P361'Revised treatment of BSC Charges for Lead Parties of Interconnector BM Units'

P361 seeks to exclude Interconnector Balancing Mechanism (BM) Units from the Main Funding Share and SVA (Production) Funding Share BSC Charges, in order to better facilitate the EU Third Package.

The P361 Workgroup recommends **approval** of the P361 **Alternative** Modification and **rejection** of the P361 **Proposed** Modification

This Modification is expected to impact:

- Interconnector Users
- Interconnector Error Administrators
- ELEXON
- Generators
- Suppliers
- Non-Physical Traders

Phase

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

Contents

About This Document

This document is the P361 Workgroup's Assessment Report to the BSC Panel. ELEXON will present this report to the Panel at its meeting on 14 June 2018. The Panel will consider the Workgroup's recommendations, and will agree an initial view on whether this change should be made. It will then consult on this view before making its final recommendation to the Authority on 12 July 2018.

There are seven parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach. It also summarises the Workgroup's key views on the areas set by the Panel in its Terms of Reference, and contains details of the Workgroup's membership and full Terms of Reference.
- Attachment A contains the draft redlined changes to the BSC for P361 Proposed solution.
- Attachment B contains the draft redlined changes to the BSC for P361 Alternative solution.
- Attachment C contains the full responses received to the Workgroup's Assessment Procedure Consultation.
- Attachment D contains the legal guidance provided by ELEXON legal counsel, regarding the permitted charges under the Third Energy Package.
- Attachment E contains the external legal advice, as sought by the Workgroup, surrounding further clarification on BSC Charges and alignment with the EU Third Package.
- Attachment F contains supplementary legal advice, from external counsel, which details clarification on given Specified BSC Charges and alignment with the EU Third Package.

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1 Summary

Why Change?

The current Balancing and Settlement Code (BSC) charging arrangements are not aligned with the EU Third Package. Currently, for the purposes of calculating BSC Charges, Interconnector flows are treated as Production or Consumption and not as part of the Transmission System, as required by the EU Third Package.

BSC Charges derived from BM Unit Credited Energy Volumes are paid for by all BSC Parties having Production and Consumption BMUs with non-zero Metered Volumes, including Interconnector Users.

The application of BSC Charges to cross-border flows creates a differential between those trades that facilitate competition within a national market and pan European trades that facilitate competition across a single European electricity market. Efficient trading between Great Britain (GB) and other Member States is therefore compromised. The Proposer contends that the current arrangements are not aligned with EU law and removal of these given charges would better facilitate the EU Third Package.

Proposed Solution

P361 seeks to exempt Interconnector BM Units Credited Energy Volumes from the:

- Main Funding Share; and
- SVA (Production) Funding Share.

Please see the P361 draft legal text in attachment A for the full proposed solution.

P361 Proposed Modification will calculate Parties Net Main Costs and Production-Charging Supplier Volume Allocation (SVA) Costs using the revised Main Funding Share and SVA (Production) Funding Share respectively. P361 will also re-calculate a Party's Net Main Costs and Production-Charging SVA Costs from the P361 Implementation Date back to the start of the financial year. The re-calculated charges will be billed as one lump sum, with payment due within the normal BSC timescales of 12 Working Days on receipt of invoice.

Alternative Solution

The Alternative Modification mirrors the Proposed Modification in that it will exclude Interconnector BM Unit Credited Energy Volumes from the Main Funding Share and the SVA (Production) Funding Share from the date of implementation, but the Alternative solution will additionally be effective from the Authority decision date (and not from the 1 April 2018). The charges will be recalculated between the Authority decision date and the date of implementation, which, is scheduled as 28 February 2019. The recalculated charges will be billed as one lump sum, on the next available billing run after implementation.

"Production" or "Consumption" BM Units

A BM Unit shall be a Production BM Unit where it belongs to a Trading Unit for which the sum of the Relevant Capacities, for all BM Units which belong to that Trading Unit, is positive and greater than zero; and otherwise shall be a Consumption BM Unit.

What is an Interconnector BM Unit?

For the purposes of the Code, an "Interconnector BM Unit" is a notional BM Unit associated with an Interconnector

Each Party who registers Interconnector BM Units in relation to any Interconnector will be allocated (and registered in respect of) two Interconnector BM Units designated as a Production BM Unit and a Consumption BM Unit respectively.

Impacts & Costs

P361 will directly impact **BSC Parties with a non-zero Funding Share**. Parties currently paying a Main Funding Share and/or SVA (Production) Funding Share related to Interconnector BM Units will pay less with regard to these Units, while all Parties currently paying a Main Funding Share and/or SVA (Production) Funding Share will pay more in respect of non-Interconnector BM Units. A full, detailed description of the impacts of P361 can be found in section 4 of this report.

The central implementation costs will be approximately **£41k**. ELEXON's implementation effort totals approximately 21 days, with the associated costs of approximately **£5k**.

Implementation

The recommended Implementation Date for both the P361Proposed Modification and Alternative Modification is:

- **28 February 2019** as part of the February 2019 BSC Scheduled Release.

It should be noted that the P361 solutions have a lead time of approximately 17 to 20 weeks and an Authority decision would have to be made sufficiently in advance (ideally by the start of September) of the target implementation date.

Recommendation

The **majority** of the Workgroup believes that P361 **Alternative** Modification is **better** than the P361 **Proposed** Modification and the current baseline, and so should therefore be **approved**. The majority of the Workgroup believe that P361 Proposed and Alternative Modifications better facilitate Applicable BSC Objective (e). There is a split view with respect to Applicable BSC Objective (c).

Background

What are BSC Charges?

All costs, expenses and other outgoings of BSCCo are referred to as **BSC Costs**. These costs are recovered from BSC Parties. BSC Parties pay a proportion of the BSC Costs every month, known as **BSC Charges**. Section D of the BSC details the BSC Charges and their recovery. Appendix 3 contains a diagram to illustrate the BSC funding arrangements and worked examples.

BSC Costs are recovered under two different approaches:

1. Recover costs on a tariff-style approach, where charges are fixed (subject to periodic reviews) to a per unit price. These charges are known as the **Total Specified BSC Charges**.

2. Recover costs based on a Party's market share.

Tariff-Style Approach (Specified Charges)

Total Specified Charges are made up of:

- Main Specified Charges: Parties pay a monthly fixed amount for various services on a tariff style basis. Examples include a monthly BSC subscription charge and a monthly Balancing Mechanism (BM) Unit charge;

- Supplier Volume Allocation (SVA) Specified Charges: Payable only by Suppliers for each of their SVA Metering Systems (account for half of SVA Costs, which cover the operational aspects of the SVA system. Generators pay the other half via the Production Charging SVA Costs – see below); and

- Further Charges: Any ad-hoc additional services required by any provision of the BSC or a Code Subsidiary Document (CSD), with prior approval from the Panel.

Market Share Approach (Funding Shares)

Funding Shares are calculated using a Party's:

1. energy volumes (MWh)

A Party's BSC Charges are calculated using its **Main Funding Share** and its **SVA (Production) Funding Share**. Both are calculated using a Party's energy volumes.

Generators pay the **Production Charging SVA Costs** based on the SVA (Production) Funding Share, which is calculated using the total Credited Energy Volumes for Production BM Units. These costs account for half of the SVA Costs. Suppliers pay the other half of SVA Costs via the SVA Specified Charges.

All other BSC Costs are recovered from **Net Main Costs** using a Party's Main Funding Share. A Party's Main Funding Share is equivalent to its market share, calculated for each BSC Party using their generation or supply in the last month.

2. proportion of their BSC Charges (£)

BSC Guidance

For more information on BSC Charges and Funding Shares please see the Funding Share guidance document: https://www.elexon.co.uk/guidance-note/funding-shares/

For more information on BSC Interconnector Trading, please see the guidance document: https://www.elexon.co.uk/guidance-note/interconnector-trading/

A **General Funding Share** is calculated using a Party's share of the total BSC Charges. It calculates a percentage share of the total Net Main Costs, Production Charging SVA Costs, and Specified Charges. The General Funding Share is used in the payment Default process and in calculating an Annual Funding Share. The Annual Funding Share is an average of the General Funding Share, on a rolling 12-month basis. This is used to calculate the Voting Share for Trading Parties.

Occasionally a Party defaults on its payments and leaves its share unpaid. This 'bad debt' or **Default Costs** is reallocated among the other Parties using a **Default Funding Share**. A Default Funding Share is calculated as a proportion of the total defaulted amount for non-defaulting Parties.

Each month a Party must pay its:

- Total Specified Charges;
- Monthly Net Main Costs via the Main Funding Share; and
- Monthly Production Charging SVA Costs via the SVA (Production) Funding Share.

For the financial year 2016/2017, BSC Costs were recovered:

- 79% via Funding Shares;
- 21% via Specified Charges.

Determination of Interconnector Metered Volumes

The BSC[1] defines an Interconnector as the transmission apparatus used to transfer electricity to or from the Great Britain (GB) Total System[2], to or from an electricity network outside of GB operated in another country. BSC Parties wishing to trade energy that is transferred over the Interconnector must register themselves as an Interconnector User. Interconnector Users are always allocated a pair of Interconnector Balancing Mechanism (BM) Units:

- A Production BM Unit for electricity entering the GB Total System; and
- A Consumption BM Unit for electricity being taken off the GB Total System.

For each Settlement Period, a Metered Volume is only ever allocated to either the Production or the Consumption Interconnector BM Unit, as any imports and export are netted and the difference applied to the relevant BM Unit.

Appendix 4 illustrates the allocation of BM Unit Metered Volumes to Interconnector BM Units.

Interconnector Administrators

Each Interconnector will have an Interconnector Administrator and an Interconnector Error Administrator. Each Interconnector User provides the Interconnector Administrator with a copy of its Physical Notification for each Settlement Period by Gate Closure.

What are Interconnected System Operators?

