

P467 ‘Enduring solution for cash out price calculation in the event of a Gas Deficit Emergency (GDE)’

This Modification would keep P448 ‘Mitigating Gas Supply Emergency Risks’ Bids as they are but remove them from the cash out price calculation. This will ensure that the correct signals are sent to the market during a National Gas Supply Emergency (NGSE) in all scenarios.



The BSC Panel recommends **approval** of P467



The BSC Panel **does** believe P467 impacts the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC but believes these impacts to be neutral

This Modification is expected to impact:

- All Trading Parties
- All BSC Parties
- Elexon

Contents

1	Summary	3
2	Why Change?	6
3	Solution	11
4	Impacts & Costs	14
5	Implementation	18
6	Panel's Initial Discussions	19
7	Report Phase Consultation Responses	21
8	Panel's Final Discussions	22
9	Recommendations	23

About This Document

You can find the definitions of the terms and acronyms used in this document in the [BSC Glossary](#)¹.

This is the P467 Final Modification Report, which Elexon has submitted to the Authority on behalf of the BSC Panel. It includes the Panel's full views and the responses to the Panel's Report Phase Consultation. The Authority will consider this report and will decide whether to approve or reject P467.

There are four three 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 P467 Proposal Form.
- Attachment B contains the approved redlined changes to the BSC for P467.
- Attachment C contains Report Phase Consultation Responses of P467.



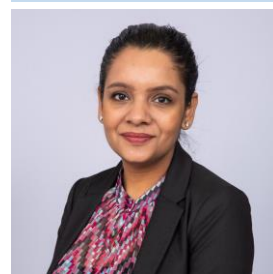
Contact

Anshu Choudhary

020 7380 4249

BSC.change@elexon.co.uk

Anshu.choudhary@elexon.co.uk



Not sure where to start?

We suggest reading the following sections:

- Have 5 minutes? Read section 1
- Have 15 minutes? Read sections 1, 7 and 8
- Have 30 minutes? Read all except section 6
- Have longer? Read all sections and the annexes and attachments.

P467

Final Modification Report

12 April 2024

Version 1.0

Page 2 of 23

© Elexon Limited 2024

¹ <https://www.elexon.co.uk/glossary/?show=all>



Why Change?

In 2022, BSC Change Proposal [P448 'Mitigating Gas Supply Emergency Risks'](#)² was raised by Scottish and Southern Energy under an urgent timetable to protect Generators who load shed from high imbalance prices during a Gas Deficit Emergency (GDE).

P448 was implemented on 7 December 2022, placing a mechanism in the BSC that allows Load Shedding instructions issued during a Stage 2+ Network Gas Supply Emergency to be treated as Accepted Bids for BSC purposes (the status quo).

The Urgent nature of P448 meant that there was not sufficient time to fully consider some of the consequential impacts of implementing P448, so Issue [105 'Further considerations following implementation of BSC Modification P448'](#)³ was raised to explore scenarios whereby there are issues around gas shortages, and the electricity market is long, and what the subsequent impacts would be on electricity imbalance pricing, otherwise known as 'cash out' prices. The group agreed to look into an interim solution for 2023/24, but National Grid ESO advised that placing resources into an enduring solution would be best use of industry resource.

In a GDE event, the outputs of P448 would essentially suppress the cash out prices, leading to the market being unable to correct itself. This would lead to signals being sent causing parties that are short to potentially decide to pay the suppressed cash-out price instead of trading out of their position. It may lead to a higher chance that NGESO may not have enough energy available and cause a demand disconnection event.

Therefore, the Issue 105 group recommended a Modification to the BSC to address this issue. National Grid ESO have now brought forward this enduring Modification to ensure protection for Generators in a Stage Two Gas Supply Emergency to be in place from winter 2024/25.

Solution

The P467 solution involves keeping the Bids as per the status quo but remove them from the Imbalance Price calculation.

It would mean removing the Bids from the System Sell Actions to calculate the Energy Imbalance Prices. It will help ensure that the correct signals are sent to the market during a NGSE in all scenarios; while not removing the intention of P448 to protect the impacted Generator's imbalance position and recovery of reasonable costs.

