

P451 Digital Meeting Etiquette

- Welcome to the P451 Workgroup meeting 2 – we'll start shortly
- No video please to conserve bandwidth
- Please stay on mute unless you need to talk – use IM if you can't break through
- Talk – pause – talk
- Lots of us are working remotely – be mindful of background noise and connection speeds

ELEXION

**P451 'Updating BSC Black Start provisions
and compensation arrangements'**

Meeting 2

14 June 2023

Meeting Agenda

Objectives for this meeting:

- Consider Terms of Reference (ToR) B to F
- Confirm the next steps

Agenda Item	Lead
1. Welcome and meeting objectives	Ivar Macsween (Elexon) - Chair
2. Meeting 1 recap	Kayleigh Neal (Elexon) - Lead Analyst
3. ToR B: System Restoration Instructions and Avoidable Costs	Lorna Lewin (Elexon) – Market Design Workgroup
4. ToR C: How will non-BSC Parties submit claims for BSC System Restoration?	
5. ToR D: How will non-BSC Party claims be validated?	
6. ToR E: How will non-BSC Party claims be paid out by Elexon?	
7. ToR F: How will the amounts paid out to non-Parties be recouped/recovered by Elexon?	
8. Next steps	Kayleigh Neal
9. Meeting close	Ivar Macsween



MEETING 1 RECAP

P451 Meeting 1 recap

The first P451 Workgroup meeting covered:

- Background and overview of P451
- An overview of existing Black Start arrangements
- P451 Terms of Reference
- Whether non-BSC Parties should be eligible to claim for BSC (System Restoration) compensation

No.	Workgroup raised	Action	Owner	Due by	Status
1	WG1	Ask Elexon’s legal department to review BSC Section G3.1.5	Elexon	WG2	Open
2	WG1	To find out how long it takes Elexon’s Funds Administration Agent (FAA) system to do a check on a payee	Elexon	WG2	Open



TOR B

ToR (b) What type(s) of Black Start instruction(s) could be given to non-BSC Parties and do they differ from existing types of Black Start instruction?

Stakeholder	Funding Mechanism	Compensation Mechanism
Anchor and Top-up Restoration Service Providers on Transmission Network	Bilateral Commercial Contract	Section G3 of BSC
Other CUSC participants	No existing mechanism	Section G3 of BSC
Non-Restoration Users	Not applicable	Not Applicable
Network Owners (TOs, OFTOs, CATOs)	MSIP Reopener	
Anchor and Top-up Restoration Service Providers on Distribution Network- BSC parties	Tripartite Commercial Contract	Section G3 of BSC
Anchor and Top-up Restoration Service Providers on Distribution Network- Non-BSC parties	Tripartite Commercial Contract	No existing mechanism
DERs (Non CUSC and Non Contracted)	Not applicable	Business as Usual

ToR (b) What type(s) of Black Start instruction(s) could be given to non-BSC Parties and do they differ from existing types of Black Start instruction?

Anchor and Top Up Restoration Service Providers on the Distribution Network – including Non-BSC Parties as per OC9.4.5.2

- Non-BSC Parties who are Restoration Contractors may be required to contribute to System Restoration following a Total or Partial Shutdown via a Distribution Restoration Zone Plan (DRZP)
- Each Distribution Restoration Zone will have a DRZP produced jointly by the DNO, NETSO or Relevant Transmission Licensee (in Scotland), and Restoration Contractors
- In the case of a DRZP, NETSO will instruct the relevant Network Operators to invoke a DRZP. Network Operators will then instruct the relevant Restoration Contractors in line with said DRZP
- One Anchor Restoration Contractor will receive an instruction from the relevant Network Operator to Start-Up their Anchor Plant from Shutdown and energise part of a Network Operator's System within 8 hours, without an external electrical power supply
- Other Restoration Contractors may be instructed to take up roles as Top Up Restoration Contractors
- Top Up Restoration Contractors will be instructed to Start-Up from Shutdown, be Synchronised and remain Synchronised to a part of the Network Operator's System without an external power supply

ToR (b) What type(s) of Black Start instruction(s) could be given to non-BSC Parties and do they differ from existing types of Black Start instruction?

