

287/01 – ELEXON REPORT

MEETING NAME	BSC Panel
Date of meeting	14 February 2019
Paper number	287/01
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 six consultations since our last update to the Panel as follows:
- Her Majesty's Treasury (HMT) and the Department for Business, Energy & Industrial Strategy (BEIS)'s consultation on encouraging innovation in regulated utilities
 - Our response highlighted the challenge of supporting innovation while maintaining standards, and outlines a view that regulators should be inherently supporting innovation where it improves outcomes for consumers, given their existing statutory duty to consumers.
 - BEIS/Ofgem's consultation on Smart Systems and Flexibility Plan: Progress Update
 - Our response highlighted the importance of consistency in the solutions developed for flexible systems, the need to consider how to pay for fixed costs without adding complexity to the system, and requested further clarity on the progress of the plan against its objectives.
 - Ofgem's consultation on its Supplier Licencing Review:
 - Our response supported the principles of the review, and confirmed that moving licensing to after BSC market entry should not pose any issue to the current arrangements.
 - BEIS's consultation on the future regulation of heat networks: ensuring sustained investment and protecting consumers
 - Our response agreed with the government approach and suggested profiling and effective governance as options to mitigate risks with establishing heat networks.
 - National Grid's consultation on whole system thinking:
 - Our response highlighted our views on energy market source data being made freely available to the market, and highlighted the importance of consistency and transparency in new flexibility markets.

- The European Network of Transmission System Operators for Electricity (ENTSO-E)'s Stakeholder Satisfaction Survey:
 - Our response highlighted our need for more transparency and up to date information from ENTSO-E.

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

Webinar summarising our 2019/20 Business Plan held 15 January 2019

- 2.3 On 15 January 2019, we held a webinar on our 2019/20 Business Plan, of which 16 people attended. You can now catch up with the content by viewing the [webinar](#).
- 2.4 The webinar walked our customers through what we plan to deliver and how we will evolve to support their needs while maintaining our high standards of service.
- 2.5 Mark Bygraves, ELEXON's CEO explained how we will continue to put customers at the heart of our business, building on service excellence by performing above their expectations while contributing to the energy transformation as a trusted code manager. Nigel Smith, ELEXON's CFO also talked through the increased budget needed to deliver the activities in the business plan including the provision of ELEXON's new Digital Platform.
- 2.6 Responses to the 2019/20 Business Plan closed on 21 January 2019. We received one response from the BSC Panel which is [published](#) on our website.

Mark Bygraves and Angela Love's interview in New Power

- 2.7 New Power published an interview with Mark Bygraves and Angela Love, where they described our unique position as an industry-owned 'not for profit' body. They also emphasised how we can leverage this position to be an enabler for change in the developing energy market.
- 2.8 The full interview can be found at the following [link](#).

BSC Sandbox Delay

- 2.9 In light of SSE's Modification [P374 'Aligning the BSC with the EB GL change process and derogation approach'](#), questioning whether the BSC needs changing to reflect Article 18 of the European Electricity Balancing Guidelines (EB GL) (and which also impacts the concept of a sandbox), Ofgem have been liaising with their colleagues leading on EB GL.
- 2.10 Ofgem has now decided to suspend further action on the sandbox until there is more clarity on the issues raised by P374. This is to avoid a situation of having to backtrack if the BSC sandbox cannot be delivered in the form we envisage. New Anglia Energy, who were discussing the sandbox with ELEXON, has subsequently raised Modification Proposal [P379 'Enabling consumers to buy and sell electricity from/to multiple providers through Meter Splitting'](#), which provides an alternative route for enabling innovations of interest to many of the potential sandbox applicants.

3. Industry News

Faster Switching Programme

- 3.1 In mid-January Ofgem provided an update on the timing of setting up the Retail Energy Code Company (RECCo) and consultation on the RECCo budget. In the latter, Ofgem will seek views on outlining the funding requirements for 2019/20, with an aim to finalise the budget forecast by February 2019 in time for the inaugural RECCo board meeting. This will enable invoices to be issued from 1 March and allow RECCo to take over responsibility for programme funding from the Master Registration Agreement (MRA) and the Supply Point Administration Agreement (SPAA).