The prices will be calculated outside of the Settlement Administration Agent (SAA) and then fed into the SAA as a contingency process due to the low expected likelihood of this event happening.

Impacts & Costs

P467 will impact parties that are subject to cash out price calculations:

- Generators;

Cash-Out Prices

Cash-out provides a default price for energy generated that is not contracted for. Cash-out is calculated in part from trades taken in the balancing mechanism. The balancing mechanism is used by national grid to buy a variety of products. The cash-out price tries to create a price just for half hourly energy.



Load Shedding

The goal of load shedding is to prevent a power grid or power source from overloading. Load shedding is a controlled process that responds to unplanned events in order to protect the electricity power system from a total blackout. The System Operator issues Load Shedding Instructions to achieve this. Firm Load Shedding means the reduction or discontinuance of gas to a meter by a Transporter in order to keep the gas transportation network safely pressurized.

² <https://www.elexon.co.uk/mod-proposal/p448/>

³ [Issue 105 'Further considerations following implementation of BSC Modification P448' - Elexon BSC](#)

- Suppliers;
- Virtual Lead Parties; and
- Interconnector Users.

All parties that currently have to pay the Imbalance price will be impacted by this Modification during a GDE due to the exclusion of the GDE Bids in the Imbalance price calculation. This may require a change to price modelling for these parties, if a GDE event occurs they would need to model without the P448 Bids in this scenario.

No impact identified on any BSC systems. If a GDE event occurs, the details and price changes will be published separately or reported to the BSC Panel for transparency.

Cost Estimates			
Organisation	Implementation (£)	On-going (£)	Impacts
Elxon	100K	1K year	Implementation of price model and changes to BSC Section T. Ongoing maintenance of systems, documents and processes.
NGESO		0	None anticipated
Industry			Low impact - The respondent to the industry consultation suggested that since high cashout prices can already occur, the impact of this additional very low probability event is low.
Total	100K	1K	

Implementation

This Modification is desired in time for winter 2024/25 and is therefore Panel have approved that P467 should be implemented on Thursday 27 June 2024 as part of the June 2024 Standard BSC Release if an Authority decision is received on or before 15 May 2024, or the Standard November 2024 BSC Release if this is not possible.

Recommendation

The Initial Written Assessment of P467 was presented to BSC Panel at its meeting in February (347/04⁴). The BSC Panel initially recommended that P467 should be approved. P467 then progressed straight to Report Phase as the solution was fully discussed and developed during Issue 105 Workgroup meetings.

The Panel believed that P467 does have an impact on EBGL balancing terms and conditions, and therefore was sent for a one calendar month Report Phase Consultation. Elxon received one response during the consultation which was in agreement with the proposed solution and the implementation approach.



What is an Urgent Modification?

If the issue highlighted by the Modification needs to be resolved urgently, the Proposer, Elxon or NETSO can request that the Modification be an Urgent Modification. An Urgent Modification can be progressed by a different process and timetable to normal, to cater for the urgent nature of the Modification; this is determined and approved on a case-by-case basis.



Demand Disconnection Event

Demand disconnection is a form of Demand Control used by the System Operator to reduce the consumption of electricity on the system in emergency situations where available “backup” power has already been deployed.

P467
Final Modification Report

12 April 2024

Version 1.0

Page 4 of 23

© Elxon Limited 2024

⁴ <https://www.elxon.co.uk/meeting/bsc-panel-347/>

The BSC Panel considered the Draft Modification Report at its meeting on 11 April 2024 ([349/04](#)⁵) and recommended Authority approval of the Modification.

The BSC Panel believes that the P467 would better facilitate Applicable BSC Objective (a), (b) and (d) compared to the existing baseline.

The Panel also agreed that P467 should not be considered as a Self-Governance Modification and should therefore be submitted to Ofgem for decision.

⁵ <https://www.elexon.co.uk/meeting/bsc-panel-349/>



What are Imbalance Prices?

The Imbalance Price is used to settle energy imbalance volumes. At the end of a Settlement Period, BSC Systems compare a Party's contracted (traded) volume with the metered volume of energy used in the Settlement Period. If a Party is in imbalance of its contracted volume, then it will be subject to imbalance charges.



What does it mean if a BSC Trading Party is long or short?