Emergency Instructions

- Instructions given to Black Start Providers during a Black Start Period are currently considered to be “Emergency Instructions”
- This remains the case for System Restoration whether or not the Balancing Mechanism has been suspended:
- During a **System Restoration** where the **Balancing Mechanism** has not been suspended, any instruction to **Network Operators** which are part of an activated **Distribution Restoration Zone Plan** will (unless **The Company** specifies otherwise) be deemed to be an **Emergency Instruction** and need not be prefixed by the words “This is an **Emergency Instruction**” (BC2.9.2.2(iv))
- During a **System Restoration** where the **Balancing Mechanism** has been suspended, any instruction given by **The Company** will (unless **The Company** specifies otherwise) be deemed to be an **Emergency Instruction** and need not be pre-fixed with the words “This is an **Emergency Instruction**” (BC2.9.2.2(iii))

ToR (b)(i) Which instruction(s) would trigger eligibility for a non-BSC Party to receive BSC compensation?

Instructions given to non-BSC Parties who are Anchor Restoration Contractors or Top Up Restoration Contractors

as part of a DRZP outlined in OC9.4.5.2

via the relevant Network Operator (having received an Emergency Instruction from the NETSO pursuant to BC2.9.2.2(iii) or BC2.9.2.2(iv))

would trigger eligibility for said non-BSC Party to claim for BSC System Restoration Compensation

Q) Does the Workgroup agree?

ToR (b)(ii) Are changes needed to the BSC's definition of Avoidable Costs?

What are Avoidable Costs?

*'G 2.1.2 ... the Panel shall determine, in its opinion, what is the amount of the **net costs of operating the BM Unit which would not have been incurred but for:***

- (a) the relevant changes in Exports and/or Imports: or*
- (b) **a black start instruction.***

'G 2.1.3 For the purposes of the Code, the "Avoidable Costs" shall be the amount determined by the Panel under paragraph 2.1.2 (which may for the avoidance of doubt be a negative amount, in a case where net costs were saved or revenues earned).'

ToR (b)(ii) Are changes needed to the BSC's definition of Avoidable Costs?

Section G2.1.4 In determining what are **the costs of operating a BM Unit** and **what such costs would not have been incurred** (as provided in **paragraph 2.1.2**), the Panel shall have regard to the following:

- (a) costs include lost revenues, and costs saved include revenues earned;
- (b) in the case of a BM Unit comprising premises of a Customer, the costs which are to be counted are the costs incurred by the Customer;
- (c) costs are not to be counted unless they are demonstrably:
 - (i) costs directly incurred in the operation of the Plant and Apparatus comprised in the BM Unit;
 - (ii) costs which were reasonably and prudently incurred, and incurred pursuant to commitments reasonably and prudently made; and
 - (iii) costs the amount of which would be expected to differ according to whether there occurred the relevant changes in Exports and/or Imports or changes in operation to comply with a black start instruction in the relevant Settlement Period alone;
- (d) costs include costs (incurred or saved) of consumption of electricity or fuel;**
- (e) the following costs are not to be counted:
 - (i) costs or losses in respect of damage to property (including Plant or Apparatus) or death or injury to persons;
 - (ii) insurance premia; and
 - (iii) financing costs and overhead costs;
- (f) amounts payable (other than by way of rebate of payment for supply), under any contract or otherwise, by way of compensation for loss of supply or otherwise in consequence of relevant changes in Exports and/or Imports, by the Lead Party to the person referred to in paragraph (b), are to be disregarded; and
- (g) amounts payable or receivable under the Code in respect of Trading Charges or BSCCo Charges are to be disregarded.

ToR (b)(ii) Are changes needed to the BSC's definition of Avoidable Costs?

Q) Are changes need to the definition of Avoidable Costs?

