P412 'Ensuring non-BM Balancing Services providers are responsible for their imbalances'

This Modification will introduce imbalance charges for non-Balancing Mechanism (BM) Balancing Services providers, where their delivery does not match instructed volumes. This will mean the GB market more effectively meets the requirements of the Clean Energy Package.

Elexon recommends P412 is progressed to the Assessment Procedure for an assessment by a Workgroup

Elexon considers it likely that P412 will impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to impact:

- Non-BM Balancing Services providers
- Suppliers
- National Grid ESO as the National Electricity Transmission System Operator (NETSO)
- Elexon as the Balancing and Settlement Code Company (BSCCo)

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Phase

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

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About This Document

This document is an Initial Written Assessment (IWA), which Elexon will present to the BSC Panel at its meeting on 10 September 2020. The Panel will consider the recommendations and agree how to progress P412.

There are two parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress, including the Workgroup's proposed membership and Terms of Reference.
- Attachment A contains the P412 Proposal Form.

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1 Summary

What is the issue?

The Clean Energy Package Regulation 2019/943 (CEPR) requires that all market participants are responsible for the imbalances they cause on the system, and that imbalances are settled at a price reflecting the real time value of energy.

The imbalance calculation needs to change to ensure we can apply the imbalance price to the difference between the non-BM balancing services instructed volumes and delivered volumes.

What is the proposed solution?

To alter the P354 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level' solution so that adjustments are made based on instructed volumes rather than delivered volumes. The solution would involve National Grid Electricity System Operator (NGESO) providing instructed rather than delivered volumes to the Supplier Volume Allocation Agent (SVAA) but the Applicable Balancing Services Volume Data (ABSVD) adjustment logic will not change.

Impacts

The initial view is that this Modification will impact non-BM Balancing Services providers, Suppliers and National Grid ESO.

This Modification will require changes to systems and documents. Impact assessments will be conducted during the Assessment Procedure.

Implementation

Implementation could be approximately 9 months from approval of the Modification. This timetable is subject to systems impact assessment and industry consultation.

Recommendation

This Modification should be progressed to the Assessment Procedure for consideration by a Workgroup. Given the potential impacts on market participants and the EBGL Article 18 terms and conditions held within the Balancing and Settlement Code (BSC), it is not suitable for Self-Governance so should be sent to the Authority for decision. There is no requirement for this proposed Modification to be Fast-Tracked, nor is it Urgent.

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2 Why Change?

What is the issue?

The Clean Energy Package Regulation 2019/943 (CEPR) requires that all market participants are responsible for the imbalances they cause on the system, and that imbalances are settled at a price reflecting the real time value of energy. Specifically, CEPR Article 5(1) states;

"All market participants shall be responsible for the imbalances they cause in the system ('balance responsibility'). To that end, market participants shall either be balance responsible parties or shall contractually delegate their responsibility to a balance responsible party of their choice. Each balance responsible party shall be financially responsible for its imbalances and shall strive to be balanced or shall help the electricity system to be balanced"

and CEPR Article 6(5) states;

"The imbalances shall be settled at a price that reflects the real-time value of energy".

When the National Electricity Transmission System Operator (NETSO) issues an instruction to a non-BM (Balancing Mechanism) Balancing Services Provider (BSP), there is currently no financial penalty if they under-deliver against that instruction within the scope of the BSC. However, this will cause an imbalance as there is a shortfall in the amount of energy expected by the NETSO. According to the CEPR, this imbalance must be charged to the non-BM BSP or a balance responsible party of their choice (for example the Supplier responsible for the boundary point meters of the unit providing the service).

Over-delivery is already paid at the imbalance price. This is because Elexon will adjust the Supplier's position based on the Applicable Balancing Services Volume Data (ABSVD). ABSVD is based on the delivered volume of a non-BM Balancing Service. Where a unit delivers more than it was supposed to, the ABSVD will adjust the Supplier's position by the amount instructed plus the additional amount, and the whole volume is subject to imbalance payments. However, when a service under-delivers the adjustment is only made for this lower volume, meaning the shortfall is not charged at the imbalance price.

The imbalance calculation needs to change to ensure we can apply the imbalance price to the difference between the non-BM balancing services instructed volumes and delivered volumes.

Desired outcomes

The desired outcome is that all Balancing Services providers, including those not activated via the Balancing Mechanism, will be responsible for imbalances resulting from deviations from their instructions to deliver a Balancing Service.

What are imbalances?

Imbalances are the difference between contracted and actual metered volumes.

What is ABSVD?

Applicable Balancing Services Volume Data (ABSVD) is Balancing Services Volume Data sent by the Transmission Company to the Settlement Administration Agent (SAA) and Balancing Mechanism Reporting Agent (BMRA). This data is per Settlement Period and BM Unit and it is sent in accordance with BSC Section Q6.4.

