

# MINUTES

**MEETING NAME** BSC Panel

**Meeting number** 279

**Date of meeting** 14 June 2018

**Venue** ELEXON Ltd, 350 Euston Road, NW1 3AW

**Classification** Confidential

## ATTENDEES AND APOLOGIES

<b>Attendees</b>	Michael Gibbons	MG	BSC Panel Chairman
	Andy Knowles	AK	Industry Panel Member
	Colin Down	CD	Ofgem Representative
	Chris Fox	CF	Transmission Company Representative
	David Lane	DL	DSO Representative
	Derek Bunn	DB	Independent Panel Member
	Diane Dowdell	DD	Industry Panel Member
	Lisa Waters	LW	Industry Panel Member (alternate for BV)
	Mitch Donnelly	MD	Industry Panel Member
	Phil Hare	PH	Independent Panel Member
	Stuart Cotten	SC	Industry Panel Member
	Tom Edwards	TE	Industry Panel Member
	Victoria Pelka	VP	Consumer Panel Member (and alternate for SH)
	Mark Bygraves	MB	ELEXON CEO
	Lawrence Jones	LJ	Modification Secretary
	Victoria Moxham	VM	Panel Secretary
	Claire Kerr	CK	Deputy Panel Secretary
	Nigel Perdue	NP	ELEXON Director of Operations
	Nicholas Brown	NB	ELEXON (Part-Meeting)
	Chris Wood	CW	ELEXON (Part Meeting)
	Jemma Williams	JW	ELEXON (Part Meeting)
	Sasha Townsend	ST	ELEXON (Part Meeting)
	Elliott Harper	EH	ELEXON (Part Meeting)
	Harry Parsons	HP	ELEXON (Part Meeting)
	Edwin Foden	EF	ELEXON (Part Meeting)
	Shahid Ibrahim	SH	ELEXON (Part Meeting)
	Beth Brown	BB	ELEXON (Part Meeting)
	Matthew Woolliscroft	MW	ELEXON (Part Meeting)
	Jason Jackson	JJ	ELEXON (Part Meeting)
	Katharine Higby	KH	ELEXON (Part Meeting)
	Cirhan Trusell	CT	National Grid (Observer)
	Jon Wisdom	JW	National Grid (Observer)
	Melissa Axford	MA	National Grid (Part-Meeting)
	Carolyn Prior	CP	National Grid (Part-Meeting)
	Sahir Ahmad	SA	PwC (Part-Meeting)
	Nathan Cain	NC	KPMG (Part-Meeting)
	George Richards	GR	KPMG (Part-Meeting)

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Karolis Jankus  
Paul Gregory  
Joel Atherton

KJ  
PG  
JA

KPMG (Part-Meeting)  
C&C Group (Part-Meeting)  
Citizens Advice

## Apologies

Barbara Vest  
Stew Horne

BV  
SH

Industry Panel Member  
Consumer Panel Member

## 1. Apologies

- 1.1 The Chairman confirmed the apologies of Barbara Vest and Stew Horne.

## MODIFICATION BUSINESS (OPEN SESSION)

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### 2. Change Report and Progress of Modification Proposals – (279/03)

- 2.1 The Modification Secretary provided an update on open Modifications and Change Proposals and sought a two-month extension to the [P355 'Introduction of a BM Lite Balancing Mechanism'](#) Assessment Report.
- 2.2 The Modification Secretary highlighted that National Grid has confirmed that they will not be in a position to deliver the data necessary for [P297 'Receipt and Publication of New and Revised Dynamic Data Items'](#) for the 1 November 2018. He added that at National Grid's [IS Change Forum](#) on 4 July 2018, National Grid will present and discuss with industry the revised roadmap of IS delivery, which will include P297.
- 2.3 The Modification Secretary noted that an update on National Grid's plans for P297 will be provided to the BSC Panel no later than September 2018. However, ELEXON has informed industry that P297 will not be delivered in the November 2018 Release.
- 2.4 The Modification Secretary highlighted that ELEXON requires a revised Implementation Date from National Grid before it can ask Ofgem to approve a revised Implementation Date. The Transmission Company (TC) Representative noted that this was a confirmation of what was outlined in the previous letter when it had requested to amend the P297 Implementation Date from 2017 to 2018. He added that 1 November 2018 was intended to be a holding date.
- 2.5 MB commented that when Ofgem looks at the metrics about the change process taking too long, Code Bodies being dependant on third parties needs to be taken into account.
- 2.6 A Panel Member queried what the intended benefits of P297 are. The Transmission Company Representative commented that the Modification sought to take into account some functionality i.e. the new Electricity Balancing System (EBS) but unfortunately this functionality is not yet available. He added that National Grid is carrying out an overall review which will be presented to Parties at the IS Change Forum. Another Panel Member requested that the added benefit figure to industry be relayed back to the Panel.

