

P369 'National Grid Legal Separation changes to BSC'

This proposal seeks to modify the Balancing Settlement Code (BSC) to reflect the creation of a new National Grid Electricity System Operator (NGESO) that is legally separate from National Grid Electricity Transmission Limited (NGET).



ELEXON recommends the Modification Proposal be raised and progressed directly to the Report Phase with an initial recommendation to approve.

This Modification is expected to impact:

- The Transmission Company
- ELEXON

ELEXON

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

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About This Document

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 12 July 2018. The Panel will consider the recommendations and agree how to progress P369.

There are 18 parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress
- Attachment A contains the Modification Proposal Form.
- Attachment B contains the proposed redlined changes to the legal text for this Modification Proposal.
- Attachments C-R contain the proposed redlined changes to the Code Subsidiary Documents (CSD's) for this Modification Proposal.

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1 Why Change?

Background

Following the joint statement titled "[Statement on the future of Electricity System Operation](#)" issued by the Department for Business, Energy & Industrial Strategy (BEIS), Ofgem and National Grid on 12 January 2017 and consequential consultation response by Ofgem on [Electricity System Operator separation](#) on 3 August 2017; the obligations in the BSC will need to be modified to accurately reflect Electricity System Operator (ESO) requirements and to place the current Transmission Owner (TO) requirements on NGET as a TO.

NGET and NGESO will become separately licensed entities as a consequence of NGET partially transferring its existing licence to NGESO (the ESO elements only) under section 7A Electricity Act 1989. NGET will retain the Transmission Owner elements of the licence.

What is the issue?

The BSC and its Code Subsidiary Document's (CSD's) include multiple references to NGET in terms of the ESO functions set out in its Transmission Licence. Each of these references need to be reviewed to ensure that the references continue to remain accurate following the legal separation of the ESO functions from NGET, and their transfer to NGESO.

Following the legal separation of the ESO functions from NGET, a definition for NGET shall not be required due to the BSC referring to National Grid solely in its ESO function.



What is the Electricity Act 1989?

'An Act to provide for the appointment and functions of a Director General of Electricity Supply and of consumers' committees for the electricity supply industry; to make new provision with respect to the supply of electricity through electric lines and the generation and transmission of electricity for such supply...'

"Transmission Licence" was last issued to NGET under section 6(1)(b).

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Proposed solution

This Modification proposes to:

- Amend all references that refer to ESO functions to become 'Transmission Company' where possible (exceptions outlined below); and
- Amend the definition of 'Transmission Company' to refer to ESO obligations only.

The proposed definition of Transmission Company includes the acronyms and words: 'NGESO', 'National Grid Company' and 'NGC'. All references to 'NGET', the 'National Grid Electricity Transmission Limited', 'National Grid' and 'System Operator' have been updated to become 'Transmission Company' where possible (exceptions outlined below). This will ensure all terminology is accurate and aligns with NGESO's future functions, as well as avoiding possible confusion over future responsibilities. A definition for NGET is not required to be added to the Code due to all references within the BSC relating to NGESO functions only.

To avoid the need for disruptive and costly changes to BSC Central Systems:

- references to 'NGC' in the CSD's are proposed to be retained (NGC is now included within the definition of 'Transmission Company');
- existing redundant references to 'System Operator Consumption Imbalance' and 'System Operator Production Imbalance' within the Interface Definition Documents (IDD) will have '[redundant]' inserted next to them and be marked as housekeeping for the purpose of future changes already impacting BSC Central Systems;
- the acronym 'SO' shall be defined as 'Transmission Company' in the IDD and User Requirements Specification (URS) documents when in reference to BSC Central Systems data items.

Exceptions to the solution are:

- references to the 'NGET Connection Agreement' to become 'NGESO Connection Agreement' as this is a specified title;
- references to 'system operator' in the lower case are to remain as this is a generic term (an operator of a non-specific system); and
- references to 'System Operator BM Cashflow' are to remain as this is a defined term.

