Draft Modification Report

P421 'Align the BSC with Grid Code modification GC0144 for TERRE Market suspension'

This Modification aligns the BSC with the provisions introduced into the Grid Code under GC0144 'Alignment of Market Suspension Rights to the EU Emergency and Restoration Code Article 35.1(b)'

The BSC Panel initially recommends **approval** of P421

The BSC Panel does believe P421 impacts the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to impact:

- Generators
- Suppliers
- VLPs

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Phase

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

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Contents

1 Summary 3
2 Why Change? 5
3 Solution 7
4 Impacts & Costs 8
5 Implementation 12
6 Panel's Initial Discussions 13
7 Report Phase Consultation Responses 16
8 Recommendations 17
Appendix 1: Glossary & References 18

About This Document

Not sure where to start? We suggest reading the following sections:

- Have 5 mins? Read section 1
- Have 15 mins? Read sections 1, 6 and 7
- Have 30 mins? Read all sections
- Have longer? Read all sections and the annexes and attachments

This is the P421 Draft Modification Report, which Elexon will present to the Panel at its meeting on 14 October 2021. The Panel will consider all responses, and will agree a final recommendation to the Authority on whether the change should be made.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach.
- Attachment A contains the P421 Proposal Form.
- Attachment B contains the draft redlined changes to the BSC for P421.

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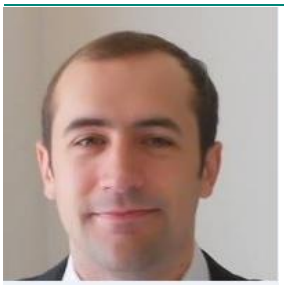

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1 Summary

Why Change?

The BSC does not cover the TERRE suspension scenario detailed in paragraph BC4.10(c) of the Grid Code. This paragraph relates to TERRE Market suspension as a result of the operators of the TERRE Central Platform [LIBRA] notifying National Electricity Transmission System Operator (NETSO) that the TERRE market has been or is to be suspended. Additionally, provisions in the BSC outlining notification processes in the event of a TERRE Market suspension should be aligned with the Grid Code. Grid Code paragraph BC4.10 was implemented by NGESO on 26 May 2021 as part of their programme to implement the Network Code on Electricity Emergency and Restoration (NCER).

Solution

P421 seeks to align BSC Section Q5A with Grid Code paragraph BC4.10. The solution changes the TERRE Market suspension provisions in BSC paragraph Q5A.1 to expressly provide for the circumstances detailed in BC4.10(c) of the Grid Code. The solution also makes updates to ensure that the notification processes and obligations of the NETSO and BSCCo set out in the BSC and the Grid Code are aligned in respect of the suspension scenarios detailed in Grid Code paragraphs BC4.10 (b) and (c)s.

Impacts & Costs

P421 is expected to have minimal impacts on market participants and Elexon. The costs for Elexon and industry to implement are expected to be **<£4k** as this is a document only change.

Costs Estimates			
Organisation	Implementation (£k)	On-going (£k)	Impacts
Elexon	<3k	0	Updates to BSC Section Q and updates to the BSC contingency LWI
NGESO	0	0	
Industry	<1k	0	Assumed minimal impact to amend internal processes and documents
Total	<4k	0	

Implementation

The Panel recommends the following Implementation Dates:

- **4 November 2021**, if the Authority's decision is received on or before 28 October 2021; or
- **24 February 2022**, is the Authority's decision is received after 28 October 2021 but before 3 February 2022

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Recommendation

The Panel believe that P421 better facilitates Applicable BSC Objectives a) and e) and thus recommends that P421 be **approved** and sent to **Ofgem for decision** (Not a Self-Governance Modification). The Panel agrees that P421 impacts the EBGL Article 18 balancing terms and conditions and that this Modification is consistent with the EBGL Objectives.

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2 Why Change?

What is the issue?

National Grid Electricity System Operator's (NGESO's) Grid Code Modification GC0144 'Alignment of Market Suspension Rights to the EU Emergency and Restoration Code Article 35.1(b)' introduced section BC4.10. BC4.10 describes three scenarios in which TERRE market suspension might occur. This is part of NGESO's wider programme of work to implement Commission Regulation (EU) 2017/2196 establishing a network code on electricity emergency and restoration (NCER). Regulation (EU) 2017/2196 was retained as UK law at the end of the Brexit Transition Period on 31 December 2020 and as such is now a UK legislative requirement.

The BSC already provides for TERRE suspension in the certain scenarios (detailed in paragraphs (a) and (b) of BC4.10). BC4.10 (a) of the Grid Code provides for TERRE Market suspension where the Balancing Mechanism is suspended in a Black Start situation (in accordance with Grid Code paragraph OC9.4.6). BSC Section G3 sets out Black Start provisions, including for TERRE Market suspension. Paragraph BC4.10 (b) of the Grid Code provides for TERRE Market suspension in the event of outages of computer systems (as per Grid Code paragraph BC4.9); BSC paragraph Q5A.1 provides for this. BSC paragraph Q5A.2 sets out the activities that will be suspended and actions BSCCo will take if the TERRE Market is suspended in either scenario.