An Interconnected System Operator (ISO) is responsible for the Exports and Imports at an Interconnector Boundary Point, the point at which an Interconnector is connected to a either a Transmission System or a Distribution System. The flows of energy imported or exported by an Interconnector are recorded by the relevant Metering Systems. These volumes are notified to the relevant Interconnector Administrator by the ISO.

[1] Section Annex X-1
[2] The Total System is made up of the Transmission and Distribution Systems that are covered by the BSC

The Interconnector Administrator will allocate Metered Volumes to each Interconnector User's BM Unit based on the notifications from the Interconnector Users, having regard for the total Active Energy Flow over the Interconnector, as provided by the Interconnected System Operator.

This means that the Metered Volumes are 'deemed volumes' and may not necessarily match the volume provided by the Interconnector. For example, the volumes may be changed to accommodate operational issues such as a failure or a reduction in capacity of the Interconnector.

Interconnector Error Administrators

The Interconnector Administrator will also aggregate all deemed Metered Volumes for a given Settlement Period to give a total volume. The Interconnector Administrator will then compare the total volume of deemed volumes with the actual Metered Volume (the physical flows over the Interconnector), as metered at the point the Interconnector connects to the GB Total System. Any difference between the two will be allocated to the Interconnector Error Administrator.

As with all other Trading Parties, the difference between an Interconnector User's (and Interconnector Error Administrators) Imports or Exports (adjusted for Transmission Losses) and their total Notified Energy Contract Volume represents the Energy Imbalance Volumes. These volumes are multiplied by the System Price to calculate a Parties Trading Charges.

What BSC Costs do Interconnectors pay?

BSC Parties with Interconnector BM Units currently pay all of the BSC Charges detailed above. This includes Specified Costs for things like the number of BM Units, the number of Central Volume Allocation (CVA) Metering Systems, BSC Subscription and charges based on Funding Shares. Typically, the biggest charges calculated using a Funding Share will be the Net Main Costs (72% of total BSC Costs for 2016/2017 for all BSC Parties).

EU Legislation

The European Union (EU) Third Package came into force on 3 September 2009 and consists of three Regulations and two Directives. It supersedes national legislation in member states, including GB. Under the EU Third Package regulation on conditions for access to the network for cross-border exchanges in electricity (EC 714/2009), Interconnectors are treated as a part of the Transmission System.

The EU Third Package also created a regulatory framework to support the development and implementation of European-wide Energy Network Codes and guidelines, which form a legally binding set of common technical and commercial rules and obligations that govern access to and use of the European energy networks.

One of the Electricity Network Codes, the Capacity Allocation and Congestion Management (CACM), came into force on 15 August 2015. The CACM governs the establishment of cross-border EU electricity markets in the day-ahead and intraday timeframes (known as single day ahead and intraday coupling), as well as methods for the calculation of interconnection capacity.

Amongst other things, CACM requires that nominated NEMOs (Nominated Electricity Market Operators) are designated by the National Regulatory Authority (NRA) in each member state. Ofgem are the NRA in GB and have designated two NEMOs in GB, European Commodity Clearing (ECC) AG (which is a child company of EPEX SPOT SE) and Nord Spot Pool AS. From a BSC perspective NEMOs are classified as Interconnector Users.

Implicit and Explicit Trading

Interconnector owners offer capacity to Interconnector Users via implicit or explicit auctions in accordance with EU electricity codes and guidelines, including CACM and the Forward Capacity Allocation guideline (Regulation (EU) 2016/1719). Capacity is purchased for a particular direction on the Interconnector. Further, Interconnector Users can trade energy over an Interconnector through implicit and explicit auctions at day ahead or intraday timescales.

Explicit auctions allow participants to purchase the right to utilise capacity on the Interconnector from intraday to long term timescales. Auction participants submit bids in £/MWh for the number of MW they want. Successful bidders pay the auction clearing price and have 'explicit' visibility with the capacity that they have purchased.

Implicit auctions enable available capacity to be indirectly purchased on the intraday markets and day ahead via power exchange auctions. NEMOs operate the power exchanges for cross-border trading. The capacity is made available within the spot price mechanism in the relevant power exchange, rather than to individual users (as in explicit auctions).

The implicit auction methodology is known as 'market coupling'. Successful bidders do not have visibility of who they have traded with or where the traded power originates/is delivered. The implicit trades will be notified by NEMOs to the Interconnector Administrator, who will allocate the volumes to the NEMOs Interconnector BM Units.

It should be noted that NEMOs have no control over the volumes allocated to their BM Units as it varies depending on the capacity available after explicit trading has occurred and the price differential between the interconnected markets. The volumes are an output of an algorithm that they run as a NEMO.

What is the issue?

Under the EU Third Package (Article 2 of Regulation 714/2009) Interconnectors are treated as part of the Transmission System and not as Production or Consumption. As a consequence, in the context of the EU Internal Market in Electricity, interconnector flows should be neither classed as production (generation) nor consumption (demand), but part of the overall transmission infrastructure facilitating the wider market.

For the purposes of calculating BSC Charges, Interconnector BM Units in GB are currently treated as either a Production BM Unit (generation) or Consumption BM Unit (demand), equivalent to being treated the same way as Generators or Suppliers. The BSC Charges derived from Credited Energy Volumes are paid for by all BSC Parties having Production and Consumption BMUs with non-zero Metered Volumes, including Interconnector Users.

What are Physical Notifications?

Physical Notifications are a notification made by a Lead Party for a BM Unit and Settlement Period to the Transmission Company of the expected level of Export or Import for that BM Unit and Settlement Period.

The application of BSC Charges to cross-border flows creates a differential between:

- those trades that facilitate competition within a national market; and
- pan European trades that facilitate competition across a single European electricity market.

Efficient trading between GB and other Member States is therefore compromised. This has the effect of reducing the number of occasions where potentially beneficial trades could have taken place and therefore conflicts with the EU Third Package objectives.

Furthermore, the flow of energy across these interconnectors is determined by a central algorithm, which takes into account the local areas order book and the available interconnector capacity between two bidding areas. The results of this calculation will determine the area price and direction of flow across the Interconnector.

The BSC Costs of the GB Interconnectors cannot be included as a factor in the calculations. This means that in market coupling optimisations the shipping paths along Interconnectors connected to GB have add on costs which other European Interconnectors do not normally have.

This is not in line with the goals of the EU Third Package that aims to deliver a well-functioning internal market in electricity e.g. more cross-border trade, so as to achieve efficiency gains, competitive prices, and higher standards of service, and to contribute to security of supply and sustainability.

The Proposer believes that if the current charging arrangements do not change, the liquidity in the market will be reduced because either there will be fewer NEMOs or the BSC Charges will result in prohibitive costs for participating in implicit trading.

Previous similar BSC Modifications

Two previous BSC Modifications have been raised to address a similar issue raised in P361.

P278 'Treatment of Transmission Losses for Interconnector Users' was raised by National Grid to always apply a fixed Transmission Loss Multiplier of 1 to Interconnector BM Units, so that the BSC does not adjust Interconnector BM Unit's Metered Volumes for GB transmission losses. The Proposer argued that, the BSC's allocation of GB transmission losses to Interconnector Users could be seen as charging for those GB transmission losses which occur as a result of hosting cross-border flows and therefore in conflict with the EU Third Package. Ofgem approved P278 on 1 May 2012 and was implemented on 29 November 2012.

The Authority's decision to approve this BSC Modification which removed charges for transmission losses from Interconnector Users was based on the following consideration that the Modification would remove the irregularity of charging Interconnector Users in GB for transmission losses, as this should be dealt with through National Grid's participation in the ITC mechanism. The fact that P278 would remove a barrier to cross-border trade and provide a consistent basis upon which all parties compete in the wider European market, was taken into consideration by the Authority also. Ofgem's view was that it would reduce the risk of cross-border flows being inefficiently impeded at times when price difference is not sufficient to cover the cost of losses, would facilitate price convergence and market integration.

P285 'Revised treatment of RCRC for Interconnector BM Units' was raised by National Grid to exclude Interconnector BM Units from Residual Cashflow Reallocation Cashflow (RCRC) charges / payments in consequence to Connection Use of System Code (CUSC) Modification Proposal (CMP) 202. CMP202 removed Balancing Service Use of System (BSUoS) charges from Interconnector BM Units as BSUoS charges were perceived as a barrier to cross-border trades across Interconnectors in conflict with the EU Third Package. The P285 Proposer argued there was an anomalous situation where Parties were liable for RCRC charges / payments from the Settlement imbalance process but were not liable for BSUoS charges / payments that include the cost to the System Operator of resolving those imbalances. P285 was approved by Ofgem on 23 January 2013 and was subsequently implemented on 7 June 2013.

The Authority's decision on this BSC Modification which removed Interconnector BM Units from RCRC charges/payments was based on the consideration that P285 would prevent a distortion to cross-border trades and allow trades across Interconnectors to be based on market price differentials. Although RCRC is related to the imbalance arrangements, and imbalance charges are permissible under the Third Package, this Modification was argued to be consistent with the wider European objective of enabling the development of a single internal electricity market. In addition, P285 would remove the potential for RCRC to be perceived as a charge on Interconnector flows when negative and an improper incentive to flow when positive should therefore ensure that trades across Interconnectors are based on price differentials, thereby improving competition within the single EU internal electricity market.

3 Solution

Proposed solution

P361 proposes to exclude Interconnector BM Units Credited Energy Volumes[3] from the following:

- Main Funding Share; and
- SVA (Production) Funding Share.

The solution requires a change to the SAA-I025 'SAA BSC Section D Charging Data', which is used as an input file into the Funding Share System (FSS), used to calculate BSC Charges. The file, which is produced by the Settlement Administration Agent (SAA), will be amended to exclude Interconnector Credited Energy Volumes.

P361 does not amend the General Funding Share, Default Funding Share or Annual Funding Share, as any amendments to the Main funding Share or SVA (Production) Funding Share will flow into these other types of Funding Share.

