

FURTHER BSC SIMPLIFICATION OPPORTUNITIES

MEETING NAME	BSC Panel
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Owner/author	Lawrence Jones
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Purpose of paper	Decision
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Classification	Public
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Summary	This paper highlights four areas where the BSC arrangements could be simplified and recommends at this time, that the Panel raise one BSC Modification and ELEXON issues a consultation for the other three.
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1. Introduction

1.1 We presented a paper, 'BSC Simplification Opportunities ([279/12](#))', to the Panel on 14 June 2018. In that paper, we highlighted two areas where the BSC arrangements could be simplified. The Panel discussed these opportunities and agreed that ELEXON draft two Modification Proposals for the Panel to raise¹:-

- Allow the Panel to designate non-BSC Parties to raise Modifications (P370); and
- Speed up BMRS changes.

1.2 ELEXON also raised verbally two further opportunities for consideration:-

- The first related to ELEXON's ability to tender for services; and
- The second related to the Panel's role in raising Modifications.

1.3 This paper explores the Panel's role in raising Modifications and invites the Panel to raise a Modification. This paper does not discuss ELEXON's ability to tender for services.

1.4 The Panel also welcomed further areas for simplification, particularly where the Code could be seen to be overly prescriptive or burdensome. This paper also highlights three other areas for consideration and invites the Panel to comment on these and agree that ELEXON issue a consultation.

2. Further Simplification Opportunity: Extend the scope of the Panel's powers to raise Modifications

2.1 Since BSC go-live, 71 Modifications (19%) have been raised by the Panel. In the last eight months alone, the Panel has agreed to raise four Modification Proposals². BSC Section F2.1.1 allows the Panel to raise Modifications but only in narrow and tightly defined circumstances (see Appendix 2 for details). Now may be the appropriate time to consider whether some of these BSC restrictions should be relaxed to enable Panel to take a more active role in proposing BSC Modifications.

2.2 Ofgem's [Code Governance Review](#) (CGR) projects have sought to improve the governance arrangements of Industry Codes and reduce fragmentation. As part of this, code governing bodies such as the BSC Panel have

¹ The Panel raised the first Modification Proposal, [P370](#) 'Allow the Panel to designate non-BSC Parties to raise Modifications' at its July 2018 meeting. The second Proposal, 'speeding up BMRS changes' is scheduled for the September 2018 Panel meeting.

² [P362](#), [P367](#), [P368](#), [P370](#)

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been encouraged to take on greater self-governing responsibilities. Since Self-Governance was introduced by [P262](#) on 31 December 2010, 104 Modifications have been raised; of which 34 have been Self-Governance (33%). Since Ofgem published its [CGR Phase 3 Final Proposals](#), on 31 March 2016, which set the default position that all Modifications are Self-Governance, unless the Self-Governance Criteria are materially impacted, 36% (12 out of 33) of Modifications have been progressed as Self-Governance.

- 2.3 It is ELEXON's view that the Panel should be allowed to raise Modifications unconstrained, as a Party can. This would enable the Panel to address a wider range of issues and drive changes to the BSC on behalf of its customers.
- 2.4 The existing requirements and quality standards expected of any proposal would still apply (as detailed in F 2.1.2), such as needing to have:-
- A valid issue/defect in reasonable detail;
 - A solution in reasonable detail; and
 - A rationale for why the Applicable BSC Objectives would be better facilitated.
- 2.5 Allowing the Panel more opportunity to introduce change, whilst retaining the appropriate checks and balances will be important. We believe the Panel should be able to raise a Modification and approve it as a Self-Governance Modification. Ofgem should retain the right to direct Modifications be treated either as a Self-Governance Modification or as a not Self-Governance Modification.
- 2.6 Currently the Modification Secretary can refuse to accept (in accordance with F 2.1.3) any proposal that fails to meet the requirements to raise a Proposal (as detailed in F 2.1.2) and the Panel can reverse any refusal by the Modification Secretary. Consideration will need to be given to the role of the Modification Secretary in this validation process should the Panel be given wider powers to raise Modifications, in so far as the Panel could be seen to be 'judge, jury and executioner'. One option would be to allow Ofgem to step in and have the final say, if there was any disagreement, however unlikely this would be.
- 2.7 Similarly, the extent to which allowing the Panel to raise Modifications more generally could fetter its discretion or be inappropriate for Self-Governance Modifications should be further considered, if the Panel believe this proposal warrants a Modification being raised.
- 2.8 Extending the scope of the Panel's powers to raise Modifications would:
- Promote improvements in the Panel's self-governance arrangements;
 - Reduce the burden on Parties (including National Grid) to be Proposer's; and
 - Complement [P370](#) 'Allow the Panel to designate non-BSC Parties to raise Modifications' as it would enable the Panel to raise Modifications for non-BSC Parties where they have a valid proposal but are unable to support it.