Does the existing definition cover for example new types of Generation that will be used for System Restoration e.g. expending stored energy (batteries or hydro) which is not covered within 'fuel'? Or is (c)(i-iii) sufficient to cover all potential costs?

Q) Is further guidance required on what Avoidable Costs might include?

Elexon is considering creating a guidance note on Avoidable Costs (/Exceptional Costs) for a Fuel Security Code Event

Should this be extended to include Avoidable Costs for System Restoration?



TOR C

ToR (c) How will claims be submitted by non-BSC Parties?

Current Approach

Compensation is claimed by the Lead Party and any redistribution of funds between the Lead Party and Subsidiary Party(ies) is outside the BSC arrangements

Claims submitted to the BSC Panel must include:

- ✓ a claim form (BSCP201/01);
- ✓ a statement detailing:
 - the changes in Exports and/or Imports of the BM Unit during each relevant Settlement Period as a result of complying with black start instructions;
 - the net quantity (in MWh) of such changes in Exports or Imports of the BM Unit for each such Settlement Period;
 - any other changes occurred in the operation of the BM Unit as a result of a black start instruction; and
- ✓ any additional supporting material to establish the validity of the claim.

ToR (c)(i) Will the Lead Party submit the claim on behalf of the non-BSC Party, or will the non-BSC Party submit the claim direct?

Proposed Solution

Lead Party submits the claim on behalf of the non-BSC Party	<p>Non-BSC Parties will follow the same approach used by BSC Parties to submit claims via the Lead Party of the BM Unit.</p> <p>This approach:</p> <ul style="list-style-type: none">▪ Avoids changes to BSC system▪ Compensation costs are passed to the non-BSC Party and protected via contractual agreements between the non-BSC Party and the Lead Party of the BM Unit <p>Similar arrangements exist in the BSC between BSC Parties and non-BSC Parties and appear to work effectively. For example imbalance charges passed onto non-BSC Parties.</p>
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ToR (c)(i) Will the Lead Party submit the claim on behalf of the non-BSC Party, or will the non-BSC Party submit the claim direct?

Other options for a non-BSC Party Submitting a claim for compensation direct

Non-BSC Party becomes BSC Party	<p>The non-BSC Party would only be acceding for a very limited, particular purpose and the majority of the Code will not apply to them</p> <p>This appears impractical and onerous</p>
Non-BSC Party becomes a ‘limited’ party to the BSC	<p>Achieved by the non-BSC Party signing a side letter detailing the parts of the Code relating to them</p> <p>Also appears impractical and onerous. The parties’ identities are not accessible to Elexon and relationships would require effective monitoring and updating on an ongoing basis</p>
Non-BSC Party has clearly defined third party right within the BSC	<p>The BSC could be modified to include a third party right within the new System Restoration provisions (similar to the allowance of third parties proposing modifications to the Code in 2.1.1(c) of Section F).</p> <p>This would require a BSC System change</p>

ToR (c)(ii) Is the period of 20 business days after the end of a Black Start Period still an appropriate timescale for claims to be submitted?

- Lead Parties have 20 Business Days following the end of a Black Start Period to submit a claim
- The BSC Panel may approve a period longer than twenty Business Days for the submission of a claim if appropriate
- This was also considered as part of [P232 'Black Start and Fuel Security Compensation and Single Imbalance Price Derivation'](#) where the Workgroup felt that the time-scales for claim submission are adequate and already allow for a time extension request
- The proposed solution is to keep this as is

Q) Is the period of 20 business days after the end of a Black Start Period still an appropriate timescale for claims to be submitted? If no, what is an appropriate timescale and why?



TOR D

ToR (d) How will claims by non-BSC Parties be validated?

Existing Approach

The Panel appoints a Claims Committee to process Black Start claims. They may:

- Request further information from the Claimant regarding their claim submission;
- Determine the process required for validating each submitted claim; and
- Validate and assess each claim and determine the amount payable to the Claimant

Q) Should the role of the Claims Committee be extended to non-BSC Parties in this instance?

