

P479 Amendments to the Credit Cover calculations to utilise data available closer to real time

This Modification seeks to amend the Credit Cover calculations to make more accurate and operationally efficient estimates of Energy Indebtedness, using data available closer to real time.



Elexon recommends P479 is progressed to the Assessment Procedure for an assessment by a Workgroup



Elexon needs to consider P479 impacts on the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC, once the solution is better defined during the Assessment Procedure

This Modification is expected to impact:

- All Energy Account holders
- BSCCo

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

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About This Document

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

This document is an Initial Written Assessment (IWA), which Elexon presented to the Panel on 12 September 2024. The Panel considered the recommendations and agreed how to progress P479.

There are two parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress, including the Workgroup's proposed membership and Terms of Reference.
- Attachment A contains the P479 Proposal Form.



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Not sure where to start?

We suggest reading the following sections:

- Have 5 minutes? Read section 1
- Have 15 minutes? Read sections 1, 4, 5 and 6
- Have 30 minutes? Read all sections
- Have longer? Read all sections and the annexes and attachments.

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



Why change?

The amount of Credit Cover provided by a BSC Party is intended to cover Trading charges accrued until payment is made ~29 Calendar Days (CDs) later. The calculations involved in the first five Working Days (WD) are estimates and not actual Trading Charges which can be inaccurate and have multiple complex business rules to manage. Improving the efficiency and accuracy of the estimations will reduce operational costs and allow BSC Parties to lodge Credit Cover that is more reflective of their outstanding Trading Charges.

[Issue 106 'Review of BSC Credit Cover Arrangements'](#)² identified that the amount of Credit Cover required by BSC Parties is **based on estimates of energy volumes** and not actual volumes. Energy Indebtedness is the sum of Credit Assessment Energy Indebtedness (CEI) and Actual Energy Indebtedness (AEI) and, in some cases, Metered Energy Indebtedness (MEI) to give Total Energy Indebtedness (TEI), expressed as: $CEI + (MEI) + AEI = TEI$.

Apart from the estimated values, there is another issue around timings. CEI is used for the first 5 WD MEI, if applicable, is used between WD+3 and WD+5 instead of CEI. AEI is then used between WD+6 and CD29. This first issue here is in consistency in timescales. In (relatively) normal circumstances, 5WD can be anything between 5 CD and 7 CD, depending on whether the period crosses a Weekend. However, over a holiday period, WD+5 can be up to twelve Calendar Days.

All of this fluctuation in estimation and timings combines to make it difficult for Parties to estimate how much Credit Cover they will need at any given time. The extension and contraction of the estimated period creates a peak and trough that is amplified during a holiday period, particularly at Easter and Christmas in Great Britain.

Solution

Existing arrangements reflect the availability of data, and the ability to process it, when the arrangements were put in place. However, since then, the ability to process data has accelerated greatly and as such, this calculation should reflect that. The data involved in calculating Trading Charges is largely available on the same WD, with the exception of BM Unit Metered Volumes.

Impacts and costs

We expect P479 to impact:

- All Parties with an Energy Account
- BSCCo

Costs will be assessed during the Assessment Procedure.

Implementation

It is proposed that this Modification should be implemented before the Milestone 16 'New Settlement Timetable', in the Market-wide Half Hourly Settlement (MHHS) Implementation

What is Energy Indebtedness?

Energy Indebtedness is the sum of Credit Energy Indebtedness (CEI) and Actual Energy Indebtedness (AEI) and, in some cases, Metered Energy Indebtedness (MEI) to give Total Energy Indebtedness (TEI), expressed as: $CEI + (MEI) + AEI = TEI$. The calculation of CEI changes for different Party types and is based on estimations, including, but not limited, to the Credit Assessment Load Factor (CALF) and Generation Capacity (GC)/Demand Capacity (DC).

What is Credit Energy Indebtedness?