In addition to the impacted BSC Charges being amended from the Implementation Date, the impacted BSC Charges will be re-calculated and re-billed from the Implementation Date back to the start of the financial year. The re-calculated charges will be re-billed as one lump sum.

Alternative solution

The Alternative solution mirrors the Proposed Modification in terms of which BSC Charges are excluded for Interconnector BM Units. However in the case of the Alternative, the revised formula for calculating the Main Funding Share and SVA (Production) Funding Share would be effective from the Authority decision date for this Modification. The implementation date would remain as previously established for the Proposed Modification, as the 28 February 2019, as part of the February 2019 BSC Release. As such, the recalculation of charges would only be done from the date of the Authority decision to the date of implementation (28 February 2019). The recalculated charges will then be billed as one lump sum, on the next available billing run after implementation.

Legal text

The proposed redlined changes to the BSC to deliver the P361 Proposed Modification can be found in Attachment A.

The proposed redlined changes to the BSC to deliver the P361 Alternative Modification can be found in Attachment B.

Are there any other alternative solutions?

The Workgroup discussed several alternative solutions.

Settlement Administration Agent (SAA)

The Settlement Administration Agent is responsible for calculating payments resulting from trades in both the Balancing Mechanism and Imbalance Settlement processes.

[3] Defined in Annex X-1 as QCE_{iaj}

Bill the Transmission Company

An alternative solution was discussed, which would mirror the Proposed Modification except, the Main Funding Share and SVA (Production) Funding Share charges derived from Interconnector BM Unit volumes, would be 'ring-fenced' and billed to the Transmission Company. The rationale behind this solution was that these costs are considered network (Transmission System) access charges.

It was proposed that benefits to consumers could be gained if National Grid recovered these costs from the Inter-Transmission System Operator Compensation (ITC) mechanism. The proposal was dropped as the BSC cannot detail how National Grid should recover these costs and the ITC mechanism would need to be changed. It would require agreement from all member TSOs and the Agency for the Cooperation of Energy Regulators (ACER). It was seen to be unsuitable and not in line with the Proposer's timelines. Further explanation of this rationale can be found in section 6.

No within year adjustments

It was proposed that the exclusion of the charges should apply from 1 April 2019 to coincide with the start of the financial year and avoid any within year recalculations and billing. It was thought that this provided more clarity to Parties on when their charges could be set to change. It would also simplify the solution and consequently reduce the costs. The Workgroup decided to adopt the Alternative Modification instead of this version. Further rationale and Workgroup discussion can be found in section 6.

Apply only to NEMOs

It was also suggested that as the issue in question was having the largest fiscal impact on NEMOS, an alternative solution could be one that specifically excludes the proposed charges from Interconnector BM Units, which are wholly associated with NEMOs. However, the Workgroup did not have sufficient appetite to take this idea forward.

Self-Governance

The Workgroup considered whether P361 could be progressed as a Self-Governance Modification. A Modification Proposal can be progressed as Self-Governance if:

- The Panel believes that it satisfies the Self-Governance Criteria, and the Authority does not issue a contrary direction; and/or
- The Authority believes that it satisfies the Self-Governance Criteria and issues a notice to that effect.

The Workgroup unanimously believes that this Modification does not meet the Self-Governance Criteria on the basis of criteria (a)i, (a)ii, (a)v and (b). The Workgroup's rationale is detailed in section 6.

What is the Self-Governance Criteria?

The Self-Governance route is set out in the Transmission licence and provided for in Section F of the BSC. A Modification Proposal may be considered by the Self-Governance route if, when implemented, it is:

a) unlikely to have a material effect on:

i) Existing or future electricity consumers; and

ii) Competition in generation or supply; and

iii) The operation of the transmission system; and

iv) Security of supply; and

v) Governance of the BSC (including its modification procedures); and

b) unlikely to discriminate against different classes of BSC Parties.

Estimated central implementation costs of P361

Proposed Modification

The estimated implementation costs of P361 Proposed Modification are approximately **£46k.** This consists of:

- approximately **£41k** arising from changes to the SAA and to ELEXON's Funding Share System (FSS), as detailed below; and
- approximately **£5k** (21 man days) for ELEXON to implement and test changes to BSC billing processes and systems, along with the associated document changes.

There are no additional on-going operational costs for either solution.

Alternative Modification

The costs associated with implementation of the P361 Alternative Modification will be the same as the costs for the Proposed Modification. This is due to the fact that equivalent system functionality will still be required. However, as the recalculation of BSC Charges will not go as far back, there may be a marginal costs saving for ELEXON to test and bill the adjustment.

Indicative industry costs of P361

Responses to the Assessment Consultation

Question	Yes	No	Neutral/No Comment	Other
Will P361 Impact your organisation?	5	2	0	0
Will your organisation incur any costs in implementing P361?	1	6	0	0

Of the seven respondents, five noted impacts to their organisation, stating the increased BSC Charges that will be faced but also detailed that any associated administrative or system impacts as a result of this Modification would be minimal. Two Parties gave the response that they do not expect P361 to have any implications for their systems, documents or processes.

In the separate Assessment Consultation question which asked for views on whether there would be any cost impacts, six out of seven respondents indicated that they would not incur cost impacts, with the one Party stating yes on the grounds of the increased BSC Charges that they would be required to pay, by picking up some of the Interconnector Users' current share of BSCCo Charges.

P361 impacts

Impact on BSC Parties and Party Agents	
Party/Party Agent	Impact
BSC Parties with a non-zero Funding Share	BSC Charges will be increased for these Parties, as the BSC Charges paid by BSC Parties with Interconnector BM Units will be smeared across all other BSC Parties. No system impacts are anticipated for BSC Parties. It's important to note that, should P361 be approved, BSC Charges will additionally be re-calculated and re-billed from the start of the financial year (1 April – for the Proposed) or from the Authority decision date (for the Alternative), to the P361 Implementation Date as one-lump sum. P361 is targeting the February 2019 release.

Impact on Transmission Company
The Transmission Company Analysis identified that there would be no costs associated with the implementation of P361 and no changes to Core Industry Documents, System Operator Transmission Owner Code are anticipated.

Impact on BSCCo	
Area of ELEXON	Impact
Finance	Changes will be required to BSC billing processes and systems. ELEXON will need to update its guidance document on Funding Shares and the BSC Section D Simple Guide. Support development and running of user acceptance testing (UAT)/operational acceptance testing (OAT) Test Scripts
Market Analysis	Minor update to the Funding Share Guidance Note
IT	Deploy changes to FSS and support UAT/OAT
Configuration Management	ELEXON will need to implement this Modification Proposal.

Impact on BSC Systems and process	
BSC System/Process	Impact
SAA	Changes will be required to this system; the SAA-I025 file will be modified to exclude Interconnector volumes.
FSS	Changes will be required to this system to re-calculate and re-bill historic BSC Charges

Impact on Code	
Code Section	Impact
Section D	Changes to the BSC Charges calculations will be required.

Impact on Code Subsidiary Documents	
CSD	Impact
Settlement Administration Agent User Requirements Specification	Changes to 'F008: Calculate Credited Energy Volumes to reflect changes to BSC'

Impact on Core Industry Documents and other documents	
Document	Impact
Ancillary Services Agreements	None anticipated
Connection and Use of System Code	
Data Transfer Services Agreement	
Distribution Code	
Distribution Connection and Use of System Agreement	
Grid Code	
Master Registration Agreement	
Supplemental Agreements	
System Operator-Transmission Owner Code	None anticipated
Transmission Licence	
Use of Interconnector Agreement	

Impact on a Significant Code Review (SCR) or other significant industry change projects
Ofgem confirmed on 8 November 2017 that P361 is SCR Exempt.

Impact on Consumers
The costs arising from exempting Interconnector BM Units from given BSC Charges will have to be picked up amongst other BSC Parties and could therefore be indirectly passed to customers.

Impact on EMR bodies
The Low Carbon Contracts Company (LCC) and Electricity Settlements Company (ESC) declined to provide a formal Impact Assessment response.

Impact on the Environment
No direct impact identified.

Further impacts

The amendment of the Main Funding Share and the SVA (Production) Funding Shares for Interconnector BM Units will have a subsequent effect on both the Voting Share and any other funds, the amounts of which are determined by a Party's overall Funding Share.

5 Implementation

Recommended Implementation Date

The Workgroup recommends an Implementation Date for P361 Proposed Modification and Alternative Modification of:

- **28 February 2019** as part of the February 2019 BSC Release.

The Proposer contends that the implementation of the Proposed Modification should be achieved as quickly as possible to minimise the impact on Interconnector Users, particularly NEMOs, and ensure alignment with the EU Third Package. The Workgroup's discussions regarding the proposed Implementation Date can be found in Section 6.

Out of the seven responses received for the P361 Assessment Procedure Consultation, two Parties disagreed with the implementation and one Party remained neutral. However, this was not due to the appropriateness of the implementation date itself but rather it was that these Parties do not support the within year adjustment element, requiring recalculation of BSC Charges and subsequent re-billing. The remaining four respondents agreed with the Workgroup's recommended implementation date.

EU Law

Electricity Regulation (No 714/2009) of the European Parliament and of the Council of 13 July 2009 details conditions for access to the network for cross-border exchanges in electricity. This Regulation aims at laying a framework for cross-border exchanges in electricity with a view to improving competition and harmonisation in the internal market for electricity. This was a starting point for the Workgroup, as a key component of Modification P361 was assessing and gauging compliance of the BSC Charging methodology, in relation to current EU legislation.

EU Third Package

The Workgroup initially covered views on the Modification in relation to compliance with EU law. The Workgroup discussed the BSC cost recovery mechanism and the view that ELEXON’s cost recovery does not have anything to do with the physical flows of electrons through Interconnectors and was thus not related to network access or to the treatment of interconnectors, under the EU Third Package, as part of a Transmission System. A member argued that the cost recovery mechanism was a way of apportioning costs and noted that ELEXON could equally have chosen to recover its costs using a flat fee. However, it was seen to be more cost reflective to charge Parties based on market share (Funding Share).