ToR (d)(i) How will the non-BSC Party evidence that (a) it received the eligible type of instruction, and (b) that the costs for which it is seeking compensation only occurred as a result of complying with that instruction?

Existing approach

- Under the BSC, the onus is on the Claimant to supply sufficient evidence to the Claims Committee to enable them to determine the amount payable to the Claimant
- Generators will receive instructions by telephone call which will be logged and recorded
- The Panel may request information from NETSO and each Distribution System Operator to assist with the validation process

Q) Should the same approach be taken for non-BSC Parties?

Q) Is further guidance required relating to evidence and the validation of claims?

(noting it is currently the role of the Claims Committee to determine the approach to validation)

e.g. a guidance note on 'Avoidable Costs' may include guidance on what supplementary evidence may look like

ToR (d)(ii) How do we ensure that, if the relevant asset is part of a Supplier's or Virtual Lead Party's BM Unit, there is no double counting of costs for compensation purposes?

Existing Approach

- An asset can be included in more than one BM Unit. For example, the asset is part of a Supplier's BM Unit for recording energy volumes and a VLPs BM Unit for Balancing Services. This creates the potential for double-counting compensation costs if both Lead Parties submit a compensation claim
- Procedures taken to avoid the risk of double counting is not covered in the BSC
- This is an internal, manual process that would involve keeping a log or register of claims made against each BM Unit and by whom

Q) Is the existing approach sufficient for ensuring that there is no double counting of costs for non-BSC Parties?

Black Start Claim Form

BSCP201/01	Black Start Claim Number: <i>BSCCo Use only</i>
<i>(Form completed by Claimant)</i>	
Claimant (name): _____ Date Raised: ____/____/____	
Company Name / Lead Party BM Unit ID / Role: _____	
Address: _____	
Telephone: _____ Fax: _____ Email: _____	
Director's / Category A Authorised Person's Certification of Claim	
Authorised By: _____ Signature: _____ Date: _____	
Please complete the following section as appropriate and attach additional evidence:	
Black Start Period being claimed for:	
From ____/____/____ Settlement Period: ____ To ____/____/____ Settlement Period: ____	
BM Unit ID(s): _____ Lead Party Name: _____	
Total Amount Claimed for: £ _____	
Description of NETSO black start instruction received in relation to the BM Unit ID(s): _____ _____	
Summary of Attached Evidence: _____ _____ _____	
Number of Attachments: _____ Number of Pages with submission (incl this page): _____	
Does this Claim require an Interim Payment ^d ? (Yes/No) _____	
<u>Details of Cost (supporting evidence must be provided for each Settlement Period)²:</u>	
Total Normal Exports: _____ Exports During Period: _____ Change (in MWh): _____	
Total Normal Imports: _____ Imports During Period: _____ Change (in MWh): _____	
<u>Avoidable Costs incurred during the Black Start Period (evidence must be produced):</u>	

Cost Category	Fuel	Plant & Apparatus	Other Operational Costs
Amount (£)			
Evidence (Y/N)			

ToR (d)(iii) Is it clear how the proposed BSC compensation arrangements interact with and differ from other available funding options related to Black Start/System Restoration?

CMP398 'GC0156 Cost Recovery mechanism for CUSC Parties'

- CMP398 provides a funding mechanism for CUSC Parties who are not Restoration Contractors
- Compensation is for the recovery of costs of compliance with the new requirements imposed on them via GC0156
- BSC only includes costs that occur during a Total or Partial Shutdown

CMP398 draft legal text includes:

*CUSC 6.37.14 Note that Section G of the **Balancing and Settlement Code** describes some circumstances in which a **Generator**, entirely separately from these **CUSC** provisions, is permitted to submit for certain costs. The costs involved are of a very different nature to these **CUSC** cost claims relating to GC0156, and should not be claimed for under these provisions. Successful claims under **CUSC** 6.37 are to be notified to Elexon so it can make sure that the same costs are not being claimed under the **Balancing and Settlement Code** as have been claimed under these CUSC GC0156 provisions.*

Q) Do we need to place something similar in the BSC?