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- 3.2 The Interim RECCo Board was announced on 4 February 2019. This is as follows:
- Chris Anastasi, Independent Chair – SPAA Executive Committee;
 - Kevin Woollard, Regulatory Manager: Centrica Director: MRA Service Company Limited SPAA Limited DCUSA Limited SMICOP Limited;
 - Rachael Anderson Senior Market Transformation Advisor: Utilita Director: MRA Service Company Limited SPAA Limited
 - Steve Mulinganie, Regulation & Compliance Manager: Gazprom Director: SPAA Limited; and
 - Tracy Pitcher, National Systems Manager: Western Power Distribution Director: MRA Service Company Limited.
- 3.3 Ofgem’s Programme Board has agreed that a second Significant Code Review (SCR) will be launched in spring 2019 to cover the closure of SPAA and MRA with provisions migrating into REC and other industry codes e.g. the Distribution Connection and Use of System Agreement (DCUSA). ELEXON's Design Authority and Change teams are currently identifying consequential BSC changes required alongside programme and CSS go-live, and we expect to deliver these to Ofgem by the end of March 2019.

Date	REC set up	RECCo	Procurement
6 Dec	Licence modifications directed		
23 January		Consult on RECCo budget	
1 Feb	Licence comes into effect REC v1.0 designated	Appoint interim RECCo Board Appoint interim RECCo Chair	
Late Feb		Approve 2019/20 RECCo budget Appoint Company Secretary	Approve procurement initiation (high level plan)
By end of Feb	Complete accession agreements	Issue initial invoices	Establish procurement panel
1 April	Ofgem chase up any late accessions/payments	First RECCo payments due (RECCo can start incurring costs)	Procure PM support (if required)
1 May		Approve REC Manager Requirements and authorise RfP	Define REC Manager requirements (having undertaken complete review of consolidated v2.0/3.0 text); Issue RfP/commence procurement phase
1 July		VAT registration (need evidence of revenues)	
1 Nov		Initiate 2020/21 Budget consultation	Negotiation and BAFO
1 Dec		REC Manager appointment made	
1 Apr 2020	Transition of responsibility from Ofgem/programme to REC Manager		

European Developments

Brexit

- 3.4 Brexit developments came quickly during January 2019, but the situation remains very fluid and the likely final outcome (at the time of writing) is no clearer. The Government’s heavy defeat of its EU withdrawal agreement in the UK Parliament on 15 January 2019 only added to the continuing uncertainty.

- 3.5 ELEXON continues to review developments and prepare for the necessary BSC changes. We have suggested to Ofgem that we deliver two BSC Modifications for a 'no-deal' scenario. One BSC Modification to deal with TERRE, which is currently being delivered via P344; and a second BSC Modification to deliver all the other Brexit-driven changes.
- 3.6 On 14 January 2019, Ofgem published its statutory consultation on changes to energy-related licences in the event of a 'no deal' Brexit scenario.
- 3.7 On 6 February 2019, BEIS/Ofgem hosted two Brexit 'no deal' workshops on electricity and gas respectively. These were set up 'to provide more detail about the plans the Government has put in place for the event of a no deal scenario, advise you on any actions that you may need to take to ensure your business is prepared and explore any outstanding concerns that you may have.'
- 3.8 The rest of this European section assumes that we continue to be bound by European energy law, which is the current default assumption adopted by the energy industry including Ofgem, even if a 'no deal' Brexit is now challenging this assumption.

Terms and Conditions related to Balancing (EB GL Article 18 and BSC Modification P374)

- 3.9 On 4 February 2019, Ofgem published its formal [Request for Amendment](#) of the EB GL Article 18 proposals made by GB Transmission System Operators (TSOs). In summary, Ofgem requested:
- More clarity for Balance Responsible Parties (BRPs) and Balancing Service Providers (BSPs) on their obligations.
 - That the mapping from Article 18 requirements to GB codes, including to the BSC, needs to be amended so that it includes only obligations on BRPs and BSPs or sets the rules for market suspension and restoration; but also it needs to include all mappings that meet these requirements. Some were missing and need to be added to the amended proposal.
 - That relevant parts of balancing service Standard Contract Terms are transposed into GB network codes to allow Ofgem to have a clear and transparent role in amending these terms in future. This can be achieved either through direct inclusion in the GB codes, or in a code subsidiary document.
 - That necessary code modifications should be initiated; and that any future amendment of the Article 18 balancing terms and conditions should be compliant with the EB GL process. ([P374](#) addresses the question of how the BSC change process should operate to be compliant with the EB GL Article 18 change process.)
 - That TSOs should consider the format of their submitted proposal and should clarify that the Article 18 terms and conditions are formed of provisions within the existing GB codes.
- 3.10 GB TSOs now have two months to submit an amended proposal to Ofgem.