BSC Trading Parties accrue an Imbalance Volume in a Settlement Period when there is a difference in the volume of energy that they used, generated and traded during the Settlement Period.

We describe a Party as 'long' when the difference is positive and the Imbalance represents a surplus of energy. A Party is 'short' when the difference is negative and represents a deficit of energy.

What is the issue?

In 2022, BSC Change Proposal P448 'Protecting Generators subject to Firm Load Shedding during a Gas Supply Emergency from excessive Imbalance Charges' was raised to protect gas Generators who are subject to Firm Load Shedding instructions during a NGSE, to protect them from high Imbalance Charges which could cause them to become insolvent.

This was a direct result of the increase in the likelihood of a NGSE occurring due to the ongoing Russian invasion of Ukraine, meaning that GB Generators were more likely to face high imbalance charges. P448 introduced an interim solution to the problem, which focused on removing imbalance charges from Curtailed Gas Generators, and recovering reasonable costs.

In its P448 Decision Letter ([available on P448 webpage⁶](#)), the Authority noted that where the Bids feed into the Imbalance Price calculation, this is likely to reduce the Imbalance Price which could weaken the cash out price signal presented to the market.

What are the unintended consequences for Cash-Out Prices from P448?

Where a BM Unit includes Generation plant which has been notified of a Load Shedding instruction from the Gas System Operator (GSO) during a Stage 2 or 3 Network Gas Supply Emergency (a "gas curtailment"), it is likely that the BM Unit will be unable to generate, and, if the Generator had already sold that power, the Lead Party (and associated Subsidiary Parties) of the BM Unit would be exposed to a potentially unmanageable Imbalance Charge, especially if the gas curtailment lasts for longer than just a few Settlement Periods. It may lead to a higher chance that NGESO may not have enough energy available and will cause a demand disconnection event.

To mitigate this risk, P448 placed a mechanism in the BSC that allows the Load Shedding instruction to be treated as a type of Acceptance (a Network Gas Supply Emergency Acceptance; NGSEA) which would be settled as a Bid for affected BM Units. The Bids may feed into the imbalance price calculation and will reflect the Generator's contracted position at the point that the Load Shedding instruction was received.

Background

Gas Supply Emergencies

A National Gas Supply Emergency refers to a situation where there's not enough gas available to meet expected demand, which could lead to loss of pressure in the gas network. The Network Emergency Coordinator (NEC) or a gas network can declare a GSE and is required to coordinate the actions of all gas networks during a GSE.

The gas system operator (GSO) is National Grid Gas. In the event of an expected shortfall in available gas, that has a potentially detrimental effect on gas pressures within the

⁶ [P448 'Mitigating Gas Supply Emergency Risks' - Elexon BSC](#)

pipelines in GB, then this will lead to the GSO, in close cooperation with the NEC, taking action in accordance with the [Gas Safety Management Regulations](#)⁷ to address a significant (gas) safety concern which, at a high level, includes both a Stage 1 and a Stage 2 situation. It is only at Stage 2 that the gas load shedding would be applied to the largest gas users which, in respect of this Modification, concerns gas fuelled Generators in GB.

P448

The purpose of P448 was to protect Generators who are subject to Firm Load Shedding during a NGSE from high Imbalance Charges which could cause them to become insolvent. The Authority agreed that P448 should be progressed on an urgent basis as the war in Ukraine and gas shortages across Europe at the time meant that a NGSE could occur during winter 2022/23 in Great Britain.

To address the risk of very high Imbalance Charges resulting from a NGSE, P448 placed a mechanism in the BSC that allows Load Shedding instructions to be treated as a type of Acceptance (a Network Gas Supply Emergency Acceptance; NGSEA) which would be settled as a Bid for affected BM Units.

During development of the solution, there was not sufficient time to fully consider some of the consequential impacts. The risk that P448 will mitigate was considered to be significant enough that it could progress, with some consequential impacts being considered post implementation.

P448 was implemented in December 2022. Ofgem approved the Alternative Modification.

