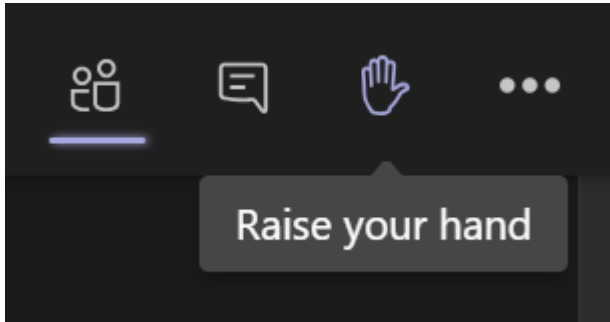


P412 Digital Meeting Etiquette

- Welcome to the P412 Workgroup Meeting 2 – we'll start shortly
- No video please to conserve bandwidth
- Please stay on mute unless you need to talk – use the **Raise your hand** feature in the Menu bar in Microsoft Teams if you want to speak



- Lots of us are working remotely – be mindful of background noise and connection speeds

ELEXION

P412 Workgroup 2

Ensuring non-BM Balancing Services providers pay for non-delivery imbalances at a price that reflects the real-time value of energy

27 November 2020

Meeting Agenda & Objectives

- Review of the P412 solution options which have been considered
- Consideration of the proposed P412 solution in more detail
- Next steps

Agenda Item	Lead
1. Welcome and Meeting objectives	Elliott Harper (Chair)
2. Recap of Workgroup 1	Paul Wheeler (Lead Analyst)
3. What solution options have been considered?	Grahame Neale (Proposer) & Mark De Souza-Wilson (Design Authority)
4. Terms of Reference	Paul Wheeler
5. What is the proposed solution in more detail?	Grahame Neale & Mark De Souza-Wilson
6. Applicable BSC Objectives	Paul Wheeler
7. Self-Governance criteria	Paul Wheeler
8. EBGL Article 18 terms and conditions	Paul Wheeler
9. Next steps	Paul Wheeler
10. Meeting close	Elliott Harper



RECAP OF WORKGROUP 1

Recap of Workgroup 1 (1 of 3)

- The first P412 Workgroup was held on Thursday 29 October 2020
- The Proposer, Grahame Neale (National Grid ESO), explained the background to P412
- This Modification has been raised to meet the requirements of the Clean Energy Package, to ensure that:
 - “All market participants shall be responsible for the imbalances they cause in the system”; and
 - “The imbalances shall be settled at a price that reflects the real-time value of energy”
- P412 will remove some inconsistencies between the BM and non-BM elements of the Balancing Services market

Recap of Workgroup 1 (2 of 3)

- The Proposer explained that they had considered three options before raising P412:
 - 1) Make a change to the processes and functionality introduced through P354 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level'
 - 2) Make a change to existing non-BM BSP contracts to penalise under-delivery at the imbalance price (settled by National Grid ESO)
 - 3) A manual approach to Option 2, that could be delivered quickly
- The proposed solution is to make a change to the current P354 arrangements and to process ABSVD as **instructed** not delivered volumes
- This approach would align the BM and non-BM settlement arrangements

Recap of Workgroup 1 (3 of 3)

Questions and issues arising:

- As it is National Grid ESOs intention to move non-BM into the BM by 2025, could this not be expedited to resolve the P412 issue?
- Why did the P354 solution use delivered not instructed volumes?
- Could non-BM balancing activity be visible in the market as BM actions are?
- To make it a 'level playing field' between BM and non-BM, should non-BM participants be able to adjust their position?



WHAT SOLUTION
OPTIONS HAVE
BEEN
CONSIDERED?

Options Considered – Option 1

Balancing Responsible
Party

Supplier

P354 with Mandatory Data Sharing

- This will utilise the existing P354 solution but change the data sharing arrangements - making it mandatory for MSID ABSVD to be shared with Suppliers for all registered MSID Pairs.
 1. NGESO provides ABSVD instructed volumes for each MSID Pair
 2. SVAA calculates imbalance
 3. Imbalance invoice and MSID ABSVD provided to Supplier
 4. Supplier pays invoice
 5. Supplier can target customers providing balancing services

Advantages	Disadvantages
<ul style="list-style-type: none">• Simple solution• Supplier gets more information on their customers' balancing services	<ul style="list-style-type: none">• Original P354 solution was chosen, over the alternative, because it protects customers' data

Options Considered – Option 2

Balancing Responsible
Party

Supplier

P354 with Optional Data Sharing

- Very similar to Option 1 but maintains the P354 arrangements for sharing MSID ABSVD with Suppliers
 1. NGESO provides ABSVD as instructed volumes for each MSID Pair
 2. SVAA calculates imbalance
 3. Imbalance invoice provided to Supplier
 4. Supplier pays invoice
 5. Imbalance charge recovered from all the Supplier's customers

