Final Modification Report

P403 'BSC Arrangements in the event that the TERRE Market is suspended by National Grid ESO'

This Modification will change the Balancing and Settlement Code (BSC) to align with the existing Grid Code Trans European Replacement Reserves Exchange (TERRE) market suspension arrangements and support 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 BSC arrangements will operate in the event that the TERRE Market arrangements are suspended.

The Self-Governance Appeal Window for P403 closes:

5pm on **Friday 1 May 2020**

If no appeals are notified by this time, the Panel's decision is final.

The BSC Panel has **approval** P403

This Modification is expected to impact:

- National Grid Electricity System Operator (NGESO)
- Balancing and Settlement Code Company (BSCCo)

ELEXON

Phase

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

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About This Document

This is the P403 Final Modification Report, which ELEXON has published following the Panel's decision to approve P403 as a Self-Governance Modification. It includes the Panel's full views. The window to appeal the Panel's decision to approve P403 closes at 5pm on Friday 1 May 2020.

There are three parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits and drawbacks, and proposed implementation approach.
- Attachment A contains the P403 Proposal Form.
- Attachment B contains the approved redlined changes to the BSC for P403.

Contact

Faysal Mahad

020 7380 4375

BSC.change@elexon.co.uk

faysal.mahad@elexon.co.uk

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1 Summary

Why Change?

There are currently no Settlement provisions within the BSC for the event that National Grid Electricity System Operator (NGESO) decides to suspend the Trans European Replacement Reserves Exchange (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.

Solution

This Modification proposes to amend the BSC to define rules for:

- TERRE-related data in the event of system outages;
- TERRE-related Settlement processes in a TERRE Market suspension scenario; and
- TERRE-related Settlement processes in a contingency scenario.

Impacts & Costs

The changes required to the BSC do not result in any BSC system changes. It will cost approximately £5,000 to update ELEXON documents, processes and conduct user acceptance testing. There is no impact on NGESO from this Proposal, as the NGESO TERRE suspension arrangements were approved in Grid Code modification GC0097: Grid Code processes supporting TERRE.

Implementation

The Panel, has approved an Implementation date of:

- **28 May 2020** as a standalone release.

Decision

The Panel believes that P403 **does** better facilitate Applicable BSC Objective **(a)** and **(e)** and so has **approved** P403 as a Self-Governance Modification.

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2 Why Change?

Background

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 could 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.

What is the guideline on electricity transmission system operation (SOGL)?

SOGL defines a set of minimum requirements for EU-wide transmission system operation, including cross-border cooperation between transmission system operators (TSOs). These guidelines are necessary for the purpose of safeguarding operational security, power supply frequency and the efficiency of the interconnected system and resources.

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 Trans European Replacement Reserves Exchange (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.

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3 Solution

Approved solution

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

- TERRE-related data in the event of system outages;
- TERRE-related Settlement processes in a TERRE Market suspension scenario; and
- 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.

P403 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 contains:

Section G

- BSC Section G 'Contingencies' of the BSC sets out 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);
- outline the notification process if RR Market is suspended by NGESO under the Grid Code, section BC4.9 'Outages of computer systems leading to the suspension of the TERRE Market';
- Produce an equivalent of the current process for the Suspension of the Balancing Mechanism (Q5.4) for RR market suspension which will apply to both a suspension under BC4.9 of the Grid Code and a suspension as result of partial or total shutdown. As such, a section is needed detailing provisions for RR Market Suspension stating:

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- 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.

Expected Benefits

The desired outcome of this Modification is to provide maximum clarity and transparency for Market Participants on the GB arrangements for TERRE during market suspension situation. P403 will do this by expanding the existing suspension rules in the BSC to include the TERRE Market. Therefore, in the event that the TERRE Market is suspended Market Participants will be aware of how the balancing and Settlement arrangements will work.

Approved legal text

The approved legal text changes can be found in Attachment B.

Applicable BSC Objectives

The Panel believes this Modification will **better facilitate**:

- **BSC 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.
- **BSC Objective (e):** P403 will ensure BSC alignment with GC0097 and as such support National Grid's market suspension rules proposal in accordance with 'Network Code on electricity Emergency and Restoration' (NCER) provisions.

The Panel believes that P403 will be **neutral** against all other Applicable BSC Objectives.

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 administrating 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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4 Impacts & Costs

Indicative industry costs of P403

We did not identify any industry impacts or costs resulting from the implementation of P403. Following the implementation of this change, the BSC Market suspension arrangement will be expanded to include the suspension of the TERRE Market.

Estimated central implementation costs of P403

The central implementation costs for P403 will be approximately £5,000 to update ELEXON documents, processes and conduct user acceptance testing. The changes required to the BSC do not result in any BSC system changes.

There is no impact on NGESO from this Proposal, as the NGESO TERRE suspension arrangements were approved in Grid Code modification GC0097: Grid Code processes supporting TERRE.