Network Code on Emergency and Restoration (NC ER)

- 3.11 In early January 2019, we became aware that National Grid Electricity System Operator (ESO) had submitted its final proposed terms and conditions for market suspension, restoration and imbalance settlement during market suspension periods to Ofgem. This was required by the NC ER. However, it appeared that ELEXON's comments had not been addressed so we are seeking clarification from ESO on this point as, for example, we are unsure whether BSC Modifications will be required if the proposal goes forward as originally drafted.

Regulation on Energy Market Integrity and Transparency (REMIT)

- 3.12 The European Agency for the Cooperation of Energy Regulators (ACER), published new '[Guidance on implementation of web feeds for Inside Information Platforms](#)', which will potentially implement our Regulation on wholesale energy market integrity and transparency (REMIT) inside information platform which

we host on the Balancing Mechanism Reporting System (BMRS). The revised guidance provides us with instructions on how to submit web feeds which were not polled during the regular polling to the Agency.

- 3.13 ACER has also published its [Evaluation of Responses](#) to a consultation on REMIT (Revision of electronic formats for transaction data, fundamental data and inside information reporting), which it held in October 2017. ELEXON is examining these latest ACER proposals for potential impacts on our REMIT inside information platform.

TERRE webinar: an introduction for Virtual Lead Parties

- 3.14 On 15 January 2019, ELEXON, in collaboration with National Grid, hosted a webinar on 'An Introduction for Virtual Lead Parties', of which 150 people attended. The aim of the webinar was to help Virtual Lead Parties (VLPs) gain a better understanding of the concept of a new entrant, whilst exploring their obligations and participation with TERRE. The concepts of VLPs and secondary BM units have been introduced to facilitate wider access in the Balancing Mechanism and allow participation in Project TERRE.
- 3.15 Topics covered during the webinar included the pre-qualification process, GB code obligations, payment, settlement and reporting requirements for VLPs. If Parties missed our co-hosted TERRE webinar: 'An introduction for Virtual Lead Parties' and want to catch up, Parties can now view the [slides](#) and [recording](#).

Recognition for Steve Wilkin

- 3.16 Steve has been invited to attend a Royal Garden Party at Buckingham Palace. He was nominated by the Energy & Security Group in BEIS for his contribution to the development of the electricity market with a particular emphasis on his efforts on European issues.

4. Operational News

De-Minimis Acceptance Threshold (DMAT) and the Continuous Acceptance Duration Limit (CADL) parameter changes approved by Ofgem

- 4.1 On 24 January 2019, Ofgem approved changes to the DMAT and CADL parameters following recommendation of the Imbalance Settlement Group (ISG) and the BSC Panel.
- 4.2 DMAT and CADL will reduce from 1MWh to 0.1MWh and 15 minutes to 10 minutes respectively on 1 April 2019. Further information, including Ofgem's full response, can be found at the following [link](#) on our website.

Publication of revised Estimated Transmission Losses Adjustment (ETLMO) values for the 2019/20 BSC Year

- 4.3 At its January 2019 meeting (held via correspondence), the ISG approved the Estimated Transmission Losses Adjustment (ETLMO) values for use from 1 April 2019 ([ISG213/02](#)). ETLMO values are used to report indicative data on the Balancing Mechanism Reporting Services (BMRS), and will be published within the Operational Data section of the ELEXON Portal.
- 4.4 Following the implementation of [P350 'Introduction of a seasonal Zonal Transmission Losses scheme'](#) on 1 April 2018, ETLMO values have been calculated for each season across the 2019/20 BSC Year. BSC Parties should note that the Spring Season has been split into two periods: April to May 2019 and March 2020, to align with the BSC Year.
- 4.5 The new Delivering ETLMOj+) and Offtaking (ETLMOj-) values are:

Effective From	Effective To	ETLMOj+	ETLMOj-
01/04/2019	31/05/2019	-0.01085	0.00864
01/06/2019	31/08/2019	-0.01055	0.00877

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01/09/2019	30/11/2019	-0.01082	0.00713
01/12/2019	29/02/2020	-0.01093	0.00681
01/03/2020	31/03/2020	-0.01085	0.00864

4.6 For further information, please contact market.operations@elexon.co.uk.

New ELEXON Insight Article on System Prices in 2018

4.7 We have published a new ELEXON Insight looking at System Prices across 2018.

4.8 The insight found that in 2018, the lowest System Price (-£150/MWh) in a Settlement Period, since the implementation of BSC Modification [P305 'Electricity Balancing Significant Code Review Developments'](#) in November 2015, occurred in February 2018. The second part of the P305 System Price calculation changes were also introduced from November 2018.