The proposed changes to the CSDs have been drafted as part of this proposal and can be found alongside the legal text in Attachments B-Q. As part of this Modification we have incorporated housekeeping changes into the following documents:

- BSC Section X-1 'General Glossary' – amend incorrect reference in the definition of 'De Minimis Acceptance Threshold'. Amend a typographical error in definition of 'Equivalent Meter';
- Section X-2 'Technical Glossary' – remove repeated wording, 'Working Day' from table X-2;
- Balancing and Settlement Code Procedure (BSCP) 14 'Processing of Manifest Error Claims', - Insert BSSCo into section 3.2;

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- Settlement Administration Agent (SAA) URS – amend typographical errors in sections sections 4.6, 4.7 and 5; and
- Funds Administration Agent (FAA) URS – delete repeated wording, 'charge', from section 2.2.32.

Applicable BSC Objectives

Impact of the Modification on the Applicable BSC Objectives:	
Relevant Objective	
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Positive
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	Neutral
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Neutral
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

ELEXON believes this Modification will better facilitate Applicable BSC Objective (a) as:

- Attributing the appropriate obligations to NGESO as the System Operator and the transmission owner in accordance with the proposed new NGESO Transmission Licence and modified NGET Transmission Licence obligations.

Implementation approach

This Modification is proposed to be implemented on 29 March 2019, as part of a combined ad hoc March BSC Release with another Modification. The following text shall be added into BSC Section C in order to specify that the added text shall take effect from the 1 April 2019:

'2.2.4 Modification Proposal P369, including any modifications to Code Subsidiary Documents or any other document maintained under the Code made pursuant to Modification Proposal P369, shall take effect from 00:00 hours on 1 April 2019.'

This is due to this BSC Modification, the associated NGESO BSC novation and the BSC share transfer being required to take effect on 1 April 2019; the date on which the ESO

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functions will transfer from NGET to NGESO. All other impacted code administrators intend to implement their respective changes on this day.

3 Proposed Progression

Next steps

ELEXON recommends that this Modification Proposal should be sent directly to the Report Phase and hence be subject to the Report Phase Consultation. The reason for this view is:

- No fundamental ways of working or contractual interfaces of the ESO are envisaged to be changed. Whilst the change in entities is significant, the anticipated impact on other industry parties is minor and inconsequential. Subsequently, it is considered that the recommendation which the Panel should make to the Authority in relation to this Modification is self-evident.
- In submitting this proposal directly to the Report Phase, industry will still have the opportunity to comment on the merits of the proposal through the Report Phase consultation. The Report Phase consultation also enables new arguments to be surfaced and considered.

Self-Governance

ELEXON recommends that this Modification should not be considered suitable for treatment as Self-Governance, as the Party responsible for ESO functions will be amended and so may result in a material impact on:

- competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
- the operation of the National Electricity Transmission System.

BEIS and Ofgem believe a more independent System operator will help to keep household bills down by working to ensure and enable more competition, coordination and innovation across the System. The operation of the National Electricity Transmission System will be materially impacted as the ownership and operation of the Transmission System is separated to two legally separate entities.

Timetable

Proposed Progression Timetable for P368	
Event	Date
Present Initial Written Assessment to Panel	12 July 2018
Report Phase Consultation	16 July 2018 – 27 July 2018 – 10 Working Days
Present Draft Modification Report to Panel	9 August 2018
Issue Final Modification Report to Authority	16 August 2018



What is the Self-Governance Criteria?

A Modification 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.

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4 Likely Impacts

Impact on BSC Parties and Party Agents

Party/Party Agent	Potential Impact
None identified.	

Impact on Transmission Company

The Transmission Company shall review any documentation it owns which references NGET in regards to the BSC.

Impact on BSCCo

Area of ELEXON	Potential Impact
Operations	This Modification will require updates to the wording of impacted local working instructions.
Following the legal separation, the NGET share of ELEXON will be required to be transferred to NGESO.	

