

ELEXON REPORT

MEETING NAME BSC Panel

Date of meeting 11 October 2018

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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 seven consultations since our last update to the Panel as follows:

- Ofgem's consultation on access to Half-Hourly (HH) electricity data for settlement purposes.
 - ELEXON's response stated that we believe HH data for settlement should be mandatory, and that this would deliver the greatest benefits to consumers.
- The Department for Transport's consultation on last mile delivery of goods.
 - ELEXON's response provided an overview of the regulatory uncertainty faced by charge point administrators and call for a holistic regulatory approach to electric vehicles.
- National Grid's consultation on reforms to CUSC Panel governance.
 - ELEXON's response highlighted differences between BSC and CUSC Panel governance and provided views on alternates, Panel engagement and the voting rights of National Grid Panel Members.
- Ofgem's consultation on electricity network access reform and forward looking charging.
 - ELEXON's response advocated a holistic review of arrangements to ensure coordination across industry initiatives, and highlighted the importance of the BSC and central systems in delivering the data required by network charging.
- The European Network of Transmission System Operators for Electricity (ENTSO-E)'s consultation on harmonising imbalance settlement across the EU.
 - ELEXON's response highlighted impacts on the current GB arrangements and requested clarity on locally activated volumes and non-main pricing components.
- ENTSO-E's annual work programme for 2019.

- ELEXON's response stated that ENTSO-E's priority should be the implementation of European Network Codes.
- The Energy Networks Association (ENA)'s consultation on future worlds for distribution system operation.
 - ELEXON's response highlighted the importance of consistency and transparency of market arrangements and suggested leveraging existing market structures for quick benefits to consumers.

2.2 These consultation responses are available on the [industry insights](#) page of the ELEXON website.

Ofgem Code Administrator Customer Satisfaction Survey

2.3 At the time of writing, the results of Ofgem's survey of Code Administrators have still yet to be published. We understand Ofgem intends to publish and then provide feedback to the Panel on the BSC results. Consequently, we have delayed our own annual survey in case particular issues are highlighted in Ofgem's survey, but still intend to conduct it in 2018.

3. Industry News

Review of Regulators

3.1 A press release from HM Treasury accompanying the Chancellor's conference speech notes that: "The UK has a world-class regulatory system which protects the interests of consumers. But it needs to be fit to respond to the challenges of the future to remain cutting-edge. Therefore the Chancellor announced he will commission the National Infrastructure Commission to carry out an independent study of the telecoms, energy and water regulators. This will ensure they have the ability to encourage investment, promote competition and innovation and meet the needs of consumers in the 21st-century." There are currently no further details from HM Treasury or the NIC.

European and Brexit Developments

3.2 The UK Government has continued to publish technical notification papers on the impacts of a 'no deal' Brexit on various industry sectors. At the time of writing this report, three separate batches have now been published (on 23 August 2018; 13 September 2018; and 24 September 2018) on the Government [webpage](#).

3.3 None have had significant implications for the BSC arrangements, though we still await the one planned for energy trading. One of those published on 24 September 2018 covered low carbon generation including Electricity Market Reform (EMR) Contracts for Difference, but did not suggest any BSC impacts.

3.4 On 5 September 2018, the Government laid a draft Statutory Instrument (SI) in Parliament relating to electricity and gas and giving the Secretary of State powers, if the SI is approved, to create or amend Network Codes and REMIT and transfer them into UK law. (The full title of this SI is '[The Electricity and Gas \(Powers to Make Subordinate Legislation\)\(Amendment\) \(EU Exit\) Regulations 2018](#)'.)

3.5 Article 52 of the European Electricity Balancing Guideline (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 which closed in September 2018. ELEXON has responded.

3.6 On 10 September 2018, National Grid ESO issued a [public consultation](#) on the implementation of the European Network Code on Emergency and Restoration (NC ER). The NC ER requires that National Grid ESO makes proposals by 18 December 2018 for GB rules on market suspension and restoration; and for imbalance settlement during market suspension periods. Such proposals have the potential to impact the current rules set out in BSC Section G so ELEXON will be analysing the proposals and responding to the consultation.

ESO

- 3.7 On 14 September 2018, Ofgem published a Call for Evidence on the ESO's performance so far this year. ELEXON will consider its response, which will be required by 17 October 2018.
- 3.8 ELEXON will be participating in National Grid's second IS Change Forum on 15 October, again with a stand showcasing our Foundation technology platform programme.

4. Operational News

Performance Assurance Framework (PAF) Review: New Risk Evaluation Methodology 2019/20 consultation published

- 4.1 At its meeting on 27 September 2018, the PAB ([PAB212](#)) endorsed the new Evaluation Methodology (REM) 2019/20 for industry consultation. We invite Parties to respond to this [consultation](#) by 22 October 2018. This consultation sets out how the PAB will identify, evaluate and assess the materiality of Settlement Risks relating to Performance Assurance Parties (PAPs). We will then present the consultation responses to the PAB at its meeting on 29 November 2018. At this meeting, the PAB, with delegated authority from the BSC Panel, will approve the REM 2019/20 (subject to any changes it deems necessary).
- 4.2 The REM represents a key step in the PAF Review and outlines a new approach to evaluating risk. We are keen to ensure that Parties hear about these changes and understand the impact they may have on them. To help Parties respond to this consultation, we will host a couple of education webinars on 5 October 2018 and 15 October 2018 to provide an overview of the new methodology, and offer participants the opportunity to ask questions. If Parties would like to attend either of these webinars, they should email events@elexon.co.uk.

