

284/01 – ELEXON REPORT

MEETING NAME	BSC Panel
Date of meeting	8 November 2018
Paper number	284/01
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 three consultations since our last update to the Panel as follows:
- Ofgem’s open letter on the Five Year Review of the Capacity Market Rules and on National Grid’s incentives under the scheme:
 - Our response highlighted issues with rules development and proposed greater industry participation along with greater coordination of changes with Code Administrators.
 - Ofgem’s Outline Business Case for Market-wide Settlement Reform:
 - Our response highlighted the benefits of settling export to end-customers and small scale generators, and explained how simplified settlement will encourage new entrants and innovators.
 - National Grid’s consultation on Emergency and Restoration:
 - Our response requested additional clarity on some aspects of mapping European Network Code requirements to GB Codes, and proposed a number of additions to the proposed mapping.
- 2.2 These consultation responses are available on the [industry insights](#) page of the ELEXON website.

Ofgem Code Administrator Performance Survey and ELEXON’s own Customer Survey

- 2.3 The results of [Ofgem’s second cross-code administrators’ performance survey](#), published on 8 October 2018 are the subject of a separate Panel paper at the 8 November 2018 meeting (284/08).
- 2.4 ELEXON will be launching its annual customer satisfaction survey during November, having delayed pending the results of the Ofgem survey. ELEXON is keen to conduct the survey in 2018 to maintain an annual set of results.

Dates for 'ELEXON's introduction to the energy market' seminar 2019

- 2.5 Due to popular demand, we intend to hold five seminars in 2019 (13 February, 17 April, 19 June, 18 September and 20 November 2019). The seminars are useful for newcomers to the industry or those who have recently entered the market or changed roles within the energy sector. It will help individuals gain a high level understanding of the BSC arrangements and the roles of other market participants.
- 2.6 The seminar provides a useful overview of the Balancing Mechanism and Imbalance Settlement processes and how the different industry bodies interact with them. Our seminar is free to BSC Parties, Government/Trade Bodies and students. If anyone has any queries, please email us at events@elexon.co.uk.

3. Industry News

European and Brexit Developments

- 3.1 On 8 October 2018, we published a statement on '[How Code Administrators are preparing for Brexit](#)'. This was developed in coordination with other GB Code Administrators, who are publishing similar statements.
- 3.2 On 12 October 2018, the UK Government published its final batch of technical notification papers on the impacts of a 'no deal' Brexit on various industry sectors including one on [electricity trading](#). All notices are published on this Government [webpage](#).
- 3.3 In 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 National Grid ESO to make 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 has responded seeking clarity on certain aspects.
- 3.4 In October 2018, ELEXON attended the Brussels workshop on the pricing and activation of balancing energy as part of the current [ENTSO-E consultation process](#) (the activation element is essentially flagging the purpose of activation, similar to SO flagging in GB and needed to determine the imbalance price.) We attended in particular to understand more whether the TSO's proposals would impact the BSC TERRE arrangements being implemented following the approval of [BSC Modification P344](#). ENTSO-E has two active consultations, both of which close on 13 November 2018. National Grid ESO also ran a webinar related to these on 2 November 2018.

4. Operational News

November 2018 Release Successfully Implemented

- 4.1 Two Modifications and nine Change Proposals (CPs) were successfully implemented on 1 November 2018:
- [P356 'Aligning the BSC with Grid Code Modification GC0099 'Establishing a common approach to interconnector scheduling consistent with the single intraday market coupling processes set out within Regulation \(EU\) 2015/1222 \(CACM\)'](#);
 - [P368 'Amendments to Section Z to better facilitate the production of the Risk Evaluation Methodology, Risk Evaluation Register and Risk Operating Plan'](#);
 - [CP1495 'Introduction of a rejection response dataflow for a D0170 'Request for Meter System Related Details' request from the Meter Operator Agent to the Licensed Distribution System Operator where a D0215 'Provision of Site Technical Details' response is required'](#);
 - [CP1496 'Introduction of two data flows for the Commissioning process for Half Hourly \(HH\) Supplier Volume Allocation \(SVA\) Current Transformer \(CT\) operated Metering Systems'](#);

