

## P451 Digital Meeting Etiquette

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- Welcome to the P451 Workgroup meeting 3 – 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

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

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Meeting 3

9 August 2023

# Meeting Agenda

Objectives for this meeting:

- Consider all remaining Terms of Reference (ToR)
- Review the draft legal text
- Agree Assessment Consultation Questions
- Confirm the next steps

Agenda Item	Lead
1. Welcome and meeting objectives	Ivar Macsween (Elexon) - Chair
2. Meeting 2 recap	Kayleigh Neal (Elexon) - Lead Analyst
3. ToR b(iii), e(i) and g – o	Lorna Lewin (Elexon) – Market Design
4. Draft legal text review	Kayleigh Neal Workgroup
5. Next steps	Kayleigh Neal
6. Meeting close	Ivar Macsween



# MEETING 2 RECAP

## P451 Meeting 1 recap

The second P451 Workgroup meeting covered:

- Terms of Reference B to F
- The Workgroup agreed with the proposed solution for ToR B, C(i) and (ii), D(i) and (ii)
- The Workgroup provisionally agreed with ToR (e)(ii), pending the outcome of ToR (e)(i) at this Workgroup.

No.	Raised	Action	Owner	Due by	Status	Update
1	WG1	Elaxon’s legal department to review BSC Section G3.1.5	Elaxon	WG3	Open	

## P451 Specific ToR

Terms of Reference	Status
(a) – Who should be eligible to claim for BSC Black Start compensation?	The Workgroup agrees in principle that non-BSC Parties who are Restoration Contractors should be eligible to claim for BSC compensation and will revisit this once the practical elements of the solution have been considered.
(b)(i) – Which instruction(s) would trigger eligibility for a non-BSC Party to receive compensation?	The P451 Proposed Solution is that these instructions would trigger eligibility for non-BSC Parties who are Restoration Contractors to receive BSC System Restoration compensation. The Workgroup agreed with the Proposed Solution for ToR (b)(i).
(b)(ii) – Are changes needed to the BSC's definition of Avoidable Costs?	The Proposed Solution does not amend the definition of Avoidable Costs, but states that it would be a good idea for Elexon to produce a guidance document that details what Avoidable Costs might look like in practice. The Workgroup agreed with the Proposed Solution for ToR (b)(ii).
(b)(iii) – Will simply pointing to the relevant Grid Code (or other) instruction be sufficient to limit compensation to the intended non-BSC Party recipients, or do further restrictions need to be placed in the BSC?	TBC
(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?	Under the Proposed Solution for P451, the Lead Party will submit the claim on behalf of the non-BSC Party. Some concerns were raised by the Workgroup with the Proposed Solution for ToR (c)(i). It was agreed that these risks should be clearly articulated as part of the Assessment Procedure Consultation.
(c)(ii) – Is the period of 20 business days after the end of a Black Start Period or equivalent still an appropriate timescale for claims to be submitted?	Currently, Lead Parties have 20 Business Days following the end of a Black Start Period to submit a claim. The P451 Proposed Solution will keep this the same for System Restoration. Workgroup agreed with the Proposed Solution for ToR (c)(ii).
(d) – How will claims by non-BSC Parties be validated?	The P451 Proposed Solution will extend the role of the Claims Committee to include non-BSC Party claims. The Workgroup agreed with the proposed solution for ToR (d).