P403 Impacts

Impact on BSC Parties and Party Agents	
Party/Party Agent	No implementation impacts identified. Parties will gain clarity on how TERRE suspension will be treated in the BSC arrangements

Impact on Transmission Company
NGESO will be required to send the BSCCo notification of TERRE Market suspension, where applicable.

Impact on BSCCo	
Area of ELEXON	Potential Impact
Market Operations	ELEXON will be required to make the corresponding adjustments to its processes.

Impact on BSC Settlement Risks
We do not envisage any impact on BSC Settlement Risks arising from this Modification. P403 would decrease BSC Settlement Risk, as it will provide Market Participants with clarity on how the BSC arrangements will operate in the event that the TERRE Market arrangements are suspended.

Impact on BSC Systems and processes	
BSC System/Process	Potential Impact
No impacts identified. Suspension is operated manually.	

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Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Potential Impact
No impacts identified	

Impact on Code	
Code Section	Potential Impact
BSC Section G 'Contingencies'	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.
BSC Section Q 'Balancing Mechanism Activities'.	Under this Modification, the provisions for an RR Market Suspension will be detailed in section Q.
BSC Section X- Annex X-1 'General Glossary'.	Add the definition of 'TERRE Market' in BSC Section X.

Impact on Code Subsidiary Documents	
CSD	Potential Impact
BSCP201 'Black Start and Fuel Security Contingency Provisions and Claims Processes'	BSCP201 includes the steps required to restore normal BSC market operations. It highlights the responsibilities and actions required to ensure this is done efficiently and effectively. This Modification will add the steps ELEXON will take in the event that the TERRE Market arrangements are suspended to provide clarity on how the BSC arrangements will operate. BSCP201 will be consulted on during April 2020.

Impact on other Configurable Items	
Configurable Item	Potential Impact
No impacts identified	

Impact on Core Industry Documents and other documents	
Document	Potential Impact
Ancillary Services Agreements	No impact on any other Core Industry Documents, or other documents identified.
Connection and Use of System Code	
Data Transfer Services Agreement	
Distribution Code	

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Impact on Core Industry Documents and other documents	
Document	Potential Impact
Distribution Connection and Use of System Agreement	
Grid Code	
Master Registration Agreement	
Supplemental Agreements	
System Operator-Transmission Owner Code	
Transmission Licence	
Use of Interconnector Agreement	

Impact on a Significant Code Review (SCR) or other significant industry change projects
A SCR exemption request was sent to Ofgem on 4 March 2020. On the 10 March 2020, Ofgem confirmed P403 was not within the scope of any of its open SCRs.

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5 Implementation

Approved Implementation Date

The Panel has approved an Implementation Date for P403 of:

- 28 May 2020 as a standalone release.

This will ensure the P403 solution is implemented before the TERRE go-live date.

Self-Governance

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. P403 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, by following the approach taken on the existing market suspension arrangements. Therefore, P403 will not have a material effect on the Self-Governance criteria.

What are the Self-Governance Criteria?

A Modification that, if implemented:

(a) does not involve any amendments whether in whole or in part to the EBGL Article 18 terms and conditions, except to the extent required to correct an error in the EBGL Article 18 terms and conditions or as a result of a factual change, including but not limited to:
(i) correcting minor typographical errors;
(ii) correcting formatting and consistency errors, such as paragraph numbering; or
(iii) updating out of date references to other documents or paragraphs;

(b) is unlikely to have a material effect on:
(i) existing or future electricity consumers;
(ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity;
(iii) the operation of the national electricity transmission system;
(iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
(v) the Code's governance procedures or modification procedures; and

(c) is unlikely to discriminate between different classes of Parties.

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6 Panel's Initial Discussions

The P403 Initial Written Assessment was presented to the BSC Panel at its meeting on 12 March 2020 (300/06). The Panel agreed with the Proposer, that P403 should be submitted directly to the Report Phase. The Proposer believes the P403 solution is self-evident, as it has already been defined based on the requirements specified in the Grid Code and NCER. These requirements are well understood as they build on existing market suspension processes.

The Panel agreed with all recommendations presented:

- **AGREED** that P403 progresses directly to the Report Phase;
- **AGREED** that P403:
    - **DOES** better facilitate Applicable BSC Objective (a)
    - **DOES** better facilitate Applicable BSC Objective (e);
- **AGREED** an initial recommendation that P403 should be **approved**;
- **AGREED** an initial Implementation Date of:
    - 28 May 2020 as an ad-hoc Release;
- **AGREED** the draft legal text;
- **AGREED** an initial view that P403 should be treated as a Self-Governance Modification; and
- **NOTED** that ELEXON will issue the draft Modification Report (including the draft BSC legal text) for a 10 Working Day consultation and will present the results to the Panel at its meeting on 9 April 2020.

Implementation Approach

A Panel Member noted the proposed Implementation Date for P403 could be after the current TERRE go-live date, expected sometime during June 2020. The Member believed the chances of the TERRE market being suspended was higher than the Balancing Mechanism and that P403 should be implemented by the TERRE implementation date.