### ACTION 279/01

- 2.7 The Modification Secretary advised that the P355 Proposer believes that [P344 'Project TERRE implementation into GB market arrangements'](#) will deliver the intent of P355. He noted that P355 has been on hold, pending the outcome of P344. However, the Proposer would like to wait until Ofgem has made its decision on P344 (expected by 31 July 2018) before deciding whether to withdraw P355.
- 2.8 A Panel Member disagreed commenting that the Proposer does not believe that P344 covers P355. The Panel Member was of the view that BM access should be a top priority, noting that the Flexible Generators Group (FGG) will be writing to National Grid to ask exactly what it will deliver with cashout etc. becoming more of

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an issue. The Panel Member added that National Grid's dispatch does not currently see small plants, which is a top priority for smaller users. The FGG would therefore like the System Operator (SO) to let it know what it can do.

- 2.9 The Transmission Company Representative commented that there is a misconception that National Grid is prioritising one functionality over another. P344 improves access as aggregated Parties are able to participate in TERRE and the Balancing Mechanism (BM). He also noted that National Grid is looking at access issues for smaller Parties through its 'Wider Access Roadmap', which will be published at the end of June 2018 / early July 2018. This will include what it intends to do in the interim before TERRE is implemented.
- 2.10 MG highlighted that there appears to be a difference between what is included in the paper and what a Panel Member believes the Proposer's views are. ELEXON was requested to confirm with the Proposer what his views are so that P355 can continue through the Modification process if appropriate.

## **ACTION 279/02**

- 2.11 The Modification Secretary also highlighted that Ofgem is considering adding a 14<sup>th</sup> Code Administration Code of Practice (CACoP) principle. The new principle aims to formalise a relationship between Ofgem, as coordinator of the cross-code innovation process, and the codes, for the purposes of reviewing and providing feedback to innovators in a joined up way. The Modification Secretary noted that [P362 'Introducing BSC arrangements to facilitate an electricity market sandbox'](#) was cited as an example by Ofgem.
- 2.12 The Modification Secretary highlighted that ELEXON fully supports the proposal and welcomed Panel's views on the proposal. CD clarified that Ofgem is not adding this principle but is leaning on Parties of the CACoP to add it. MB commented that some code bodies abide by the CACoP principles but some do not and suggested that Ofgem should give a steer rather than leaving code bodies to it.
- 2.13 The Modification Secretary also noted that BSCCo has nominated a new Modification Secretary, Lawrence Jones (in accordance with BSC Section F1.2.5).
- 2.14 The BSC Panel:
- a) **APPROVED** the request for a two month extension to the P355 Assessment Report; and
  - b) **NOTED** the contents of the June Change Report.

## **3. Amendments to Section Z to better facilitate the production of the Risk Evaluation Methodology, Risk Evaluation Register and Risk Operating Plan – (279/04)**

- 3.1 The Risk Evaluation Methodology (REM), Risk Evaluation Register (RER) and Risk Operating Plan (ROP) are produced annually in accordance with the Annual Performance Assurance Timetable. This proposal will amend provisions in the timing and revision of the three documents in order to better meet the objectives of the PAF Review.
- 3.2 A Panel Member noted that there has been a number of Modifications recently requesting that things are moved from the BSC itself into Code Subsidiary Documents (CSDs). He queried whether a wider review is being looked at for more flexibility. The Panel noted that it was supportive of this review and requested that ELEXON look into this more widely.

## **ACTION 279/03**

- 3.3 The BSC Panel:
- a) **RAISED** the Modification Proposal in Attachment A (in accordance with F2.1.1(d)(vi));
  - b) **AGREED** that this proposed Modification progresses directly to the Report Phase;
  - c) **AGREED that this proposed Modification:**

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- **DOES** better facilitate Applicable BSC Objective (d);
- d) **AGREED** an initial recommendation that this proposed Modification should be approved;
- e) **AGREED** an initial Implementation Date of 1 November 2018 as part of the November 2018 BSC Release;
- f) **AGREED** the draft legal text;
- g) **AGREED** an initial view that proposed Modification should be treated as a Self-Governance Modification; and
- h) **NOTED** that if raised, ELEXON will issue the 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.

## 4. **P361 'Revised treatment of BSC Charges for Lead Parties of Interconnector BM Units' – (279/06)**

- 4.1 [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 European Union (EU) Third Package.
- 4.2 Members of the Panel disagreed with the external legal guidance, noting that they did not believe that BSC Charges are in scope for network access charges. A Panel Member commented that exempting Interconnector BM Units from these associated costs would introduce discriminatory treatment and would further disadvantage GB generation against generation on the continent.
- 4.3 MB queried what the risk is of being contrary to EU law. The ELEXON Lead Lawyer commented that he believed 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. ELEXON also noted the external legal counsel's overarching guidance 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.
- 4.4 A Panel Member queried where this stops as he believed that network access charges were a wider issue than P361. In respect to this, the Panel Member doubted that the intention of the EU Third Package was to view any business' fixed operational cost associated with an Interconnector as prohibited. Instead the goals were more aligned to that of market harmonisation and helping to facilitate more efficient cross-border trade. He highlighted that the EU Commission needs to clearly define the term 'network access charge' to prevent future subjective interpretation of the term. Additionally, a Panel Member suggested that further analysis should be conducted outside of P361, looking at how GB arrangements compare with those in EU, in reference to network access charges and the EU Third Package.
- 4.5 A Panel Member suggested that the analysis on the materiality of this change to establish the increasing proportion of costs that will be placed on non-Interconnector BM Units in the future should be carried out in time for the Draft Modification Report. This was in line with the view presented by several Workgroup members, who believed it would also be beneficial. ELEXON advised that it only has access to the 2016/17 data at present as the 2017/18 data is not yet available. However, ELEXON advised that it would take reasonable endeavours to include analysis comparing the forecasted costs under P361 and those under the current arrangements in the Draft Modification Report and subsequently in the Final Modification Report. The analysis would include comparing the forecasted costs under P361 and under the current arrangements, making the following high level assumptions that 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

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analysis. The current analysis of 2016/17 data identified that 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.

