System Operator's (ESO) Electricity Balancing System (EBS) platform, ESO is unable to provide the data needed for ELEXON to test and deliver the Approved Modification P297 'Receipt and Publication of New and Revised Dynamic Data Items' for the November 2018 BSC Release on 1 November 2018. This creates uncertainty for industry and risks non-compliance issues for ELEXON, through no fault of its own.

Solution

P373 proposes to fully reverse the changes to the BSC for Approved Modification P297. By delivering P373 and P297 on the same day, the P297 changes will be reversed. Reversing the P297 changes will maintain BSCCo and ESO compliance with the BSC and provide certainty to market participants on the status of P297 provisions, preventing further confusion and expenditure.

Impacts & Costs

The central implementation costs for P373 will be approximately £240 to reverse the P297 changes previously approved.

There are no anticipated direct market participant costs arising as a result of the implementation of the P373 solution.

Implementation

It is proposed that P373 should be implemented 5 Working days (WDs) from the Authority decision date, to create certainty to industry at the earliest opportunity regarding the P297 provisions.

P297 Implementation Date

Modifications P297 and P373 are intrinsically linked and should therefore be implemented on the same day, so that they can 'cancel each other out', and prevent non-compliance to the BSC arrangements by the BSCCo through no fault of its own, or the ESO.

To avoid the risk that P373 is rejected by the Authority, the Panel, at its meeting on 11 October 2018, requested that the P297 Implementation Date be extended to the earlier of:

- 31 January 2018; or
- The P373 (Approved) Implementation Date.

The Authority approved the Implementation Date extension request (as per the above) on 29 October 2018, and its decision letter including rationale can be found on the P297 webpage.

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Recommendations

As part of the Authority's decision letter to approve the extension to the Implementation Date for P297, it noted that it is unlikely to make a decision on P373 until after the ESO has provided results of its cost-benefit analysis of delivering parts of the P297 solution through existing systems. Whilst we believe it would be appropriate for the Panel to defer its decision until it has sight of the ESO's cost-benefit analysis, it does not have the ability to do so within the BSC provisions. BSC Section F 'Modification Procedures' section 2.7.5 outlines that the Panel shall consider the Draft Modification Report at the next Panel meeting following Report Phase Consultation and make its recommendations to the Authority. Further detail of the Authority's options can be found in section 11 of this paper.

Therefore, we propose that the Panel:

- **AGREE** a recommendation to the Authority that P373 should be **approved**;
- **AGREE** that P373:
    - **DOES** better facilitate Applicable BSC Objective (a); and
    - **DOES** better facilitate Applicable BSC Objective (d);
- **APPROVE** an Implementation Date of:
    - 5WD following Authority decision;
- **APPROVE** the draft legal text;
- **APPROVE** the P373 Modification Report.

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2 Why Change?

Background

Grid Code (GC) modification GC0068 was raised in 2013 to allow market participants to submit new and revised dynamic data to National Grid (as the Electricity System Operator (ESO)), to take advantage of some of the expected functionality of ESO'S new Electricity Balancing System (EBS). P297 'Receipt and Publication of New and Revised Dynamic Data Items' was raised by National Grid as the ESO (from 1 April 2019 the BSC will term National Grid's ESO role as NETSO (National Electricity Transmission System Operator)), 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).

What is the issue?

Due to delays with the EBS platform, ESO is unable to provide the data needed for ELEXON to test and deliver the Approved Modification P297 for the November 2018 BSC Release on 1 November 2018. This creates uncertainty for industry and risks non-compliance issues for ELEXON, through no fault of its own.

P297 proposed that the ESO provides the revised dynamic dataset data to ELEXON for publication on the BMRS. At the time P297 was originally raised, ESO believed that the functionality available through EBS delivery would satisfy the requirements of GC0068 and P297 at a relatively low cost. However, this has proved not to be the case.

Implementing P297 in isolation, without testing the interactions between ELEXON's systems and ESO's systems, poses a considerable risk to BSC Central Systems, and could result in increased costs of any subsequent changes to ELEXON's Systems. Further, the Panel and ELEXON believe it would be irresponsible to spend money (BSC costs to implement P297 were estimated to be £132K in 2014) implementing functionality that will not, and may never, be used.