ELEXON noted that even if P403 wasn't in the BSC and the TERRE Market was suspended the Settlement processes and calculations would be OK, as the processes are manual. However, it would not be clear to Market Participants how the balancing and Settlement arrangements would work in this situation and that it was preferable to have P403 in place by the TERRE go-live date. ELEXON agreed to amend the P403 Implementation Date so that P403 was implemented by the TERRE go-live date. The P403 Implementation Date was therefore changed from 25 June 2020 (scheduled June Release) to 28 May 2020. This is before the expected TERRE go-live date and so this creates certainty over the P403 Implementation Date and ensures P403 is implemented before the TERRE go-live date, which remains fluid.

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TERRE Market Suspension Notification

A Panel Member questioned how Market Participants would be notified of TERRE market suspensions. The Panel Member explained this was because there are potentially more factors that could cause the TERRE Market to be suspended and the TERRE Market would be used by more Market Participant (i.e. Virtual Lead Parties); therefore, the suspension of the TERRE Market could be more common. The Panel Member suggested using the BMRS as a mechanism to notify Parties that the TERRE Market has been suspended.

ELEXON notes under BSCP201, which includes the steps required to restore normal BSC market operations following an existing market suspension, Parties are notified of a market suspension via email, Circulars or the posting of information on the BMRS website. P403 proposes to use these communication channels to notify Parties of a TERRE Market suspension. ELEXON took an action to investigate whether additional changes could be made to BMRS to better communicate market suspensions, including a TERRE Market suspension. ELEXON can confirm, following the meeting, BMRS will be used to alert Market Participants of a TERRE Market suspension by displaying associated BMRS System Warnings, which are both pull (API) and push (DPS/TIBCO), and duplicated to the ELEXON Circular email distribution list as an ELEXON Portal Alert. As part of the Market Entry process, Virtual Lead Parties are encouraged to sign up to the Circular distribution list. ELEXON do not believe any additional system changes are necessary.

The ELEXON CEO noted that the title of the Modification could be interpreted to mean that TERRE was being suspended and suggested making it clear that P403 was putting arrangements in the place in the event that the TERRE Market was suspended.

ELEXON and NGESO agreed to change the P403 title to clarify that the P403 was introducing BSC arrangements in the event of a TERRE Market suspension. It was changed from 'BSC TERRE Market Suspension Arrangements' to 'BSC Arrangements in the event that the TERRE Market is suspended by National Grid ESO.'

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7 Report Phase Consultation Responses

P403 was submitted for Report Phase Consultation on 17 March 2020, with responses due by 5pm Tuesday 31 March 2019. A follow-up reminder email was circulated on 24 March 2020. No responses were received to the Report Phase Consultation.

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8 Panel's Final Discussions

P403 was presented to the Panel for decision at its meeting on 9 April 2020 (301/08).

The Panel questioned whether there would be any disadvantage to implementing P403 on the 28 May 2020 given that the TERRE Implementation Date might be delayed beyond June 2020. ELEXON noted that keeping the Implementation Date the same will insure the solution is in place before TERRE is implemented and added the only disadvantage would be a negligible cost to implement it as a standalone Release.

The Panel made no other comments and unanimously agreed with all recommendations.

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9 Decisions

The BSC Panel agreed:

- That P403 meets the Self-Governance Criteria;
- That P403 should be **approved**;
- An Implementation Date for P403 of **:**
    - **28 May 2020**, as a standalone BSC Release; and
- The BSC legal text for P403.

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Appendix 1: Glossary & References

Acronyms

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

Acronym	
Acronym	Definition
TERRE	Trans European Replacement Reserves Exchange
NGESO	National Grid Electricity System Operator
NCER	Network Code on electricity Emergency and Restoration
SOGL	Establishing a guideline on electricity transmission system operation
IWA	Initial Written Assessment
EMR	Electricity Market Reform
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	Online copy of the Commission Regulation (EU) 2017/2196 'establishing a network code on electricity emergency and restoration'	https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:32017R2196
4	Copy of NGESO's initial proposal for market suspension rules	https://www.nationalgrideso.com/document/144011/download
4	GC0097: Grid Code processes supporting TERRE webpage	https://www.nationalgrideso.com/codes/grid-code/modifications/gc0097-grid-code-processes-supporting-terre
4	Ofgem's letter to NGESO requesting for amendments to the market suspension and restoration rules	https://www.ofgem.gov.uk/publications-and-updates/request-amendments-eso-s-proposals-blackout-state-market-suspension-rules-and-settlement-rules-market-suspension
5	Online copy of BSC Section G 'Contingencies'	https://www.elexon.co.uk/documents/bsc-codes/bsc-sections/bsc-section-g-contingencies/
5	Online copy of BSC Section Q 'Balancing Mechanism Activities'	https://www.elexon.co.uk/the-bsc/bsc-section-q-balancing-mechanism-activities/

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External Links		
Page(s)	Description	URL
12	BSC Panel March 2020 meeting webpage	https://www.elexon.co.uk/meeting/bsc-panel-300/
14	BSC Panel April 2020 meeting webpage	https://www.elexon.co.uk/meeting/bsc-panel-301/

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