The BSC does not cover TERRE market suspension as a result of LIBRA operators notifying NETSO that the TERRE Market has been or is to be suspended (as described in Grid Code Paragraph BC4.10(c)). The Proposer believes that a small document only change is required to ensure the BSC and Grid Code align. Additionally, minor updates to ensure the notification processes and obligations of the NETSO and BSCCo set out in the BSC and the Grid Code are aligned in respect of the suspension scenarios detailed in BC4.10 (b) and (c) are required.

What is a Black Start situation?

Black Start is the procedure to recover from a total or partial shutdown of the GB Transmission System which has caused an extensive loss of supplies. This entails isolated power stations being started individually and gradually being reconnected to each other in order to form an interconnected system again.

TERRE suspension scenario alignment

Event	BSC	Grid Code
Black Start situation	G3	BC4.10(a), OC9.4.6)
Outages of computer systems leading to the suspension of the TERRE market	Q5A.1	BC4.10(b), BC4.9
LIBRA operators notifying NETSO that the TERRE Market has been or is to be suspended	Not currently covered	BC4.10(c))

Table 1: TERRE suspension scenarios and obligations under the BSC and Grid Code

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Background

NCER Rules

Commission Regulation (EU) 2017/2196 establishing a network code on electricity emergency and restoration sets out rules for the management of the Transmission System in case of emergency or blackout, as well as other different system critical states (defined in System Operation Guideline, SO GL). Chapter IV addresses the suspension and restoration of market activities.

GC0144 – Alignment of Market Suspension Rights to the EU Emergency and Restoration Code Article 35.1(b)

Grid Code Modification GC0144 'Alignment of Market Suspension Rights to the EU Emergency and Restoration Code Article 35.1(b)' was raised by NGESO on 19 May 2020. GC0144 ensured that Article 35.1(b) of the NCER is reflected in the GB Codes after Ofgem raised concerns that this was not the case in its response to the final submission of the Market Suspension Proposals.

The Modification sought to clarify three key areas. These were:

1. Under what conditions NGESO would suspend the GB electricity market.
2. What criteria would constitute an emergency condition under Article 18(3) of the EU System Operator Guideline (EU 2017/1485 - SOGL).
3. The conditions under which the TERRE market would be suspended.

GC0144 introduced clarification text that provided further details on the above areas. This was implemented on 26 May 2021; further information is available in the GC0144 Final Modification Report.

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3 Solution

Proposed solution

P421 will align BSC Section Q5A with Grid Code provisions introduced by GC0144. The solution changes the TERRE Market Suspension provisions (BSC Section Q5A) to expressly provide for the circumstances in Grid Code BC4.10 b) and c). The solution also updates the notification processes and obligations of the NETSO and BSCCo so that they are aligned in the BSC and the Grid Code in respect of the suspension scenarios detailed in BC4.10 (b) and (c).

Benefits

This Modification will ensure clarity and consistency between Grid Code and the BSC. Whilst this Modification is currently not required for compliance purposes, as the UK cannot currently participate in the TERRE market, if at some point in the future this changes, the updates in this Modification will be required.

The Proposer believes raising this Modification at this time is required to ensure that provisions in the BSC are accurate and up to date.

Applicable BSC Objectives

The Proposer believes this Modification will better facilitate the following Applicable BSC Objectives:

Applicable BSC Objective	Rationale
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Clarity and consistency on TERRE market suspension provisions across relevant Codes will aid the Transmission Company efficiently discharge its obligations in such an event
(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 the proposed amendments will ensure that the BSC accurately reflects the provisions relating to TERRE market suspension in the NCER this Modification would (in the event that the UK could participate in the TERRE market) aid compliance with a legally binding decision of the European Commission.

Table 2: Views on Applicable BSC objectives

Are there any (other) alternative solutions?

No Alternative Solutions were considered as part of the development of this Modification

Legal Text

Legal text is provided in Attachment B.

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

Estimated implementation costs of P421

The costs to implement this Modification will be **low (<£4k)**. These costs are associated with the development of the legal drafting for Section Q, updates to Elexon LWI documentation as well as a minimal impact on industry due to the small process updates required for P421.