The Credit Assessment Energy Indebtedness is the net energy contribution determined to be allocated to a Trading Party for Settlement Periods as defined in Section M1.2.1.

What is Actual Energy Indebtedness?

The Actual Energy Indebtedness is the net energy contribution determined to be allocated to a Trading Party for Settlement Periods as defined in Section M1.2.1.

What is Metered Energy Indebtedness?

The Metered Energy Indebtedness is the net energy contribution determined to be allocated to a Trading Party for Settlement Periods as defined in Section M1.2.4A.

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² <https://www.elexon.co.uk/smg-issue/issue-106/>

Timetable, which is currently December 2026, but subject to change under the MHHS Programme change control process. Noting that this is not a dependency.

Recommendation

The Panel is invited to agree that P479 is submitted to the Assessment Procedure for assessment by a Workgroup.

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What are BM Unit Metered Volumes?

BM Unit Metered Volumes refer to the amount of electricity, measured in megawatt-hours (MWh), that is generated or consumed by a Balancing Mechanism (BM) Unit during a specific Settlement Period.

What is the issue?

Credit Calculations

The calculations used in the first five working days **can result in significant over and underestimate of Energy Indebtedness which is amplified around holiday periods.**

This can mean that Trading Charges are not covered fully or require a short-term increase in Credit Cover. With the administrative costs involved in managing Credit Cover, BSC Parties often operate with a multi-million-pound excess amounts incurring associated fees or opportunity cost.

Issue 106 identified that the amount of Credit Cover required by BSC Parties is based on estimates of energy volumes and not actual volumes. Energy Indebtedness is the sum of Credit Energy Indebtedness (CEI) and Actual Energy Indebtedness (AEI) and, in some cases, Metered Energy Indebtedness (MEI) to give Total Energy Indebtedness (TEI), expressed as: $CEI + (MEI) + AEI = TEI$.

The calculation of CEI changes for different Party types and is based on estimations, including, but not limited, to the Credit Assessment Load Factor (CALF) and Generation Capacity (GC)/Demand Capacity (DC). These parameters assume that a Party's energy flow, in the same season during the previous 12 months will be the same this year and use this as a proxy for Meter reads. For interconnector units, a spot point is taken from their Final Physical Notification (FPN) as a proxy for a meter read. The amount reached from the CEI calculations is an estimated volume of Mega Watt hours (MWh).

The calculation for MEI is based on Metered volumes only (adjusted between Energy Accounts), but not balancing actions which are a large part of actual Trading Charges. MEI only applies to BM Units:

- That are Credit Qualifying BM Units;
- That are not a Supplier BM Unit;
- That are not a Secondary BM Unit; and
- Where the Metered Volumes are determined by the Central Data Collection Agent (CDCA)
- The amount reached from the MEI calculations is a volume in Mega Watt hours (MWh).

The AEI is based on seven (for Parties other than NETSO) actual Trading Charges:

- Daily Party BM Unit Cashflows;
- Daily Party BM Unit Non-Delivery Charges;
- Daily Party Energy Imbalance Cashflows;
- Daily Party Information Imbalance Charges;
- Daily Party Residual Settlement Cashflow;
- Daily Party RR Cashflows; and
- Daily Party RR Instruction Deviation Cashflows.

The amount reached from the AEI calculations is a volume in Pounds. However, this amount is then divided by the Credit Assessment Price (CAP)- an estimated amount in £/MWh determined by the Credit Committee based on various market costs - to convert actual costs into a MWh volume.

The CEI, MEI (if applicable) and AEI are summed as a MWh value, and this is then multiplied by the CAP to give an amount in pounds for the Total Energy Indebtedness which is then used to determine whether a BSC Party has provided sufficient Credit Cover.

If the TEI is greater than 80% of the Credit Cover provided, then the Party can enter Level 1 Credit Default, and if it is greater than 90%, then Level 2 Credit Default can apply.