ELEXON confirmed there was sufficient uncertainty to seek external legal advice in order to clarify the EU Third Package legislation. The Workgroup initially heard ELEXON legal guidance, and subsequently sought and heard external legal guidance.

The two legal views, explored below, broadly agreed. The Majority of the Workgroup agreed with the legal views, that the removal of Interconnector BM Units from BSC Charges would better facilitate the EU Third Package. The minority disagreed. They maintained that BSC Charges are a way for ELEXON to recover its costs and are not a charge to access the Transmission Network.

ELEXON guidance

The Workgroup believed it was important to understand how EU legislation should be interpreted and applied. They believed the legislation was open to interpretation. The Workgroup therefore decided to seek legal guidance following the first Workgroup meeting (8 January 2018).

The legal guidance was produced by ELEXON's legal counsel. It was provided to the Workgroup at its second meeting (12 February 2018) and can be found in attachment D. The guidance took note of previous Ofgem decisions, as detailed in section 2, in particular Ofgem’s decision to approve CMP202. This Modification sought to exclude BSUoS charges from lead parties of interconnectors BM Units, as BSUoS charges were perceived as a barrier to cross-border trades across Interconnectors in conflict with the EU Third Package

In an attempt to interpret the legislation in line with previous Ofgem views, the Workgroup briefly focussed on GB ECM-26 ‘Review of interconnector charging arrangements’. It was noted that Ofgem had taken differing views on TNUoS, BNUoS and Section D charges; therefore, these views were not consistent enough to attempt to interpret the legislation on the basis of previous charges.

The guidance concluded that there was a significant risk that BSC Charges were contrary to EU law on the basis of the close relationship between BSC Charges and flows of energy to and from the network and across borders. However, the extent of the risk was dependent upon the Workgroup's assessment of the extent to which current charging methodology risks distorting cross border trade.

Regarding this question, some Workgroup members took a viewpoint that BSC Charges charge should not be seen as a network access charge or distortion to cross border trade as it is simply a cost relating to utilising the system. It was argued that the associated costs for utilisation of a system, paid for by all trading Parties were a key aspect of the GB trading arrangements. Conversely, the Proposer contended, and members of the Workgroup acknowledged, that given BSC Charges were a barrier to entry for Interconnector Users and should be seen as a network charge. This was on the basis that these charges are a required prerequisite to trading and removal of these costs for Interconnector Users would better facilitate efficient cross border trade.

The Workgroup welcomed the ELEXON legal guidance but believed, given the importance of the guidance and the opaqueness of the EU legislation, a second opinion was needed. The Workgroup agreed that there was sufficient uncertainty in interpreting the BSC Charging arrangements with regard to EU legislation, to warrant seeking external legal advice. The Workgroup therefore agreed to seek external legal advice, which can be found in attachment E.

External advice

The external legal counsel's overarching advice was that BSC Charges could be seen as charges for network access within the meaning of the Electricity Regulation and compliance with the EU Third Package would therefore be better facilitated by exempting Interconnector BM Units from BSC Charges. They acknowledged, however, that this was not a definitive view.

In addition, following the conclusion that BSC Charges are network access charges within the meaning of the Electricity Regulation, charging Interconnector Users on the basis of fixed tariffs (rather than on the basis of metered volumes) will not make BSC Charges better aligned with the Third Package.

When commenting on possible methods of cost recovery, their view was that the viability of using the Inter-Transmission System Operator Compensation (ITC) Mechanism as a vehicle for recovering Interconnector BM Unit BSC Charges is unclear and would need to be investigated.

The Workgroup were led through a page-turn of the legal advice document by the external counsel at the Workgroup meeting on 13 March 2018, in which the Workgroup provided comments on the advice. A member noted that the Electricity Regulation does not refer to balancing charges but instead references 'access charges'. It was argued that balancing charges should not be deemed as access charges and as such should not be treated the same. Therefore, excluding interconnector BM Units from balancing charges should not be in scope.

A Workgroup member stated that the view could be taken that as the BSC was established through the Transmission License, Parties have no choice to sign up to the BSC in order to participate in the market and access the network. If this viewpoint is taken then all BSC Charges would be classed as network charges and not aligned with EU legislation.

The Workgroup agreed that while there was not unanimous agreement for the view taken by the external legal counsel, it provided enough direction to move forward.

Article 77

A Workgroup member believed that Article 77, of regulation 2015/1222 'establishing a guideline on capacity allocation and congestion management', may allow BSC charges to be recovered where they are fair and reasonable. However, ELEXON legal counsel (advice detailed below) did not believe this was relevant; the Workgroup were content with this, as this Article refers to the costs of central counter parties and shipping agents, neither of which is a role that ELEXON performs under CACM.

Other members states

The Workgroup discussed how other EU Member States recover their equivalent of BSC Charges. There are other Member States that have 'Third Party Market Operators' who conduct imbalance and settlement calculations. However, TSOs conduct these functions in the majority of the Member States. For the majority of Member States, equivalent BSC Charges will be wrapped up in transmission infrastructure costs.

ELEXON was able to confirm with three other non-TSO market operators that:

- 2 do recover costs from Interconnectors using flows/trades; and
- 1 recovers costs based on the number of delivery points (previously based on MWh).

ELEXON is therefore not unique within the EU. It was confirmed that the operator who moved to a fixed (number of delivery points) method did so for political reasons.

The Workgroup considered whether any differences between how Member States recover comparable costs impact the P361 issues.

A member believed that if other non-TSO Member States were using an equivalent method as GB; recovering costs using a comparable market share approach there cannot be a distortion, and this supports the case for continuing to charge in this way.

Another member believed that the arrangements in other Member States were not relevant because it was a necessity for the BSC arrangements to comply with EU law regardless of whether other Member States were compliant.

The Workgroup agreed that compliance issues for other Member States was something that should be of interest to Ofgem, as the NRA, as it could be putting GB consumers at a disadvantage. It was not an issue for the P361 Workgroup to resolve.

Views on the issue

The Proposer maintains that using BM Unit volumes as the method of recovering BSC Charges is posing a barrier to cross-border trading, and at best creates a distortion. NEMOs cannot control the volumes assigned to its Interconnector BM Units, as they are allocated based on the outcome of an algorithm used for implicit trades on power exchanges. The Proposer maintains that it is not possible to forecast these flows as they are outside the control of the NEMO. Moreover, the volumes are volatile and consequently result in volatile BSC Charges. The NEMO is exposed to the full costs of the BSC Charges.

The NEMO has no way to recover these costs as they do not know which Parties have made the trades that make up its BM Unit Metered Volumes. Currently this is an additional charge that NEMOS in GB are paying in order to comply with the market coupling arrangements.

The NEMO will know who is buying and selling power, but any interconnector trades arising from the auction aren't associated with a particular user.

For example, suppose that (in the day ahead auction) GB Suppliers buy 600 MWh of energy, 400MWh of it from GB generators, and 200 MWh of it from overseas generators. It is not clear where the costs of the 200 MWh interconnector trade should be recovered from. If it is shared out between all the Suppliers, this imposes the principle that Suppliers have to pay an additional fee (above the auction clearing price) as a result of foreign generators participating in the auction. The Proposer believes this is inconsistent with the idea of a single market and acts as a barrier to cross-border trading.

The Proposer has tried to find other ways to recover these costs but has not been able to find a mechanism to do so. As a result, P361 has been raised. The Proposer believes the costs incurred from BSC Charges are too high to pass on in members fees.

It was discussed how the Transmission Company would potentially treat BSC Costs if they operated the BSC and not ELEXON. It was suggested that they would be treated as part of their general operating costs and so equivalent BSC costs would not be passed onto Interconnector Users.

The Proposer maintains the current distortion is being passed onto NEMOs who are absorbing the costs. If NEMOs passed BSC Charges costs to members, it would impact competition in the market by driving the market away from market coupling arrangements. It could also force NEMOS to cease the shipper role, which would further harm competition.

Around 10 new interconnectors are expected to be commissioned, displayed in the table below, from the period of 2019-2023 and as such, the P361 issues will be exacerbated in the future.

Interconnector	Connecting Country	Capacity (MW)	Proposed commissioning date
Nemo Link	Belgium	1000	2019
ElecLink	France	1000	2020
NSL	Norway	1400	2021
IFA2	France	1000	2020
Greenlink	Ireland	500	2023
FABLink	France	1400	2022
NeuConnect	Germany	1400	2022
NorthConnect	Norway	1400	2022
Gridlink	France	1400	2022
Aquind	France	2000	2022

Development of Proposed solution

The Workgroup believed the legal guidance provided a basis on which to move forward and discussed which BSC Charges should be included and excluded.

Fixed charges

The Workgroup discussed amending the BSC Charges so that they did not charge Parties with Interconnectors BM Units based on volumes of energy, but instead charged a fixed amount.

The Proposer does not support any method that will use Interconnector BM Units Metered Volumes. He believes such an approach would be unfair and distort competition as NEMOs do not have any control over these flows. The Proposer was open to paying 'local charges,' such as a fixed charge. However, charges related to cross-border flows, which the Funding Share charges currently use, was problematic for the reasons detailed above.

The External legal advice was of the view that fixed fees would not make the BSC Charges better aligned with EU law. The Proposer and the Workgroup discounted moving to a fixed fee approach. One respondent to the Assessment Consultation highlighted that the charging could be done on a fixed price basis to reduce the sensitivity of costs to variable volumes and ease the proposer's concerns. However, this was not supported by the Workgroup majority, who agreed with the view presented by the external legal counsel.

Network or service charge

A key component of the Workgroup's discussions covered the network or service charge question. The Workgroup believed this question was the driver behind which BSC charges should exclude Interconnector BM Units. In this context, a network charge is an inherent barrier to cross-border trading, with a service charge merely being the cost of procuring a service from BSCCo.