4.9 In 2018 the average System Price when the System was long was £41.39/MWh, an increase from £30.77/MWh in 2017. When the System was short, the average System Price was £78.84/MWh. Further information can be found on the [ELEXON Insight](#) page of our website.

Credit Assessment Load Factor Values for Spring 2019 BSC Season – 1 February 2019 appeal deadline

4.10 The Credit Assessment Load Factor (CALF), values for Spring 2019 BSC Season, which runs from 1 March 2019 – 31 May 2019 are available from the Credit/Credit Alerting section under the Financial and Credit menu on the [ELEXON Portal](#).

4.11 If a Party was the Lead Party of a non-Credit Qualifying BM Unit, they were able to appeal an assigned CALF value by 1 February 2019 if they believed it did not accurately reflect their expected BM Unit activity. The holiday CALF deadline for the Spring 2019 BSC Season is Friday 15 February 2019, 10 working days before the start of the season. Parties are encouraged to request a copy of the Holiday CALF pro-forma via bscservicedesk@cgi.com. If Parties have any questions, they should email SettlementOperations@elexon.co.uk.

Funds Administration Agent (FAA) Payment Calendar

4.12 The FAA Payment Calendar for 2019/2020 is now available on the FAA Dashboard on the ELEXON Portal. This lists the Notification Date and Calendar Payment Date for each Settlement Day and Settlement Code in BSC Year 2019/2020.

4.13 If BSC Parties have any questions about the FAA Payment Calendar, they should contact bscservicedesk@cgi.com.

EMR Update

4.14 No EMR Circulars have been issued since the last Panel meeting.

4.15 All previous EMR circulars are all available to download from the [EMR Circulars page](#) of the EMRS website.

EMR LCCC Review of our Arrangements

4.16 The review by the Low Carbon Contracts Company (LCCC) continues ahead of its decision to either extend for a further five years the contract by which EMRS provides settlement services for Contracts for Difference (CfDs) and the Capacity Market, or undertake a retender of that contract. EMRS is fully engaging with the consultants appointed by LCCC (PWC, Deloitte (cost), Berkeley Partnership (technology), CMS (legal)) and with the contractors engaged for this exercise to review governance and change processes. The cost benchmarking report focuses on the ELEXON overhead costs allocated to EMRS and challenges whether the

service could be provided by staff on lower grades/rates. The technology report appears to confirm our view that the systems are fit for purpose (although could benefit from further automation if a CBA is positive).

- 4.17 We are producing a 'Value Add' paper to evidence aspects of the EMRS service that LCCC would not receive from a more traditional provider (e.g. flexibility to absorb additional work within the agreed budget via reprioritisation - the Mock Stress Event, standstill of CM or the many regulatory changes), or aspects that LCCC only receives because EMRS is able to access the expertise or infrastructure of ELEXON (e.g. metering expertise or the procurement team).
- 4.18 EMRS and ELEXON costs involved in this review (as well as those of LCCC) are borne by LCCC.

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). The DWG are currently reviewing the draft report on the TOM for Ofgem and met on 15 January 2019 to discuss any required changes and to agree some consultation questions for the industry on the DWG preferred TOM. This is a major milestone in the DWG's deliverables to Ofgem and follows six months' work by ELEXON, the DWG and four DWG sub-workgroups to develop service requirements for the TOM.
- 5.2 On 6 February 2019, ELEXON hosted a stakeholder event on the MHHS Target Operating Model (TOM) design. The aim of the event was to inform interested parties about the settlement design work undertaken to date, to introduce the DWG's preferred TOM, which describes the end-to-end Settlement process for MHHS and to discuss the development of a transitional approach.
- 5.3 ELEXON presented in detail the assumptions, methodology, and thought processes used in the development of the TOM, and there was an opportunity for questions and comments from attendees. ELEXON advised that a report setting out the TOM would be provided to Ofgem and published on this website at the end of January 2019. Following publication of the report, a consultation will take place.
- 5.4 Ofgem also provided an update on their policy work on access to data for HH Settlement, Supplier Agent functions and development of the Business Case for MHHS.

Demand Side Flexibility (DSF) and Smart Grids

- 5.5 On 8 January 2019 the Supplier Volume Allocation Group (SVG) agreed an approach to considering applications for exempt supply to be excluded from the gross demand volumes treated as chargeable for purposes of charging EMR levies (see [paper SVG215/02](#)). This will facilitate trials of innovative business models, particularly in relation to community energy schemes.

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 Imbalance Settlement Group (ISG) as no meeting was held in January 2019 (two papers were issued via correspondence).

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 SVG

Appendix C – Report from the PAB

Appendix D – Report from the TDC

For more information, please contact:

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