In summary the process for determining whether a Party should be in Credit Default, and the consequences there-of are:

1. Estimate a proxy for Metered Volume to get CEI
2. Determine the meter readings, but only in some cases to get MEI
3. Take the actual trading charges and divide them by an estimated number (CAP) to get AEI
4. Sum steps 1-3 to give an estimated MWh volume - the TEI
5. Multiply the TEI by CAP number to give an estimated number value of Indebtedness
6. The estimated value is then compared to actual Credit Cover lodged and, depending on the outcome, the Party in concern may be suspended from notifying Energy Contract Volumes/Meter Volume Reallocation Notifications until the Credit Default is resolved.
7. The Party can resolve a Credit Default by providing additional Credit Cover.

Timings

Further to the inconsistencies with credit calculations, there is a second issue around consistency in timings. CEI is used for the first 5 WD. MEI, if applicable, is used between WD+3 and WD+5. AEI is then used between WD+6 and CD29. In (relatively) normal circumstances, 5WD can be anything between 5 CD and 7 CD, depending on whether the period crosses a Weekend. However, over a holiday period, WD+5 can be up to twelve Calendar Days.

For example:

Settlement Day - Saturday 25 December

WD1. Wednesday 29 December

WD2. Thursday 30 December

WD3. Friday 31 December

WD4. Tuesday 4 January

WD5. Wednesday 5 January

In this scenario, estimates are used for more than 40% of the period, as opposed to a minimum of 17% of the time. The issue is compounded by the fact that if a Party enters

Credit Default, they may struggle to contact their banks and/or responsible persons internally during a holiday period.

Combined effect of inaccurate calculations and fluctuating timings

All of this fluctuation in estimation and timings combines to make it difficult for Parties to estimate how much Credit Cover they will need at any given time. The extension and contraction of the estimated period creates a peak and trough that is amplified during a holiday period, particularly at Easter and Christmas in Great Britain. It is acknowledged that it is a sensible argument that a company should lodge a reasonable amount to cover all eventualities. However, there are several factors to consider:

- If a company elects to lodge cash with Elexon, that is cash taken out of the business, that could be used to grow the business and/or make it more efficient for their customers
- If a Party needs to raise cash at short notice due to fluctuations either in cash or vast differences between behaviour last year compared to this, then they may need to:
 - raise direct debits at short notice -something Ofgem has directed should not happen.
 - move money away from other parts of the business (see above),
 - or delay payment of other debts -which in itself could cause issues.
- If a Party decides to cover their debt via either a Letter of Credit note or an Approved Insurance Product, they will likely be charged a percentage amount on the value covered.
- The percentage of interest is susceptible to increase as more cover is provided e.g. cover of £2m could incur a 2% charge, but cover of £3m, could incur 4% charge.
- Having to pay this charge, again, effects the company's cash flow and could potentially affect their ability to raise cash for investment elsewhere.

Background

Issue 106 'Review of the BSC Credit Cover Arrangements'

During Issue 106, Elexon issued a survey, obtaining valuable feedback regarding the Credit Cover arrangements.

The Issue Group discussed the different estimated factors involved in calculating indebtedness. The CEI and MEI factors are highly impacted by Annual Holiday Periods. CEI is predicated on assumptions about volumes, which, for certain technology and/or Party types (e.g. renewable technologies and demand response), can be far from the actual volumes involved. The particular pain points noted by the IG were the Credit CALF, and GC/DC, which are both based on the volumes experienced in the same season the previous year e.g. autumn 2023 CALF and GC/DC volumes are based on actual volumes in autumn 2022.

In the case of a wind Generator, for example, the volumes generated will vary due to meteorological fluctuations from one day to the next. This means that what was generated

on the same day last week is not an accurate prediction of what will be generated this week. This is the same when comparing to the same time period last year i.e. last year's wind levels will be different to this year's, and so the generation volumes will not resemble each other but, under existing arrangements the GC/DC and CALF assume the wind will blow the same this year as it did last year.