A Workgroup member pointed out that Ofgem in its capacity as the NRA, approved a charging methodology for existing Interconnectors and the Workgroup wondered if this could be an alternative way for NEMOs to recover BSC Charges. Specifically the methodology relating to the IFA Interconnector was examined, which sets out the terms under which commercial access to IFA is made available. However, it was deemed that it is aimed at the participants' relationship with the TSO and not a third party such as a NEMO.

It was argued that all BSC charges are network charges, on the basis that BSC Charges are permitted by the BSC, which has been established to satisfy the Transmission Companies Transmission Licence. Nevertheless, this still did not reconcile with the fact that BSC Charges have not been identified in the network charging methodologies. A point was also raised by in response to the Assessment Consultation, which noted that in the fulfilment of their reporting obligations to the Commission, Ofgem have stated that conditions of the CUSC associated with Network Charging, discharge the relevant obligations under the Third Package. At no point has Ofgem indicated that BSC Charges fall within the scope of Network Access Charges.

Conversely Workgroup members posed that BSC Charges are a fee for participating in the market and as the BSC is concerned with imbalance and settlement, these charges should be viewed as service charges. The alternative would be to settle bilaterally, which would not be cost effective or efficient.

The majority of Workgroup members concluded that some BSC Charges could be considered a network charge and some could not.

Which BSC Charges should be excluded from Interconnector BM Units?

Originally, the Proposer was seeking to remove Interconnector BM Units' Credit Energy Volumes from the BSC Charges calculations (i.e. to remove Funding Share charges). The scope of which BSC Charges are in scope was the topic of contention with the Workgroup and the Proposer.

A Workgroup member noted the external legal guidance made reference to BSC Charges on Interconnector BM Units as a whole, which would cover Funding Shares, along with certain Specified Charges, shown in the table below. This position was contrary to what some members viewed as the charges that should be exempt for Interconnector BM Units; these members believed that only the Funding Shares should be exempt, due to their much higher fiscal material impact and their association with Credited Energy Volumes. The rationale behind this was once again linked to the Third Package, whereby an interconnector should be treated as Transmission infrastructure; rather than Production BM Units and Consumption BM Units. Utilising this reasoning, the same members believed Specified Charges should be treated as a service charge and should be left out of scope. However, as there was not a unanimous Workgroup viewpoint surrounding the compliance of the various BSC Charges, the external legal counsel was instructed to provide further clarification.

Supplementary legal advice

ELEXON sought further external legal advice to provide clarity on the extent to which individual Specified BSC Charges were contrary to the Third Package.

The Workgroup discussed this advice in the meeting on 18 April 2018, with a member noting that aspects of the supplementary advice appeared to contradict the initial advice given by the external counsel. In particular, the member queried the rationale for the distinction drawn between Base Monthly Charges (which would not be contrary to the EU Third Package) and other charges. Some members also queried the basis for treating certain other Specified BSC Charges as contrary to the Third Package, noting that the rationale provided could equally be applied to power exchange charges which were not contrary to the Third Package. Workgroup members agreed that, notwithstanding the supplementary advice, the position on Specified BSC Charges was not clear.

The conclusions drawn by the external legal counsel on the alignment of the Specific BSC Charges can be found in attachment F and outlined in the following table. The table also details the scope of the Proposed Modification, in terms of the charges to be excluded from Interconnector BM Units.

BSC Charge		Network or service charge? (As determined by the external legal counsel)	In scope of Proposed solution?
Main Funding Share	Funding Shares	Network	**Yes**
SVA (Production) Funding Share		Network	**Yes**
CVA Metering System Monthly Charge	Specified Charges	Service	No
CVA BM Unit Monthly Charge		Network	No
Notified Volume Charge		Network	No
TIBCO Software Support Charge and TIBCO Set-up Charge		Service	No
Dataline Monthly Charge		Service	No
Base Monthly Charge		Service	No

Following this additional external legal guidance, the Proposer contemplated including the given Specified Charges, seen above, in the Proposed Modification. However, due to the additional lead times (19 week overall lead time) required to perform the associated system changes, as reported in a service provider impact assessment, it was decided to leave them out of scope and allow an additional Modification to be raised in the future if a Party chooses to do so. In addition, the Funding Shares hold a much higher material impact on Parties with Interconnector BM Units. The rationale behind the aim to achieve the quickest possible implementation of the Modification is to minimise the impact on Interconnector Users, particularly NEMOs and importantly ensuring compliance with the EU Third Package.

The Workgroup discussed the findings of the supplementary legal advice and acknowledged the viewpoint taken by the external legal counsel, providing comments on the supplementary legal advice, which can be found in attachment F. This supplementary legal advice relates to the categorisation of the various BSC charges (service or network charge) as deemed by the external counsel. The Workgroup's views and comments are outlined below.

Specified BSC Charge	Workgroup's comments
CVA Metering System Monthly Charge	The Workgroup noted the external legal guidance broadly agreed with their perspective that it is not a cost associated with "hosting cross-border flows of electricity" and that this cost is payable in respect to all CVA Metering Systems and not just those associated with interconnectors.
CVA BM Unit Monthly Charge	Certain Workgroup members believed that this was a charge associated with partaking in market trading and thus should be paid by every participant. On this point they disagreed with the external legal advice. It was also debated in favour of the external legal standpoint; that as an interconnector should be treated as Transmission infrastructure; this charge could be seen as a network access charge for Interconnector Users, as it is associated with Production BM Units and Consumption BM Units.

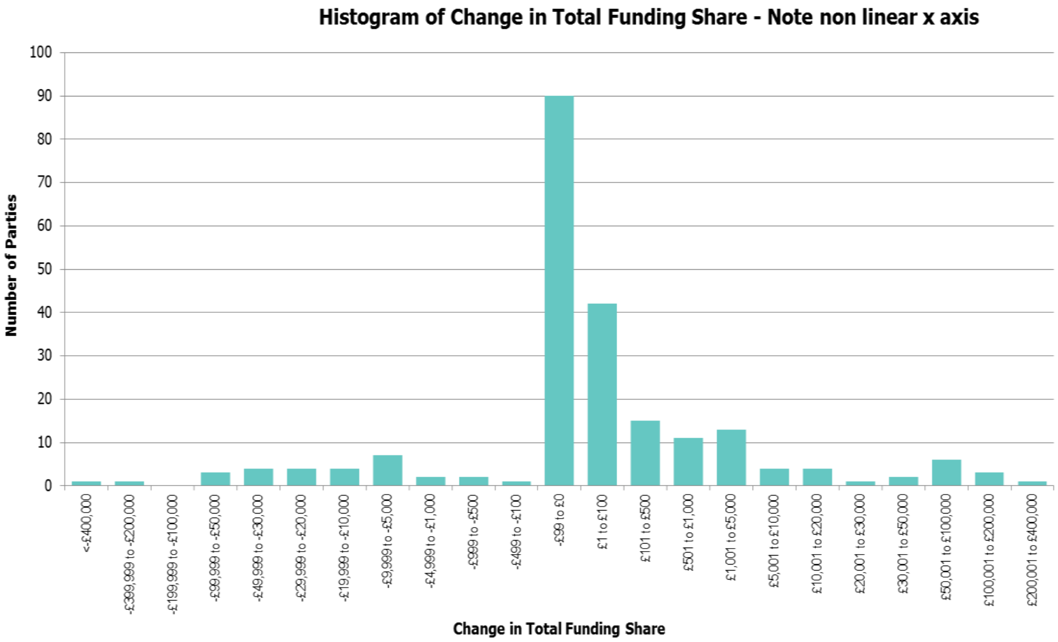
Notified Volume Charge	Some Workgroup members took a different viewpoint to that of the legal advice and believed that this charge should not be seen as a network access charge as it is simply a cost relating to utilising the system. It was argued that the associated costs for utilisation of a system, paid for by all trading Parties were a key aspect of the GB trading arrangements. Conversely, it was reasoned that as this charge should be deemed a network charge as it based on energy volumes, similar to Funding Shares, along with the fact that Trading Parties cannot use the system without paying this charge.
Base Monthly Charge	Several members noted that this was a fee associated with being a BSC Party, with no requirement to actually trade; describing it as more as a 'club fee', rather than a cost associated with trading. In contrast, it was argued that in order to trade a Party must pay this charge, thus being a barrier to trade.
TIBCO Software Support Charge and TIBCO Set-up Charge	These were broadly seen as optional service charges, as other methods could be used whereby Parties did not incur a fee. The Workgroup took a similar viewpoint to the external counsel on these charges.
Dataline Monthly Charge	

Party impacts

Regarding the potential scale of the exclusion of the proposed charges:

- Around **5%** of the total Funding Shares (Main and SVA Production) belong to Interconnector BM Units in 16/17; and
- in 16/17 this approximately equals **£1,300,000.**

If the 2016/17 financial year was re-run, we would therefore expect approximately £1.3 million to be re-distributed across any BSC Party with a non-zero Funding Share. It should be noted that we foresee that this figure will increase in the coming years as more interconnectors are commissioned and utilised. The 2017/18 costs will not be available until August 2018. The impact on BSC Parties for 2016/17can be seen in the graph, below.



The majority of Parties would face a relatively low impact but looking towards the right-hand side of the graph it should be noted that some Parties would experience significant financial impact.

This analysis was noted by the Workgroup and it was suggested that due to the proposed solution; that the re-calculated charges will be re-billed as one lump sum, that Parties should be made aware in advance of the potential financial impact this Modification could have. ELEXON subsequently notified industry on several occasions (detailed on page 30), informing Parties how the Proposed Modification could potentially impact their BSC Charges.

In addition, the Workgroup believed analysis on the materiality of this change to establish the increasing proportion of costs that will placed on non-Interconnector BM Units in the future should be considered, especially given the proposed increases to Interconnection capacity. A respondent to the Assessment Consultation also noted that they would welcome this analysis.