3. Further areas

- 3.1 ELEXON has identified three areas (Joint Balancing Mechanism (BM) Units, Quiescent Physical Notifications and Dual Notifications) of the BSC that at best are redundant or at worst require attention.

Joint BM Units

- 3.2 Joint BM Units were introduced into the BSC and Grid Code legal text as part of the New Electricity Trading Arrangements (NETA) in 2001, as BM Units registered (by different Lead Parties) that cannot be despatched independently. Although the Central Registration Agent (CRA) system does include functionality for registering Joint BM Units it has never been used, and (as explained below) serves little purpose, as the broader industry arrangements needed to make use of Joint BM Units were never defined.

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- 3.3 The concept of a 'Joint BM Unit' (as defined in the BSC and Grid Code) was intended to allow for the situation where customers with Non Half Hourly (NHH) Teleswitch Meters are participating in the BM. The Teleswitch infrastructure does not allow individual customers to be controlled; any instruction must be issued to a 'Teleswitch Group', and will affect all customers whose Meters are configured to belong to that Group. This potentially includes customers in different Suppliers' BM Units.
- 3.4 The idea was that a number of BM Units (registered by different Suppliers, but linked to the same Teleswitch Group) could be defined as 'Joint BM Units', which are linked together – if Grid accepts a Bid Offer from one, they also have to accept a Bid Offer from the others as well.
- 3.5 However, (like Quiescent PNs – see 3.9) the idea was not fully implemented. Although the broad idea is outlined in the codes, the detail of how it might work (e.g. the proportion in which acceptances would be issued to each BM Unit) has never been defined. There are therefore no agreed requirements for despatch of Joint BM Units (and, after discussion with National Grid, we have not been able to find any evidence of such despatch processes being developed or implemented).
- 3.6 If Suppliers did try to register BM Units as Joint BM Units, National Grid would not be able to make use of them. Moreover, teleswitch is a legacy technology that is being phased out over the coming years (see appendix 1). Support has recently been extended to 2020 (to coincide with the end of the smart Meter rollout), but the aging nature of the technology used to transmit signals means that it cannot be extended indefinitely.
- 3.7 It would therefore not be efficient to implement these arrangements now. Rather we believe these arrangements should be removed from the BSC (BSC sections K, Q and S (and the Grid Code)).
- 3.8 As the Panel will know, we are delivering new Central Systems over the next few years, as part of our Foundation Programme. We would like to propose that Joint BM Unit functionality is not built into these new systems. With teleswitch being phased out, and no existing industry processes in place for use of Joint BM Units, any money spent on replicating this functionality on the new platform would be wasted.

Quiescent Physical Notifications

- 3.9 The Grid Code allows parties to submit 'Quiescent Physical Notifications' for a BM Unit, and (should they do so) the BSC requires the Balancing Mechanism Reporting Service (BMRS) to publish the data.
- 3.10 Quiescent Physical Notifications were introduced as part of the NETA programme and were intended to be used to facilitate BM participation by BM Units that contained both controllable and non-controllable Plant and/or Apparatus. But the Settlement and despatch arrangements to allow this to happen were never defined; and in fact the Grid Code states that Quiescent Physical Notifications values must be zero (see Glossary and Definitions section of the Grid Code for Quiescent Physical Notification).
- 3.11 These provisions may therefore be redundant. Furthermore, we plan to introduce different and better solutions to address the problem of BM participation by sites with non-controllable load. Such as, behind the Meter arrangements that are being explored currently under [Issue 70](#) 'Settlement of Secondary BM Units using metering at the asset'. However, we believe there would be value in exploring the use of Quiescent Physical Notifications with industry.