P448 Bids

P448 introduced the following provisions in the event of a NGSE:

1. Load Shedding instructions issued to gas-fired Generators during Stage 2 or higher (Stage 2+) of a Network Gas Supply Emergency shall be treated for BSC purposes as Bids.
2. Acceptance Data relating to these Bids will be constructed by the NETSO after the event, and entered into Settlement. The Acceptance Data will reflect the impact of the Load Shedding on the affected Generators. For example, in the case of a Generating Unit with its own BM Unit that was instructed not to take any gas for a period of time, the Acceptance would show the BM Unit generating zero MW for the entirety of that period, and then ramping back up to its Final Physical Notification (in accordance with its Ramp Rates and other Dynamic Data).
3. As for any Acceptance, the 'baseline' used to calculate the Bid volume is the Final Physical Notification. The intention of the solution is that this baseline should reflect the contractual position the Generator had entered into prior to receiving the Load Shedding instruction. To facilitate this, Grid Code Modification GC0160 (which is being progressed in parallel to P448) amends the Grid Code rules relating to Physical Notifications, for BM Units subject to Load Shedding within Stage 2 or higher of a Network Gas Supply Emergency.
4. As for other Bids, the Accepted Bid volume will be calculated as the difference between the Acceptance Data and Final Physical Notification. The Lead Party (or

⁷ A guide to the Gas Safety (Management) Regulations 1996. Guidance on Regulations - L80 (hse.gov.uk) <https://www.hse.gov.uk/pubns/priced/l80.pdf>

Subsidiary Party, in the case of a BM Unit subject to a Metered Volume Reallocation Notification) will therefore be protected from Imbalance Charges on this volume. This has the effect of protecting Generators from Imbalance Charges caused when Load Shedding prevents them from delivering power they sold prior to receiving the Load Shedding instruction.

Issue 105

The Urgent nature of P448 meant that there was not sufficient time to fully consider some of the consequential impacts of implementing P448. The Issue 105 Workgroup was therefore tasked with considering the interactions between P448 and cash out, and consider the following:

- Unintended impacts to Imbalance (henceforth “cash out”) Prices;
- Time limiting the P448 solution;
- Whether there is any increased risk of Generator behaviour not in line with ‘Good Industry Practice’ as a result of P448;
- How the P448 solution interacts with Gas Operating Margins (OM) contracts; and
- If further guidance documentation is required for P448.

Unintended impacts to cash out prices:

The Issue 105 Workgroup considered this topic over the course of five meetings. Discussion focused on whether the P448 Bids should be used when calculating the cash out price in the event of a Stage 2+ NGSE. To aid this discussion, the Workgroup requested that Elexon provide an assessment of how the cash out price might be impacted by different market scenarios depending on whether the P448 Bids were taken into account⁸.

The table below outlines the possible scenarios which Elexon presented to the Workgroup. The impacts to the cash out price are based on a number of key assumptions which are outlined in [Appendix 1 of the Issue 105 Report](#)⁹. This includes an assumption that market participants would make economically rational decisions in each scenario.

Market scenario	P448 Bids included in the cashout price calculation	P448 Bids excluded from the cash out price calculation
Short market with sudden curtailment	The cash out price will not be impacted for the first 3 settlement periods as gate closure has passed and the P448 Bids will cancel out the more expensive actions of the National Grid Electricity System Operator (NGESO). After that the price will rise in line with	Without the P448 Bids to counter the more expensive actions of NGESO, the cash out price will rise rapidly before finding a level where parties are aligned on the price

⁸ These are possible and plausible scenarios but not a determination of what Elexon or the Workgroup think is likely to happen.