MEI only applies to Credit Qualifying BM Units (and some others) but not all BSC Parties and is based on contracted volumes as a proxy for metered volumes, but not an exact replication of the net position at the Boundary Point as they still do not consider Balancing Market (BM) actions.

CEI and MEI are MWh volumes which are then multiplied by the CAP, which itself is an estimate for market values, to determine an amount in Pounds (£) that Credit Cover shall equate to.

As well as inaccurate CEI and MEI, Credit Cover requirements are also impacted by the differing length of weekends and holidays, the minimum amount of Credit Cover required fluctuates.

Given the identified problems, Elexon proposed a solution based on:

- Trading Charges from previous X days + Expected Trading Charges for next Y days = Credit Cover

In this solution, the concepts of CEI, MEI, AEI and TEI do not exist, and instead, Trading Charges would be the sole component of the Credit Cover calculation. We would still estimate QMij up to WD +1, but we would use the initial data between WD + 1 and the Initial Settlement Run (II), and the data available at II thereafter. The Issue Group supported this proposal, subject to further development and refinement for different Party and technology types.

P415 'Facilitating access to wholesale markets for flexibility dispatched by Virtual Lead Parties'³

Once implemented, P415 will likely affect the dynamics of Energy Indebtedness calculations. VLPs, which aggregate demand-side flexibility and trade this on the wholesale market, could introduce additional variability in the estimation of MEI and AEI. This variability may need adjustments to current TEI calculations to accommodate the unique operational model of VLPs, ensuring that Credit Cover requirements remain accurate and equitable for all market participants.

The integration of VLPs through P415 may also impact the timelines for Credit Calculations, particularly during periods of high market activity or holidays. As VLP trading becomes more prevalent, the timing of when MEI and AEI are calculated will need to be revisited to ensure that estimates remain accurate and reflective of real-time market conditions.

In addition to VLPs, there will be a new Party called a Virtual Trading Party (VTP) and they too will be required to lodge credit.

Desired outcomes

The findings of Issue 106, based on the above, was that new arrangements are needed to reduce uncertainty and inaccuracy of the Energy Indebtedness calculations, to ensure that

³ <https://www.elexon.co.uk/mod-proposal/p415/>

Credit Cover can be managed efficiently whilst the rules remain effective in protecting all BSC Parties from unpaid Trading Charges.

This could be achieved by:

- Removing the GC/DC processes, and the administrative burden they carried;
- Removing the CALF processes, and the administrative burden they carried;
- Reducing the CEI period for Generators with MEI and Bid-Offer Acceptance (BOA) adjustments; and
- Recalculating the AEI with Settlement Final (SF) data once available (Interim Initial Account Energy Imbalance (II-AEI) and Settlement Final Account Energy Imbalance (SF-AEI)).

Proposed solution

The proposed solution should build on the findings of the Issue 106 Issue Group:

- To use average meter reads as proxy for BM Unit Metered Volume (QMij) for calculating Trading Charges between Day 0 and Day A; or
- To use rolling average of trading charges for period Day 0 - A.

The Trading Charges used for AEI should be used the entire duration i.e. from Day 0 until payment (currently CD29).

Existing arrangements reflect the availability of data, and the ability to process it, when the arrangements were put in place. However, since then, the ability to process data has accelerated greatly and as such, the calculation should reflect that. At this point, the data involved in calculating Trading Charges is largely available on the same WD, with the exception of BM Unit Metered Volumes.

In the Supplier Volume Allocation (SVA) world, with the implementation of Smart Meters and Advanced Meter Readers (AMRs), it is possible to have more timely and accurate data that will be available in Settlement Systems such as the Volume Allocation Service (VAS) and Load Shaping Service (LSS). The Central Volume Allocation (CVA) data arrangements could be enhanced to provide data earlier through automation of the procedures post dialling, these procedures include exception handling and estimation. We will also look at whether data from other sources (e.g. Physical Notifications, ECVNs, MVRNs and Balancing Actions) could be used as a proxy for what we expect to occur at the Boundary Point.