- 4.6 MG queried when the problem being presumed started. A Panel Member commented that the issue has existed since the introduction of the EU Third Package. ELEXON advised that the P361 Proposer was initially looking to raise retrospection from when the Modification was raised but it was evident that this would be extremely expensive for Parties. Another Panel Member commented that the Workgroup was looking to go back to the start of the financial year rather than when an Ofgem decision had been made. He noted that the later Ofgem makes a decision on P361, the later retrospection will apply.
- 4.7 A Panel Member queried the differing materiality in regards to retrospection and recalculated charges between the P361 Proposed and Alternative solutions. ELEXON outlined that as most charges were accrued through the winter period, which both the Proposed and Alternative would be recalculating as part of their inherent solutions, the key difference would be the increased costs accrued and subsequently recalculated from 1 April 2018 to the Ofgem decision date (expected around September 2018). This is an additional five months of BSC Charges to be recalculated but it is expected that these are lower than those accumulated over winter 2018/19.
- 4.8 A Panel Member commented that the Panel should be looking to avoid retrospection as this is additional work for industry that should have been flagged up immediately when the proposal was raised. ELEXON advised that it had taken measures to notify industry of the potential fiscal impacts that the approval of the Modification could have.
- 4.9 A Panel Member noted that the paper explored the passing on of charges to National Grid and National Grid getting these back via the ITC Mechanism. The Panel Member queried whether any other TSO cost recovery options had been explored e.g. via Balancing Services Use of System (BSUoS) charges. The Transmission Company Representative commented that National Grid had provided information on how this is dealt with in other Member States, noting that the GB equivalent does not fit in with this model. He added that utilising BSUoS as a form of cost recovery for these charges in question would be ineffective, as the BSUoS charges would be passed on to the same Parties as those that would pay increased BSC Charges; i.e. the same Parties would be affected but under a different guise.
- 4.10 MG queried what the implications are for all network charges. The ELEXON Lead Lawyer commented that the P361 Workgroup did not look at network charges as whole, just BSC Charges. However he noted that there is a clear distinction between BSC Charges and other Settlement charges used in other Member States.
- 4.11 The Panel noted Ofgem's Targeted Charging Review (TCR) Significant Code Review (SCR) and queried whether Ofgem would or had already included BSC Charges in the review. Members of the Panel suggested that BSC Charges should be included in the scope and that if they are not being covered, then this needs to be included. A Panel Member also suggested that this should be something that the Charging Futures Forum (CFF) should consider. The Panel acknowledged that this discussion was wider than P361 but suggested that Ofgem provides the Panel with an update at a later Panel meeting.

## **ACTION 279/04**

- 4.12 Ten Panel Members provided their initial views against the Applicable BSC Objectives for the Proposed and Alternative Modifications, with the majority believing that P361 does not better facilitate Applicable BSC Objective (e); fundamentally disagreeing with the viewpoint taken by both the ELEXON and external legal counsel. A minority, three members, agreed with the Workgroup in that P361 did better facilitate Applicable BSC Objective (e). In regard to Applicable BSC Objective (c) there was an unanimous view from the Panel that P361 does not better facilitate this objective. The Panel was unanimously neutral on all other Applicable

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BSC Objectives. In summary, the majority of the Panel therefore did not agree with the Workgroup's majority view that the P361 Proposed and Alternative Modifications do better facilitate Applicable BSC Objective (e) compared to the current baseline.

## 4.13 The BSC Panel:

- a) **AGREED** that the P361 Proposed Modification:
  - **DOES NOT** better facilitate Applicable BSC Objective (c)
  - **DOES NOT** better facilitate Applicable BSC Objective (e)
- b) **AGREED** that the P361 Alternative Modification:
  - **DOES NOT** better facilitate Applicable BSC Objective (c)
  - **DOES NOT** better facilitate Applicable BSC Objective (e)
- c) **AGREED** that the P361 Alternative Modification is better than the P361 Proposed Modification;
- d) **AGREED** an initial recommendation that the P361 Proposed Modification and the P361 Alternative Modification should be rejected;
- e) **AGREED** an initial Implementation Date for the Proposed and Alternative Modification of:
  - 28 February 2019 as part of the February 2019 BSC Release.
- f) **AGREED** the draft legal text for the Proposed and Alternative Modification;
- g) **AGREED** an initial view that P361 should not be treated as a Self-Governance Modification;
- h) **AGREED** that P361 is submitted to the Report Phase; and
- i) **NOTED** 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.