Dual Notifications

- 3.12 Modification [P98](#) 'Dual Notification of Contract Positions' introduced a voluntary Dual Notification system for contract positions between BSC parties in 2004. However, it has never been used in live operation. The arrangements for Dual Notifications are complex and the removal of them could be a good opportunity to remove complex processes that are not adding any value. However, we believe there would be value in exploring the use of Dual Notifications with industry.

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On the horizon

3.13 ELEXON has also been working with Parties on potential changes to:-

- the Credit Cover (Improving Cashflow for Non Physical Traders (NPT's) who use Cash for Credit Cover); and
- Events of Default arrangements (Reviewing BSC rules in regard to actions being taken by the BSC Panel in Events of Default relating to Payment Default and Credit Default).

3.14 We are supporting the Parties to raise these Modifications over the coming months and wanted to highlight to you that they are upcoming.

3.15 ELEXON will continue to investigate further simplification opportunities and bring them to the BSC Panel for consideration.

4. Next Steps

Extend the scope of the Panel's powers to raise Modifications

- 4.1 Subject to the Panel's consideration of the further simplification opportunity, any Modification Proposal will be raised in accordance with the provisions of F2.1.1 (d)(i) "on the recommendation of BSCCo in accordance with Section C3.8.8.....". This requires BSCCo to "...keep under review whether any possible Modification of the Code from time to time would better facilitate the objective in Condition C3(3)(d) of the Transmission Licence, and shall recommend to the Panel any particular such modification which in BSCCo's opinion would do so".
- 4.2 It is ELEXON's view that these proposals better facilitate Objective (d) "Promoting efficiency in the implementation of the balancing and settlement arrangements".
- 4.3 The Panel is invited to comment on this simplification opportunity and to share any thoughts or suggestions that will help shape the scope of the Modification. Subject to the Panel's views, a draft Modification Proposal will be presented at a subsequent Panel meeting.

Further Areas

- 4.4 We welcome Panel views on these three potential redundant areas of the BSC. Subject to Panel views, we believe the most efficient approach would be to issue a consultation to confirm with industry that they are content with the removal of Joint BM Units from the BSC and seek views on the benefits of Quiescent Physical Notifications and Dual Notifications. The consultation will help inform next steps and whether to raise one or more Modifications, and if so, whether to recommend that they go into Assessment or straight to Report Phase.

5. Recommendations

5.1 We invite you to:

- a) **COMMENT** on the further simplification opportunity;
- b) **COMMENT** on the further areas for simplification;
- c) **AGREE** that ELEXON draft a Modification Proposal which will be presented to the Panel for review and agreement regarding the further simplification opportunity; and
- d) **AGREE** that ELEXON issue a consultation on the three unused areas of the BSC.

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Appendices

Appendix 1 – Future of Teleswitch service

Appendix 2 - Current conditions under which the Panel can raise Modifications

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Appendix 1 – Future of Teleswitch service

1. In 2016, the Energy Networks Association consulted on the future of the teleswitch service, highlighting that no agreement for its operation past the end of 2017 existed. While most suppliers acknowledged the system could ultimately be replaced by smart meter functionality, there was general agreement that the system would need to continue until at least 2020 to avoid significant inconvenience to customers.

<http://www.energynetworks.org/assets/files/news/consultation-responses/ENA%20Response%20to%20Consultation%20on%20RTS%20Future-with%20Appendix1.pdf>

Appendix 2 – Current conditions under which the Panel can raise Modifications

Currently the Panel can raise Modifications where:

- ELEXON recommends a proposal that would better facilitate Applicable BSC Objective (d);
- ELEXON recommends a proposal to address an impact from another code;
- ELEXON recommends a proposal to address an implementation issue for an approved Modification;
- ELEXON recommends a proposal to rectify manifest errors in or to correct minor inconsistencies (or make other minor consequential changes) to the Code;
- On the recommendation of the Trading Disputes Committee or the Performance assurance Board;
- on the recommendation of a report in relation to a VoLL Review; and
- on the recommendation of a report to review the Quorum Requirements for Parties voting procedures (see the BSC Annex C-2).