Benefits

The outcome of P479 will mean that Credit Cover is more reflective of debt incurred, leading to greater certainty in planning and a reduction in costs. By amending the Credit Cover calculations, they can be more accurate and operationally efficient, estimating the Energy Indebtedness using data available closer to real time.

Accuracy

- Removal of CALF/GC/DC and replacement with estimated meter volumes, automate CDCA to collect and enhance estimate on CD+1 (using Maximum Import Limit (MIL)/Maximum Export Limit (MEL)/ FPN/BOA and make volumes available CD+2)
- Inclusion of a BOA cashflow estimate in MEI
- Use of SF data once available from SAA

Efficiency

- Reducing the operational burden of the CALF and GC/DC parameters through Elexon/BSC Parties appeals could potentially save 69 WDs annually by discontinuing CALF calculations and 56 WDs annually by stopping the DC/GC breach process.

Applicable BSC Objectives

Objective (c): Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity.

The Proposed Modification positively impacts competition by making Credit Cover requirements more accurate and reflective of actual trading activity. By reducing the reliance on estimated values and using more precise, data-driven methods, Parties will have a clearer understanding of their financial obligations. This increased transparency and predictability will lower the barriers to entry for smaller market participants and reduce the financial risks associated with inaccurate Credit Cover calculations. This helps create a more equitable environment, enhancing competition in the generation and supply of electricity.

Objective (d): Promoting efficiency in the implementation of the balancing and settlement arrangements.

The Modification promotes efficiency by improving the accuracy of Credit Cover calculations and reducing the reliance on outdated estimation methods. By leveraging modern data processing capabilities and more timely availability of data, the proposed changes will streamline the settlement process. This leads to more accurate reflections of a Party's Energy Indebtedness, reducing the need for corrective actions and the administrative burden associated with disputes over Credit Default status.

Implementation approach

It is proposed that this Modification should be implemented before the Milestone 16 'New Settlement Timetable', in the Market-wide Half Hourly Settlement (MHHS) Implementation Timetable, which is currently December 2026, but subject to change under the MHHS Programme change control process. Noting that this is not a dependency.



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 Areas to Consider

In this section we highlight areas which we believe the Panel should consider when making its decision on how to progress this Modification Proposal, and which a Workgroup should consider as part of its assessment of P479. We recommend that the areas below form the basis of a Workgroup's Terms of Reference, supplemented with any further areas specified by the Panel.

We propose that the Workgroup investigate the use of BSC data and modern data storage and analysis tools (e.g. data lake-houses and data blocks) to explore better ways of estimating BM Unit Meter Volumes where an actual meter read is not available.

As a starting point, we suggest estimating the volume at the Boundary Point using a new method for Metered Volume (MVol). This can involve adjusting for BOA data, Final Physical Notification and Maximum Export/Import Limit. These are process enhancements that would also improve the existing CDCA estimation procedures which would become more accurate and benefit from automation to make data available earlier. By considering BOA cashflow, while accepting some inaccuracy in non-delivery charges, the MEI accuracy could also be improved. This can involve adjusting for BOA data by considering volume multiplied by price, while accepting some inaccuracy in non-delivery charges, the MEI accuracy could also be improved.

Areas to consider

The table below summarises the areas we believe a Modification Workgroup should consider as part of its assessment of P479:

Areas to Consider – Specific Terms of Reference – Workgroup meetings
Sources of the data to be used. What is the appropriate level of precision to aim for? What if erroneous data enters the system?
Availability of the data to be used
Review of the Calculations
Estimating SVA Metered Volumes and timing of the Metered Volumes. How to deals with meter failures and discrepancies
Estimating BM Unit Metered Volumes and timings. How to deals with meter failures and discrepancies.
Trading Charges and their relation to Credit Cover i.e. is Credit Cover based on TCs enough for when a Supplier of Last Resource occurs?
How to take into consideration non-deliverables
How do the VLPS and new VTPs (P415) impact on Credit Cover?
Managing, reporting and sharing of data (publicly and with BSC Parties)
Assurance of the data used in the new calculations and whether this data can support wider assurance activity
Impacts on BSC Agents' service descriptions and roles

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Areas to Consider – Standard Terms of Reference

How will P479 impact the BSC Settlement Risks?