Advantages	Disadvantages
<ul style="list-style-type: none">• Respects Data Privacy• Minimal change to Central Systems	<ul style="list-style-type: none">• Suppliers might want more visibility of balancing services provided by their customers

Options Considered – Option 3

Balancing Responsible
Party

NGESO

NGESO Pass-through

- NGESO receives MSID ABSVD and imbalance invoice
- Various ways this could be managed from a process perspective
 1. NGESO provides ABSVD for each MSID Pair
 2. SVAA calculates imbalance
 3. Imbalance invoice provided to NGESO
 4. NGESO recover imbalance value from Balancing Services Provider

Advantages	Disadvantages
<ul style="list-style-type: none">• Imbalance gets charged back to non-BM BSP through contract	<ul style="list-style-type: none">• New interfaces required• NGESO would take on a new role as BRP for the MSID Pairs providing balancing services

Options Considered – Option 4

Balancing Responsible
Party

Secondary BMU?

New Party role

- Additional information provided to Central Systems to notify who provided the balancing service at each MSID. Non-BM providers are given a new role under BSC, which would need to be created. Elexon then invoice the Balancing Services Provider directly under provisions in the BSC
 1. Non-BM Balancing Service providers could take on a role similar to Virtual Lead Parties
 2. SVAA calculates imbalance
 3. Elexon provide invoice directly to Balancing Services Provider

Advantages	Disadvantages
<ul style="list-style-type: none">• Brings non-BM balancing services provision into line with Wider Access provisions	<ul style="list-style-type: none">• Hugely complex in terms of changes to processes and systems

Options Considered – Option 5

Balancing Responsible
Party

Balancing Services
Provider

‘Big Bang’ – nBM providers join the BM

- Require all Balancing Services to be provided by BSC registrants (i.e. only provided by BMUs). This will involve removing all nBM Balancing Services products and forcing any parties who want to provide Balancing Services in to joining the BSC and establishing BMUs.
 1. NGESO/Ellexon/nBM providers update industry registrations and contracts.
 2. NGESO request services via BM.
 3. Imbalance volume and value calculated and paid through existing processes.

Advantages	Disadvantages
<ul style="list-style-type: none">• Will align BM and non-BM	<ul style="list-style-type: none">• Major change to the market• Reduces options for parties to provide balancing services• Would take several years to implement



TERMS OF REFERENCE

Terms of Reference – P412 Specific ToR

P412 Specific ToR

- a) How P412 will impact the Transmission Licence C16 Statements and Applicable Balancing Services Volume Data (ABSVD) Methodology?
- b) How, from whom, and when should non-BM Balancing Services instructions be sent to the Settlement Administration Agent (SAA)?
- c) How should the sending of non-BM Balancing Services instructions be regulated?
- d) How should SAA be updated with the relevant list of Metering System Identifier (MSID) Pairs?
- e) What are the implications for customers of adjustments being made to their Supplier's imbalance positions?
- f) What are the effects on other Balancing Services products as a result of this Modification?

Terms of Reference – Standard ToR

Standard ToR

- g) What is the impact of P412 on consumers?
- h) How will P412 impact the BSC Settlement Risks?
- i) 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?
- j) Are there any Alternative Modifications?
- k) Should P412 be progressed as a Self-Governance Modification?
- l) Does P412 better facilitate the Applicable BSC Objectives than the current baseline?
- m) Does P412 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?



WHAT IS THE
PROPOSED
SOLUTION IN
MORE DETAIL?

Proposed Solution – Option 2

Balancing Responsible
Party

Supplier

P354 with Optional Data Sharing

- Very similar to Option 1 but maintains the P354 arrangements for sharing MSID ABSVD with Suppliers
 1. NGESO provides ABSVD as instructed volumes for each MSID Pair
 2. SVAA calculates imbalance
 3. Imbalance invoice provided to Supplier
 4. Supplier pays invoice
 5. Imbalance charge recovered from all the Supplier's customers

Advantages	Disadvantages
<ul style="list-style-type: none">• Respects Data Privacy• Minimal change to Central Systems	<ul style="list-style-type: none">• Suppliers might want more visibility of balancing services provided by their customers

What is the proposed solution in more detail?

Option 2 is preferred because:

- Cannot easily separate balancing services imbalance from normal consumption imbalance – so Supplier is BRP for both.
- Solution required sooner rather than later - for compliance reasons.
- Sharing MSID ABSVD with Suppliers is of questionable benefit and can cause distortions in the market.