⁹ <https://www.elexon.co.uk/documents/change/issues/101-150/issue-105-report/>

	<p>parties' expectation of the price that NGESO will pay to keep the market going. The P448 Bids will have a limited effect and after a while parties should be aligned in their expectation of what NGESO will pay and therefore the P448 Bids will not have an impact on cash out.</p>	<p>that NGESO will pay to keep the market going.</p>
Short market with rising curtailment	<p>The cash out price will likely already be quite high as parties are anticipating a NGSE. When it happens, the cash out price will be steady for the first 3 settlement periods before rising with parties' expectation of the price that NGESO will pay to keep the market going. The P448 Bids will have a limited effect and after a while parties should be aligned in their expectation of what NGESO will pay and therefore the P448 Bids will not have an impact on cash out.</p>	<p>Without the P448 Bids to counter the more expensive actions of NGESO, the cash out price will rise rapidly before finding a level where parties are aligned on the price that NGESO will pay to keep the market going.</p>
Long market which remains long	<p>The P448 Bids suppress the cash out price at normal levels due to Net Imbalance Volume (NIV) tagging. If the cash out price is normal, there is little incentive for the market to react to the gas emergency. As a result, there may be a shortage of buyers as the cash out price appears to be at an acceptable level and generation may not come online. This may lead to the market being unable to correct itself and short parties may decide to pay the suppressed cash out price instead of trading out of their position as power prices increase. This will lead to the wrong market signals being sent.</p>	<p>While the market is long, the actions of NGESO will make it go short without the P448 Bids to counter the more expensive actions of NGESO. The cash out price will rise rapidly before finding a level where parties are aligned on the price that NGESO will pay to keep the market going.</p>

Long market which becomes short as the NGSE progresses	The cash out price will be suppressed while the market is long, but when it goes short, we will see the cash out price rising rapidly to the price that parties expect NGESO to pay to keep the market going. The P448 Bids will not have much impact in the price.	While the market is long, the actions of NGESO will make it go short without the P448 Bids to counter the more expensive actions of NGESO. When it goes short, this will not impact the price and it will settle at the price that parties expect NGESO to pay to keep the market going.
--	---	--

What did Issue 105 Workgroup Recommend?

Having considered the scenarios provided by Elexon, the Issue 105 Workgroup recommend that a Modification be raised to keep the P448 Bids as they are, but not include them in the cash out price calculation.

At the time it was felt a system change would be necessary to remove the Bids from the stack. By using the P448 Bids as normal in the rest of Settlement, there will be no need to make any changes in the cash flow calculations allowing reasonable costs to be recovered from curtailed gas Generators.

This will allow the cash out price to send accurate market signals for all possible scenarios without affecting anything else that was implemented as part of P448.

Proposed solution

In order to meet the desired outcomes described above, the legal text for Section T has been amended (see attachment B).

The proposed solution would be to keep the Bids as per status quo but remove them from the Imbalance Price calculation. It would mean removing the Bids from the System Sell Actions to calculate the Energy Imbalance Prices. It will help ensure that the correct signals are sent to the market during a NGSE in all scenarios; while not removing the intention of P448 to protect the impacted Generators imbalance position and recovery of reasonable costs.

The proposed solution is to retain the current [BSCP18 'Corrections to Bid-Offer Acceptance Related Data'](#)¹⁰ process for receiving NGSE bids but not include them in the calculation of the imbalance price (SSP,SSB), but keeping them in place for calculating a parties imbalance and recovering reasonable costs

To progress the Modification without delay, this will be done initially by manual workaround using a model of the Imbalance Price calculation. This is estimated at six person days per day of gas emergency. Subsequently a new tool that will be developed as part of this Modification to automate the process and reduce the risk of manual error.

A user will be able to input Bid Offer data into the tool and recalculate the imbalance price for each settlement period; but omitting the NGSE bids as part of this process

This recalculated Imbalance Price will then be inputted into SAA to overwrite what has been calculated by the SAA system in time for the SF run, using the existing BSC Contingency - single imbalance price file (a csv file that already exists for manually changing the imbalance price).

To implement the solution to this Modification within the BSC, amendments will be required to:

- BSC Section T 'Settlement and Trading Charges' Annex T-1 to state that a "System Sell Action" (QSS) means, in relation to each BM Unit, an accepted Bid that is not a Network Gas Supply Emergency Acceptance.

Benefits

The Modification would provide security and certainty to Generators who load shed from high imbalance prices during a NGSE. This will also reduce negative impacts to the cash out price as a result of P448 as the market will be sent the correct signals to be able to correct itself, reducing the chance of demand disconnection to give NGESO the best chance to manoeuvre through a difficult period, if so required.

¹⁰ <https://bscdocs.elexon.co.uk/bsc-procedures/bscp-18-corrections-to-bid-offer-acceptance-related-data>



Applicable BSC Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Positive
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Positive
(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	Neutral
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Positive
(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]	Neutral
(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	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

Applicable BSC Objective (a)

In respect of the ESO's obligations relating to system balancing, with the associated benefits around security of supply, this change will facilitate the affected Generators continuing to participate in the market and operate for system stability purposes in light of a GDE.

