

ELEXON REPORT

MEETING NAME	BSC Panel
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Paper number	282/01
Owner/author	Mark Bygraves
Purpose of paper	For information
Classification	Public
Summary	This paper provides a summary of recent issues and developments relevant to the BSC and ELEXON since the last Panel meeting.

1. Overview

1.1 This paper is provided for the information of the Panel. It presents an overview of activities and developments within ELEXON and the balancing and settlement arrangements and summarises the business of the Panel meeting. Detailed information on operational matters will be provided in other reports, particularly the Trading Operations Report.

2. ELEXON News

Consultation Responses

- 2.1 We have responded to two consultations since our last update to the Panel as follows:
- Ofgem's working paper on Electricity System Operator (ESO) Performance Panel:
 - ELEXON's response highlighted the potential interest of Suppliers and independent aggregators in providing representatives to the Panel. We also highlighted the reliance of ELEXON on ESO for provision of data and information and the importance of ESO support when working together on Modifications to the BSC.
 - The Department for Business, Energy and Industrial Strategy (BEIS)'s consultation on the future of small scale, low-carbon generation:
 - ELEXON's response highlighted the problem of visibility of assets for system balancing, and the potential cross-subsidy caused by Group Correction. We proposed that settlement of import and export should be on a Half Hourly (HH) metered basis and that this will facilitate innovation in time of use tariffs as well as properly value embedded generation.
- 2.2 These consultation responses are available on the [industry insights](#) page of the ELEXON website.
- 2.3 We will also be responding to National Grid's consultation on [CMP285: 'CUSC Governance Reform – Levelling the Playing Field'](#). This will be available on the ELEXON website on 10 September 2018.

BSC Panel Elections 2018

- 2.4 The voting for the BSC Panel Elections 2018 closed at 5pm on Friday 24 August 2018.
- 2.5 We will announce the results at the beginning of September and, in any case, no later than 14 September 2018. All individual responses will be treated as confidential although the total votes cast for each candidate at each round will be published.

ELEXON Annual Customer Satisfaction Survey

2.6 In light of the delayed Ofgem Cross-Code survey results, we are considering the appropriate timing for our own annual survey which used to be undertaken in July (albeit it was September last year to separate from Ofgem's survey results in April). We are keen to conduct the survey in 2018 otherwise we will have a gap in our annual results.

Annual BSC Meeting and Seminar 12 July 2018 – feedback

2.7 As verbally reported last month, very positive feedback was received even though the number of attendees who were BSC Parties (25 out of 64) was fewer than last year.

2.8 87.5% of respondents rated the seminar 'Good' or 'Very Good' and 87.5% would like to see the seminar repeated in a similar format.

2.9 The following comments on the seminar itself were received: 'Excellent balance of content, well presented'; 'Great idea to include industry and government speakers on the same platform'; 'The seminar was very informative'; and 'good structure, format and execution'. All respondents also rated the seminar either 'Good' or 'Very Good' in terms of networking and overall organisation.

3. Industry News

European Developments

3.1 Article 52 of the European Balancing Guidelines (EB GL) requires all Transmission System Operators (TSOs) to make harmonisation proposals for key elements of imbalance settlement. In mid-July 2018 these proposals were issued for the mandated public two-month consultation; and ELEXON and National Grid jointly hosted an industry workshop on 22 August 2018 to discuss the proposals with industry. The slides and a brief summary can be found on the [ELEXON website](#). The consultation closes on 22 September 2018.

3.2 During August and September 2018, we are expecting the UK Government to publish a series of (84) technical notification papers on the impacts of 'no deal' on various industry sectors, including four that will be energy-related on: climate; electricity trading; nuclear research; and oil and gas. The first batch of these was published on 23 August 2018 on this Government [webpage](#). We will examine any of potential relevance to ELEXON or the BSC.