The implementation date of GC0068 is linked to the go-live of the full EBS system. However, there is no potential within the BSC to link the P297 Implementation Date to the go-live date of the GC0068 modification. The ESO has been managing the link in dates between P297 and GC0068 by requesting the date of P297 implementation to be in line with its expectation of the delivery of EBS through amendments to the originally approved P297 Implementation Date.

The ESO has requested an extension to the P297 Implementation Date three times since 2014 and in its letter dated 28 April 2017 indicated that the request to move the implementation to November 2018 should be treated as a holding date only, as the ESO did not have certainty regarding the go-live of EBS. The ESO appreciates that this does not provide clarity to industry and is working to ensure that it makes the delivery of new functionality in EBS as transparent as possible.

The Panel indicated at its meeting on 13 September 2018 that although there is evidently a precedent for successive extensions, the Panel considered the ESO's latest request a more substantial concern and 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;

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- ESO is still unable to provide a delivery date for the entire P297 solution;
- ESO have 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, ESO believes the best course of action is to reverse P297. It would be disingenuous and add further uncertainty and confusion to request a further extension without a meaningful delivery date.

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3 Solution

Proposed solution

P373 proposes to fully reverse the changes to the BSC for Approved Modification P297. By delivering P373 and P297 on the same day, the P297 changes will be reversed. Reversing the P297 changes will maintain BSCCo and ESO compliance with the BSC.

The approved changes to the BSC for P297 can be found in the P297 Final Modification Report provided to the Authority in March 2014 and published on the P297 webpage. The draft P373 legal text can be found in Attachment B.

Amendments to BSC Section Q 'Balancing Mechanism Activities', Section V 'Reporting' and Section X 'Annex X-2 Technical Glossary' due to be implemented in the November 2018 BSC release will need to be reversed in the case of the "Last Time to Cancel Synchronisation" dynamic data item or revised to their pre- P297 form in the case of "Stable Export Limits and Stable Import Limits"; and, "Run-Up Rates (Import and Export) and Run-Down Rate (Import and Export)".

Additionally, the amendments to the Balancing Mechanism Reporting Service (BMRS) website (https://www.bmreports.com) to publish this information for P297 will not be required or implemented.

P373 benefits

The ESO considers that P373 will have a positive impact on all market participants by removing uncertainty regarding the delivery date of P297. The ESO is aware that the ambiguity around the delivery of P297 has not been helpful to market participants and has created uncertainty in the delivery of the BSC arrangements. P373 will, therefore, remove any uncertainty as to the baseline against which future decisions or Modifications can be made and ensure BSCCo and other Parties are certain as to the delivery of future arrangements.

If P373 were not to be implemented there would be an unintended high impact on BSCCo due to non-delivery of requirements in the BSC as per the original P297 requirements.

The ESO is aware that the delivery of change over the next series of BSC Releases is of crucial importance to market participants and ensuring GB compliance with European codes. Therefore introducing greater certainty into the implementation of the arrangements will be of benefit to the wider industry as a whole.

Potential approaches to delivering P297 requirements

The ESO is exploring whether some of the P297 solution can be delivered through existing systems and architecture as it believes there may still be some benefit in progressing some or all elements. The ESO expects this approach to be more complex and so are working to assess the consumer benefits of taking forward these changes versus the potential cost of doing so, and will engage with industry as part of this assessment.

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ESO P297 Cost-Benefit Plan

The ESO published an open letter outlining its plan for the assessment of costs and benefits associated with GC0068 and P297 on 26 October 2018. As part of this letter, the ESO committed to concluding its cost-benefit analysis by December 2018.

Any future activity that the ESO undertakes would be progressed through Modification proposals to allow costs of industry implementation and the benefits to market participants and consumers to be more fully understood. This would allow the ESO to progress any delivery of Grid Code changes associated with this data to the BSC in a way that gives clear indication of delivery to all market participants and BSCCo.