## P451 Specific ToR

Terms of Reference	Status
(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?	Under the P451 Proposed Solution, the existing approach for Black Start would remain the same for System Restoration. The Workgroup agreed with the Proposed Solution for ToR (d)(i).
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?	There is an internal, manual Elexon process that would involve keeping a log or register of claims made against each BM Unit and by whom. The Proposer expressed his view that it is proportionate given the rarity of a System Restoration event. The Proposed Solution would keep this as is. The Workgroup agreed with the Proposed Solution for ToR (d)(ii).
ToR (d)(iii) – Is it clear how the proposed BSC compensation arrangements interact with and differ from other available funding options related to System Restoration?	The Proposer's view is that this is clear and no additional clarifications are required in the BSC. The Workgroup agreed with this view.
ToR (e) – How will claims be paid out by Elexon?	Elexon explained that under the existing approach the 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). The Proposed Solution keeps this the same. The Workgroup agreed with the Proposed Solution for ToR (e) on the basis that, under ToR (c), the Lead Party makes the claim on behalf of the non-BSC Party.
ToR (e)(i) - i) What is the likely volume of non-BSC Party claims and the associated impacts of this?	TBC
ToR (e)(ii) – Should BSC System Restoration compensation claims be prioritised?	Under the current approach, BSC compensation claims are not prioritised. The Proposed Solution will keep this the same. The Workgroup provisionally agreed with the Proposed Solution for ToR (e)(ii), pending the outcome of ToR (e)(i) at the next Workgroup.

# P451 Specific ToR

Terms of Reference	Status
ToR (f)(i) – How will the amounts paid out to non-Parties be recouped/recovered by Elexon? Should this come from BSC Parties as part of their Black Start Reallocation Proportion?	Under the current approach, compensation payments are funded by all BSC Trading Parties (including the Lead Party) according to their Black Start Reallocation Proportions. The P451 Proposed Solution will adopt this approach for recouping non-BSC Party compensation payments. The Workgroup agreed with the Proposed Solution for ToR (f) but require further analysis from Elexon before confirming whether a minimum threshold should be set for each individual claim.
ToR (f)(ii) – Should non-BSC Party claimants be charged a submission fee? Should a permitted claim level/amount be set?	The P451 Proposed Solution does not require a submission fee. The Workgroup agreed with the Proposed Solution, noting that charging a submission fee could discriminate against smaller claimants.
ToR (g) – How will the implementation of the Grid Code, CUSC and BSC changes be aligned? What are the risks if they do not align at the same time and can these risks be mitigated?	TBC
ToR (h) – Should the BSC Black Start compensation payment mechanism sit within the BSC?	TBC





# REMAINING SPECIFIC TOR

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## ToR (e)(i) What is the likely volume of non-BSC Party claims and the associated impacts of this?

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- These are **speculative figures** for the purposes of the Workgroup – more accurate figures may be available once NGESO completes the tender process
- Restoration Contractors (RCs) expected by 2026
  - Anchor RCs on Transmission Network (approx. 25)
  - Top Up RCs on Transmission Network (approx. 10)
  - DRZ - (approx. 5)
  - Anchor RCs on Distribution Network
  - Top Up RCs on Distribution Network
- 35 instructions to Transmission connected RCs and 5 instructions to DNOs from ESO

## Expected Volumes and Costs

### Total Cost (£m) of Compensation to Restoration Contractors

Total Capacity of Service Providers Utilised (MWh): 12,800

		<i>Average Compensation Claimed (£/MWh)</i>		
		100	200	500
<i>Average duration</i>	12	15.36	30.72	76.8
<i>(in hours) for which</i>	24	30.72	61.44	153.6
<i>each provider runs</i>	48	61.44	122.88	307.2

The table above is based on the estimated number of Transmission & Distribution connected Restoration Contractors available in 2026 (35 Transmission & 5 Distribution) and their estimated total volume by 2026 (12.8 GW) provided by NGESO. The average compensation claimed is based on the potential Imbalance costs which could be incurred by these Restoration Contractors.

**Total compensation cost** = total capacity of Restoration Contractors used \* average duration each one runs \* average compensation claimed

For example, it could be that 12.8 GW = 12,800 MW of RCs would run for 24 hours on average and claim £200/MWh, the total cost would be 12800 \* 24 \* 200 = c. **£61m**

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

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### 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?**

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

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### Existing approach

- No permitted claim level

### Meeting 2 recap

- The Workgroup discussed whether to set a minimum threshold to ensure that it does not cost more for Elexon to run the process than the amount(s) being claimed for
- The Workgroup wanted to see some cost analysis from Elexon before making a decision on this

### Costs to Elexon

- Elexon anticipates that it will cost Elexon approximately £1k to review a claim – this includes creating the relevant papers for the Panel/Committee

