BSC Modification Proposal Form	At what stage is this document in the process?
# P403 ## Mod Title: BSC Arrangements in the event that the TERRE Market is suspended by National Grid ESO	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report

Purpose of Modification: This Modification will change the Balancing and Settlement Code (BSC) to align with the existing Grid Code's Trans European Replacement Reserves Exchange (TERRE) market suspension arrangements and supports National Grid Electricity System Operator's (NGESO) Market Suspension Rules proposal; mandated by the European regulations 'Network Code on electricity Emergency and Restoration' (NCER) and 'Establishing a guideline on electricity transmission system operation (SOGL).P403 will provide Market Participants clarity on how the balancing and settlement arrangements will operate in the event that the TERRE market arrangements are suspended

	The Proposer recommends that this Modification should: • be treated as a Self-Governance Modification Proposal; and • be sent directly into the Report Phase. This Modification will be presented by the Proposer to the BSC Panel at its meeting on 12 March 2020. The Panel will consider the Proposer's recommendations and determine how best to progress the Modification.
	High Impact: n/a
	Medium Impact National Grid Electricity System Operator's (NGESO), ELEXON
	Low Impact: BSC Parties

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Timetable

The Proposer recommends the following timetable:

Initial Written Assessment presented to Panel	12/03/2020
Report Phase Consultation (10WDs)	17/03/2020 - 30/03/2020
Draft Modification Report presented to Panel	09/04/2020
Final Modification Report published (Self-Governance)	15/04/2020
Self-Governance Appeal Window (15 Working Days)	9/04/2020 – 04/05/2020
Implementation Date	25 June 2020

Any questions?

Contact:

Faysal Mahad

Faysal.mahad@elexon.co.uk

0207 380 4375

Proposer:

National Grid ESO

Proposer's representative:

Jamie Webb

Jamie.Webb@nationalgrideso.com

07768537317

Other:

Other:

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1 Why Change?

What is the issue?

There are currently no Settlement provisions within the BSC for the event that National Grid Electricity System Operator (NGESO) decides to suspend the TERRE market. Market Participants would therefore not have clarity that the TERRE arrangements are suspended nor how balancing and Settlement would work in that situation.

In order to provide maximum clarity for stakeholders on the GB arrangements for TERRE during market suspension, Ofgem has requested that NGESO and ELEXON assess whether the different provisions in the Grid Code and the BSC lead to any practical implication to the settlement of TERRE bids when the market has been suspended. The NGESO and ELEXON have determined that a number of changes are necessary to align the two Codes. Currently, the BSC and the Grid Code are not aligned and it is not clear to Market Participants how the Settlement arrangements for the occurrence of TERRE market suspension would be treated.

The Commission Regulation (EU) 2017/2196 'establishing a network code on electricity emergency and restoration (NCER)' was established for the purposes of safeguarding operational security, preventing the propagation of an incident to avoid a widespread disturbance, and to allow for the efficient and rapid restoration of the electricity system from emergency or blackout states.

Ofgem, as the National Regularity Authority, assigned NGESO to develop a proposal for the GB market suspension rules to satisfy NCER and Commission Regulation (EU) 2017/1485 'Establishing a guideline on electricity transmission system operation (SOGL). On the 17 May 2018, NGESO submitted a market suspension rules proposal. The proposal detailed how the existing Market Suspension rules for GB meet and are compliant with the requirements of NCER. The proposal stated the TERRE market suspension rules, required under NCER, were covered under the approved Grid Code modification GC0097: Grid Code processes supporting TERRE.

On 22 November 2019, Ofgem published an open letter to NGESO titled ‘Request for amendments to the market suspension and restoration rules and to the Settlement rules for market suspension’. Ofgem notes, in the scenario where NGESO suspends the TERRE market, in accordance with GC0097, the provisions of the Grid Code would be triggered. However, no Settlement provisions within the BSC exist for such a scenario. It is therefore not clear to Market Participants what happens when the TERRE arrangements are suspended, specifically how the balancing and Settlement arrangements would work in this situation.