What changes are needed to BSC documents, systems and processes to support P479 and what are the related costs and lead times? When will any required changes to subsidiary documents be developed and consulted on?

Are there any Alternative Modifications?

Should P479 be progressed as a Self-Governance Modification?

Does P479 better facilitate the Applicable BSC Objectives than the current baseline?

Does P479 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?

5 Likely Impacts and costs

Estimated costs of P479

Costs will be assessed during the Assessment Procedure Consultation, once the Solution is better outlined.

P479 Impacts

Impact on BSC Parties and Party Agents		
Party/Party Agent	Potential Impact	Potential cost
Suppliers	H	
Generators	H	
Interconnector Users	H	
Non Physical Traders	H	

Impact on the NETSO	
Potential Impact	Potential cost
Impacts on NETSO will be defined once the Solution is outlined.	

Impact on BSCCo		
Area of Elxon	Potential Impact	Potential cost
Supply Chain Management	Supporting the implementation of any BSC System changes via the Impact Assessments (IA)/Statement of Work (SoW) process which tend to be done as discrete workstreams	L
Enterprise Architecture	Data is being shared between a legacy system (ECVAA) and newer Azure system (DCP). Depending on the exact solution for this Modification, it is likely that a method of data sharing is going to be needed.	TBC
Settlement and Invoicing	MHHS changing Settlement Calendar would likely result in a greater deviation of Credit Cover Percentage if this Modification is not progressed, however there is no dependency on MHHS. Issue 103 discussions around CDCA could be resolved in this Modification by enhancing CVA estimation.	
Participant Management	This Modification will represent savings for the Participant Management Team, which currently dedicates 69 WDs annually by to CALF calculations and 56 WDs annually to the DC/GC breach process.	

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Impact on BSC Settlement Risks

Risk 27: Trading Charges - The risk that Trading Parties do not or are unable to pay Trading Charges fully or at all, such that it triggers an Event of Default. This Modification will be a more appropriate method for estimating Trading Charges, reducing overall uncertainty, and therefore risk on failure with respect to Trading Charges.

Impact on BSC Systems, processes and service providers

BSC System/Process	Potential Impact
CRA	Amendments to the BM Unit registration functionality operated by the Central Registration Agent (CRA) to remove redundant processes relating to submission and monitoring of GC/DC values.
CDCA	Amendments to the Central Data Collection Agent (CDCA) and the MHHS-related systems operated by SVAA to make more accurate estimates of metered volumes available closer to real time.
SVAA	n/a as P479 will be impacted most MHHS migration completion
SAA	Amendments to the Settlement Administration Agent to make Trading Charge data (e.g. Non-Delivery Charges) available closer to real time
ECVAA	Amendments to the Energy Contract Volume Aggregation Agent (ECVAA) system to replace the current processes for estimating indebtedness (based on GC/DC submissions) with more accurate processes (although depending on the detail of the chosen solution it may be appropriate to implement some or all of the new calculation in other systems e.g. Settlement Administration Agent (SAA)).
Elxon Portal	The Elxon Portal will need to be amended with the new data.

Impact on BSC Code

Code Section	Potential Impact
Impacts on the BSC Code will be defined once the solution is outlined.	

Impact on MHHS

The P479 solution will use systems created as part of HMMS. Therefore, we are aiming for an implementation date prior to the shorter Settlement timescales introduced at MHHS Milestone 16 (new MHHS Settlement Timetable, currently planned for December 2026).

