APPROVAL OF GENERATION CAPACITY AND DEMAND CAPACITY ESTIMATION METHODOLOGY AND CHALLENGE GUIDANCE

MEETING NAME	BSC Panel

Date of meeting	10 January 2019
Paper number	286/07
Owner/author	Colin Berry
Purpose of paper	For Decision
Classification	Public
Summary	ELEXON has drafted a document for Approved Modification P359 'Mechanised process for GC/DC declarations', which sets out the methodology for the estimation of revised Generation Capacity (GC) or Demand Capacity (DC) values following a GC or DC breach, and provides guidance on the process for a BSC Party to challenge the estimation. We invite the BSC Panel to approve this document and to delegate the authority for approval of future versions of this document and the execution of processes to the Imbalance Settlement Group.

1. Background

1.1 Generation Capacity (GC) and Demand Capacity (DC) respectively are based on the maximum expected positive and minimum expected negative Balancing Mechanism (BM) Unit Metered Volumes (QMij) for a single Settlement Period falling within the relevant BSC Season.

1.2 According to Balancing and Settlement Code (BSC) Section K 'Classification and Registration of Metering Systems and BM Units', the Lead Party of a BM Unit is required to declare estimates of the maximum magnitude of positive and/or negative BM Unit Metered Volume for each BSC Season and must re-declare these should the Metered Volumes of one or several BM Units exceed the GC or DC limits currently defined in the BSC.

1.3 GC and DC values are used in the calculation of Parties' Credit Cover requirements. Therefore, ensuring the values of GC and DC declared by BSC Parties are in line with the Metered Volumes collected is essential for the accuracy of the Credit calculation.

1.4 ELEXON monitors the declared Metered Volumes submitted by BSC Parties against actual Metered Volumes for all BM Units and notifies Lead Parties if volumes breach the declared GC or DC value by more than the GC or DC limits, so that BSC Parties can re-declare more accurate estimates of Metered Volumes.

1.5 Issue 68 'Underestimation of Demand Capacity and Credit Cover Percentage' was raised on 28 March 2017 by ELEXON in order to review the arrangements in place for declaring DC values by small Suppliers. The Issue Group met on two occasions and concluded that issues around the DC submissions existed and affected the accuracy of the BSC Credit Cover calculation, exposing BSC Parties to potential payment defaults.

2. Changes to the GC/DC process

2.1 Three BSC Modifications were raised as a result of the findings of the Issue 68 Issue Group:

- P357: Removal of GC/DC tolerance parameters from BSC Section K;

- P358: Roll over of BSC Seasonal GC/DC; and
- P359: Mechanised process for GC/DC declarations.

2.2 Approved Modifications P357 and P358 were implemented on 22 February 2018.

2.3 Approved Modification P359 will be implemented on 28 February 2019. Changes to existing BSC Configurable items for P359 were approved by the Imbalance Settlement Group (ISG) on 18 December 2018 (ISG212/03) and will, where appropriate, be presented to the Supplier Volume Allocation Group (SVG) on 8 January 2019.

3. The 'Generation Capacity (GC) and Demand Capacity (DC) Estimation Methodology and Challenge Guidance' document

3.1 BSC Section K3.4.7E of the legal text for P359 required the BSC Panel to establish a BM Unit Volume Estimation Methodology for use in determining an estimation of the maximum positive Metered Volume (for GC) or minimum negative Metered Volume (for DC) for a BM Unit (the 'CRA[1]-Estimated GC or DC Amounts', in MWh) to be used in the calculation of a replacement GC or DC where a BM Unit is found to have exceeded its declared GC or DC by more than the GC or DC Limits. This methodology should become effective on 28 February 2019, the P359 Implementation Date.

3.2 In addition, BSC Section K3.4.7L of the legal text for P359 required that the BSC Panel also establish guidance for BSC Parties on the process by which they could challenge the 'CRA-Estimated GC or DC Amounts' following a breach ('GC or DC Estimation Challenge Guidance'). This Guidance should also become effective on 28 February 2019.

3.3 The 'Generation Capacity (GC) and Demand Capacity (DC) Estimation Methodology and Challenge Guidance' document meets both of the above requirements and should therefore be included as a Category 2 Configurable Item on the BSC Baseline Statement. These documents can be found in Attachment A to this paper.

4. Industry consultation

4.1 We issued the draft 'Generation Capacity (GC) and Demand Capacity (DC) Estimation Methodology and Challenge Guidance' document for industry review on 22 November 2018 and invited comments by 6 December 2018 via a Release Circular. We also issued a link to the Release Circular in our Newscast communication on 3 December 2018.

4.2 We did not receive any comments from the industry review.

5. Next step

5.1 Should the BSC Panel approve the attached draft 'Generation Capacity (GC) and Demand Capacity (DC) Estimation Methodology and Challenge Guidance' document, we will publish version 1.0 on the BSC website, to become effective on 28 February 2019.

[1] Central Registration Agent

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6. Recommendations

6.1 We invite you to:

a) **NOTE** that the 'Generation Capacity (GC) and Demand Capacity (DC) Estimation Methodology and Challenge Guidance' document has been produced to meet the two P359 requirements;

b) **APPROVE** the 'Generation Capacity (GC) and Demand Capacity (DC) Estimation Methodology and Challenge Guidance' document to become effective on 28 February 2019;

c) **APPROVE** the inclusion of the 'Generation Capacity (GC) and Demand Capacity (DC) Estimation Methodology and Challenge Guidance' in the BSC Baseline Statement as a Category 2 Configurable Item; and

d) **AGREE** to delegate the authority for the approval of changes to the 'Generation Capacity (GC) and Demand Capacity (DC) Estimation Methodology and Challenge Guidance' to the ISG.

Attachments

Attachment A – Generation Capacity (GC) and Demand Capacity (DC) Estimation Methodology and Challenge Guidance

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