Legal text

The draft legal text to deliver the P373 solution can be found in attachment B to this paper.

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4 Applicable BSC 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 coordinated 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	**Positive**
(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

Proposer Views

Under the requirements of P297, the ESO was to provide to BSCCo a new and revised set of dynamic data items that it would receive from customers through the implementation of GC0068. As GC0068 is not implemented due to delays with the delivery of EBS, the ESO is unable to deliver this data to BSCCo to facilitate the original implementation of P297 in November 2018. Removing these requirements from the BSC will better facilitate Applicable BSC Objective (a). This view is not altered by the extended P297 Implementation Date of 31 January 2019 or the Implementation Date of (Approved) Modification P373 (whichever is earlier), as this extension was to enable the ESO to complete further work and does not indicate a date at which P297 will actually be implemented. The Authority's letter outlining its rationale for the extension to the P297 Implementation Date can be found on the P297 webpage.

The uncertainty around the delivery date of EBS is impacting the ability of market participants and BSCCo to make plans in their businesses for implementation. This is against a backdrop of wider changes in market arrangements and the implementation of European programmes such as Project TERRE. In addition, BSCCo will be in a position of non-delivery due to it not receiving the data from the ESO. Removing this uncertainty completely from market participants and BSCCo would better facilitate Objective (d).

The P373 Proposer believes that P373 is neutral against all other Applicable BSC Objectives (b), (c), (e), (f), and (g).

Panel Views

The Panel provided its initial views against the Applicable BSC Objectives at its meeting on 11 October 2018. The Panel agreed with the Proposer that **P373 will better facilitate** Applicable BSC **Objectives (a) and (d)** and **should therefore be approved**.

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5 Request for Urgency

The ESO requested an extension to the P297 Implementation Date at the September 2018 BSC Panel meeting. However, the Panel wished to gain Ofgem guidance on the matter in order to inform its decision as to whether to request an extension to the P297 Implementation Date from the Authority. The Panel subsequently submitted a letter to Ofgem to enquire on the most appropriate way forward. Ofgem responded to the Panel letter on 9 October 2018 and the Panel took this response into consideration at its meeting on 11 October 2018.

It is likely that P297 will never be fully delivered by ESO and certainly not within the next 1-2 years. Perpetually requesting extensions to the P297 Implementation Date creates confusion, costs money and is not reflective of reality. The alternative of not requesting extensions would put the BSCCo, due to reasons outside of its control, and ESO, in breach of the BSC (and ESO in breach of its Licence).

In the case of BSCCo and BSC Parties, P373 will provide certainty of the arrangements (if approved) and remove any ambiguity of the BSC baseline they are required to adhere to.

In summary, progressing P373 urgently, so that it can be delivered on 1 November 2018 would have:

- Created certainty for Parties and market participants;
- Removed any risks associated with non-compliance and non-delivery; and
- Reflected the reality of the situation and is therefore more transparent and honest than requesting extensions or setting expectations that P297 will be wholly delivered, when it may not.

Therefore, a timely decision is required on this Modification Proposal to reverse the changes due to be implemented on 1 November 2018. The sooner P373 is delivered the sooner certainty is created for industry and the sooner BSCCo, ESO, Parties and Ofgem can stop spending money progressing something that is unlikely to ever happen.

The Proposer believes this satisfied part (c) of the Urgent Modification Proposal Criteria.

"Urgent -** A Modification Proposal which**:

(i) is linked to an imminent issue or a current issue that if not urgently addressed may cause:

(a) a significant commercial impact on Parties, Consumers or stakeholder(s); or

(b) a significant impact on the safety and security of the electricity and/or gas systems; or

(c) a Party to be in breach of any relevant legal requirements."

During its discussions, the Panel noted that the urgency criteria published by the Authority, is not exhaustive or legally binding.

Authority decision on Urgency

On 16 October 2018, Ofgem determined that P373 should not be progressed as an Urgent Modification as:

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- It does not believe there is sufficient evidence of a significant commercial impact on Parties if a decision is not made on P373 by 1 November 2018. The Authority noted that, whilst Parties committing resource to P297 provisions is very undesirable, the issue is primarily driven by the wider context of the ESO not implementing the full EBS solution and the overall lack of transparency and communication about EBS to date.