Impact on EBGL Article 18 terms and conditions

Impacts on the EBGL Article 18 Terms and Conditions will be estimated during the Assessment Procedure.

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Impact on Code Subsidiary Documents	
CSD	Potential Impact
Impacts on the CSDs will be defined once the solution is outlined.	

Impact on other Configurable Items	
Configurable Item	Potential Impact
Insert body copy here	Insert body copy here [this should include any impacts on EMAR/EMDS artefacts, which will need to be redlined, consulted on and approved]

Impact on Core Industry Documents and other documents	
Document	Potential Impact
Ancillary Services Agreements	No impacts identified.
Connection and Use of System Code	
Data Transfer Services Agreement	
Distribution Code	
Grid Code	
Retail Energy Code	
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
We are not expecting this Modification to impact a SCR. We have requested Ofgem to treat this Modification as an SCR Exempt Modification.



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.

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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 The Modification is expected to lead to more accurate and reflective Credit Cover requirements, reducing unnecessary financial burdens on market participants. By minimising over-estimation of Credit Cover, businesses can retain more capital, potentially lowering operating costs. These savings could then be passed on to consumers in the form of lower energy bills. Additionally, the increased efficiency in the settlement process reduces the likelihood of costly errors and disputes, further helping to keep consumer costs down.	Positive
3) Reduced environmental damage	Neutral
4) Improved quality of service This Modification enhances the accuracy and efficiency of the Balancing and Settlement processes, leading to a more reliable and transparent market operation. This improved reliability and predictability can contribute to better service delivery by energy providers, ultimately benefiting consumers.	Positive
5) Benefits for society as a whole	Neutral



Next steps

This IWA will be presented to the BSC Panel at its meeting on 12 September 2024. The Proposer and Elexon recommend P479 is submitted to the Assessment Procedure for a one-year assessment by a Workgroup. We propose the first Workgroup is held in November, subject to the Panel's agreement to progress P479 into the Assessment Procedure and forming a quorate Workgroup.

Workgroup membership

We propose that membership should be drawn from participants with experience and expertise in Settlement and Invoicing and Credit Cover.

Self-Governance

P479 should not be progressed under Self-Governance since modifying the Credit Cover calculations would materially impact competition. P479 should therefore be submitted to Ofgem for decision.

Timetable

Proposed Progression Timetable for P479	
Event	Date
Present Initial Written Assessment to Panel	12 September 2024
Assessment Procedure	October 2024 – November 2025
Industry Impact Assessment	March 2025
Assessment Procedure Consultation	8 December 2025 – 19 December 2025
Workgroup Meeting	January 2026
Present Assessment Report to Panel	12 February 2026
Report Phase Consultation (1 month)	16 February 2026 – 16 March 2026
Present Draft Modification Report to Panel	9 April 2026
Issue Final Modification Report to Authority	13 April 2026

Insert heading here

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What is the Self-Governance Criteria?

A Modification that, if implemented:

(a) does not involve any amendments whether in whole or in part to the EBGL Article 18 terms and conditions; except to the extent required to correct an error in the EBGL Article 18 terms and conditions or as a result of a factual change, including but not limited to:

- (i) correcting minor typographical errors;
 - (ii) correcting formatting and consistency errors, such as paragraph numbering; or
 - (iii) updating out of date references to other documents or paragraphs;
- (b) is unlikely to have a material effect on:
- (i) existing or future electricity consumers; and
 - (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
 - (iii) the operation of the national electricity transmission system; and
 - (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
 - (v) the Code's governance procedures or modification procedures; and

(b) is unlikely to discriminate between different classes of Parties.

354/06

P479

Initial Written Assessment

12 September 2024

Version 1.0

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7 Recommendations

We invite the Panel to:

- **AGREE** that P479 progresses to the Assessment Procedure;
- **AGREE** the proposed Assessment Procedure timetable;
- **AGREE** the proposed membership for the P479 Workgroup; and
- **AGREE** the Workgroup's Terms of Reference.