## 5. **P362 'Introducing BSC arrangements to facilitate an electricity market sandbox' – (279/07)**

- 5.1 P362 proposes to enable Parties to be derogated from specific obligations in the BSC to enable pre-competitive and innovative products and services to be tested in the live environment for a limited period of time.
- 5.2 A Panel Member commented that the process map in Attachment E is very useful. Another Panel Member noted that they were pleased with how P362 had developed and moved on from where it had started. Other members of the Panel also agreed with this.
- 5.3 A Panel Member queried whether the Panel would need more persuasion for Modifications that had been raised as a result of a BSC Derogation. The Panel Member suggested that the Panel should not as there would have been a real life trial of the innovative service or product, which subsequently would produce additional evidence and data for the Panel. ELEXON clarified that Modifications raised as a result of a BSC Derogation should not be treated differently to 'standard' Modifications. P362 is not amending the Modification Procedures and therefore 'sandbox Modifications' would be treated the same as any other Modification.
- 5.4 A Panel Member queried who makes the decision about a Party not being allowed to scale up as part of the trial. ELEXON confirmed that this should be addressed at the start when the Party makes its application. Ultimately the decision on this issue is down to Ofgem but ELEXON can provide guidance to Parties which may act as deterrent.



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- 5.5 Another Panel Member wanted to ensure that the Panel would not be conflicted when it looks at the benefits vs distortions in the market. ELEXON advised that a flexible process is being proposed and a new CSD has been created to mitigate this. ELEXON also noted that the Panel will be provided with training on the new sandbox process if P362 is approved.
- 5.6 A Panel Member queried whether the sandbox process would involve any additional cost or resource for ELEXON. ELEXON advised that there should be no additional resource as the process is absorbed into business as usual (BAU). ELEXON highlighted that the forecast costs (budget) involved in the sandbox process would be published in the Annual BSCCo Business Strategy so it would be transparent for Parties. Additionally, ELEXON are required to report an estimate of the costs incurred in operating the sandbox service in the annual lessons learnt report.
- 5.7 MG queried whether ELEXON was aware of a number of interested parties waiting to take up the sandbox process. ELEXON advised that they are currently expecting the volumes to be relatively low (less than ten). This was on the basis that Ofgem had received 37 expressions of interest for their second window of the regulatory sandbox, of which eight are now being considered for a regulatory sandbox. Many of the 37 did not require a regulatory sandbox. Further, Ofgem will act as an initial filter for applications.
- 5.8 A Panel Member queried whether an application fee had been set to prevent the Panel being swamped with applications. ELEXON advised that the P362 Workgroup was keen to keep the fee at zero to prevent any barrier to entry or parties being excluded. However, this was subject to review as a fee could be set as and when it was felt appropriate to do so. Another Panel Member queried whether Ofgem charges a fee. CD confirmed that they do not. The Panel agreed that the fee should be set only if large volumes of applications were being received and it therefore became necessary. However, it agreed to review the charge annually so that the Panel could change the fee if need be.
- 5.9 A Panel Member suggested that the CSD should be reviewed to make it clear that you need to become a BSC Party in order for the BSC Derogation to become effective, as this was not currently prominent enough. Additionally, the Panel Member requested that the wording on page 11 should be reviewed to make clear that the Panel may be mindful of imminent BSC changes but that they must still consider changes and sandbox applications against the current baseline, and that applicants would not be expected to consider such things.
- 5.10 A Panel Member queried how necessary it was for a party to become a full BSC Party. ELEXON confirmed that you cannot be derogated from the BSC if you are not a Party to it. ELEXON noted that an applicant could seek derogation from the market entry and Qualification provisions that did not apply to its functions and operation needed for the trialling of its service or product. A Panel Member commented that an applicant is highly unlikely to go through the full accession process and would simply buy a 'Supplier in a box' instead. Another Panel Member commented that if an applicant needed access to additional obligations i.e. those of Suppliers, there are companies who provide competitive services to fulfil functions that require specialist knowledge or capability rather than an applicant having to set themselves up fully as a BSC Party.
- 5.11 The Transmission Company Representative reconfirmed National Grid's view on the Alternative Modification in support of facilitating innovation. He believed it was challenging to try to second guess what types of applications you could receive under the sandbox process, but that it was important not to overly restrict who could participate. He suggested that it was more important to ensure suitable controls were in place and that this would be achieved to allow the TC to participate in the BSC Sandbox, as the Panel did not contain any TC voting members, and Ofgem made the final decisions. Another Panel Member commented that if business models are challenging the structure of the current arrangements, then the TC should be able to participate as per the Alternative Modification.
- 5.12 A Panel Member queried whether Distributors could apply for and be granted BSC Derogations. ELEXON confirmed that Distributors could under both the Proposed and Alternative solutions.