Essentially a tweaked P354 solution:

1. NGESO submits balancing services instructed volumes for each MSID Pair for each Settlement day and Settlement Period.
 - What timescales is this data required by?
 - Should NGESO be allowed to resubmit instructed volumes until RF?
2. SVAA uses settlement volumes for each MSID to calculate MSID ABSVD. This is then aggregated to Supplier BMU level.
3. Unless opted-in, Suppliers do not find out MSID ABSVD for MSID Pairs.
4. No significant changes to Central Systems though NGESO's ABSVD Methodology would need to change.
5. Would need to separate the P412/P354 processes in the BSC from the P344 processes.
6. NGESO Balancing Services contracts would need to delegate imbalance responsibility to the lead supplier of each MSID Pair (Article 5.1).
This arrangement should possibly be recognised in the BSC.



APPLICABLE BSC OBJECTIVES

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 and administration 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 administering 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

Proposer Views: Applicable BSC Objectives

The Proposer initially believes that P412 would better facilitate Applicable BSC Objectives c) and e)

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

The Proposer's rationale is that P412 would remove some inconsistencies between imbalance provisions relating to non-delivery for non-BM Balancing Services and those for other Balancing Services

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]

The Proposer's rationale is that P412 will bring GB arrangements into closer alignment with the Clean Energy Package Regulation



SELF- GOVERNANCE CRITERIA

Self-Governance criteria

A proposal 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; and
 - (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
 - (iii) the operation of the national electricity transmission system; and
 - (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
- (b) is unlikely to discriminate between different classes of Parties.



EBGL ARTICLE 18 TERMS AND CONDITIONS

EBGL Article 18 Terms and Conditions

Does P412 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?

- Some BSC provisions constitute EBGL Article 18 terms and conditions as approved by Ofgem
- BSC provisions became EBGL provisions too on 25 June 2020, alongside P392 ‘Amending the BSC change process to incorporate the delegation of NGESO’s powers and obligations under the EBGL to change EBGL Article 18 terms and conditions’
- P392 included a new Annex F-2 in Section F - a table showing which BSC provisions also constitute Article 18 terms and conditions
- P392 amended the BSC Change process to also fulfil the EBGL change process and incorporate delegations from NGESO to Elexon and the BSC Panel
- Modifications that wholly or partially amend BSC provisions that also constitute EBGL Article 18 terms and conditions must follow the amended BSC Change process
- Modifications may add new BSC provisions that also constitute EBGL Article 18 terms and conditions held within the BSC – “extending” the mapping

EBGL Article 18 Terms and Conditions

The amended BSC Change Process

- Impact on the EBGL Objectives shall be considered by Elexon/Proposer/WG
- One calendar month Report Phase Consultation
- Reconvene WG to provide justification for including/not including consultation comments
- Panel agrees EBGL impacts and above justification
- Panel sends FMR to Ofgem to fulfil BSC and EBGL processes

Self-Governance criteria - EBGL Article 18 terms and conditions of balancing

Any Modification that seeks to amend BSC provisions constituting European Balancing Guideline (EBGL) Article 18 terms and conditions related to balancing cannot be progressed as Self-Governance. This is because the EBGL requires any Amendments to those terms and conditions to undergo a separate EBGL Amendment process, requiring the Modification to be approved by Ofgem.

We have identified a number of documents listed below which may be impacted by P412. The documents highlighted in bold are those documents from the list which are sections of the BSC which contain paragraphs which constitute EBGL Article 18 terms and conditions

BSC Section J ‘Party Agents and Qualification Under the Code’

BSC Section Q ‘Balancing Services Activities’

BSC Section S ‘Supplier Volume Allocation’

BSC Section S, Annex S-2 ‘Supplier Volume Allocation Rules’

BSC Section V ‘Reporting

BSC Section X ‘Definitions and Interpretation’

BSC Section X, Annex X-2 ‘Technical Glossary’

Therefore at this stage we believe that P412 will not be suitable for Self-Governance as it potentially impacts EBGL Article 18 terms and conditions on balancing



PROGRESSION PLAN & NEXT STEPS

Progression Plan and Next Steps

Event	Date
Workgroup Meeting 1	29 October 2020
Workgroup Meeting 2	27 November 2020
Workgroup Meeting 3	w/c 14 December 2020
Workgroup Meeting 4	w/c 1 February 2021
Assessment Procedure Consultation	24 February 2021 – 17 March 2021
Workgroup Meeting	w/c 29 March 2021
Present Assessment Report to Panel	13 May 2021
Report Phase Consultation	20 May 2021 – 21 June 2021
Present Draft Modification Report to Panel	8 July 2021
Issue Final Modification Report to Authority	15 July 2021

ELEXON

THANK YOU

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27 November 2020