3.3 On 22 August 2018, BEIS notified ELEXON of a letter that BEIS Minister Claire Perry had published. This [letter](#) announced an upcoming Statutory Instrument (SI) relating to energy and Brexit. This is our understanding of the essence of these proposals:

- If approved by Parliament, the SI will transfer powers from the European Commission to the Secretary of State.
- It will amend EU laws to make them workable post Brexit and impacts the original Third Package (2009) law i.e. Network Codes; and Regulation on wholesale energy market integrity and transparency (REMIT) (plus others of lesser interest within the BSC context, but of interest to wider industry).
- This is the first of a number of planned energy-related SIs.
- The Secretary of State will be given powers to 'create' or 'amend' Network Codes but 'create' in very limited circumstances – see below.
- These powers will be exercised through future SIs and subject to agreement by Parliament.
- Importantly the 'create' power will allow future requirements in the existing EU Network Codes to be made future requirements under UK law even though the date hasn't been reached by Brexit day. The power can be exercised for up to two years.

- This SI also transfers the REMIT definitions and reporting obligations into UK law so allowing them to be amended by the Secretary of State.
- This SI is independent of the exit scenario, i.e. the Government believes that it will be needed under any scenario (transition or no deal).

3.4 ELEXON will review this new SI when it is published.

4. Operational News

P344 'Project TERRE' approved

- 4.1 On 24 August 2018, the Authority approved the [P344 'Project TERRE implementation into GB market arrangements'](#) Proposed Modification (customer consent required for the sharing of HH delivered volumes with the customer's Supplier) for implementation on 28 February 2019 as part of the February 2019 BSC Release.
- 4.2 P344 is an enabling Modification of the Trans-European Replacement Reserves Exchange (TERRE) balancing product, which will allow Balancing Service Providers (BSPs) (Parties, customers and independent aggregators) to deliver Replacement Reserve (RR) volumes to National Grid from generation or demand side response. P344 will facilitate payments between National Grid and GB BSPs for activations issued to GB BSPs via National Grid subject to validation of delivered volumes. The BSC changes for P344 also remove all BSC barriers to customers and independent aggregators participating directly in the existing Balancing Mechanism (BM), hence promoting competition across a wider and more diverse set of market participants.
- 4.3 We have actively engaged with colleagues from across the industry, which has enabled and facilitated effective cross-Code collaboration with National Grid's Grid Code. For the past two years, we have worked closely with National Grid and the P344 Workgroup members to develop the P344 solution, which is the most complex and wide ranging Modification in the history of the BSC. It has been a long journey, but the unified approach with National Grid means that we have worked hard to find a solution for the wholesale electricity market, and most importantly, for our customers and stakeholders.
- 4.4 Ofgem's approval of P344 means our Foundation Programme continues to be on track to deliver this more flexible, accessible and scalable central systems data platform to support the BSC changes required for TERRE, and will also provide enduring value to the industry for future market development initiatives.

P362 'BSC Sandbox' approved

- 4.5 On 20 August 2018, the Authority approved the [P362 'Introducing BSC arrangements to facilitate an electricity market sandbox'](#) Alternative Modification (National Grid can raise and be granted derogations alongside BSC Parties) for implementation five Working Days following approval as a standalone BSC Release. P362 was successfully implemented on 28 August 2018.
- 4.6 P362 will enable parties to be derogated against specific BSC obligations to trial pre-competitive and innovative products and services, with the Authority acting as the point of entry to coordinate applications across the industry. Anyone can apply for derogation (including National Grid), however non-BSC Parties will be required to accede to the BSC and complete the relevant market entry processes before the derogation can be effective, as you cannot be derogated from something you are not a party to.
- 4.7 We have been working to innovate, provide new opportunity for market participants, and to develop the BSC framework to align with the ever changing dynamic of the GB wholesale electricity market. The Authority's approval of P362 enables ELEXON to implement provisions that will continue to facilitate innovation and future BSC market development initiatives.