- It does not believe that the non-compliance situation would be caused by an imminent issue that could have reasonably been anticipated. In the Authority's view, the ESO not raising a Modification at an earlier stage does not warrant an accelerated Modification process. The Authority noted that ELEXON could be left non-compliant through no fault of its own (although subsequently approved the P297 Implementation Date extension that mitigated this risk) and noted there would unlikely be any material consequences for ELEXON.

- It does not believe that following an Urgent timetable for P373 would be in the benefit of consumers as it would not enable a full assessment of merits or interactions with P297 and GC0068. The Authority noted that the analysis and planning should be fully completed by the ESO before a final decision on P373 is made.

The Authority's decision letter can be found on the P373 webpage.

Therefore, P373 progressed under standard Report Phase Modification timescales with this Draft Modification Report being presented to the BSC Panel at its meeting on 8 November 2018.

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6 Self-Governance

The Proposer believes that P373 should not be treated as a Self-Governance Modification as it will have a material effect on Self-Governance criteria (a)(i) existing or future electricity consumers and (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity.

This is because P373 proposes to reverse the changes due to be implemented under P297, which may have brought intangible consumer benefits, and provided greater information to market participants for their role within the electricity markets.

Further, it is right and just that, due to the implications with approved BSC Modification P297, the Authority makes the final decision on whether to approve the Modification.

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7 Impacts & Costs

Estimated central implementation costs of P373

The central implementation costs for P373 will be approximately £240 to reverse the P297 changes previously approved.

Indicative industry costs of P373

There are no anticipated direct market participant costs arising as a result of the implementation of the P373 solution.

However, we understand there may be market participants that have already developed functionality to implement the P297 provisions. As part of the Report Phase Consultation, we requested views from market participants around the level of investment undertaken and the impact of reversing the P297 provisions. Responses are outlined in section 10 of this paper.

P373 impacts

Impact on BSC Parties and Party Agents	
Party/Party Agent	Potential Impact
Parties / Party Agents	None anticipated

Impact on Electricity System Operator
Impact on the Electricity System Operator such that it will not be required to implement the P297 provisions subject to this Modification being approved. If the Modification is not approved or is not implemented by 1 November 2018, the ESO will be non-compliant with the BSC provisions unless an extension is granted to the P297 Implementation Date.

Impact on BSCCo	
Area of ELEXON	Potential Impact
ELEXON	ELEXON will not be required to implement the P297 provisions subject to this Modification being approved. If the Modification is not approved or is not implemented by 1 November 2018, ELEXON will be non-compliant with the BSC provisions through no fault of its own unless an extension is granted to the P297 Implementation Date.

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Impact on Code	
Code Section	Potential Impact
BSC Section Q BSC Section V BSC Section X Annex X-2	The changes approved under P297 will not be implemented through the solution to this Modification.

Impact on Code Subsidiary Documents	
CSD	Potential Impact
NETA Interface Definition Design Part 1 (document) NETA Interface Definition Design Part 2 (document)	The changes approved under P297 will not be implemented through the solution to this Modification.

Impact on Consumers
The Proposer suggests that this Modification will not have a direct impact on consumers.

Impact on on-going Significant Code Reviews (SCRs)
Both ELEXON and the Proposer do not believe this Modification impacts any on-going SCR, and ELEXON submitted P373 to the Authority to request SCR exemption on 4 October 2018. The authority confirmed on 8 October 2018 that P373 is exempt from all open SCR's.

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8 Implementation

Implementation approach

Initially, P373 was proposed to be implemented on 1 November 2018, the P297 Implementation Date as at the time the Panel made its initial recommendations, to reverse the P297 changes and so ensure that both the ESO and BSCCo remain compliant with the BSC. This was subject to Urgency being granted to adhere to this Implementation Date.

