

# 286/01 – ELEXON REPORT

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<b>MEETING NAME</b>	BSC Panel
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<b>Date of meeting</b>	10 January 2019
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<b>Paper number</b>	286/01
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<b>Owner/author</b>	Mark Bygraves
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<b>Purpose of paper</b>	For information
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<b>Classification</b>	Public
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<b>Summary</b>	This paper provides a summary of recent issues and developments relevant to the BSC and ELEXON since the last Panel meeting.
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## 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 not responded to any consultations since our last update to the Panel.

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

### Draft BSCCo 2019/20 Business Plan – published for BSC Parties' review

2.3 On 21 December 2018, we [published](#) our draft BSCCo Business Plan for 2019/20 to give BSC Parties an opportunity to provide comments and feedback on what we plan to deliver.

2.4 We know that the energy market continues to change at an ever increasing pace and our Business Plan reflects how we will evolve to support you while maintaining our high standards of service. During 2019/20, we will focus on performing above BSC Parties' expectations while contributing to the energy transformation as a trusted code manager.

2.5 We have identified a number of strategic priorities where we will focus our efforts during the year. They include:

- Continuing with our **Quality Delivery** by actively managing our services to deliver in a reliable, economic and efficient way;
- Enabling **Innovation** by enhancing and evolving our services to support industry changes and development of the energy market;
- Increasing **Engagement** by working in partnership to enable 'whole-system' approach and industry convergence;
- Becoming **Customer centric** by improving the customer experience and developing richer customer relationships;
- Identifying **Simplification and Consolidation** opportunities by reducing complexity and fragmentation;

- Creating a **digital platform** to meet the changing energy market; and
  - Sharing our **Talented People** by developing our end-to-end service capabilities to enable industry to benefit from our experience.
- 2.6 The plan proposes to develop new market solutions that support regulatory and government policy and actively facilitate innovation to benefit our customers and consumers. We are committed to continuing to build on our highly regarded end-to-end service model, delivering long-term solutions.
- 2.7 We are also hosting a webinar at 10:30am on Tuesday 15 January 2019 where we will talk through the Business Plan in more detail. BSC Parties will also have an opportunity to ask us questions on any aspect of it. Please [register now](#) if you would like to attend.
- 2.8 To have your say on the draft BSCCo 2019/20 Business Plan, please email the Communications team at [communications@elexon.co.uk](mailto:communications@elexon.co.uk).

### 3. Industry News

#### European and Brexit Developments

##### Brexit

- 3.1 On 6 December 2018, Ofgem published a [letter](#) setting out preparations for Brexit in relation to licence and industry code modifications. Ofgem noted that:
- a no-deal outcome is likely to require approximately 200 changes across the majority of the licences;
  - it plans to publish a statutory consultation on the proposed licence modifications in January 2019, or as soon as is reasonably practicable;
  - this statutory consultation will run for four weeks (28 days);
  - given the current timelines, there is a strong possibility that an interregnum period - a period between exit day and the licence changes taking effect - will be unavoidable. However, Ofgem said that it expects this period will be covered by the 56-day standstill following the modification direction and, as such, it considered that there would be sufficient clarity for licensees; and
  - Ofgem said that it would strive to take a pragmatic approach and work with industry parties to address any unforeseen issues that could arise during this time and may issue further guidance in the event of an interregnum.
- 3.2 Ofgem also commented on the industry codes modification process for Brexit, noting that:
- it expected the changes to be raised through the industry-led code modification process and, where appropriate, to follow the self-governance route in line with recent publications by code administrators such as [ELEXON](#); and
  - to minimise uncertainty for market participants, it is vital that 'day 1' code changes are prioritised and the regulatory framework is updated in a timely manner. ('Day 1' changes mean consequential changes required to update industry codes in line with the post-EU Exit domestic legislation).
- 3.3 On 18 December 2018, the Department of Business, Energy and Industrial Strategy (BEIS) laid a set of EU Exit energy market statutory instruments before the Commons and Lords 'sifting committees' together with an [explanatory letter](#) from Claire Perry, Minister for Energy and Clean Growth.

- 3.4 These instruments will amend elements of retained European Union law in the field of energy and gas markets to ensure that the energy market continues to operate effectively if the UK leaves the EU without an agreement. ELEXON is reviewing these instruments to identify impacts and issues affecting the BSC.
- 3.5 On 19 December 2018, the European Commission also published [Brexit 'no deal' contingency plans](#). [These were for specific sectors](#), including emissions trading, but do not appear to have direct BSC implications.