- [CP1497 'Introduction of data flows for Half Hourly Meter Operator Agents to pass on Commissioning information when there is a Change of Agent'](#);
 - [CP1503 'Changes to European Transparency Regulation data to align with latest ENTSO-e Manual of Procedures'](#);
 - [CP1504 'Amend BSCP201's references to dual/single pricing following implementation of P305'](#);
 - [CP1505 'Allowing 'off site' Commissioning of current transformers preinstalled in cut outs or switchgear at manufacture for use in low voltage \(LV\) installations'](#);
 - [CP1506 'New Interconnector fuel type'](#);
 - [CP1507 'Updates to BSCP520 to align with working practices and UMSUG recommendations'](#); and
 - [CP1509 'Amend BSCP503 to add new recipients of the D0355 data flow'](#).
- 4.2 Additionally, the final part of Approved Modification [P305 'Electricity Balancing Significant Code Review Developments'](#) was implemented. The parameter changes are:
- Price Average Reference (PAR) reduced from 50MWh to 1MWh;
 - Value of Lost Load (VoLL) increased from £3,000/MWh to £6,000/MWh; and
 - Loss of Load Probability (LoLP) calculation changing from a 'static' function to a 'dynamic' function.
- 4.3 The values for PAR and VoLL changed on 1 November 2018 but Parties were made aware that the LoLP would be calculated dynamically starting at 13:00 on 30 October 2018. The change in the calculation of LoLP was taking place early at 12:00 on 30 October to ensure a clear cutover from the static to dynamic LoLP method; this is because National Grid began reporting LoLP for System Prices (SPs) on 1 November 2018 in the LOLPDRM files it sends to ELEXON on 30 October 2018. For more information, or if you have any questions, please email market.operations@elexon.co.uk.
- 4.4 The scope of the BSC Release also included one pending Modification [P373 'Reversing the changes relating to Approved Modification P297'](#). The BSC Panel will make its final recommendations to Ofgem on this Modification at its 8 November 2018 Panel meeting.
- 4.5 More information on the complete scope, key dates and the impacted documents is available on the [November 2018 BSC Release](#) page of our website.

February 2019 Release: Review of Amended Configurable Item for P344

- 4.6 We issued a Release Circular on 18 October 2018 inviting Parties to review the changes to BSC Configurable items for [P344 'Project TERRE implementation into GB market arrangements'](#) by completing the [response form](#) by 5pm, Wednesday 14 November 2018.
- 4.7 Further information on the February 2019 Release can be found on the [Releases](#) page of the ELEXON website. If you have any questions, please email Adey Bolaji at releases@elexon.co.uk.

ELEXON's Foundation Programme

- 4.8 ELEXON has embarked on the Foundation Programme, a multi-year programme, which will reduce time and cost for industry and BSC Parties by simplifying the change process. The programme is part of our corporate strategy, which with the support of our stakeholders, aims to simplify and consolidate complex services, develop new market solutions and actively facilitate innovation for the benefit of the evolution of our energy markets.
- 4.9 ELEXON recognises that the industry is going through a period of rapid change, and to ensure we can continue to support industry needs as the administrator and operator of the BSC, we must adapt our central

systems and underlying technology platforms to meet the future needs of our customers, and to continue to support industry innovation. Our Foundation Programme represents this shift in our transformation approach, and the programme is on track to deliver a transition to a flexible, scalable and responsive central systems data platform to support our balancing and settlement services and future industry changes.

- 4.10 There several elements to the Foundation Programme and the programme is evolving at a fast pace. Work is already underway to replace the current market entry and registrations process to speed up and automate the current, paper-based process and we are engaging with industry to shape the right solution.
- 4.11 To make it easier for Parties to see what we are doing, we have published all you need to know on the [Foundation Programme](#) page of our website. If you have any questions about the programme, please email the Foundation Programme team at foundationprogramme@elexon.co.uk.