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3 Solution

Proposed solution

The P354 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level' solution enables Settlement to apply adjustments to Suppliers imbalance position based on delivered volumes of non-BM Balancing Services. If we were to alter this process so that adjustments were made based on instructed volumes rather than delivered volumes, this would ensure that a Supplier's portfolio is appropriately adjusted for both under and over delivery of non-BM Balancing Services.

This solution works because the Supplier would be exposed, at a portfolio level, to differences between the instructed non-BM Ancillary Services volumes and the actual metered volumes at their sites. This deviation would be aggregated with other deviations between their contracted and metered volumes.

This solution would involve NGESO providing instructed rather than delivered volumes to Supplier Volume Allocation Agent (SVAA), but the ABSVD adjustment logic will not change.

The P412 solution applies to Half Hourly (HH) metered Supplier Volume Allocation (SVA) registered sites, as this is a limitation of the original ABSVD solution. There are some Central Volume Allocation (CVA) sites which operate in non-BM mode and therefore may come into scope, depending on how they operate.

Benefits

The initial benefit of this Modification is to ensure the GB energy market more effectively meets the requirements of the relevant paragraphs in the Clean Energy Package.

A further benefit will be to remove some inconsistencies between the arrangements of non-BM service providers and BM service providers. This could increase competitiveness between services. As a result of P412, the imbalance calculation will be consistent for both BM and non-BM Balancing Services providers.

Applicable BSC Objectives

The Proposer believes that this Modification is primarily positive against Applicable BSC Objective (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]', as it brings GB arrangements into closer alignment with the Clean Energy Package Regulation.

The Proposer believes that this Modification will also result in a positive outcome versus Applicable BSC Objective (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', as it would remove some inconsistencies between imbalance provisions relating to non-delivery for non-BM Balancing Services and those for other Balancing Services.

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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Implementation approach

Implementation could be approximately 9 months from approval of the Modification. This timetable is subject to systems impact assessment and industry consultation.

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4 Areas to Consider

Areas to consider

The table below summarises the areas we believe a Modification Workgroup should consider as part of its assessment of P412:

Areas to Consider
How P412 will impact the Transmission Licence C16 Statements and Applicable Balancing Services Volume Data (ABSVD) Methodology?
How, from whom, and when should non-BM Balancing Services instructions be sent to the Settlement Administration Agent (SAA)?
How should the sending of non-BM Balancing Services instructions be regulated?
How should SAA be updated with the relevant list of Metering System Identifier (MSID) Pairs?
What are the implications for customers of adjustments being made to their Supplier's imbalance positions?
What are the effects on other Balancing Services products as a result of this Modification?
What is the impact of P412 on consumers?
How will P412 impact the BSC Settlement Risks?
What changes are needed to BSC documents, systems and processes to support P412 and what are the related costs and lead times? When will any required changes to subsidiary documents be developed and consulted on?
Are there any Alternative Modifications?
Should P412 be progressed as a Self-Governance Modification?
Does P412 better facilitate the Applicable BSC Objectives than the current baseline?
Does P412 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?

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5 Proposed Progression

Next steps

The Modification should be assessed by a Workgroup and submitted to the Assessment Procedure by the BSC Panel.

Workgroup membership

We recommend that the Workgroup comprise of participants who have expertise or experience in the following areas:

- Non-BM Balancing Services;
- Applicable Balancing Services Volume Data (ABSVD);
- EBGL matters; and
- Imbalance.

Timetable

Proposed Progression Timetable for P412	
Event	Date
Present Initial Written Assessment to Panel	10 Sep 2020
Workgroup Meeting 1	W/B 26 Oct 2020
Workgroup Meeting 2	W/B 23 Nov 2020
Workgroup Meeting 3	W/B 14 Dec 2020
Workgroup Meeting 4	W/B 1 Feb 2021
Assessment Procedure Consultation	24 Feb 2021 – 17 Mar 2021
Workgroup Meeting	W/B 29 Mar 2021
Present Assessment Report to Panel	13 May 2021
Report Phase Consultation	20 May 2021 – 21 Jun 2021
Present Draft Modification Report to Panel	08 Jul 2021
Issue Final Modification Report to Authority	15 Jul 2021
Development of subsidiary documents	During the Implementation phase (post-decision)

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6 Likely Impacts

P412 is likely to require changes to both documents and systems. Our initial view is shown here and will be discussed and explored during the Assessment Procedure.

