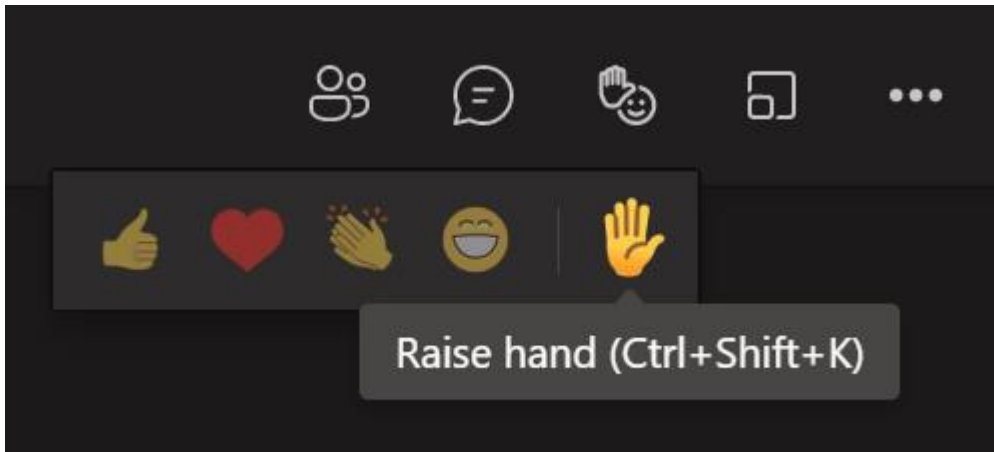


## P412 Digital Meeting Etiquette

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- Welcome to the P412 Workgroup Meeting 4 – 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

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## P412 Workgroup 4

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

7 April 2021

# Meeting Agenda & Objectives

- What’s happened since the last Workgroup meeting?
- Cost/Benefit Analysis scope
- Next steps

Agenda Item	Lead
1. Welcome and Meeting objectives	Elliott Harper (Chair)
2. Recap of Workgroup 3	Paul Wheeler (Lead Analyst)
3. What’s happened since the last Workgroup meeting?	Grahame Neale (Proposer)
4. Cost/Benefit Analysis scope	Grahame Neale
5. Progression Plan & Next steps	Paul Wheeler
6. AOB & Meeting close	Elliott Harper



# RECAP OF WORKGROUP 3

## Recap of Workgroup 3 (1 of 3)

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- The third P412 Workgroup was held on Monday 22 February 2021
- The Workgroup were provided with an update that National Grid ESO and Elexon had been considering the legal and technical issues with the five potential solution options:
  1. P354 with Mandatory Data Sharing
  2. P354 with Optional Data Sharing (The Proposer's preferred solution)
  3. NGESO Pass-through
  4. New Party role
  5. Non-BM Balancing Services Providers move to the BM

## Recap of Workgroup 3 (2 of 3)

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- The five potential solution options had been considered with these questions in mind:
  - Does the potential solution meet the requirements of the Clean Energy Package (in particular, the recast Electricity Regulation)?
    - “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”.
  - What legal and technical changes (documents/systems/processes) would be required to implement the solution options?
  - How long would it take to implement the solution options (and how much would it potentially cost)?
- NGESO and Elexon had met with the Ofgem representative for P412 in December 2020 to provide an update on the first two WG meetings and the development of the Modification

## Recap of Workgroup 3 (3 of 3)

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### What solution options have been considered?

- Option 1 and 2 – tweak to P354 solution, calculate ABSVD using instructed rather than delivered volumes. Imbalance charged at the right price. However, balance responsibility would be delegated to the Supplier, so the BSP has no choice to delegate to a BRP of its choice and the Supplier has to accept the delegation. This makes it difficult for the Supplier to be balanced and there is no incentive on the BSP to deliver as instructed
- Option 3 – would require calculation of imbalance and non-delivery per MSID, would therefore require significant changes to documents, systems and processes. It would mean that the BSP is held responsible (via the contract with NGESO), but similar concerns as Options 1 and 2 in terms of the lack of choice in relation to delegation of balance responsibility. There would also be Credit Cover considerations if NGESO would be passing through the charges from Elexon to non-BM BSPs and concerns that there could be a conflict of interest
- Option 4 – would require creation of a new role in the BSC, similar to VLPs
- Option 5 – would bring all non-BM BSPs into the BM, however, this is a longer term approach, which NGESO noted would require significant changes as part of the review of the BM, which may not be implemented until 2028





# WHAT'S HAPPENED SINCE THE LAST WORKGROUP MEETING?



# Progress since last workgroup

- Decision paper taken to NGESO leadership (including feedback from this workgroup) and (NGESO's) preferred way forward confirmed.
- Believe P412 should be integrated in to a larger piece of work on a 'single market' which will be a number of years in design/delivery – a more detailed plan expected in the summer. Outstanding question of if/what is done in the short-term.
- Preliminary analysis undertaken suggests that all short-term options would be detrimental to GB consumers. Therefore started discussions with Ofgem & Elexon on this topic.
  - Suggests £100k p/a of actions would be affected but cost ~£2m (of NGESO cost, i.e. excluding Elexon & industry cost) ultimately funded by consumers.
- Will be providing additional information to Ofgem of the costs and benefit of each option (including options outside of the BSC) to inform discussions.



# COST/BENEFIT ANALYSIS SCOPE

# Proposed next steps

- Ongoing work to refine
  1. The expected benefits of each option
  2. Refine indicative NGESO costs to better reflect each option
- Seek (quantifiable) estimates from industry & Elexon of the costs/benefits of each option to include in the CBA to Ofgem.
- Seek Ofgem's thoughts of which option (if any) are best for GB consumers and steps to progress that option. This may involve placing P412 on hold to allow for these discussions.
- Continue development of the 'single market' option as per our forward plan.



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



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

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



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

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



# TERMS OF REFERENCE

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## Terms of Reference – P412 Specific ToR

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### 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

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### 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?





# APPLICABLE BSC OBJECTIVES

## Applicable BSC Objectives

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- 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



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## Proposer Views: Applicable BSC Objectives

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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

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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

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## EBGL Article 18 Terms and Conditions

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### 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

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## EBGL Article 18 Terms and Conditions

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### 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

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

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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	22 February 2021
Workgroup Meeting 4	7 April 2021
<i>Assessment Procedure Consultation</i>	<i>24 February 2021 – 17 March 2021</i>
<i>Workgroup Meeting</i>	<i>w/c 29 March 2021</i>
<i>Present Assessment Report to Panel</i>	<i>13 May 2021</i>
<i>Report Phase Consultation</i>	<i>20 May 2021 – 21 June 2021</i>
<i>Present Draft Modification Report to Panel</i>	<i>8 July 2021</i>
<i>Issue Final Modification Report to Authority</i>	<i>15 July 2021</i>

# ELEXON

## THANK YOU

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**Paul Wheeler**

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7 April 2021