Implementation cost estimates			
Organisation	Item	Implementation (£k)	Comment
Elexon	Systems	0	
	Documents	<3k	Updates to BSC Section Q and updates to the BSC contingency LWI
	Other	0	
NGESO	Systems	0	
	Other	0	
Industry	Documents & processes	<1k	Assumed minimal impact to amend internal processes and documents
	Total	<4k	

Estimated on-going costs of P421

On-going cost estimates		
Organisation	Implementation (£k)	Comment
Elexon	0	If TERRE market suspension provisions are used it is expected that the activities required of Elexon as a result of suspension as a result of LIBRA operators notifying NETSO that the TERRE Market has been or is to be suspended will be subsumed into existing processes and therefore cost neutral.
NGESO	0	
Industry	0	No responses were received to the Report Phase Consultation to confirm impacts on Parties. However, we expect minimal or no impact on Suppliers, Generators and VLPs.
Total	0	

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P421 impacts

Impact on BSC Parties and Party Agents		
Party/Party Agent	Potential Impact	Potential cost
Suppliers, Generators and Virtual Lead Parties	No responses were received to the Report Phase Consultation. However, we expect minimal or no impact on Suppliers, Generators and VLPs.	L

Impact on the NETSO	
Potential Impact	Potential cost
No impacts identified. Any associated costs will have been born by GC0144.	None

Impact on BSCCo		
Area of Elexon	Potential Impact	Potential cost
None	No impacts identified	None

Impact on BSC Settlement Risks
No impacts identified

Impact on BSC Systems and processes	
BSC System/Process	Potential Impact
None	No impacts identified

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Potential Impact
None	No impacts identified

Impact on Code	
Code Section	Potential Impact
BSC Section Q	To be amended as per Attachment B to meet the solution requirements detailed in Section 3.

Impact on EBGL Article 18 terms and conditions
Section Q5A of the BSC constitutes EBGL Article 18 Terms and Conditions. Elexon believes that the changes specified in P421 are consistent with the EBGL Article 18 terms and conditions.

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Impact on Code Subsidiary Documents	
CSD	Potential Impact
None	No impacts identified

Impact on other Configurable Items	
Configurable Item	Potential Impact
None	No impacts identified

Impact on Core Industry Documents and other documents	
Document	Potential Impact
Ancillary Services Agreements	No impacts identified[1]
Connection and Use of System Code	
Data Transfer Services Agreement	
Distribution Code	
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
No impacts identified. We have requested that Ofgem treat this Modification as a SCR exempt Modification on 1 July 2021. Ofgem confirmed that this Modification is SCR exempt on 6 July 2021.

What are the consumer benefit areas?

1) Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?

2) Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?

3) Will this proposal support:
i)new providers and technologies?
ii) a move to hydrogen or lower greenhouse gases?
iii) the journey toward statutory net-zero targets?
iv) decarbonisation?

4) Will this change improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.

5) Are there any other identified changes to society, such as jobs or the economy.

[1] Please note that the associated amendments to the Grid Code have already been implemented under GC0144 so no further amendments are impacted

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Impact of the Modification on the environment and consumer benefit areas:	
Consumer benefit area	Identified impact
1) Improved safety and reliability	Neutral
2) Lower bills than would otherwise be the case	Neutral
3) Reduced environmental damage	Neutral
4) Improved quality of service	Neutral
5) Benefits for society as a whole	Neutral

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5 Implementation

Recommended Implementation Date

The Panel recommends the following Implementation Dates:

- **4 November 2021**, if the Authority's decision is received on or before 28 October 2021; or
- **24 February 2022**, is the Authority's decision is received after 28 October 2021 but before 3 February 2022.

Self-Governance

This Modification will require changes to Section Q5A which form part of the EBGL Article 18 terms and conditions; therefore, P421 must be submitted to Ofgem for approval.

What is the Self-Governance Criteria?

A Modification that, if implemented:

(a) 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.

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6 Panel's Initial Discussions

Panel Deferred Decision

At its meeting on 15 July 2021 the BSC Panel agreed to defer its decision on how to progress P421 (in accordance with Section F 2.2.5) so that the following questions could be considered in further detail:

1) Is there a legal obligation for the BSC to align with the Grid Code?

2) What are the risks and implications if this Modification is not progressed at this stage?

3) As Great Britain (GB) is not currently able to participate in TERRE, why is this Modification needed?

The Proposer and Elexon wrote the P421 update paper to address these areas and the key conclusions and Panel discussions (at its 12 August 2021 meeting) are presented below.

Legal/Compliance Requirements of P421

The Proposer and Elexon considered whether there was a legal requirement for the BSC to align with the provisions in the Grid Code and concluded that whilst there was no express obligation for the two codes to be aligned there were implicit requirements. The Panel noted these requirements and questioned whether there were any provisions in the Grid Code that, either express or implicit, required alignment with the BSC. Panel Members expressed possible concerns about asymmetrical obligations between the two codes. The Proposer agreed to review the Grid Code Modifications to see whether there was an equivalent alignment requirement in the Grid Code.

What are the risks and implications if this Modification is not progressed at this stage?