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## 5.13 The BSC Panel:

- a) **AGREED** that the P362 Proposed Modification:
  - **DOES** better facilitate Applicable BSC Objective (c);
  - **DOES** better facilitate Applicable BSC Objective (d); and
- b) **AGREED** that the P362 Alternative Modification:
  - **DOES** better facilitate Applicable BSC Objective (c);
  - **DOES** better facilitate Applicable BSC Objective (d); and
- c) **AGREED** that the P362 Alternative Modification is better than the P362 Proposed Modification;
- d) **AGREED** an initial recommendation that the P362 Alternative Modification should be approved and that the P362 Proposed Modification should be rejected;
- e) **AGREED** an initial Implementation Date for the Proposed and Alternative Modification of:
  - 5 Working Days following the Authority's approval;
- f) **AGREED** the draft legal text for the Proposed Modification;
- g) **AGREED** the draft legal text for the Alternative Modification;
- h) **AGREED** an initial view that P362 should not be treated as a Self-Governance Modification;
- i) **AGREED** that P362 is submitted to the Report Phase; and
- j) **NOTED** that ELEXON will issue the P362 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.

## 6. P344 'Project TERRE implementation into GB market arrangements' – (279/08)

- 6.1 P344 seeks to align the Balancing and Settlement Code (BSC) with the European Balancing Project TERRE (Trans European Replacement Reserves Exchange) requirements. This is in order to allow the implementation of the TERRE balancing product at national level and hence ensure compliance with the European Electricity Balancing Guideline (EB GL).
- 6.2 A Panel Member noted a consultation respondent's comment on the Supplier hub principle, including the importance of the Supplier having oversight of its customers' actions. The Panel Member commented that the detrimental impacts on competition from the mandatory sharing of HH delivered volumes with the customers' Supplier did not appear as significant as initially envisaged as the customer will still benefit from participation in the product.
- 6.3 A Panel Member noted the relative size and power of an independent aggregator is much less than that of a Supplier. They commented that the independent aggregator's asset is its relationship with the Supplier. Therefore, the final decision regarding customer consent could have a larger proportionate impact on independent aggregators. For instance, an independent aggregator dedicates resource to the customer and due to the size of its business, losing such customer and associated resource could have significant impacts on the independent aggregator's business.
- 6.4 A Panel Member noted that predatory behaviour from Suppliers would be possible from the mandatory sharing of HH delivered volumes on a mandatory basis with the customers' Supplier, but does not believe this would cause independent aggregators issues.
- 6.5 A Panel Member commented that the positive and negative arguments for and against customer consent are strong and noted difficulty in determining which would be best for the market as a whole. Another Panel



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Member also agreed commenting that both solutions enable the Supplier's Imbalance position to be adjusted in light of TERRE delivery, and if the customer wishes to have a more accurate bill, they will inevitably provide consent for their HH delivered volumes to be shared with the Supplier. Further, the Panel Member noted that studies have indicated that flexible markets are more efficient and therefore, these should be encouraged, which encompasses the Proposed (customer consent) solution.

- 6.6 A Panel Member was of the view that it does not make sense for independent aggregators and Suppliers to be different market participants but acknowledged that they currently are. They commented that they believed this issue will resolve itself through commercial flows in the future.
- 6.7 Another Panel Member commented that not having to create a consent flag in the process increases the efficiency argument for Applicable BSC Objective (d) in the Alternative Modification. However, they were of the view that overall, the competition aspects under Applicable BSC Objective (c) outweigh this.
- 6.8 A Panel Member queried whether the issues between customer consent and mandatory data sharing were a reflection of a new industry market in comparison to one that is already established. Another Panel Member acknowledged this view, but noted that should the market develop in the future, the arrangements could be amended by means of further Modifications in a similar manner to existing arrangements.
- 6.9 The Transmission Company Representative noted that some of the issues relating to competition and accurate billing are already present within the wider market, but are outside of the scope of the BSC. A Panel Member noted that whilst these issues may not be under the BSC arrangements currently, other codes are seeking to tackle these issues and the BSC should be mindful of this.
- 6.10 The BSC Panel:
- a) **AGREED** that the P344 Proposed Modification:
    - **DOES** better facilitate Applicable BSC Objective (c); and
    - **DOES** better facilitate Applicable BSC Objective (e);
  - b) **AGREED** that the P344 Alternative Modification:
    - **DOES** better facilitate Applicable BSC Objective (c);
    - **DOES** better facilitate Applicable BSC Objective (d) and
    - **DOES** better facilitate Applicable BSC Objective (e);
  - c) **AGREED** that the P344 Alternative Modification is better than the P344 Proposed Modification;
  - d) **AGREED** a recommendation that the P344 Alternative Modification should be approved and that the P344 Proposed Modification should be rejected;
  - e) **APPROVED** an Implementation Date for the Proposed and Alternative Modification of:
    - 28 February 2019;
  - f) **APPROVED** the draft legal text for the Proposed and Alternative Modification; and
  - g) **APPROVED** the P344 Modification Report.

## 7. P359 'Mechanised Process for GC/DC Declarations' – (279/09)

- 7.1 [P359](#) seeks to introduce a new mechanised process for Generation Capacity (GC) and Demand Capacity (DC) re-declarations following a breach of Section K3.4.3.
- 7.2 The BSC Panel:
- a) **AGREED** that the P359 Proposed Modification:

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- **DOES** better facilitate Applicable BSC Objective (c); and
- **DOES** better facilitate Applicable BSC Objective (d);
- b) **AGREED** a recommendation that the P359 Proposed Modification should be approved;
- c) **APPROVED** an Implementation Date for the Proposed Modification of:
  - 28 February 2019, as part of the February BSC Systems Release
- d) **APPROVED** the draft legal text for the Proposed Modification;
- e) **APPROVED** the P359 Modification Report.