One member commented that only complex analysis would be of value to Parties and that this complex analysis would not be worthwhile. However, the majority of the Workgroup agreed this analysis was not necessary but would give Parties more information to plan the P361 impact in future years.

The analysis could include comparing the forecasted costs under P361 and under the current arrangements. The Workgroup believed the following high level assumptions should be made for the analysis:

- ELEXON's costs remain the same for future years, adjusted only for inflation; and
- Interconnectors are net importers at an average load factor to be determined via analysis.

A member believed that GB generation volumes would likely reduce as more Interconnectors came online. Together with increasing Interconnector volumes, the impact of P361 would be heightened over the coming years.

ELEXON agreed it would take reasonable endeavours to include the analysis in the Draft Modification Report and subsequently in the Final Modification Report being issued to the Authority

In addition to the fiscal impacts on Parties, the Workgroup noted that the amendment of the Funding Share calculations would also have a subsequent effect on both the Voting Share and any other funds, the amounts of which are determined by a Party's overall Funding Share. They deemed this an acceptable consequence of exempting Interconnector BM Units from the given BSC Charges.

Are there any alternative solutions?

A Workgroup member suggested that by passing the BSC Charges onto non-Interconnector Parties, you are effectively asking for Parties who may not use Interconnectors to pay for them. Following this an alternative solution was discussed, which mirrored the proposed solution in terms of the charges being exempt but differed in relation to how the exempt charges would be recovered. Instead of spreading these costs amongst BSC Parties, these costs would be 'ring-fenced' and billed to the Transmission Company.

In order to pass these costs on to the Transmission Company and to exclude Interconnector BM Units Credited Energy Volumes from Party totals; it was proposed to potentially attribute the summed Interconnector volumes (for all BSC Parties, by Production and Consumption), to the Transmission Company.

The logic behind this potential alternative solution was that if these BSC Charges are deemed as network charges and not aligned with EU Third Package, they should by definition, be able to be recovered by the ITC Mechanism. It was noted by the Workgroup that although the ITC does not refer to BSC Charges specifically, that doesn't preclude them from being a cross-border flow charge. As ELEXON has no vehicle to recover these costs through the ITC mechanism, the Transmission Company, as Electricity System Operator (ESO), should hold this responsibility and utilise this ITC mechanism.

ITC Mechanism

National Grid (NG) provided an update on the ITC mechanism and its potential to be utilised for recovery of the costs discussed. While NG acknowledged that the BSC could not direct NG ESO in how it should recover any BSC Charges passed onto it, they felt it was important that the workgroup considered the implications of any cost recovery assumptions. The ITC mechanism is defined by the Commission Regulation (EU) 838/2010. The ITC mechanism provides compensation for:

1. the costs of losses incurred by national transmission systems as a result of hosting cross-border flows of electricity; and

2. the costs of making infrastructure available to host cross-border flows of electricity.

In summary, the Transmission System Operators (TSOs) that host flows are compensated, and the compensation is funded by the TSOs who cause the flows. Imports to, and exports from the GB system are considered to cause flows on other systems; as GB is an overall importer, the net result is that GB is a contributor to the ITC mechanism. The ITC payment by GB is approximately the net of the costs that GB imposes on other Transmission Systems and the cost imposed on GB for hosting transits. GB's net contribution to the ITC is funded via Transmission Network Use of System (TNUoS) charges.

It appeared to both the Workgroup and NG that point (2) above was what the BSC Charges would potentially fall under. The annual EU cross-border infrastructure sum is set at €100m until determined otherwise by the European Commission. A transit factor and load factor are then calculated to apportion the above sum to each ITC party. The overall ITC methodology is covered in more detail in the annual monitoring report by the Agency for the Cooperation of Energy Regulators (ACER) (2016 report).

What is the process through which the ITC Mechanism can be changed?

The European Network of Transmission System Operators for Electricity (ENTSO-E) operates the ITC Mechanism through the ITC agreement, which contractually sets out ENTSO-E's and the ITC parties duties and entitlements. National Grid commented that a change to the ITC methodology would therefore require an amendment to this agreement and required the approval of all TSOs and ultimately ACER.

Workgroup's Conclusions

The Workgroup discussed the viability of a change to the ITC mechanism, with the consistency across all ITC parties a key consideration for any change proposed. The Workgroup felt that there posed a degree of uncertainty around this solution option, to ‘ring-fence’ and bill the Transmission Company with the costs associated with the exclusion of given BSC Charges from Interconnector BM Units; as it was not clear whether this would have any potential benefit to GB consumers. It was on this basis that the Workgroup decided not to formally raise this solution option as an alternative solution; however, it brought to light several questions to be explored in an avenue outside of Modification P361.

Development of the Alternative Modification

Six of the seven respondents agreed that there are no other potential Alternative Modifications within the scope of P361 which would better facilitate the Applicable BSC Objectives, noting the unfeasibility of utilising the ITC mechanism for cost recovery. One Party suggested there should be an alternative raised with a future implementation date, soon after or on the start of the next financial year. As such no recalculation and re-billing would have to be done, and Parties would be given reasonable notice to make necessary preparations.

ELEXON clarified that the ‘cleanest’ option would be for the changes to become effective from the start of the financial year. The amended input file, with Interconnector volumes excluded, to the finance system (FSS), can be applied any time within a financial year. The effect of this would be that estimates will have been based on the old methodology and the actual bills will have been based on the new methodology. The need to re-calculate previous months is only required where you want to re-bill.

It was highlighted that Ofgem have guidance on retrospective changes, which are very rare. Indeed one respondent to the Assessment Consultation believed the P361 approach was unprecedented. There was a view that without a prospective solution available to Ofgem, there was a risk that P361 would be rejected. If an Alternative was not raised, then Ofgem may use the send back provisions in Section F 2.7A, which would delay a decision and could result in P361 not being able to be implemented in February 2019. It was also commented that any changes to TNUoS and BSUoS are applied prospectively from the start of the financial year.

The Workgroup discussed whether the Proposed Modification was a retrospective change or whether it was an within year adjustment. The Proposer did not believe his Proposed Modification was a retrospective change. Rather it was a within year financial adjustment. However, other members believed this was semantics. In their view, Parties will have already incurred a liability and any adjustment of that liability is a retrospective change. Applying a new methodology to a period that has already been billed is a retrospective change.

If it is accepted that BSC Charges are not aligned with EU law, then as a principle, the issue should be corrected as far back as possible. It was suggested that applying the revised BSC Charges methodology from the date of Authority approval, would allow the Proposer to recover some of the costs incurred over the peak winter period, but remove the requirement for the recalculation of BSC Charges over the whole current financial year. Parties would have certainty from the point of Authority approval and have time to make provisions for the change between the approval date and the implementation date. This would mean a significantly smaller rebilling charge required to be paid by Parties. The Workgroup voted and the majority agreed that this proposal was better than the Proposed Modification and so an Alternative Modification was formally raised.

European TSO Analysis

Following the discussions surrounding the ITC mechanism, the Workgroup decided it would be beneficial to explore the charging arrangements that other TSOs employ. This question would broadly address how other European TSOs are dealing with these costs; if they are absorbing them into organisational operational costs or if they are being passed to consumers. This question would also correspond to the EU Third Package; gauging what level of alignment other European TSOs have with it and following the external legal advice sought for this Modification, a wider assessment of the GB methodology and its potential non-alignment with EU legislation. It was noted that some of these questions were out of scope of P361 and should be posed outside of the P361 Modification, so as not to delay the overall process. However an action was taken by National Grid to interact with ENTSO-E to gain information on how other EU TSO's are dealing with the similar costs associated with this Modification.

A report from June 2017 by ENTSO-E covering the overview of Transmission Tariffs in Europe was presented to the Workgroup in its fifth meeting. The report breaks down the costs linked with TSO tariffs into two categories:

- **Non-TSO costs:** broadly relating to Renewable Energy Support mechanisms; schemes supporting government targets to increase renewable generation. In addition, costs associated with the NRA that helps finance the activities of the relevant sector regulator also fall under this category.
- **TSO costs:** covering both infrastructure costs (e.g. internal operating expenditure (OPEX), depreciation and return on capital) and costs of purchasing system services (e.g. various reserve products, congestion management and Black-Start).

The report uses a common methodology to calculate a Unit Transmission Tariff (UTT), from the various cost items outlined on page 10 of the report, in order to make the tariffs more comparable across the ENTSO-E participating countries.

The charges that this Modification hopes to amend, if categorised, would typically fall under TSO OPEX costs. It was noted by Workgroup members that, as most other countries in the report do not have an independent Market Operator (i.e. equivalent to ELEXON), they would be unlikely to have equivalent charges to BSC Charges as they would not charge themselves

The report does not detail how these charges are split across generation, demand and interconnection and only looks at how they are split between generation and demand. However, the workgroup noted that as most other countries do not have any merchant interconnectors, cross-border interconnections are usually considered an integral part of the transmission system and would therefore be unlikely to be subject to any charges related to TSO OPEX. Most TSO's in Europe recover based on demand.

Some Workgroup members were of the view that there appears to be a clear differential of arrangements between GB and other EU member states. It was discussed that if the current arrangements are not aligned, as EU member states appear to mainly recover costs from Demand side, there could be potential scope for a Modification removing associated costs from Generation. It was debated whether the BSCCo charges should have been included in scope for Ofgem's Significant Code Review (SCR) for Targeted Charging; as they currently are not.

The Workgroup noted the comments put forward by respondents in their responses to the Assessment Consultation, asking for analysis on how equivalent BSC Charges across TSOs in the EU are calculated and charged, and felt that the aforementioned ENTSO-E report provides some clarity on this subject.

They agreed that this analysis was not explicitly needed for P361 but could help inform Parties as to whether a new Modification should be raised. One member believed the report left open the need for a future Modification as it appeared Member States were not aligned on how they recover costs, which could be adversely impacting GB generators. P361 would exacerbate this situation.