Delivering a more flexible and risk-based BSC Audit

- 4.12 This year we are splitting the BSC Audit into two distinct approaches:
- 'Central Systems' and Central Volume Allocation Meter Operator Agents (CVA MOAs) will remain within scope of the ISAE3000 Assurance Opinion; and
 - Suppliers Systems' and Central Volume Allocation Meter Operator Agents (CVA MOAs) will remain within scope of the ISAE3000 Assurance Opinion.
- 4.13 We have changed the approach and methodology to facilitate further changes to BSC Audit site work and testing, to maximise the level of insight that the BSC Audit can provide, for both the CVA and SVA market, and to improve Performance Assurance Parties' (PAPs') overall experience of the BSC Audit service.
- 4.14 For SVA and CVA markets, the general approach to on-site audit testing will remain largely unchanged. However, we have reviewed the audit testing work papers and have implemented various improvements. We assessed existing audit testing work papers to prioritise the most effective work papers with the most issues to test the highest risk (based on impact/materiality) processes. This means we have greater oversight of the detailed on-site work undertaken by the BSC Auditor.
- 4.15 The number of site visits will remain consistent with previous years, and we have greater control over the PAP selection process for audit and audit intensities, as well as more flexible audit site work.
- 4.16 We have published information on this new approach including our proposed changes to key areas, comparing activities performed in 2017/18 and the plan for 2018/19 on the [BSC Audit](#) page of our website. If you have any questions about the BSC Audit approach, please email bscaudit@elexon.co.uk.

EMR Update

- 4.17 The following EMR Circulars have been issued since the last Panel meeting:
- EMRC167: Winter 2018 Baseload Market Reference Price published.
 - EMRC168: Capacity Market: EMRS system and processes documents updated to reflect changes to the Stress Event calculation for Storage Facilities.
- 4.18 All EMR circulars are all available to download from the [EMR Circulars page](#) of the EMRS website.
- 4.19 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'.
- 4.20 The EMRS team successfully deployed Release 12 on Wednesday 17 October 2018. This continues their track record of delivering releases on-time or ahead of agreed implementation dates.

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 Half Hourly (HH) Settlement Target Operating Model (TOM). This includes leading the work of four DWG sub-groups as well as the DWG itself.
- 5.2 As we now move towards finalising the TOM service requirements, the DWG is beginning to narrow down the remaining TOM options so that we can meet our key deliverable of providing a single preferred TOM to Ofgem in January 2019. This remains dependent on receiving timely steers from Ofgem on its two related policy areas (which are considering whether to centralise Supplier Agent functions and what access/privacy arrangements should apply to smart meter data).
- 5.3 We continue to work with the DWG and Ofgem to ensure prompt identification and mitigation of risks. We also continue to support Ofgem's Design Advisory Board (DAB) and internal TOM Board in their review of the DWG's outputs.

Ofgem Faster and More Reliable Switching

- 5.4 Ofgem has issued its second [consultation](#) on the proposed content for the Retail Energy Code (REC) v2.0, which will be in place at go-live of the new switching arrangements. The document contains statutory licence consultations to require all energy Suppliers, distributors and the Data Communications Company (DCC) to accede and comply with the REC.
- 5.5 The document also contains statutory licence consultations to alter the Smart Meter Communication Licence held by DCC to incorporate delivery and provision of the Central Switching Service (CSS). It also introduces an obligation on all holders of a licence granted by the Authority under the Gas Act 1986 or Electricity Act 1989 to cooperate with the Authority in implementing its conclusions of a Significant Code Review (SCR).
- 5.6 Ofgem also elaborates on some of its thinking:
 - It clarifies the relationships between the RECCo and REC Panel, REC Manager and REC Performance Assurance Board (the latter are all accountable to and are appointed by RECCo). There is also to be a Procurement Panel to run and advise the REC Board on the appointment of the enduring REC Manager. RECCo is accountable to industry by virtue of RECCo and industry all being parties to the REC, and to Ofgem via an annual report on how it is meeting its objectives.
 - REC Board to comprise independent directors appointed by a RECCo nomination committee (rather than industry representative automatically forming the board). REC Board to have an independent chair
 - The role of the REC Manager in Change is wider than current Code Administrators: it can raise changes, must provide analysis and will rely less on industry workgroups to develop solutions.
 - However there is no further information on the timing of the appointment of the enduring REC Manager.
- 5.7 ELEXON will be responding by the 16 November 2018 deadline.

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.

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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

For more information, please contact:

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