Impact on BSC Parties and Party Agents	
Party/Party Agent	Potential Impact
Generators	To be considered during the Assessment Procedure
Suppliers	To be considered during the Assessment Procedure

Impact on the NETSO
The NETSO will need to provide SVAA with instructed volumes for non-BM Balancing Services Providers

Impact on BSCCo	
Area of Elexon	Potential Impact
Settlement & Invoicing Product	Dependent on the solution

Impact on BSC Settlement Risks
The impact on BSC Settlement Risks will be considered during the Assessment Procedure

Impact on BSC Systems and processes	
BSC System/Process	Potential Impact
Balancing Mechanism Reporting Service (BMRS)	To be considered during the Assessment Procedure
Central Registration Service (CRS)	To be considered during the Assessment Procedure
Settlement Administration Agent (SAA)	To be considered during the Assessment Procedure
Supplier Volume Allocation Agent (SVAA)	To be considered during the Assessment Procedure

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Potential Impact
Balancing Mechanism Reporting Agent (BMRA)	To be considered during the Assessment Procedure

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Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Potential Impact
Central Registration Agent (CRA)	To be considered during the Assessment Procedure
Settlement Administration Agent (SAA)	To be considered during the Assessment Procedure
Supplier Volume Allocation Agent (SVAA)	To be considered during the Assessment Procedure

Impact on Code	
Code Section	Potential Impact
BSC Section J 'Party Agents and Qualification Under the Code'	To be considered during the Assessment Procedure
BSC Section Q 'Balancing Services Activities'	To be considered during the Assessment Procedure
BSC Section S 'Supplier Volume Allocation'	To be considered during the Assessment Procedure
BSC Section S, Annex S-2 'Supplier Volume Allocation Rules'	To be considered during the Assessment Procedure
BSC Section V 'Reporting'	To be considered during the Assessment Procedure
BSC Section X 'Definitions and Interpretation'	To be considered during the Assessment Procedure
BSC Section X, Annex X-2 'Technical Glossary'	To be considered during the Assessment Procedure

Impact on EBGL Article 18 terms and conditions
We initially expect P412 to impact the EBGL Article 18 terms and conditions held within the BSC. The impact on EBGL Article 18 terms and conditions will be considered during the Assessment Procedure

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Impact on Code Subsidiary Documents	
CSD	Potential Impact
BSCP01 'Overview of Trading Arrangements'	To be considered during the Assessment Procedure
BSCP503 'Half Hourly Data Aggregation for SVA Metering Systems Registered in SMRS'	To be considered during the Assessment Procedure
BSCP508 'Supplier Volume Allocation Agent'	To be considered during the Assessment Procedure
SVA Data Catalogue	To be considered during the Assessment Procedure
Interface Definition Documents	To be considered during the Assessment Procedure

Impact on other Configurable Items	
Configurable Item	Potential Impact
No other Configurable Items expected to be impacted	

Impact on Core Industry Documents and other documents	
Document	Potential Impact
Ancillary Services Agreements	No impact expected
Applicable Balancing Services Volume Data (ABSVD) Methodology	Potential impact on ABSVD Methodology
Connection and Use of System Code	No impact expected
Data Transfer Services Agreement	No impact expected
Distribution Code	No impact expected
Distribution Connection and Use of System Agreement	No impact expected
Grid Code	No impact expected

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Impact on Core Industry Documents and other documents	
Document	Potential Impact
Master Registration Agreement	No impact expected
Supplemental Agreements	No impact expected
System Operator-Transmission Owner Code	No impact expected
Transmission Licence	Potential impact on special condition C16 of the statements of the Transmission Licence
Use of Interconnector Agreement	No impact expected

Impact on a Significant Code Review (SCR) or other significant industry change projects
We do not believe that P412 impacts on a Significant Code Review (SCR). We have therefore submitted a SCR Exemption Request to the Authority. We do not believe that P412 impacts on any other significant industry change projects.

Impact on Consumers
We do not believe that P412 will have any direct impact on Consumers.

Impact on the Environment	
This Modification is neutral with the net zero target.	

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7 Recommendations

We invite the Panel to:

- **AGREE** that P412 progresses to the Assessment Procedure;
- **AGREE** the proposed Assessment Procedure timetable;
- **AGREE** the proposed membership for the P412 Workgroup; and
- **AGREE** the Workgroup's Terms of Reference.

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Appendix 1: Glossary & References

Acronyms

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

Acronym	
Acronym	Definition
ABSVD	Applicable Balancing Services Volume Data
BM	Balancing Mechanism
BMRA	Balancing Mechanism Reporting Agent
BMRS	Balancing Mechanism Reporting Service
BSC	Balancing and Settlement Code
BSCCo	Balancing and Settlement Code Company
BSP	Balancing Services Provider
CEPR	Clean Energy Package Regulation
CRA	Central Reporting Agent
CRS	Central Reporting Service
CVA	Central Volume Allocation
EBGL	European Electricity Balancing Guideline
ESO	Electricity System Operator
HH	Half Hourly
NETSO	National Electricity Transmission System Operator
NGESO	National Grid Electricity System Operator
SAA	Settlement Administration Agent
SCR	Significant Code Review
SVA	Supplier Volume Allocation
SVAA	Supplier Volume Allocation Agent

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
3,4	Clean Energy Package Regulation	https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0943&from=EN

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