As the Authority did not grant P373 Urgent status as outlined in section 5 of this paper, we propose that P373 is implemented **5WD from the Authority decision date**. Market participants were provided the opportunity to comment on this implementation approach through the Report Phase Consultation, with responses detailed in section 10 of this paper.

The proposed implementation approach for this Modification will provide clarity to market participants and ELEXON regarding the P297 provisions at the earliest opportunity through the standard Modification process.

P297 Implementation Date

Modifications P297 and P373 are intrinsically linked and P297 must not be implemented later than P373, which is the Modification that will reverse the P297 changes. In a preferential scenario, the Implementation Dates for both Modifications should align to be the same day, so that they can 'cancel each other out', and prevent non-compliance to the BSC arrangements by the BSCCo through no fault of its own, or the ESO.

To avoid the risk that P373 is rejected by the Authority, the Panel, at its meeting on 11 October 2018, requested that the P297 Implementation Date be extended to the earlier of:

- 31 January 2018; or
- The P373 (Approved) Implementation Date.

This P297 Implementation Date extension was approved by the Authority on 29 October 2018 and the Authority's decision letter can be found on the P297 webpage. The extension will ensure that the BSCCo and ESO remain compliant with the BSC provisions, and will also enable the P297 Implementation Date to be the same as P373 (subject to Authority approval). Further, it will enable the ESO to provide industry with the results of its cost-benefit analysis of the P297 provisions, which could potentially still be implemented through subsequent Modifications.

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9 Panel's Initial Discussions

The Panel considered the P373 Initial Written Assessment at its meeting on 11 October 2018.

Urgency

The Panel Members welcomed the ESO bringing forward a Modification to rectify the existing uncertainty surrounding the P297 provisions. Panel members noted that whilst there was an improvement in the availability of information surrounding the EBS programme, they wished for further transparency on programme proceedings and asked for visibility of what can or can't be delivered through EBS. The ESO representative welcomed Panel Member's feedback and noted that the ESO would endeavour to further communicate with industry.

Panel Members noted that the Authority may be placed in a difficult position to determine whether to reverse the benefits previously envisaged under P297. The ESO representative noted that the benefits previously envisaged may have changed. Further the ESO representative noted that the ESO has shared a plan with the Authority and committed to agree such plan by 19 October 2018 relating to how those benefits can be analysed following the approval of P373. The ESO will agree to provide the analysis by December 2018. Should benefits still be deemed achievable, the ESO could raise further Modifications as appropriate. The Panel Members did not believe this should prevent the granting of Urgency for P373 specifically as the ESO has put it on the record publically that P297 in its current form will not be delivered, irrespective of the benefits previously outlined.

The Panel noted Ofgem's guidance on Urgency criterion 'c' 'a party to be in breach of any relevant legal requirements' as strong justification for P373 Urgency as without remedial action, ELEXON as BSCCo will be left in a position of non-compliance to the BSC through no fault of its own.

ELEXON highlighted that, whilst being in breach of the BSC through no fault of its own is a concern, its primary focus is to support the best outcome for market participants. In its view, this is to create clarity around P297 provisions through the timely progression of P373.

The Panel also considered that whilst not explicitly noted in the ESO's request for Urgency, criterion 'a' 'a significant commercial impact on parties, consumers or other stakeholder(s)' is also met. ELEXON has recently received a number of queries regarding P297, whereby market participants have noted development costs have been incurred to the point of being able to implement system functionality for P297. The Panel considered it imperative that market participants be provided with certainty and clarity over P297 provisions at the earliest opportunity, through the progression of P373 as an Urgent Modification, to prevent further unnecessary industry resource spend on P297 provisions that will not be implemented. In addition, the continuing deliberations and correspondence for ELEXON, ESO, Ofgem, the Panel and market participants for P297 continues to require time and effort (costs). This is not a good use of resources as P297 is not going to be delivered in its current form.

The Panel considers that Ofgem's guidance on Urgency is not an exhaustive list and urged Ofgem to make a decision that is within the best interests of the wider industry.