## 8. P367 'Removal of obsolete Supplemental Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR) arrangements' – (279/10)

8.1 [P367](#) proposes to remove the SBR and DSBR arrangements from the BSC.

8.2 The BSC Panel:

- a) **AGREED** that P367:
  - **DOES** better facilitate Applicable BSC Objective (b); and
  - **DOES** better facilitate Applicable BSC Objective (d);
- b) **DETERMINED** (in the absence of any Authority direction) that P367 is a Self-Governance Modification Proposal;
- c) **APPROVED** P367;
- d) **APPROVED** an Implementation Date of 27 June 2019, as part of the scheduled June 2019 BSC Release;
- e) **APPROVED** the draft legal text;
- f) **APPROVED** the P367 Modification Report.

## 9. P366 'Change to Supplier Charge SP08a calculations to account for small scale non-domestic Non Half Hourly hard-to-read Meters' Significant Code Review Suitability Assessment Report – (279/11)

- 9.1 ELEXON presented the BSC Panel's Significant Code Review (SCR) Suitability Assessment Report for [P366](#). ELEXON has prepared this report on the Panel's behalf and submits it in accordance with BSC Section F5.2.2.
- 9.2 A Panel Member queried whether Ofgem could subsume P366 into its SCR at a later stage. ELEXON emphasised that although there may be a crossover of work with the Design Working Group (DWG), this is not expected to be until a later phase of the project. ELEXON confirmed that Ofgem could subsume P366 into its SCR at a later date if need be.
- 9.3 A Panel Member was not comfortable with explicitly agreeing to the recommendation that P366 does not fall within the scope of any of the SCRs in the SCR Phase. He noted that this was his view as of now based on all the information available to him but that this view may change over time. The Chairman suggested adding the word 'currently' to the recommendations. Members of the Panel agreed with this amendment.
- 9.4 The BSC Panel:
- a) **AGREED** that P366 does not currently fall within the scope of any of the SCRs in the SCR Phase;
  - b) **AGREED** that P366 is not a SCR Modification Proposal; and
  - c) **AGREED** that the draft SCR Suitability Assessment Report is submitted to the Authority.

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## NON-MODIFICATION BUSINESS (OPEN SESSION)

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### 10. Minutes of Meeting 278 Actions arising

- 10.1 The minutes of the previous meeting were agreed and an update on the actions provided.

### 11. Chairman's Report

- 11.1 The Chairman reminded the Panel that the Annual BSC Meeting would be taking place on the afternoon of 12 July 2018, and noted that the BSC requires Panel members to attend. The Chairman also encouraged Panel Members to promote the meeting and encourage nominated voters to attend and exercise their vote on the appointment of non-executive directors.
- 11.2 In relation to the BSC Panel Elections, ELEXON advised that the [BSC Panel Elections 2018](#) webpage is now available on the ELEXON website. This page provides general guidance on the BSC Panel Elections, including a timetable and what is involved in becoming a BSC Panel Member. Parties will receive their nominations letter via post and email by 29 June 2018. Nominations must be sent by post to the Election Co-ordinator, Claire Kerr, to arrive by 5pm on 25 July 2018.
- 11.3 The Chairman also noted that Chris Fox was being seconded to the Department for Business, Energy and Industrial Strategy (BEIS) and would be standing down from his role on the BSC Panel. Both the Chairman and the Panel thanked Chris for his contribution and wished him well in his new role.

### 12. ELEXON Report – 279/01

- 12.1 MB noted that positive feedback had been received from many stakeholders, including Ofgem, on ELEXON's multiple Suppliers white paper. As it is not a proposal that can be raised by either ELEXON or the Panel, MB encouraged BSC Parties to consider raising a Modification Proposal to progress the solution set out in the white paper.
- 12.2 In the context of the EMR update, MB noted that the Low Carbon Contracts Company (LCCC) was launching a review of EMR Settlement services ahead of contract renewal. LCCC has confirmed that the review has not been prompted by any dissatisfaction over either service or cost. ELEXON would keep the Panel informed of any developments or further insight.
- 12.3 MB also noted that Ofgem had launched its informal consultation on the faster switching programme. ELEXON would be responding, in particular in relation of issues around the development of the Retail Energy Code (REC). MB noted that some of the points previously provided by ELEXON on REC and its governance appeared to have been taken into account in the development of initial proposals.

### 13. Distribution Report - Verbal

- 13.1 DL had nothing to report.

### 14. National Grid Report – Verbal

- 14.1 CF noted that National Grid will be hosting an [IS Forum](#) on 4 July 2018. It will be taking a trade stand approach so ELEXON will be taking up a stand to talk about its Foundation Programme. CF noted that several Panel Members have asked about what level the forum is pitched at as they were worried about attending due to fear of it being overly technical. CF reassured the Panel that whilst there does need to be varying levels of conversations with stakeholders (down to technical specifications and delivery), it will also be covering the high level change roadmap which would be at a level they could engage with.