Applicable BSC Objective (b)

The Modification would provide security and certainty to Generators who load shed from high imbalance prices during a NGSE.

This will also reduce negative impacts to the Cash Out price as a result of P448. This will lead to these Generators not being exposed to higher costs, promoting security of supply and efficiency, as well as efficiency in system operation (b).

Applicable BSC Objective (d)

This will makes the management of this event via the Balancing and Settlement Code (d) more efficient. This Modification solidifies the arrangements within the BSC around a Gas Deficit emergency and codifies the solution on an enduring basis, giving certainty within BSC arrangements for industry as a whole under section (d).

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

Implementation approach

The Modification should be implemented by winter 2024/25.

The BSC Panel has approved an Implementation Date for P467 of the Standard June 2024 BSC Release, or the standard November 2024 BSC Release if this is not achievable.

27 June 2024 as part of the standard June 2024 BSC Release if an Authority decision is received on or before **15 May 2024**; or

9 November 2024 as part of the standard November 2024 BSC Release if an Authority decision is received after **15 May 2024**.

Estimated costs of P467

The central implementation costs for this Modification will approximately £1K to make the necessary changes to the BSC Sections. As this is a document only change there is expected to be no system costs. No ongoing costs are expected.

We do not expect there to be any implementation costs for Parties and Party Agents resulting from this Modification

High: >£1 million

Medium: £100-1000k

Low: <£100k

Implementation costs estimates			
Organisation	Item	Implementation costs (£)	Comment
Elexon	Systems	100k	Implementation of price model.
	Documents	1K	Changes to BSC Section T
	Other		
NGESO	Systems		No cost associated to NGESO
	Other		
Industry	Systems & processes		Low cost - A respondent to the industry consultation suggested that this type of event will be rare. So, they are not likely to amend business as usual internal systems, and will use industry data for observing cash out prices in the event of an NGSEA
Total		101k	

On-going costs estimates		
Organisation	On-going costs (£)	Comment
Elexon	1k	Ongoing maintenance of systems, documents and processes.
Industry		No ongoing cost
Total	1k	

P467 impacts

Impact on BSC Parties and Party Agents		
Party/Party Agent	Potential Impact	Potential cost
All Trading Parties	There is potential for trading parties to change their modelling, however a respondent to the industry consultation suggested that this type of event will be rare and as such they not likely systems, and will use industry data for observing cash out prices in the event of an NGSEA. No other impact anticipated.	L

Impact on BSCCo		
Area of Elexon	Potential Impact	Potential cost
Settlement & Insights	Settlement & Insights will be required to manually calculate Imbalance Prices in a tool and update SAA with the new price	M

Impact on BSC Settlement Risks		
Since this change does not affect the accuracy of energy volumes, the Performance Assurance Framework (PAF) and Settlement Risks will be unaffected.		

Impact on BSC Systems and processes	
BSC System/Process	Potential Impact
None	No impact identified on any of BSC systems. If a GDE event occurs, the details will be published separately or reported to the Panel on price changes for transparency.

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Potential Impact
Any vendor	A suitable vendor will be identified to build the new tool.

Impact on Code	
Code Section	Potential Impact
Section T	<p>Annex T-1 paragraph 1.2(c) (i) is amended by expressly excluding Network Gas Supply Emergency Acceptances from the definition of “System Sell Action”.</p> <p>This has ensured that the Network Gas Supply Emergency Acceptances are not being taken into account for the Ranked Sets referred to in Section T Annex T-1 paragraph 2.1 which refer to System Sell Actions.</p>

Impact on Market Wide Half Hourly Settlement (MHHS)
No impact

Impact on EBGL Article 18 terms and conditions
<p>The BSC Panel considered that P467 would have a potential impact on European Electricity Balancing Guidelines (EBGL) that should be consulted on, and the Modification was duly issued for a 1 month EBGL consultation. The consultation respondent agreed with Panel’s initial consideration that P467 does impact the EBGL Article 18 terms and conditions held within the BSC. They suggested that P467 will bring the BSC back in line with EBGL Article 18.</p>

Impact on Code Subsidiary Documents	
CSD	Potential Impact
None	

Impact on other Configurable Items	
Configurable Item	Potential Impact
None	

Impact on Core Industry Documents and other documents	
Document	Potential Impact
None	

Impact on a Significant Code Review (SCR) or other significant industry change projects
Ofgem confirmed on 7 February 2024 that this Modification does not appear to be in scope of the SCR.