The Proposer and Elexon highlighted the following:

- Due to GB not participating in TERRE there is no immediate risk of any material impact to any BSC Party by not implementing the Modification at this point in time.
- The changes detailed in the P421 redlining could get missed upon implementation due to the changes being driven by changes to the NCER rather than TERRE.
- Progressing the Modification at a later date would be less efficient than progressing it now as the majority of the work through the IWA and legal text have already been completed.

The Panel noted the above and a Member highlighted that they did not believe there should not be significant risk associated with missing the changes detailed in P421 if this Modification is considered at a later date.

As Great Britain (GB) is not currently able to participate in TERRE, why is this Modification needed?

The Proposer highlighted that the Modification is required despite GB being unable to participate in TERRE as:

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- There are implicit requirements for the BSC and Grid Code to be aligned; and
- To reduce the risks highlighted in the subsection above

Panel Members discussed whether it would be more sensible to remove all TERRE related provisions from the BSC rather than the recommended approach in P421. The Panel were advised that this approach was considered by the Proposer and Elexon and it was determined that this would be less efficient than the approach given in P421 due to the extra time required to redevelop the redlining and associated Modification reports. It was also highlighted that if this approach was taken the BSC and GC would still be misaligned.

Applicable BSC Objectives

A Panel member queried whether BSC objective e) (compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency) was still relevant after the UK's exit from the European Union. Ofgem confirmed that objective e) as set out in Standard Condition C3.3 of the Transmission Licence has not changed and is still applicable. However, the definition of 'Electricity Regulation' has been amended in Standard Condition A1 to ensure that references in the licence are to the Electricity Regulation as it forms part of retained UK law. Likewise, the only relevant legally binding decisions of the European Commission and/or the Agency that apply after the end of the Implementation Period will be those that form part of retained EU law.

Panel's Initial Recommendations

The BSC Panel initially:

- **AGREED** that P421 progresses directly to the Report Phase;
- **AGREED** that P421:
    - **DOES** better facilitate Applicable BSC Objective (a);
    - **DOES** better facilitate Applicable BSC Objective (e);
- **AGREED** that P421 **DOES** impact the EBGL Article 18 terms and conditions held within the BSC and is consistent with the EBGL Objectives;
- **AGREED** an initial recommendation that P421 should be approved;
- **AGREED** an initial Implementation Date of:
    - **4 November 2021**, if the Authority's decision is received on or before 28 October 2021; or
    - **24 February 2022**, is the Authority's decision is received after 28 October 2021 but before 3 February 2022;
- **AGREED** the draft legal text; and
- **NOTED** that Elexon will issue the P421 Draft Modification Report (including the draft BSC legal text) for a one month consultation (as it impacts EBGL terms and

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conditions) and will present the results to the Panel at its meeting on 14 October 2021.

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7 Report Phase Consultation Responses

The Report Phase Consultation opened on 18 August 2021 and closed on 20 September 2021, for a one-month consultation to meet the 'EBGL change process requirements'. No responses were received to the consultation.

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8 Recommendations

We invite the Panel to:

- **AGREE** that P421:
    - **DOES** better facilitate Applicable BSC Objective (a); and
    - **DOES** better facilitate Applicable BSC Objective (e);
- **AGREE** a recommendation that P421 should be **approved**
- **APPROVE** an Implementation Date of:
    - **4 November 2021** if an Authority decision is received on or before 28 October 2021; or
    - **24 February 2022** if an Authority decision is received after 28 October 2021 but on or before 3 February 2022;
- **APPROVE** the draft legal text; and
- **APPROVE** the P421 Modification Report.

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Appendix 1: Glossary & References

Acronyms

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

Acronym	
Acronym	Definition
BSC	Balancing and Settlement Code
CSD	Code Subsidiary Document
EBGL	Electricity Balancing Guidelines
IWA	Initial Written Assessment
LWI	Local Work Instructions
NCER	Network Code on Electricity Emergency and Restoration
NETSO	National Electricity Transmission System Operator
NGESO	National Grid Electricity System Operator
SCR	Significant Code Review
SOGL	System Operation Guideline
TERRE	Trans European Replacement Reserve Exchange

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 & 6	NCER	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R2196
6	System Operator Guideline	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2017.220.01.0001.01.ENG&toc=OJ:L:2017:220:TOC
6	GC0144 'Alignment of Market Suspension Rights to the EU Emergency and Restoration Code Article 35.1(b)'	https://www.nationalgrideso.com/industry-information/codes/grid-code-old/modifications/gc0144-alignment-market-suspension-rights-eu
6	GC0144 Final Modification Report	https://www.nationalgrideso.com/document/188686/download

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External Links		
Page(s)	Description	URL
13	P421 Update Paper	https://www.elexon.co.uk/mod-proposal/p421/

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