Urgency

The Proposer requested P361 be treated as an Urgent Modification Proposal on 31 January 2018. The Proposer commented if the issue was not resolved they would likely withdraw their shipper role. The request was taken to the Panel on 8 February 2018, who unanimously recommended to Ofgem that P361 be treated as an Urgent Modification Proposal. However, Ofgem rejected the Proposer's request to treat P361 as an Urgent Modification Proposal on 22 February 2018.

Ofgem acknowledged the fact that although the matter may be considered important by the Proposer, this does not equate to a need to progress a Modification proposal on an urgent basis. Though the Proposer argued that this issue is potentially having a significant commercial impact, Ofgem believed an inadequate case was demonstrated for why the issue must be urgently addressed. Ofgem felt as the Proposer or BSC Panel did not proposed an urgent timetable; it follows that granting the urgency request would have no practical effect.

Recalculation of BSC Charges

In order to minimise the financial impact, the Proposer discussed a solution, which would involve the recalculation of BSC Charges within a financial year, with both ELEXON and the Workgroup. The key dates surrounding the notices that have been issued regarding retrospection are displayed in the table below.

Date	Comment
9 November 2017	The Initial Written Assessment was presented to the Panel on 9 November 2017 and this detailed the Proposer's consideration to seek a retrospective solution, following Workgroup discussions.
2 January 2018	ELEXON published notice that the Proposer was seeking recovery of BSC Charges, retrospectively from 31 October 2018, the date P361 was raised. The issue notice covered what the potential financial impacts could be on BSC Parties, should a retrospective solution be approved.
12 April 2018	ELEXON published a revised notice to industry, informing Parties of the Proposed solution, to re-calculate and re-billed from the Implementation Date back to the start of the financial year and any associated financial impacts this may have.

It should be noted that any P361 solution, including one with no retrospection still requires the impacted BSC Charges to be re-calculated back to the start of the financial year, due to the nature of the Section D calculations. The Proposer is therefore now seeking recovery of costs from within a financial year to expedite implementation and minimise implementation costs. This option was selected by the Proposer following impact assessments of a spectrum of solutions, entailing different degrees of complexity and system changes.

BSC Legal text

Views of respondents to the Assessment Procedure Consultation

Six of the seven respondents to the Assessment Procedure Consultation agreed that the proposed legal text appears to deliver the intent of the P361 Proposed Solution. The one respondent, whom provided no comment, did this on the basis that they had not reviewed the legal text.

Self-Governance Criteria

The Workgroup unanimously believes that this Modification does not meet the Self-Governance Criteria on the basis of criteria (a)i, (a)ii, a)v and (b), with their rationale as follows:

- **(a)i**: The Workgroup believed that due to the fact that if these charges were exempt from Interconnector BM Units and the associated costs spread amongst BSC Parties; these costs could potentially be reflected back onto the consumer.
- **(a)ii**: The Proposer believed the Modification will promote competition by lowering the barrier to Interconnector Users to enter the UK market. Conversely, some members felt that there was no clear impact on competition, although there may be increased competition between NEMOs.
- **(a)v**: The Modification is proposing a change to Section D, which sets out how the BSC administers its charging arrangements, this could be deemed as an alteration of the Code's governance procedures.
- **(b)**: The Proposed Modification is potentially discriminating against other classes of Parties e.g. Generators and Suppliers, as charges excluded from Interconnector BM Units would be picked up by these parties.

All seven respondents to the Assessment Procedure Consultation also agreed with the views of the Workgroup as outlined above. Respondents specifically highlighted the material impact on competition this Modification potentially introduces.

What are the Self-Governance criteria?

A proposal that, if implemented:

a) is unlikely to have a material effect on:
   i. existing or future electricity consumers; and
   ii. competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
   iii. the operation of the national electricity transmission system; and
   iv. matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
   v. the Code's governance procedures or modification procedures, and
b) is unlikely to discriminate between different classes of Parties

7 Workgroup's Conclusions

The Workgroup's final recommendations in relation to the Proposed Modification and Alternative Modification are detailed in this section.

Workgroup's final recommendations

The majority of the Workgroup (four out of six) believe that the P361 Alternative Modification **would** overall better facilitate the Applicable BSC Objectives compared with both the existing baseline and the Proposed Modification and so should be **approved**.

The Majority of Workgroup members believed the Proposed Modification did better facilitate the Applicable BSC objectives compared with the baseline, whilst the minority did not.

Workgroup members in support of the Alternative compared to the Proposed believed that if it is deemed that there is a visible defect, the Alternative allows the defect to be fixed as soon as possible as the revised charging formula would take effect immediately following an Authority decision. The Alternative Modification removes the recalculation of charges across a full financial year and thus lowers the repayment sum required to be paid by Parties. Moreover, it was seen as a more prospective solution than the Proposed Modification, removing ambiguity around retrospection. It also provides an aspect of clarity on when these charges could be set to change, allowing Parties to plan ahead.

The remaining members, who were in support of the Proposed Modification compared with the Alternative, were of the view that if there is a defect identified, it needs to be corrected as far back as possible. They believed this aligned with the previous notices that were given to industry, as shown on page 30, and that Parties have therefore been given sufficient notice of the change.

The Workgroup members' views against each of the Applicable BSC Objectives are summarised below.

Applicable BSC Objective (a)

At this stage, the Proposer and all Workgroup members believe that P361 is neutral against Applicable BSC Objective (a).

Applicable BSC Objective (b)

At this stage, the Proposer and all Workgroup members believe that P361 is neutral against Applicable BSC Objective (b).

Applicable BSC Objective (c)

The Proposer and one other Workgroup member agree that P361 Proposed and Alternative Modifications would better facilitate Applicable BSC Objective (c) as removing Interconnector BM Units from the BSC Charging methodologies will promote competition by lowering the barrier to Interconnector Users to enter the UK market and facilitating cross border trade. In addition, the removal of the proposed charges will mean that no unforeseen and potentially volatile BSC Costs for shipping flows will need to be managed and accounted for.

In contrast two members hold the view that P361 Proposed and Alternative Modifications are detrimental to Applicable BSC Objective (c) as passing the associated costs on to BSC Parties and thus ultimately consumers, is detrimental. Further BSC Charges should not be deemed as a network charge or barrier to entry. As such, removing these charges would realise no additional competition benefits.

Two Workgroup members voted that P361 Proposed and Alternative Modifications are neutral against Applicable BSC Objective (c), as they agree with the benefits outlined by Proposer above but feel this is balanced out with the charges being levied against other Parties.

Applicable BSC Objective (d)

At this stage, the Proposer and all Workgroup members believe that P361 Proposed and Alternative Modifications are neutral against Applicable BSC Objective (d).

The Proposer originally believed that P361 would better facilitate this objective, as detailed in the Initial Written Assessment but later switched to a neutral stance, following Workgroup discussion and a reinterpretation of the objective.

Applicable BSC Objective (e)

The Proposer and the majority of the Workgroup believe that P361 Proposed and Alternative Modifications better facilitate Applicable BSC Objective (e), as treating Interconnector flows as part of the overall Transmission infrastructure instead of Production or Consumption and thus removing the Main Funding Share and SVA (Production) Share from Interconnector BM Units will better align with the goals of the EU Third Package. They agree with the views presented by the external legal counsel in the attached document.

In comparison, a minority of the Workgroup (two members) believe that the Proposed and Alternative Modifications are detrimental against Applicable BSC Objective (e). This is following the EU TSO analysis presented in the final Workgroup on the 24 May 2018 (detailed on page 28), in which a conclusion was drawn by these members that there is a visible differential in how EU markets are recovering similar costs to GB, with most EU Member States appearing to recover costs from Demand only. They are of the view that removing the given BSC Charges from Interconnector BM Units would further heighten this differential and is not in line with market harmonization or goals of the Third Package. These Workgroup members believe that BSC Charges are not network charges, rather they are a service charge and thus did not agree with the views of the external legal counsel.

Applicable BSC Objective (f)

At this stage, the Proposer and all Workgroup members believe that P361 is neutral against Applicable BSC Objective (f).

Applicable BSC Objective (g)

At this stage, the Proposer and all Workgroup members believe that P361 is neutral against Applicable BSC Objective (g).

Summary of Workgroup's views against the Applicable BSC Objectives

Does P3361 better facilitate the Applicable BSC Objectives?		
Obj	Proposed Modification	Alternative Modification[4]
(a)	• **Neutral (unanimous)** – no impact.	• **Neutral (unanimous)** – no impact.
(b)	• **Neutral (unanimous)** – no impact.	**Neutral (unanimous)** – no impact.
(c)	• **Yes (Proposer and one member - split)** – promotes competition by lowering the barrier for Interconnector Users to enter the UK market and facilitating cross border trade. • **No (split)** –passing the associated costs on to BSC Parties is detrimental and removal of these charges would realise no additional competition benefits. • **Neutral (split)** – benefits outlined by Proposer are balanced out with the charges being levied against other Parties.	• Identical views as outlined for the Proposed Modification.
(d)	• **Neutral (unanimous)** – no impact.	• **Neutral (unanimous) –** no impact
(e)	• **Yes (Proposer)** – removing given charges from Interconnector BM Units will better align with the EU Third Package. Agree with the views presented by the external legal counsel. • **Yes (majority)** – reason as above • **No (minority)** – will create further differential between EU and GB arrangements, not in line with market harmonisation or goals of the Third Package.	• Identical views as outlined for the Proposed Modification.
(f)	• **Neutral (unanimous)** – no impact.	**Neutral (unanimous)** – no impact.

[4] Shows the different views expressed by the other Workgroup members – not all members necessarily agree with all of these views.

Does P3361 better facilitate the Applicable BSC Objectives?		
Obj	Proposed Modification	Alternative Modification[4]
(g)	• **Neutral (unanimous)** – no impact.	**Neutral (unanimous)** – no impact.