Data review for the Market Index Definition Statement 2018

- 4.3 The Market Index Definition Statement (MIDS) defines the use of Market Index Data to calculate the Market Index Price (MIP), a price reflective of wholesale electricity for a Settlement Period in the short term market. An annual review of this document is required by the BSC, to ensure that the MIP provides a reasonable reflection of the price of wholesale electricity in the short term market. The review demonstrates that there is a need to change the MIDS. A change is also suggested to remove timeband 6 as a weighted product.
- 4.4 Changes to the MIDS timeband descriptions are recommended following [P342 'Change to Gate Closure for Energy Contract Volume Notifications'](#), which was implemented in November 2017. This Modification decoupled the Submission Deadline for Energy Contract Volume Notifications (ECVNs) and Metered Volume Reallocation Notifications (MVRNs).
- 4.5 Parties are invited to respond to this consultation by completing the form on the [consultations](#) page of our website, and sending it through to market.operations@elexon.co.uk by Monday 22 October 2018. The Imbalance Settlement Group will consider the consultation responses at its meeting on Tuesday 20 November 2018, where a final recommendation will be made to the BSC Panel for approval in December 2018.

Credit Assessment Price (CAP) increasing to £75/MWh

- 4.6 On Friday 28 September 2018, the CAP value increased from £59/MWh to £75/MWh. As a result, Parties may notice a change in their Credit Cover Percentage, and should review the amount of Credit Cover lodged.
- 4.7 The CAP review trigger level value will remain at its current value of +/- £6/MWh. For more information please email credit.committee@elexon.co.uk.

Payment Default

- 4.8 Tempus Energy Supply Limited withdrew from the BSC on 21 December 2017. Following a Dispute Final run, an invoice totalling £11.59 was raised. The total amount has been Default Funding Shared and the debt will not be pursued in the interest of efficiency.

EMR Update

- 4.9 An 'Introduction to EMR arrangements' event for Suppliers will be held on 10 October 2018. This event will introduce new Suppliers to both Contracts for Difference (CFD) and Capacity Market (CM) schemes. Suppliers who have recently entered the electricity market or individuals from existing Suppliers that are new to EMR are welcome to attend.
- 4.10 The session will cover an overview of EMR, the different roles and responsibilities of the EMR Delivery Partners, CFD Supplier Obligation Forecasting Model, detail each Supplier payment and calculations for CFD and CM and Credit Cover requirements for Suppliers for CFD and CM. If Suppliers would like to register, please email contact@emrssettlement.co.uk.
- 4.11 The following EMR Circulars have been issued since the last Panel meeting:
- EMRC165: Updates from LCCC on the Interim Levy Rate and Total Reserve Amount; and
 - EMRC166: 'Introduction to EMR arrangements' event for Suppliers – Spaces available.
- 4.12 All EMR circulars are all available to download from the [EMR Circulars page](#) of the EMRS website.
- 4.13 Payments are being received in accordance with the agreed payment schedule, via the contract with the Low Carbon Contracts Company (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'.
- 4.14 As previously explained, we are collaborating with LCCC to review our ways of working. LCCC are also looking, including with external consultants, at our EMR systems, all with a view to determining whether the extensions in the contract duration should be exercised. We are encouraging LCCC to focus on value as well as cost (our flexibility to their requests and our deep settlement knowledge are provided within the existing charges) and to consider the end to end interactions i.e. to include in the review their own processes where they oversee and interface with us.

5. Settlement Reform and support for Ofgem projects

Demand Side Flexibility (DSF) and Smart Grids

- 5.1 We continue to engage with LCCC and Electricity Settlements Company (ESC) on how Supplier volumes used for CM and CFD charging can be adjusted to exclude exempt supply and imports to licensed generation. We will be consulting with parties shortly, as outlined in [Panel Paper 280/11](#).
- 5.2 ELEXON hosted the Energy UK annual breakfast briefing on 6 September 2018 on Energy Flexibility attended by over 60 people - a collaboration with CGI who sponsored the event.
- 5.3 ELEXON (Nicholas Rubin) presented at the British Institute of Energy Economics (BIEE) conference 'Consumers at the Heart of the Energy System?' on 18 and 19 September 2018 on 'Unlocking the benefits to consumers'. Our presentation and accompanying paper illustrated why it is important and beneficial to update existing central arrangements and systems in order to unlock benefits to consumers. Three themes mentioned in detail were our multiple suppliers white paper, BSC sandbox, and the opportunity for consolidation/collaboration.

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6. Summaries of Panel Business – Tabled

6.1 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.

7. Recommendations

7.1 We invite you to:

- a) **NOTE** the contents of this paper.

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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