ToR (d)(iii) Is it clear how the proposed BSC compensation arrangements interact with and differ from other available funding options related to Black Start/System Restoration?

Q) Are there other compensation mechanisms that relate to or interact with BSC System Restoration compensation?

If yes, do we need to provide additional clarification within the BSC as to how these mechanism(s) differ from BSC compensation?



TOR E

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ToR (e) How will claims be paid out by Elexon?

Existing approach

- BSC Clearer pays Lead Parties the net sum for all relevant BM Units and relevant Settlement Periods as per BSC Section G3.6.6(a)
- These payments will be Ad-Hoc Trading Charges for the purposes of BSC Section N6.9
- BSCCo shall give instructions to the Fund Administration Agent (FAA) as necessary to give effect to the payment of Ad-Hoc Trading Charges
- The same approach is proposed for non-BSC Parties

Q) Should the same approach be taken for non-BSC Parties?

ToR (e)(ii) Should BSC System Restoration compensation claims be prioritised?

Existing approach

- No prioritisation of claims
- These would be paid out on a first come, first serve basis
- The new approach to System Restoration may involve more variation in size of Generators
- The proposed solution will keep this the same

Q) Should BSC System Restoration compensation claims be prioritised (for both BSC and non-BSC Parties)? If yes, how?



TOR F

ToR (f) How will the amounts paid out to non-Parties be recouped/recovered by Elexon?

Existing approach

- The Lead Party claimant is entitled to its Black Start Compensation amount plus compound interest for complying with the Black Start Instruction
- Compensation payments are funded by all BSC Trading Parties (including the Lead Party), according to their Black Start Reallocation Proportions
- Compensation payments and the Black Start Reallocation Proportions are treated as Ad-hoc Trading Charges (a type of Reconciliation Charge) paid or recouped by the Funds Administration Agent (**BSC N6.9**).

Q) Should this come from BSC Parties as part of their Reallocation Proportion?

Q) Should non-BSC Party claimants be charged a submission fee?

Q) Should a permitted claim level/amount be set?



NEXT STEPS

Next steps

- Summary of Workgroup meeting decisions and actions by 20 June 2023
- Next Workgroup meeting will focus on ToR g – o and return to any other ToR that require further consideration

ToR	Details	Type
g)	How will the implementation of the Grid Code, CUSC and BSC changes be aligned?	P451 Specific ToR
h)	Should the BSC System Restoration compensation payment mechanism sit within the BSC?	
i)	What impact will P451 have on the BSC Settlement Risks and what changes will be required to the Performance Assurance Arrangements?	Standard ToR
j)	What changes are needed to BSC documents, systems and processes to support P451 and what are the related costs and lead times? When will any required changes to subsidiary documents be developed and consulted on?	
k)	Are there any Alternative Modifications?	
l)	Should P451 be progressed as a Self-Governance Modification?	
m)	Does P451 better facilitate the Applicable BSC Objectives than the current baseline?	
n)	Does P451 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?	
o)	Does P451 impact on the consumer benefit criteria?	

Progression plan

Event	Date
Present IWA to Panel	9 March 2023
Workgroup meeting 1	5 May 2023
Workgroup meeting 2	14 June 2023
Workgroup meeting 3	July 2023
Assessment Procedure Consultation	July or August 2023
Workgroup meeting 4	August 2023
Present Assessment Report to Panel	14 September 2023
Report Phase Consultation	20 September – 20 October 2023
Workgroup meeting 5 (if required)	W/C 20 October 2023
Present Draft Modification Report to Panel	9 November 2023
Issue Final Modification Report to Authority	15 November 2023

AOB
&
MEETING CLOSE

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THANK YOU

Kayleigh Neal

Kayleigh.neal@elexon.co.uk

bsc.change@elexon.co.uk

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