Impact of the Modification on the environment and consumer benefit areas:	
Consumer benefit area	Identified impact
1) Improved safety and reliability Supports system participants during NGSE scenarios	Positive
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 Supports infrastructure during NGSE	Positive

The Proposer believed that there is a Positive impact on 4) Improved quality of service, but an industry respondent disagreed with that during the industry consultation. The respondent suggested that supporting generators who load shed from high imbalance prices was the impact of P448. This Modification does not particularly affect these Generators, so this rationale does not apply here.



Implementation Date

The Panel has approved an Implementation Date for P467 of:

- **27 June 2024** as part of the standard June 2024 BSC Release if an Authority decision is received on or before 15 May 2024; or
- **9 November 2024** as part of the standard November 2024 BSC Release if an Authority decision is received after 15 May 2024.

What are the Applicable BSC Objectives?

(a) The efficient discharge by the NETSO 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 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

P467

Final Modification Report

12 April 2024

Version 1.0

Page 18 of 23

© Elexon Limited 2024

The Panel considered the Designation Request and Initial Written Assessment for P467 at their meeting on 8 February 2024 (347/04¹¹). The Panel discussed and concluded by majority that this Modification does impact EBGL which was not the Elexon's initial recommendation. The Panel agreed that the Modification should be progressed to the Report Phase Consultation. This decision was made on the basis that the solution has been discussed thoroughly in Issue Group 105 and would not benefit from a Workgroup assessment.

EBGL

During the presentation, Elexon provided the Panel with their legal view that P467 would not amend or supplement the EBGL Article 18 terms and conditions.

This was on the basis that P467 proposes a change to Section T Annex T-1, which is not identified as a section of the BSC that constitute EBGL Article 18 terms and conditions in BSC Section F Annex X-2.

Elexon noted that Annex T-1 does link to Section T4.4 (which is identified in Section F Annex X-2) in that it sets out how the Final Ranked Sets are determined in order to calculate the System Buy or Sell Price, however did not believe that this implication is sufficient to consider a change to Annex T-1 as impacting the EBGL provisions.

However, several Panel members did not agree with this view, noting that they were uncomfortable with the idea that P467's impact on the cash out price calculation would not carry a potential impact on EGBL that should be consulted on, regardless of what is listed in BSC Section F Annex X-2.

As a result, the Panel voted by majority that P467 does impact the EBGL objectives, such that P467 will be issued for a one calendar month EBGL consultation to seek industry views on these impacts.

Self-Governance Rationale

The Panel agreed with Elexon and the Proposer that the solution does not meet the Self-Governance Criteria as the Modification, if implemented, is expected to materially impact sustainable development and ensure security of supply in an event of National Gas Supply Emergency, making it unsuitable for Self-Governance under criteria (b) (iv).

The Panel unanimously;

- a) **AGREED** that P467 Progresses directly to the Report Phase;
- b) **AGREED** that P467:
 - i **DOES** better facilitate Applicable BSC Objective (a);
 - ii **DOES** better facilitate Applicable BSC Objective (b); and
 - iii **DOES** better facilitate Applicable BSC Objective (d);
- c) **AGREED** an initial view that P467 **should not** be treated as a Self-Governance Modification;
- d) **AGREED** that P467 **DOES** impact the EBGL Article 18 terms and conditions held within the BSC;

¹¹ [BSC Panel 347 - Elexon BSC](#)

e) **AGREED** an initial recommendation to the Authority that this Modification should be **APPROVED**

f) **AGREED** an initial Implementation Date of:

- **27 June 2024** if an Authority decision is received on or before 1 May 2024; or
- **9 November 2024** if an Authority decision is received after 1 May 2024; but on or before 01 October 2024;

g) **AGREED** the draft Legal Text;

- **NOTED** that Elexon will issue the P467 Report Phase Consultation (including the draft Legal Text) for a one month consultation and will present the results to the Panel at its meeting on 11 April 2024.