Desired outcomes

This Modification Proposal is designed to:

- Align the BSC with Commission Regulation (EU) 2017/2196 'establishing a network code on electricity emergency and restoration (NCER);
- Align the BSC with Commission Regulation (EU) 2017/1485 'Establishing a guideline on electricity transmission system operation (SOGL);
- Align the BSC with GC0097: ‘Grid Code processes supporting TERRE’; and
- Satisfy Ofgem’s request in its letter dated 22 November 2019, for NGESO to include provisions in the BSC for the scenario where NGESO suspends the cross-border Replacement Reserves market.

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2 Solution

Proposed Solution

In order to provide clarity to Market Participants, in the event that the TERRE market is suspended, this Modification proposes to amend the BSC to:

1. Define the rules for TERRE-related data in the event of system outages;
2. Suspend TERRE-related Settlement processes in a TERRE market suspension scenario; and
3. Suspend TERRE-related Settlement processes in a contingency scenario.

This Proposal will support NGESO to meet EU Regulation by including procedures and actions that will be carried out during emergency, blackout and restoration states.

This Modification will align the BSC with Grid Code and NCER requirements and will provide clarity to Market Participants on the Settlement arrangements in the occurrence of TERRE market suspension.

In summary, the solution shall contain:

Section G

BSC Section G 'Contingencies' of the BSC sets out to provisions of the Code which are to apply in certain contingencies, and related provisions. Section G3 details the BSC arrangements should a total shutdown or a partial shutdown occur and the circumstances where the NGESO intends to implement a Black Start. Currently this includes a list of the rules that vary under a Market Suspension Period (G3.2); this Modification will add the suspension of the Replacement Reserve (RR) Market to this list, which includes TERRE.

Section Q

Under this Modification, the provisions for an RR Market Suspension will be detailed in BSC Section Q 'Balancing Mechanism Activities'. Section Q defines an "Outage" as "any withdrawal by the NGESO (for maintenance or otherwise), breakdown or failure of any electronic data communications systems by which the NGESO receives and accesses communications made by Lead Parties.." this Modification will amend Section Q as follows:

- expand the current definition of 'Outage' in Section Q to include the event BSCCo cannot receive RR Bid data;
- outline the process for RR Bids during a period of "Outage" (to align with BC4.5.1)
- Produce an equivalent of the current process for the Suspension of the Balancing Mechanism (Q5.4) for RR market suspension. As such, a section is needed detailing provisions for RR Market Suspension stating:
    - No communications will be issued by NGESO regarding RR Bid data, RR Auction Result Data or RR Flagged Acceptance data; and
    - Any communications received from the NGESO not classed as RR Bid data, RR Auction Result Data or RR Flagged Acceptance data.

Section X- Annex X-1

Add the definition of 'TERRE Market' in BSC Section X- Annex X-1 'General Glossary'.

It's worth noting a provision already exists which requires NGESO to notify BSCCo when an outage starts and ends (BSC Section Q1.2.5 'Balancing Services Activities'), which will also apply to an Outage in the event BSCCo cannot receive RR Bid data.

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Benefits

This Modification will provide maximum clarity and transparency for Market Participants on the GB arrangements for TERRE during market suspension situation. This is because P403 will amend the BSC to include the rules for TERRE-related data in the event of system outages and ensure Market Participants are aware of how the balancing and Settlement arrangements would work in this situation.

3 Relevant Objectives

Impact of the Modification on the Relevant Objectives:

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

Applicable BSC Objective (a)

The Proposer believes that this Modification will positively impact objective (a). P403 will support the ESO's proposal for the TERRE Market suspension rules imposed under NCER and SOGL. The ESO is obliged to meet EU rules under its licence so it is discharging its licence obligations through this Modification.

Applicable BSC Objective (e)

The proposer also believes that the Modification will positively impact objective (e) as it will ensure BSC compliance with 'Network Code on electricity Emergency and Restoration' (NCER) provisions.

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4 Potential Impacts

Impacts on Core Industry Documents

Impacted Core Industry Documents			
☐Ancillary Services Document	☐Connection and Use of System Code	☐Data Transfer Services Agreement	☐Use of Interconnector Agreement
☐Master Registration Agreement	☐Distribution Connection and Use of System Agreement	☐System Operator Transmission Owner Code	☐Supplemental Agreements
☐Distribution Code	☐Grid Code	☐Transmission License	☐Other (please specify)

None anticipated.