### Electricity Balancing Guidelines (EB GL)

- 3.6 On 18 December 2018, Ofgem published its decision to grant National Grid a [derogation](#) from Article 49 of the Electricity Balancing Guideline (EB GL) for a period of 16 months, from 18 December 2018 until 18 April 2020. Article 49 requires each Transmission System Operator (TSO) to calculate an imbalance adjustment to be applied to the relevant balance responsible party for every activated balancing energy bid. While ELEXON already does this for Balancing Mechanism (BM) bid/offer acceptances (BOAs), Ofgem noted that this is not yet the case for all non-BM activations as National Grid does not have access to all the metering data.
- 3.7 Ofgem noted that this is also closely related to [BSC Modification P354](#), which it approved to be implemented on 1 April 2020. By granting the derogation, Ofgem said that the derogation will allow market participants adequate time to adapt the systems required for imbalance adjustment calculation and to ensure compliance with Article 49.
- 3.8 On 19 December 2018, Ofgem published its [approval of the European TERRE Implementation Framework](#), noting that all other relevant European regulators had also agreed to its approval. Under the EB GL, the last of these regulatory approvals sets the formal legal deadline for the implementation of TERRE as one year later. The other regulators had committed to approve by 27 December 2018. The approved Framework can be found [here](#).
- 3.9 ELEXON and National Grid ESO jointly hosted an industry day-long event on TERRE on 11 December 2018, which proved so popular that we decided to run a second repeat event a week later on 18 December 2018.
- 3.10 According to the EB GL, European TSOs had to make a number of proposals to European Regulators within a year of the EB GL entering into force, which set the deadline as 18 December 2018. Consequently the TSOs submitted [six proposals](#) to the regulators in December 2018, including some of relevance to the BSC as follows:
- a proposal for manually activated frequency restoration reserves (Project MARI, which is similar to Project TERRE);
  - a proposal for classifying the activation purposes of balancing energy bids (similar to bid-offer acceptance flagging in the current BSC);
  - a proposal for pricing balancing energy (including for Project TERRE); and
  - a proposal for harmonising imbalance settlement.
- 3.11 European regulators now have six months to consider these proposals.

### The Clean Energy Package

- 3.12 On 19 December 2018, representatives of the EU Member States, the European Commission and the European Parliament finally reached agreement on the text of the last two pieces of legislation in the Clean Energy Package: the Electricity Regulation and Electricity Directive, both of which will impact our industry, subject to Brexit. More detail can be found in the [Press Release](#).

## 4. Operational News

### Second pre-Panel briefing trial with BSC Parties

- 4.1 We are hosting a second pre-Panel teleconference briefing trial with BSC Parties starting at 12:30 on Monday 7 January 2019. Discussions will be based on the Panel agenda which will be published on the [BSC Panel 286](#) webpage on Thursday 3 January 2019.
- 4.2 Parties can dial into the teleconference using the following details (Dial: 020 7380 4005, Conference ID: 1648927). This briefing is intended to help BSC Parties gain a better understanding of the Panel agenda and answer any questions they may have. Participants will also be sent a public version of the Headline Report after the Panel meeting. If you have any questions please contact Claire Kerr at [panel.secretary@elexon.co.uk](mailto:panel.secretary@elexon.co.uk) or on 020 7380 4293.

### BSC Audit improvement update

- 4.3 We have [published](#) some information on the planned improvements to the BSC Audit. These include:
- Audit Intensity and Performance Assurance Parties (PAP) selection: We are now responsible for Entity Selection and determination of Audit intensity. The link below provides the high level criteria for selection for the BSC Audit.
  - Data Transfer Network (DTN) testing: ELEXON and the BSC Auditor have worked to improve the DTN testing, reducing the number of market false positives on certain existing tests ranging from 40% to 94%. To further improve DTN testing and reduce data requests, we have added 12 new data flows to its current monthly set.
  - Data Request reduction: ELEXON and the BSC Auditor have used DTN data and wider industry data to reduce the overall volume of data requests. Compared to last year, there has been an approximate 25% reduction in data requests for the 2018/19 Audit.
  - Data site visit notices: We are working to bring notifications of site visits forward, to allow for a longer notification period before the Audit, with the intention of spreading out the Audit period more, with the possibility of repeat Audits on specific Parties.
- 4.4 If you have any questions, please email [BSCAudit@elexon.co.uk](mailto:BSCAudit@elexon.co.uk).

### EMR Update

- 4.5 The following EMR Circulars have been issued since the last Panel meeting:
- EMRC171: Update: Capacity Market Supplier Charge for October 2018 and November 2018
  - EMRC172: LCCC has determined the Interim Levy Rate and Total Reserve Amount for 1 April 2019 to 30 June 2019
  - EMRC173: BSC change raised to collect a 'CM Supplier Interim Charge'
- 4.6 All EMR circulars are all available to download from the [EMR Circulars page](#) of the EMRS website.

## 5. Settlement Reform and support for Ofgem projects

### Ofgem Market wide Half Hourly Settlement

- 5.1 The ELEXON-led Design Working Group (DWG) has agreed its preferred Target Operating Model (TOM) for Market-wide Half Hourly Settlement (MHHS). ELEXON will be presenting an update at the 10 January 2019 Panel meeting.

## 286/01 – ELEXON REPORT

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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. Please note that there is no report from the TDC as no meeting was held in January 2019.

### 7. Recommendations

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

### Appendices

Appendix A – Report from the ISG

Appendix B – Report from the SVG

Appendix C – Report from the PAB

### For more information, please contact:

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