7 Report Phase Consultation Responses

P467 was issued for Report Phase Consultation on Wednesday 14 February, with responses due by 5pm Thursday 14 March 2024. The consultation was active for one calendar month in line with the EBGL process.

The Report Phase Consultation received one response which was in support of P467. The respondent represented the roles of Generator, Supplier and Interconnector User.

You can find the full response in attachment C of this paper.

NGSE

The respondent suggested to amend the title of the Modification to reflect the full scope of the types of National Gas Supply Emergencies (NGSE) to include two other types of NGSE. However, Elexon confirmed that NGSE has been redlined correctly in the legal text and was included in the consultation where Elexon updated Annex T-1 to reflect the full scope of NGSE, therefore our view is that it doesn't need to change following the consultation. We have written back to the respondent. The respondent has confirmed they are happy with Elexon's response.

Consumer benefit areas

Another comment from the respondent was under the identified consumer benefits section. The Proposer believed that there is a Positive impact on 4) Improved quality of service, but an industry respondent disagreed with that during the consultation. The respondent suggested that supporting generators who load shed from high imbalance prices was the impact of P448. This Modification does not particularly affect these Generators, so this rationale does not apply here.

EBGL Impact

The respondent agreed with Panel's initial consideration that P467 does impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC, noting that this impact would be positive and bring the BSC back in line with Article 18. In their view, NGSEAs are administered through the systems and processes that are also used for balancing, but are not balancing energy because they are not used by TSOs to perform balancing. Therefore, their removal from cashout calculations would bring the BSC back in line with Article 55 paragraph 4 that puts limits on cashout prices based on balancing energy transactions only.

This Modification would also bring the cashout calculation back in line with the general principles of settlement defined in Article 44, in particular the requirement for settlement processes to establish adequate economic signals which reflect the imbalance situation, at a price that reflects the real time value of energy, and provide incentives to balance responsible parties to be in balance or help the system to restore its balance.

As a further comment, the respondent stated that they do not believe this Modification impacts Article 3 of the EBGL because it does not affect competition of provision of balancing services within balancing markets.

8 Panel's Final Discussions

The BSC Panel considered the P467 Draft Modification Report at its meeting on 11 April 2024 ([349/04](#)¹²). The Panel unanimously agreed with the recommendations for P467 including the proposed Legal Text and determined that this Modification should be sent to Ofgem for approval.

The Panel discussed providing sufficient time to Ofgem to consider the Final Modification and make a decision in time to reach the June 2024 Standard BSC Release. Therefore, the Panel unanimously agreed to move the decision date needed to implement in the earlier June release to 15 May 2024.

The BSC Panel unanimously:

- **AGREED** that P467:
 - **DOES** better facilitate Applicable BSC Objective (a);
 - **DOES** better facilitate Applicable BSC Objective (b); and
 - **DOES** better facilitate Applicable BSC Objective (d).
- **AGREED** that P467 should not be treated as a Self-Governance Modification;
- **AGREED** that P467 **DOES** impact the EBGL Article 18 terms and conditions held within the BSC;
- **AGREED** that P467 is consistent with the EBGL objectives; and
- **APPROVED** an Implementation Date for P467 of:
 - **27 June 2024** as part of the standard June 2024 BSC Release if an Authority decision is received on or before 15 May 2024; or
 - **9 November 2024** as part of the standard November 2024 BSC Release if an Authority decision is received after 15 May 2024; and
- **APPROVED** the draft Legal Text for P467.

¹² <https://www.elexon.co.uk/meeting/bsc-panel-349/>

The BSC Panel recommends to Authority:

- That P467 should be **approved**;
- That P467 **DOES** impact the EBGL Article 18 terms and conditions held within the BSC;
- That P467 is consistent with the EBGL objectives;
- An Implementation Date for P467 of:
 - **27 June 2024** as part of the standard June 2024 BSC Release if an Authority decision is received on or before 15 May 2024; or
 - **9 November 2024** as part of the standard November 2024 BSC Release if an Authority decision is received after 15 May 2024; and
- The Legal Text for P467.