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



**ToR G How will the implementation of the Grid Code, CUSC and BSC changes be aligned? What are the risks if they do not align at the same time and can these risks be mitigated?**

Change	Implementation date	Date decision required by
Grid Code GC0156	10 working days following The Authority decision	Q4 2023
CUSC CMP398 & CMP412	In line with GC0156	Q4 2023
STC CM089 & CM091	10 working days following The Authority decision	In line with GC0156
STC PM0128	In line with GC0156	TBC
SQSS GSR032	10 working days following The Authority decision	Q3 2023
P451	?	?

- First ESRS contracts go live in July 2025 – is this still correct?
- The P451 Final Modification Report will likely be sent to the Authority in Q1 2024 (for June 24 release?)

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## **ToR H Should the BSC Black Start compensation payment mechanism sit within the BSC?**

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The BSC Panel asked the P451 Workgroup to consider this ToR

**Q) Should the System Restoration compensation mechanism should sit within the BSC? If yes, why? If no, what is the alternative?**



# LEGAL TEXT



## **ToR B(iii) Will simply pointing to the relevant Grid Code (or other) instruction be sufficient to limit compensation to the intended non-BSC Party recipients, or do further restrictions need to be placed in the BSC?**

The Proposer believes it is sufficient to point to the relevant Grid Code instructions to limit compensation to the intended non-BSC Party recipients

Elxon's legal team agrees with this approach as per the draft legal text

**Q) Does the Workgroup agree?**



# STANDARD TOR

## **ToR I: What impact will P451 have on the BSC Settlement Risks and what changes will be required to the Performance Assurance Arrangements?**

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Elxon anticipates no impact to BSC Settlement Risks as a result of P451

## **ToR J: What changes are needed to BSC documents, systems and processes to support P451 and what are the related costs and lead times?**

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### **Code and Subsidiary Documents**

- [BSC Section G: Contingencies](#)
  - [BSC Section T: Settlement and Trading Charges](#)
  - [BSC Section X-1: General Glossary](#)
  - [BSCP18: Corrections to Bid-Offer Acceptance Related Data](#)
  - [BSCP201: Black Start and Fuel Security Contingency Provisions and Claims Processes](#)
  - Central Registration Agent User Requirements Specification
  - BSC Service Description for Energy Contract Volume Aggregation
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- Document only change – Legal text and BSCPs to be drafted part of the Assessment phase
  - Cost estimate to implement document changes = approx. £2k

## ToR K: Are there any Alternative Modifications?

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The Workgroup is invited to consider any Alternative Modifications

One Alternative (owned by the Workgroup) to the Proposed (owned by the Proposer) is allowed under the BSC

Alternative Modifications are:

- Raised by a Workgroup member who believes an Alternative will better achieve the Applicable BSC Objectives than the original, Proposed solution
- Upon raising, voting members of the Workgroup will decide by majority whether the Alternative is better than the Proposed
- If a majority agree: the Alternative is raised, Legal Text is drafted, impacts assessed and both Proposed and Alternative are consulted on. Ofgem decide on which variant they approve (if they do approve the Modification)
- If a majority disagree: the Alternative is not raised and the Proposed solution remains as the sole

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## ToR L: Should P451 be progressed as a Self-Governance Modification?

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### Proposer's view:

- P451 should **not** be treated as a Self-Governance Modification as it will likely have a material impact on:
  - competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
  - matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies



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## Relevant Applicable BSC Objectives

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### **The relevant applicable BSC Objectives are:**

- a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence
- b) Promoting the efficient use of the electricity 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

### **Proposers view:**

- a) P451 will facilitate the implementation of NGESO's new approach to System Restoration set out in GC0156. This new approach will enable NGESO to meet their new Transmission Licence obligation to satisfy the ESRS that comes into full effect on 31 December 2026
- b) The new approach that P451 facilitates will enable a wider range of potential service providers to tender for System Restoration Services
- c) The new approach that P451 facilitates will enable a wider range of potential service providers to tender for System Restoration Services
- d) Without P451, the BSC's relevant processes and terminology will become outdated and misaligned with other industry codes

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## ToR M: Does P451 better facilitate the Applicable BSC Objectives than the current baseline?