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Report Phase Consultation

The Authority questioned whether a shortened Report Phase Consultation period through an Urgent Modification would provide market participants enough time to respond given forthcoming school holidays. A Panel Member responded with a view supported by other Panel Members that a lack of responses to a Report Phase Consultation does not infer that market participants are not interested or did not have time to respond, but that they assume the Authority will do the right thing by granting Urgency and approving P373.

Consumer Impacts

The Panel's consumer representative noted a concern that market participants have already developed system changes to deliver P297 provisions to the point of being ready for Implementation. The consumer representative suggested that this should be explored to better understand the wider industry impacts of reversing the P297 provisions.

ELEXON confirmed that it would add an additional question to the Report Phase consultation to give market participants the opportunity to outline impacts and costs they have incurred through P297 development to date.

Initial Recommendations

At its meeting on 11 October 2018, the Panel unanimously:

- **AGREED** a recommendation to the Authority that P373 should be treated as an Urgent Modification Proposal;
- **AGREED** an Urgent P373 progression timetable for recommendation to the Authority;
- **AGREED** that P373 progresses directly to the Report Phase;
- **AGREED** that P373:
    - **DOES** better facilitate Applicable BSC Objective (a); and
    - **DOES** better facilitate Applicable BSC Objective (d);
- **AGREED** an initial recommendation that P373 should be approved;
- **AGREED** an initial Implementation Date of:
    - 1 November 2018; and
- **AGREED** the draft legal text.

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10 Report Phase Consultation Responses

We received two responses to the P373 Report Phase Consultation, one from National Grid ESO and the other from SSE. This section summarises the responses to the Consultation on the Panel's its initial recommendations. You can find the full responses in Attachment C.

To aid the Panel's deliberations on the P373 Draft Modification Report on 8 November 2018, ELEXON will attemp to contact further market participants to obtain views on the merits of P373.

Summary of P373 Report Phase Consultation Responses

Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the Panel's initial unanimous recommendation that P373 should be approved?	1	1	0	0
Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P373?	2	0	0	0
Do you agree with the Panel's recommended Implementation approach?	1	1	0	0
Do you agree with the Panel's initial view that P373 should not be treated as a Self-Governance Modification?	2	0	0	0
Have you incurred material costs/impacts to date relating to the development of P297 provisions that will be redundant should P373 be approved?	1	1	0	0

Question 1: Do you agree with the Panel's initial unanimous recommendation that P373 should be approved?

National Grid ESO as the Proposer of Modification P373 noted that it believes reversing the P297 changes is the best outcome for market participants as the go-live timescales of its EBS system are unclear. National Grid highlighted its commitment to providing cost-benefit analysis to determine whether progressing P297 provisions through existing systems architecture would be beneficial for industry. Should benefits be highlighted, National Grid has noted it will bring forward further BSC Modifications as outlined in its open letter.

The ESO reiterated its rationale for P373 against the Applicable BSC Objectives as detailed in section 4 of this paper.

Whilst SSE recognises the intent to create certainty around the P297 provisions and accepts that the ESO has publically stated it cannot provide P297 functionality, it is concerned by the precedent of an Approved Modification being reversed. SSE suggested it could be more appropriate for the Panel to retain the P297 obligations and seek remedy for subsequent non-compliance. SSE noted this would maintain pressure on the ESO to deliver changes to ensure compliance and highlighted it could enable a means of compensation for inefficiently incurred costs.

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Question 2: Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P373?

Both respondents agreed that the redlined changes to the BSC deliver the intention of Modification P373.

Question 3: Do you agree with the Panel's recommended Implementation approach?

The ESO agreed with the recommended Implementation approach for P373. However, SSE did not, highlighting that in its opinion, the proposed Implementation approach does not consider European Electricity Balancing Guideline (EBGL) Articles four, five, six and ten to be followed. SSE noted that in its view, adherence to these Articles is required for this proposal because the legal text amends BSC Sections Q, Annex V-1 and Annex V-2 which form part of the terms and conditions for balancing as proposed by the TSO in accordance with Article 18 of the EBGL. SSE notes that amendments to the Article 18 terms and conditions for balancing should follow the steps set out in EBGL Articles 4, 5, 6 and 10, which has not been the case for P373. This would mean that when the NRA approves the Article 18 proposal (submitted by the TSO in June 2018 to be effective immediately), then changes introduced by P373 would not have complied with European Law.