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- 14.2 CF noted that the Power Responsive Summer Conference will be taking place on 26 June 2018. National Grid will be speaking about wider BM access and outlining its plans for a wider BM Access roadmap.
- 14.3 CF noted that a 'Wider Access Roadmap' will be launched at the end of June / early July 2018, setting out how it intends to create a new route to accessing the BM through the TERRE modifications and how prior to this they are working to improve a current route into the BM through Supplier Additional BMUs.
- 14.4 CF highlighted that there has been inter-programme collaboration across National Grid and ELEXON, particularly in relation to P344. He noted that a two-day balancing workshop is taking place on 20 June 2018 and 21 June 2018 in Brussels and that there are two SO webinars taking place on 14 June 2018 and 20 June 2018.
- 14.5 CF noted that in relation to its consultation on the 'Terms and Conditions relating to Balancing' required by Article 18 of the European Electricity Balancing Guideline (EB GL), it received two responses. One of these was from ELEXON who was in support and suggested some useful amendments to the annex table which we will be adopting. The other respondent was not supportive of National Grid's approach and wanted more substantial change by producing separate terms and conditions for Balance Responsible Parties and Balancing Service Providers.
- 14.6 CF advised that having considered this respondent's points, it will not be changing its proposed approach. By incorporating the requirements into its existing arrangements they are ensuring consistency with existing requirements which are crucial to system security. It is also ensuring that we are making only necessary changes to ensure compliance with EB GL in accordance with Ofgem's letter dated 18 December 2014.
- 14.7 CF noted that in light of the small number of responses received, given its minded to position and the fact that BSC would potentially be materially impacted with any move away from this, CF suggested that it might be helpful for Ofgem, in making their determination, if Panel Members expressed any views on this. MB reiterated ELEXON's support for a minimal change approach, which the Panel agreed sounded sensible.
- 14.8 A Panel Member asked the Panel to note that National Grid, in its role as Code Administrator, has started to prioritise work. The Panel Member was of the view that this would make cross-code coordination difficult highlighting that if National Grid is unable to administer its Codes because of a resourcing issue, Ofgem should look at taking this role away from them. The Panel Member noted that although prioritising is in the rules, they disagreed with this.
- 14.9 CF noted that the prioritising decisions are made by the Grid Code and Connection Use of System Code (CUSC) Panels. MB commented that he presumed this prioritisation approach would be taken into account by Ofgem when National Grid seeks its bonus (of around £4million) for administering the Grid Code and the CUSC.

## 15. Ofgem Report – Verbal

- 15.1 CD commented that in relation to the white paper on enabling consumers to buy energy from multiple Suppliers, it was great to see ELEXON taking a proactive approach to thinking about how to enable innovation and competition. He advised that Dermot Nolan met with MG and MB recently and he was very positive about the steps ELEXON have been taking. He noted that what Ofgem does not have a view on is if the solution in the paper is the right or best solution. However, if these sorts of ideas can be progressed whilst still delivering on strategic priorities such as Half Hourly (HH) Settlement, then that's got to be a good thing. Additionally CD noted that Dermot asked MG and MB to explore manual trialling ahead of any potential system changes. He commented that there are some innovators looking to do this now, and smaller scale trials could helpfully inform wider work/potential systems changes.

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15.2 In relation to the Ofgem structure, CD advised that Mary Starks has been appointed as Executive Director of the consumers and markets directorate. She will oversee Ofgem's work in the retail and wholesale energy markets.

15.3 CD noted that Ofgem had made a number of publications:

- a letter on the scope and objectives of its [review of licensing Suppliers](#). He advised that the aim of the review is to ensure that appropriate protections are in place against poor customer service and financial instability. CD added that Ofgem expects to publish a consultation by late summer;
- A [switching consultation](#) which sets out its proposals for governance of the new switching arrangements. This consultation will close on 31 July 2018;
- Its minded to position on the [approach to cost sharing and cost recovery under the Capacity Allocation and Congestion Management \(CACM\) Regulation](#). This consultation relates to how costs in regards to the CACM Regulation should be shared between parties and how to achieve this;
- Policy consultation on [setting the retail price cap](#). This consultation consists of over 400 pages across a range of policy questions and an initial impact assessment;
- Notices on the Electricity System Operator (ESO) legal separation ([notice of proposed modifications to the standard conditions of all electricity transmission licences](#) and [notice of proposal to partially transfer an electricity transmission licence held by National Grid Electricity Transmission Plc to National Grid Electricity System Operator Limited](#)); and
- Ofgem's [formal opinion](#) of the ESO's Forward Plan 2018-19.