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

Assessment Consultation respondents' views against the Applicable BSC Objectives

There were seven respondents to the Assessment Procedure Consultation, with the views of these respondents generally presenting similar arguments to those discussed in the Workgroup. The Workgroup members considered all responses before deciding on their final views as captured above.

Not all of the seven respondents expressed a clear view on specific Applicable BSC Objectives, but of those who did:

- **3** believed that P361 better facilitates Applicable BSC Objective (e);
- **2** believed that P361 is neutral to Applicable BSC Objective (e);
- **1** believed that P361 is detrimental to Applicable BSC Objective (e);
- **1** believed that P361 is neutral to Applicable BSC Objective (c); and
- **4** believed that P361 is detrimental to Applicable BSC Objective (c).

Three respondents **agreed** that P361 will better facilitate the Applicable BSC Objectives than the current baseline. Views expressed generally were related to the importance that the GB arrangements seek to align with applicable EU laws and regulations and these respondents agreed with the external legal advice. A respondent presented the opinion that P361 is consistent with previous Modifications in relation to applicable charges for Interconnectors and this respondent saw no negative implications of P361 in relation to the Applicable BSC Objectives.

Conversely, four respondents **did not agree** that P361 will better facilitate the Applicable BSC Objectives compared with the current baseline. The reasoning being aligned to that of several Workgroup members, that P361 introduces discriminatory treatment of Interconnectors and is detrimental to promoting effective competition and will further disadvantage GB generation relative to continental Generation. A respondent also detailed that they believe that the defect identified is not related to the BSC arrangements, but in fact relates to the apportionment and allocation of GB trading costs; not the apportionment of transmission access charges to the relevant Trading Parties under the relevant Interconnector rules. They noted that it would result in a greater cost being passed through to GB consumers and in relation to EU compliance, they do not believe that the changes being proposed will be equivalent to those operated on the continent.

8 Recommendations

The P361 Workgroup invites the Panel to:

- **AGREE** that the P361 Proposed Modification:
    - **DOES** better facilitate Applicable BSC Objective (e)
- **AGREE** that the P361 Alternative Modification:
    - **DOES** better facilitate Applicable BSC Objective (e)
- **AGREE** that the P361 Alternative Modification is better than the P361 Proposed Modification;
- **AGREE** an initial recommendation that the P361 Alternative Modification should be **approved** and that the P361 Proposed Modification should be **rejected**;
- **AGREE** an initial Implementation Date for the Proposed and Alternative Modification of:
    - 28 February 2019 as part of the February 2019 BSC Release.
- **AGREE** the draft legal text for the Proposed and Alternative Modification;
- **AGREE** an initial view that P361 should not be treated as a Self-Governance Modification;
- **AGREE** that P361 is submitted to the Report Phase; and
- **NOTE** that ELEXON will issue the P361 draft Modification Report (including the draft BSC legal text) for a 10 Working Day consultation and will present the results to the Panel at its meeting on 12 July 2018.

Appendix 1: Workgroup Details

Workgroup's Terms of Reference

Specific areas set by the BSC Panel in the P361 Terms of Reference
For any calculations of BSC Charges that that use energy volumes or Funding Shares, how should Interconnector BM Units be treated?
What BSC Charges should Parties with Interconnector BM Units pay in order to be consistent with the EU Third Package?
What impact will removing Interconnector BM Units from the Funding Share calculations have and is this appropriate? For example, impact on a Party's voting rights under the BSC.
How should Interconnector Users not subject to the CACM (i.e. non-EU countries) be treated?
How should Interconnector BM Units be excluded from BSC Charges?
What changes are needed to BSC documents, systems and processes to support P361 and what are the related costs and lead times?
What is the best way to exclude Interconnector BM Units from BSC Charges?
Are there any Alternative Modifications?
Should P361 be progressed as a Self-Governance Modification?
Does P361 better facilitate the Applicable BSC Objectives than the current baseline?

Assessment Procedure timetable

P361 Assessment Timetable	
Event	Date
Panel submits P361 to Assessment Procedure	9 Nov 17
Workgroup Meeting 1	8 Jan 18
Workgroup Meeting 2	12 Feb 18
Workgroup Meeting 3	13 Mar 18
Workgroup Meeting 4	18 Apr 18
Industry Impact Assessment	26 Apr – 15 May 18
Assessment Procedure Consultation	26 Apr – 15 May 18
Workgroup Meeting 5	24 May 18
Panel considers Workgroup's Assessment Report	14 Jun 18

Workgroup membership and attendance

P361 Workgroup Attendance						
Name	Organisation	8 Jan 18	12 Feb 18	13 Mar 18	18 Apr 18	24 May 18
Members						
Jemma Williams	ELEXON *(Chair)*	✓	✓	✓	✗	✗
Lawrence Jones	ELEXON *(Chair)*	✗	✗	✗	✓	✓
	ELEXON *(Lead Analyst)*	✓	✓	✗	✗	✗
Harry Parsons	ELEXON *(Lead Analyst)*	✗	✗	✓	✓	✓
Richard Sarti	Nord Spot Pool AS *(Proposer)*	✓	✓	✓	☎	✓
Andy Colley	SSE	✓	☎	✓	☎	☎
Michael Carrington	EIRGRID	✗	✗	✗	✗	✗
Alex Roberts	ElecLink Limited	✓	✓	✓	✓	✓
Mark Thomas	RWE Supply & Trading GmbH	✓	✓	✓	✓	✓
Damian Hudson	BritNed Development Limited	✓	✓	✓	☎	✓
Phil Russel	Independent	✗	✗	✗	✗	✗
Eric Reuter	European Commodity Clearing AG	✓	☎	✗	☎	☎
Attendees						
Jeremy Caplin	ELEXON *(Design Authority)*	✓	✓	✓	✓	✗
Nicholas Brown	ELEXON *(Lead Lawyer)*	✓	✓	✓	✓	✓
Darren Draper	*ELEXON (Finance SME)*	✓	✓	✓	✓	✓
David McCrone	Ofgem	☎	✓	✗	✗	✗
Anna Fenton	Ofgem	✗	✗	✗	☎	☎
Chris Fox	National Grid	✗	✗	✗	☎	✓
Dan Beaven	National Grid Interconnectors Ltd	✗	✓	✗	✗	✗
Kelly Larkin	National Grid Interconnectors Ltd	✗	✗	✓	☎	✗
Hayley Marks	National Grid Interconnectors Ltd	✗	✗	✗	✗	✓
Eliza Barlett	CMS Cameron McKenna Nabarro Olswang LLP	✗	✗	✓	✗	✗
Robert Lane	CMS Cameron McKenna Nabarro Olswang LLP	✗	✗	☎	✗	✗

Appendix 2: Glossary & References

Acronyms

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

Acronyms	
Acronym	Definition
ACER	Agency for the Cooperation of Energy Regulators
APC	Assessment Procedure Consultation
BEIS	Department for Business, Energy and Industrial Strategy
BM	Balancing Mechanism
BSC	Balancing and Settlement Code
CACM	Capacity Allocation and Congestion Management
CMP	CUSC Modification Proposal
CSD	Code Subsidiary Document
CUSC	Connection Use of System Code
CVA	Central Volume Allocation
ECC	European Commodity Clearing
ENTSO-E	European Network of Transmission System Operators for Electricity
EPEX	European Power Exchange
ESC	Electricity Settlements Company
ESO	Electricity System Operator
EU	European Union
FSS	Funding Share System
GB	Great Britain
ITC	Inter-Transmission System Operator Compensation
LCCC	Low Carbon Contracts Company
MW	Mega-Watt
NEMO	Nominated Electricity Market Operator
NG	National Grid
NRA	National Regulatory Authority
OAT	Operational acceptance testing
QCE	Credited Energy Volumes
RCRC	Residual Cashflow Reallocation Cashflow
SAA	Settlement Administration Agent
SCR	Significant Code Review
SME	Subject Matter Expert
SVA	Supplier Volume Allocation

Acronyms	
Acronym	Definition
TSO	Transmission System Operator
UAT	User acceptance testing
UK	United Kingdom

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
5	BSC Sections page on the ELEXON website	https://www.elexon.co.uk/bsc-and-codes/balancing-settlement-code/bsc-sections/
7	Regulation (EC) No 714/2009 of the European Parliament and of the Council page.	https://publications.europa.eu/en/publication-detail/-/publication/924a1d7c-1961-4421-be9e-3c740524436e/language-en
7	Commission Regulation (EU) 2015/1222 page	http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32015R1222
9	P278 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p278-treatment-of-transmission-losses-for-interconnector-users/
9	P285 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p285/
9	CUSC Modification Proposal page on the National Grid website	http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/Concluded-201-250/
18	CMP202 page on the Ofgem website	https://www.ofgem.gov.uk/publications-and-updates/connection-and-use-system-code-cusc-cmp202-revised-treatment-bsuos-charges-lead-parties-interconnector-bm-units
20	Charging methodology statement for the IFA Interconnector	http://ifa1interconnector.com/media/1059/ifa-charging-methodology-2018.pdf
23	2016 report to the European Commission on the implementation of the ITC mechanism	http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ITC%20Monitoring%20Report%202016.pdf

External Links		
Page(s)	Description	URL
24	BSC Panel 275 page on the ELEXON website	https://www.elexon.co.uk/meeting/panel-meeting-275/
24	Authority decision on urgency for P361 on the Ofgem website.	https://www.ofgem.gov.uk/publications-and-updates/p361-revised-treatment-bsc-charges-lead-parties-interconnector-bm-units-decision-urgency
26	'Overview of Transmission Tariffs in Europe' June 2017 report by ENTSO-E	https://docstore.entsoe.eu/Documents/MC%20documents/ENTSO-E_Transmission%20Tariffs%20Overview_Synthesis2017_Final.pdf
29	Ofgem guidance on retrospective Modifications	https://www.ofgem.gov.uk/sites/default/files/docs/2011/05/ofgem-guidance-on-code-modification-urgency-criteria_0.pdf