Withdrawal of P355 'BM Lite'

- 4.8 On 30 August 2018, we received formal notification from the Proposer PeakGen Power Limited of Modification [P355 'Introduction of a BM Lite Balancing Mechanism'](#) that it should be withdrawn from the BSC Change process.
- 4.9 P355 sought to introduce a new BM Lite classification to allow smaller generators to offer energy to the System Operator for energy balancing, in competition with the larger BM Units already in the market. Following approval of P344, the Proposer is content that P344 addresses the primary P355 defect, to allow greater participation from smaller generators and aggregators in the BM.
- 4.10 As per BSC Section F2.1.2B, P355 is subject to a period where the withdrawn Modification Proposal will remain open to be adopted for a period, starting at 12:00 on the first Business Day after the date of the withdrawal notice. This period will lapse at 12:00 on the fifth Business Day after. Once this period has ended, the Modification will be officially closed. Therefore, P355 will officially close at 12:00 on Friday 7 September 2018, unless adopted.

Consultation on increasing the Credit Assessment Price

- 4.11 Following an increase in forward market prices, a Credit Assessment Price (CAP) review was triggered. We therefore issued a [consultation](#) on the value of the CAP as to whether Parties agree with the proposal to increase the value of CAP to £70/MWh from its current value of £59/MWh.
- 4.12 This potentially affects the amount of Credit Cover that Parties are required to lodge, and so we encouraged Parties to respond to the consultation by 17:00 on 4 September 2018. If all respondents and Credit Committee members agree with the proposed value, there will be no Credit Committee meeting and the new CAP value will be implemented on the proposed date of 26 September 2018. However, if one or more respondents or a Credit Committee member requests it, ELEXON will arrange a Credit Committee meeting after the consultation closes to determine the new CAP.
- 4.13 You can find more information on the CAP, the Credit Committee and the review process on the [Credit Committee page](#) of our website. We have also published [FAQs](#) to help Parties become more familiar with this process.

Consultation for Allocation of a new Grid Supply Point to a GSP Group

- 4.14 We have received a new Grid Supply Point (GSP) registration application from the Transmission Company. Southern Electric Power Distribution (SEPD) is connecting two new circuits into the existing East Claydon 132kV substation. This new Systems Connection Point will be registered in Settlement as a new GSP, to be known as East Claydon - Southern GSP (ECLA_H). The Transmission Company propose that GSP ECLA_H is allocated to the Southern (_H) GSP Group.
- 4.15 We have issued a [consultation](#) for Parties to provide their views on the allocation of the above GSPs to GSP Groups. Parties should respond using the consultation response form and sending their responses, entitled "East Claydon – Southern GSP Consultation", to bm.unit@elexon.co.uk by 17:00 on 11 September 2018.

Consultation on the P350 draft reference network mapping statement

- 4.16 On 31 August 2018, ELEXON issued a [consultation](#) on the [P350 'Introduction of a seasonal Zonal Transmission Losses scheme'](#) draft reference network mapping statement for reference year 2017-18. The network mapping statement is used for determining Nodal power flows in the calculation of Transmission Loss Factors.

4.17 Parties are invited to respond to this consultation using the review form provided with the consultation to bm.unit@elexon.co.uk by 17:00 on 14 September 2018.

Imbalance Settlement harmonisation workshop

4.18 On 22 August 2018, ELEXON and National Grid jointly hosted a workshop with 20 industry participants to discuss the recent ESO's [proposal to further specify and harmonise imbalance settlement](#), which is currently out for consultation until 28 September 2018.

4.19 The aim of the workshop was to get a common understanding of the likely impacts on the BSC arrangements; and to encourage GB parties to respond to the current European consultation even if they agreed with the proposals as it is possible that the European regulators might require changes before they give final approval.

4.20 Views expressed in the workshop were mixed: some thought that the proposals to harmonise could be more ambitious; but others thought that the existing GB arrangements were fine as they were and no change was best.

4.21 The potential impacts of the draft proposals on the BSC arrangements were identified to be:

- A change to the uses and formulation of Market Index Price in our imbalance prices;
- A possible need to get Ofgem approval for scarcity pricing; and
- Implementation of any changes by end 2020, which would be within a potential Brexit transition period.

4.22 Further details of the workshop are available on our [website](#).

Ofgem publishes its analysis report relating P305

4.23 Ofgem published its [analysis report](#) on 2 August 2018 relating to the Electricity Balancing Significant Code Review (SCR) and subsequent BSC Modification [P305 'Electricity Balancing Significant Code Review Developments'](#). The findings are in line with those reported in ELEXON's [P305 Post-Implementation Review](#), which was published in February 2017.