Impacts on BSC Systems

Impacted Systems				
☐CRA	☐CDCA	☐PARMS	☐SAA	☐BMRS
☐EAC/AA	☐FAA	☐TAAMT	☐NHHDA	☐SVAA
☐ECVAA	☐ECVAA Web Service	☐ELEXON Portal	☐Other (Please specify)	

None anticipated. Suspension is operated manually.

Impacts on BSC Parties

Impacted Parties			
☐Supplier	☐Interconnector User	☐Non Physical Trader	☐Generator
☐Licensed Distribution System Operator	☒National Electricity Transmission System Operator	☐Virtual Lead Party	☐Other (Please specify)

- ELEXON will be required to make the corresponding adjustments to documents and process.
- NGESO will be required to send the BSCCo notification of TERRE market suspension, where applicable.
- BSC Parties – No implementation impacts expected. Parties will gain clarity on how TERRE suspension will be treated in the BSC arrangements.

Legal Text Changes

Please see attachment A for the full proposed legal text for this Modification.

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5 Governance

Self-Governance

☐ **Not Self-Governance –** A Modification that, if implemented materially impacts:	
☐ the Code's governance or modification procedures	☐ sustainable development, safety or security of supply, or management of market or network emergencies
☐ competition	☐ existing or future electricity consumers
☐ the operation of national electricity Transmission System	☐ likely to discriminate between different classes of Parties
☒ **Self-Governance –** A Modification that, if implemented:	
Does not materially impact on any of the Self-Governance criteria provided above	

The Proposer requests this Modification be progressed as a Self-Governance Modification. The triggers and mechanisms for suspending the TERRE Market were approved under GC0097 and the scope of the existing BSC suspension and contingency processes will be expanded to include the TERRE Market suspension.

The Modification will introduce the consequential provisions in the BSC to ensure Market Participants have clarity on how the Balancing and Settlement Code arrangements will operate in the event that TERRE Market is suspended by NGESO. Therefore, this Modification will not have a material effect on the Self-Governance criteria.

We believe that the solution to this Modification is self-evident and should therefore progress straight to the Report Phase. The solution has already been defined based on the requirements specified in the Grid Code and the Commission Regulation (EU) 2017/2196 'establishing a network code on electricity emergency and restoration (NCER)'. These requirements are well understood as they build on existing market suspension processes. As the solution is clearly defined and understood it is not clear what benefits Workgroup consideration would provide.

Progression route

☐ **Submit to assessment by a Workgroup** –:A Modification Proposal which:	
does not meet any criteria to progress via any other route.	
☒ **Direct to Report Phase** – A Modification Proposal whose solution is typically:	
☐ of a minor or inconsequential nature	☒ deemed self-evident
☐ **Fast Track Self-Governance** – A Modification Proposal which meets the Self-Governance Criteria and:	
is required to correct an error in the Code as a result of a factual change including but not limited to:	
☐ updating names or addresses listed in the Code	☐ correcting minor typographical errors
☐ correcting formatting and consistency errors, such as paragraph numbering	☐ updating out of date references to other documents or paragraphs

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☐ **Urgent –** A Modification Proposal which is linked to an imminent issue or current issue that if not urgently addressed may cause:	
☐ a significant commercial impact on Parties, Consumers or stakeholder(s)	☐ a Party to be in breach of any relevant legal requirements.
☐ a significant impact on the safety and security of the electricity and/or gas systems	

We believe that the solution to this Modification is self-evident and should therefore progress straight to the Report Phase. The solution has already been defined based on the requirements specified in the Grid Code and the Commission Regulation (EU) 2017/2196 'establishing a network code on electricity emergency and restoration (NCER)'. These requirements are well understood as they build on existing market suspension processes. As the solution is clearly defined and understood it is not clear what benefits Workgroup consideration would provide.

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

We do not believe this Modification is linked to any open SCRs. Therefore, we request that this Modification be exempt from the SCR process.

Does this modification impact on end consumers or the environment?

Day to day operation of balancing and settlement will be unaffected so there will be no direct impact on consumers or the environment.

Implementation approach

In order to provide clarity to Market Participants, by aligning with the GC0097, this Modification needs to be implemented no later than the current TERRE go-live date, which is currently 30 June 2020.

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