Impact on BSC Systems and processes

BSC System/Process	Potential Impact
None identified.	

Impact on BSC Agent/service provider contractual arrangements

BSC Agent/service provider contract	Potential Impact
Letter of Agreement for BM Audit	Novation required. To be completed in parallel with the Modification as a separate work stream with the same implementation date.
Agreement for use of the National Grid Corporate Telephone Network	As above.

Impact on Code

Code Section	Potential Impact
Section C 'BSCCo and its subsidiaries'	Redlining amendments as proposed by the solution to this Modification Proposal.
Section X Annex X-1,	
Section X Annex X-2	

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Impact on Code Subsidiary Documents	
CSD	Potential Impact
BSCP14	Redlining amendments as proposed by the solution to this Modification Proposal.
NETA IDD Part 1	As above.
NETA IDD Part 2	As above.
BMRA Service Description (SD)	As above.
CDCA SD	As above.
FAA SD	As above.
BMRA URS	As above.
CDCA URS	As above.
CRA URS	As above.
EAC/AA URS	As above.
ECVAA URS	As above.
FAA URS	As above.
SAA URS	As above.
NHHA URS	As above.
Reporting Catalogue	As above.
CVA Data Catalogue: Annex C	As above.

Impact on a Significant Code Review (SCR) or other significant industry change projects
<p>We requested that this Modification Proposal be classed as SCR Exempt by Ofgem.</p> <p>Ofgem was notified on 18 May 2018 that this Modification was due to be raised and that it was ELEXON and the Proposer's view that this Modification should be a SCR Exempt Modification Proposal. Ofgem confirmed SCR exemption on 29 May 2018.</p>

Impact on Consumers
The solution to this Modification does not have any direct impacts on consumers.

Impact on the Environment
The solution to this Modification does not have any direct impacts on the environment.

Estimated central implementation costs

The central implementation cost to deliver the solution to this Modification is £480. This is derived from one Working Day to implement the changes to the BSC Sections and CSD's and another day to update relevant Local working Instructions.

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5 Recommendations

We invite the Panel to:

- **RAISE** the Modification Proposal in Attachment A (in accordance with F2.1.1(d)(i));
- **AGREE** that the Modification Proposal progresses directly to the Report Phase;
- **AGREE** that the Modification Proposal:
 - **DOES** better facilitate Applicable BSC Objective (a);
- **AGREE** an initial recommendation that the Modification Proposal should be **approved**;
- **AGREE** an initial Implementation Date of 29 March 2019 as part of an ad hoc March 2019 BSC Release with the amended text taking effect from 1 April 2019;
- **AGREE** the draft legal text;
- **NOTE** that 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 9 August 2018.

Appendix 1: Glossary & References

Acronyms

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

Acronym	
Acronym	Definition
BEIS	Department for Business, Energy and Industrial Strategy
BMRA	Balancing Mechanism Reporting Agent
BSC	Balancing and Settlement Code
BSCCo	Balancing and Settlement Code Company
CDCA	Central Data Collection Agent
CRA	Central Registration Reporting Agent
CSD	Change Subsidiary Document
EAC	Estimated Annual Consumption
ESO	Electricity System Operator
FAA	Funds Administration Agent
IDD	Interface Definition Document
IWA	Initial Written Assessment
NETA	New Electricity Trading Arrangements
NGESO	National Grid Electricity System Operator
NGET	National Grid Electricity Transmission
SCR	Significant Code Review
SD	Service Description
TO	Transmission Owner
URS	User Requirement Specification

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
2	Statement on the future of Electricity System Operation	https://www.gov.uk/government/publications/statement-on-the-future-of-electricity-system-operation
2	consultation response by Ofgem on Electricity System Operator separation	https://www.ofgem.gov.uk/electricity/transmission-networks/electricity-so-reform

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External Links		
Page(s)	Description	URL
4	BSC Sections page of ELEXON website.	https://www.elexon.co.uk/bsc-and-codes/balancing-settlement-code/bsc-sections/

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