4.24 Ofgem's main findings are split into three areas:

- Incentivising an efficient level of security of supply – "... trends are largely in line with our expectations."
- Increase the efficiency of electricity balancing – "... data we have gathered does not show us anything unduly concerning at this stage. The changes in Bid Offer behaviour are likely due to changes in market context, rather than as a result of the EBSCR changes."
- Ensure balancing arrangements align with the EU Target Model and the Capacity Market – "We will evaluate the new arrangements in 2019 and consider any necessary changes at that stage."

4.25 Ofgem believe the P305 changes had their intended impact, with "Imbalance Prices [having] become sharper in both directions" and "Party behaviour has changed substantially in terms of Energy Imbalance Volumes ... mostly due to market participants going longer in response to the change in risk associated with imbalances."

4.26 The report concludes by referring to further P305 changes due to be effective from 1 November 2018 (reduction of Price Average Reference (PAR) to 1MWh; increase in Value of Lost Load (VoLL) to £6,000/MWh; move to Dynamic Loss of Load Probability (LoLP) calculation), and states that "Ofgem will continue to monitor the impacts of the P305 Modification before and after the implementation the second phase of the modification."

4.27 ELEXON will continue to report on Imbalance Prices through the monthly System Price Analysis Report (SPAR), and will continue to make sure BSC Parties are aware of the of the second phase of Modification

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changes due to be implemented on 1 November 2018. As well as communicating through the usual methods (circulars, Newscast etc.), the P305 November 2018 changes will be covered in more detail than before as part of the Introduction to ELEXON seminars planned for September and November 2018.

EMR Update

- 4.28 The following EMR Circulars have been issued since the last Panel meeting:
- EMRC164: Adjusted Interim Levy Rate Notice issued to Suppliers
- 4.29 All EMR circulars are all available to download from the [EMR Circulars page](#) of the EMRS website.
- 4.30 Payments are being received in accordance with the agreed payment schedule, via the contract with LCCC and funded by its levy on industry, and we continue to maintain a positive cash-flow. 'Actual' resource utilisation is not materially different to 'budget' and 'forecast'.

5. Settlement Reform and support for Ofgem projects

Ofgem Market wide Half Hourly Settlement

- 5.1 ELEXON continues to lead the Design Working Group's (DWG's) development of the service requirements for the MHHS Target Operating Model (TOM). This includes facilitating the work of four DWG sub-groups as well as the DWG itself. Our deadline for delivering the final business requirements to Ofgem is January 2019.

Demand Side Flexibility (DSF) and Smart Grids

- 5.2 We have successfully concluded the two BSC issues that will help improve participation in the Balancing Mechanism ([BSC Issue 70 'Settlement of Secondary BM Units using metering at the asset'](#) and [BSC Issue 71 'Introduction of a baselining methodology as an alternative to Physical Notifications'](#)). The final reports will be presented to the Panel and we anticipate that both issues will lead to Modifications to the BSC.

6. ELEXON Internal News

Investors in People (IiP) – Silver Accreditation

- 6.1 After a robust assessment process by Investors in People in May and June 2018, which included a staff assessment, interviews, and evidence based investigations of our people processes and practices, we have achieved the Investors in People (IiP) Standard at Silver level.
- 6.2 IiP is a globally recognised framework for high performing organisations. They evaluate people management standards under three performance headings: leading, supporting and improving. The IiP assessor commented that a Silver accreditation is an excellent achievement, especially considering the recently tightened criteria and the fact we did not undertake any preparation work beforehand.

7. Summaries of Panel Business – Tabled

- 7.1 Summaries of papers considered and decisions made by the Panel Committees since the last Panel meeting can be found in their headline reports, included as attachments to this paper.

8. Recommendations

- 8.1 We invite you to:
- a) **NOTE** the contents of this paper.

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Appendices

Appendix A – ELEXON monthly KPIs

Appendix B – Report from the ISG

Appendix C – Report from the SVG

Appendix D – Report from the PAB

Appendix E – Report from the TDC

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