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The Applicable BSC Objectives are:

- 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



## **ToR N: Does P451 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL objectives?**

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The changes proposed to BSC Section G3 and T1.7 amend BSC provisions identified as constituting European Balancing Guideline (EBGL) Article 18 Terms and Conditions, as listed in BSC Section F, Annex F-2

This means that the Report Phase Consultation is required to be of one calendar month's duration

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## ToR O: Does P451 impact on the consumer benefit criteria?

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The Proposer considers the following impacts to be positive:

### **1) Improved safety and reliability**

P451 ensures that NGESO's new System Restoration approach works coherently across industry Codes (in this case the BSC). This will ensure security of supply for consumers in the event of a NETS failure.

### **2) Lower bills than would otherwise be the case**

The new System Restoration approach will enable a wider range of potential service providers to tender for System Restoration Services. Through competition, this can reduce consumer costs via the Balancing Services Use of System element within their retail electricity tariffs.

### **3) Reduced environmental damage**

The new System Restoration approach seeks to enable low carbon technologies and storage providers to take part in System Restoration as the number of carbon intensive black start power stations reduce in numbers due to Net Zero.

### **4) Improved quality of service**

The new System Restoration approach that this Modification facilitates will ensure that NGESO's System Restoration Capability meets the new ESRS. This means a more reliable, faster System Restoration in the event of a NETS failure.

### **5) Benefits for society as a whole**

As above. A quicker, more reliable System Restoration in the event of a NETS failure would reduce the economic damage that would arise from a more prolonged system shut down.



# NEXT STEPS

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## Next steps

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- Summary of Workgroup meeting decisions and actions by 16 August 2023
- Workgroup Members to review Assessment Procedure (AP) Consultation paper between 21 – 25 August
- The AP Consultation is expected to run between Monday 4 Sept to 5pm on Monday 25 Sept

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## Standard Consultation Questions

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- Do you agree with the Workgroup's initial unanimous/majority view that P451 does/does not better facilitate the Applicable BSC Objectives than the current baseline?
- Do you agree with the Workgroup that the draft legal text in Attachment delivers the intention of P451?
- Do you agree with the Workgroup that the draft amendments to the CSDs in Attachment delivers the intention of P451?
- Do you agree with the Workgroup's recommended Implementation Date?
- Do you agree with the Workgroup that there are no other potential Alternative Modifications within the scope of P451 which would better facilitate the Applicable BSC Objectives?
- Do you agree with the Workgroup's assessment of the impact on the BSC Settlement Risks?
- Do you agree with the Workgroup's assessment that P451 does/does not impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC?
- Do you have any comments on the impact of P451 on the EBGL objectives?
- Will P451 impact your organisation?
- How much will it cost your organisation to implement P451?
- What will the ongoing cost of P451 be to your organisation?
- How long (from the point of approval) would you need to implement P451?
- Do you have any further comments on P451?

Note that the Standard Consultation questions will be amended accordingly if an Alternative Modification is proposed by the Workgroup

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## Additional Consultation Questions

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- The Workgroup is invited to provide any additional consultation questions

## Progression plan

Event	Date
Present IWA to Panel	9 March 2023
Workgroup meeting 1	5 May 2023
Workgroup meeting 2	14 June 2023
<b>Workgroup meeting 3</b>	<b>9 August 2023</b>
Assessment Procedure Consultation	Monday 4 September – Monday 25 September
Workgroup meeting 4	September/October
Present Assessment Report to Panel	October/November
Report Phase Consultation	Mid Nov to Mid December
Workgroup meeting 5 (if required)	TBC
Present Draft Modification Report to Panel	January 2024
Issue Final Modification Report to Authority	Jan 2024

AOB  
&  
MEETING CLOSE



# ELEXON

## THANK YOU

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**Kayleigh Neal**

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