15.4 CD also advised of a number of enforcements:

- Opened an investigation into [investigation into National Grid Electricity Transmission \(NGET\) and its compliance with its obligations under the Standard Licence Condition 16 of the Transmission Licence](#) on whether it breached rules relating to operating the system in an economic and efficient manner;
- Opened an investigation into [how Utility Warehouse manages customers in debt](#);
- Issued a statement of [objections under the Competition Act to Economy Energy, E, and Dyball Associates](#) as they allege that they have breached Competition Law. At this stage in the investigation, our findings are provisional. We have not found there has been a breach of Competition Law; and
- Ofgem has worked with [SSE to pay £1 million after issuing inaccurate and misleading annual statements to pre-payment meter customers between 2014/15](#).

## 16. Report from the ISG – 279/01b

16.1 The Panel noted the report from the ISG.

## 17. Report from the SVG – 279/01c

17.1 The Panel noted the report from the SVG.

## 18. Report from the PAB – 279/01d

18.1 The Panel noted the report from the PAB.

## 19. Report from the TDC – 279/01e

19.1 The Panel noted the report from the TDC.

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## 20. Trading Operations: BSC Operations Headline Report – 279/02

20.1 The Panel noted the BSC Operations Headline Report.

## 21. System Price Analysis Report (SPAR) – ISG205/02

- 21.1 TE noted that at the ISG, the presentation of the SPAR report had included analysis of the amount of arbitrage volumes occurring in the market. The analysis showed that National Grid (NG) activating Short Term Operating Reserve (STOR) products at a cheap price and bidding of Combined Cycle Gas Turbine (CCGT)'s at a higher price was leading to the highest level of arbitrage volumes for at least five years. This had led to some concerns at ISG that the cashout calculation might not be accurately reflecting what STOR is used for (it is not currently being used as a premium reserve product, as was intended under [P305 'Electricity Balancing Significant Code Review Developments'](#)) and that there may be issues with the Net Imbalance Volume (NIV) tagging procedures used under arbitrage, potentially creating prices that do not appear rational at first glance.
- 21.2 CF noted that the behaviour was actually demonstrative of NG operating the system in an efficient and effective manner, and that there was no associated distorting of price or resulting profit for NG.
- 21.3 Panel Members noted some concern around wider impacts of this issue and use of arbitrage leading to lack of transparency, and consequential reduction in liquidity. Panel Members asked for clarification to be provided by NG, particularly around what short term actions could be taken to improve transparency. CF noted that a potential short term solution could be temporary removal of STOR from cashout, or an amended approach to tagging. One Panel Member was particularly concerned by impacts on cashout.
- 21.4 CF confirmed that these issues were already being investigated by NG and agreed to provide a detailed response to these concerns at a future Panel Meeting.

**ACTION279/05**

## 22. BSC Simplification Opportunities – (279/12)

- 22.1 ELEXON presented a paper highlighting two areas where the BSC arrangements could be simplified and recommended that the Panel raise two BSC Modifications.
- 22.2 The Panel was generally supportive of the proposals and endorsed ELEXON's intention to draft two Modification Proposals to bring to future Panel meetings for review.
- 22.3 The BSC Panel:
- a) **COMMENTED** on the two simplification opportunities;
  - b) **COMMENTED** on any other simplification opportunities that Panel believe ELEXON should consider; and
  - c) **AGREED** that ELEXON draft two Modification Proposals which will be presented to the Panel for review and agreement.

## 23. Approval of BSC Panel Representative for Grid Code Review Panel – (279/13)

- 23.1 The Grid Code Review Panel (GCRP) consists of various members, including a person representing the BSC Panel. To date a member of ELEXON's Design Authority (DA) team has represented the BSC Panel at GCRP. ELEXON invites the BSC Panel to appoint a new BSC Panel GCRP representative from DA.
- 23.2 The BSC Panel:
- a) **APPOINTED** Jeremy Caplin to be the BSC Panel's representative on the Grid Code Review Panel; and
  - b) **NOTED** Jeremy Caplin will appoint Nicholas Rubin as his alternate.



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## 24. Potential BSC Impacts of New Technologies and Business Models – (279/14)

- 24.1 In response to a previous request from the Panel, this paper described and categorised some of the new technologies and business models that we expect to impact electricity markets over the next few years, and highlighted potential changes to BSC systems and processes that could facilitate these innovations.
- 24.2 The Panel thanked ELEXON for the update, and noted that it, along with recent and potential future white papers published by ELEXON, was most welcome.
- 24.3 A Panel Member noted that there had been recent, public accusations that the BSC was acting as a barrier to competition. In this context, it was particularly important that the Panel was actively involved in making sure that the BSC was responding to and adapting to the changing market and new business models. This update and associated white papers was a good start, and the Panel would welcome further work in this area.
- 24.4 ELEXON confirmed that it would continually scan the market and respond accordingly. MG suggested that this type of update should be provided to the Panel on a regular basis.
- 24.5 The BSC Panel:
  - a) **NOTED** the potential new business models and associated regulatory barriers identified in paragraph 2.1 of the paper; and
  - b) **NOTED** the BSC initiatives to address these regulatory barriers identified in paragraph 3.1 of the paper.

## 25. Any other Business

- 25.1 There was no other business in the Open session.

## 26. Next meeting

- 26.1 The next meeting of the BSC Panel will be held at the offices of ELEXON Ltd, 350 Euston Road, London NW1 3AW on Thursday 12 July 2018.