ELEXONs legal view is that the terms and conditions for Article 18 are not yet applicable as they have not been approved by the Authority, and hence are not applicable to this Modification P373.

Question 4: Do you agree with the Panel's initial view that P373 should not be treated as a Self-Governance Modification?

Both respondents agreed that P373 should not be treated as a Self-Governance Modification. SSE highlighted that P297 was previously approved with benefits and therefore it is appropriate that the Authority considers whether the previously approved Modification (P297) should be reversed. SSE also highlighted that the Authority should consider whether P297 should be reversed with little or no consequence to those that have failed to deliver P297, creating unrealised benefits.

Question 5: Have you incurred material costs/impacts to date relating to the development of P297 provisions that will be redundant should P373 be approved?

The ESO as the Proposer of P373 clarified that is has not directly incurred costs relating to P297 provisions as the development of P297 has not commenced due to EBS delays.

SSE confirmed that it has incurred development costs relating to P297 provisions to date, including on its systems, however, it does not consider these costs as significant. SSE highlighted that is does not consider it important whether the costs incurred are significant, as in any case, investment has been made inefficiently due to the ESOs inability to deliver its EBS programme and associated P297 provisions. SSE noted that these inefficient costs would ultimately be passed through to consumers and believes that all costs incurred to date should be compensated by the ESO.

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11 Recommendations

The Authority's Urgency decision letter strongly indicated that the Authority would not make a final decision on the merits of P373 until it had received the ESO's cost-benefit analysis results regarding the merits of P297. Whilst we believe it would be appropriate for the Panel to defer its decision until it has sight of the ESO's cost-benefit analysis, it does not have the ability to do so within the BSC provisions. BSC Section F 'Modification Procedures' section 2.7.5 outlines that the Panel shall consider the Draft Modification Report at the next Panel meeting following Report Phase Consultation and make its recommendations to the Authority.

As we appreciate the Authority's strong steer, it is then within the gift of the Authority when it makes its determination of P373. Alternatively, the Authority may issue a Send Back Direction under BSC Section F 2.7A where it has been unable to form a decision on the Modification. This would enable the Panel to re-consider the Draft Modification Report alongside the ESO's cost-benefit analysis at a future meeting.

Therefore, we invite the Panel to:

- **AGREE** a recommendation to the Authority that P373 should be **approved**;
- **AGREE** that P373:
    - **DOES** better facilitate Applicable BSC Objective (a); and
    - **DOES** better facilitate Applicable BSC Objective (d);
- **APPROVE** an Implementation Date of:
    - 5WD following Authority decision;
- **APPROVE** the draft legal text;
- **APPROVE** the P373 Modification Report.

Appendix 1: Glossary & References

Acronyms

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

Acronym	
Acronym	Definition
BMRS	Balancing Mechanism Reporting Service
BSC	Balancing and Settlement Code
BSCP	Balancing and Settlement Code Procedure
EBGL	European Electricity Balancing Guideline
EBS	Electricity Balancing System
ESO	Electricity System Operator
GC	Grid Code
IWA	Initial Written Assessment

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Acronym	
Acronym	Definition
NETSO	National Electricity Transmission System Operator
SCR	Significant Code Review

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
3,5,7,9	BSC Modification P297	https://www.elexon.co.uk/mod-proposal/p297/
5	Grid Code Modification GC0068	https://www.nationalgrideso.com/codes/grid-code/modifications/gc0068-grid-code-new-and-revised-unit-data-and-instructions
7	Balancing Mechanism Reporting Service	https://www.bmreports.com/
7	National Grid ESO Open Letter for P297 Cost-Benefit Analysis	https://www.nationalgrideso.com/sites/eso/files/documents/GC0068-P297%20CBA%20Open%20letter%20Oct-18_Final.pdf
11,19	BSC Modification P373	https://www.elexon.co.uk/mod-proposal/p373/

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