

289/01 – ELEXON REPORT

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| MEETING NAME | BSC Panel |
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| Date of meeting | 11 April 2019 |
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| Purpose of paper | For information |
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| Classification | Public |
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| Summary | 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 key 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 four consultations since our last update to the Panel as follows:

- Ofgem's consultation on the evaluation process for the 2019-20 Electricity System Operator (ESO) regulatory and incentives framework:
 - Our response supported the flexibility provided by a move to 'per role' funding and the transparency of ESO expenditure.
- Ofgem's consultation on its Revenues = Incentives + Innovation + Outputs (RIIO)-2 sector specific methodology:
 - Our response asked whether the ESO Code Administration function should be merged with ELEXON to achieve 'best in class' standards and suggested that ESO incentives should be aligned with collaboration rather than competition.
- National Grid Electricity System Operator (NGESO)'s consultation on amended proposal for Electricity Balancing Guidelines (EB GL) Article 18: Terms and Conditions for Balance Responsible Parties (BSPs) and Balance Responsible Parties (BRPs):
 - Our response proposed that many of the currently proposed mappings are too broad, and should be made specifically to relevant paragraphs only.
- The Department for Business, Energy and Industrial Strategy (BEIS)'s consultation on the smart metering implementation plan:
 - Our response stated that it is essential that all Smart Metering Equipment Technical Specifications (SMETS) variants can have data collected via the Data and Communications Company (DCC) to realise the full benefit of Market-wide Half-Hourly Settlement, and that meters which are unable to be adopted by DCC should be replaced with those that can.

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

BEIS/Ofgem Review of Codes and Code Governance - Code body collaboration and consolidation

- 2.3 On 14 March 2019, Utility Week published an in depth article on code reform. ELEXON featured in it with quotes from both Mark Bygraves, ELEXON's CEO and Angela Love, ELEXON's Director of Strategy and Communication. ELEXON's Operational Support Managers (OSMs) were cited as an example for other codes to follow by Grace Smith from UK Power Reserve. Stew Horne of Citizens Advice was also quoted, making positive distinctions between the governance of the BSC Panel and other code bodies and panels. The feature also included evidence of why we see ourselves as a code manager rather than just an administrator and that Ofgem is keen for others to follow this model.

3. Industry News

European and Brexit Developments

Brexit

- 3.1 The final form and date of Brexit are still very fluid and the situation changes day by day. However, at the time of writing, the legal default for EU exit was 11pm on 12 April 2019 with no deal, because Parliament had voted on 29 March 2019 and for a third time, to defeat the Withdrawal Agreement.
- 3.2 On 14 March 2019 National Grid ESO (NGESO) brought a 'no deal' Brexit Modification ([P382 'Amendments to the BSC to reflect the United Kingdom's withdrawal from the European Union without a deal'](#)) to the BSC Panel meeting. In essence this is a 'housekeeping' Modification. While the BSC will remain operative immediately following exit day, if no Modification is made there will be technical inaccuracies, which may lead to confusion for anyone not familiar with the relevant Brexit legislation, and will need updating as soon as possible. If the UK does leave the EU with a deal such that this Modification is no longer necessary in its current form, it can be rejected.
- 3.3 It should be noted that some revoked EU Legislation might not lead to the BSC being amended, as it is more efficient for these parts of the BSC to remain 'dormant' until further details emerge of the UK's future relationship with the EU post-Brexit. An example would be parts of the Code dealing with [P344 'Project TERRE'](#), which will not become 'active' until December 2019.
- 3.4 As reported to the March BSC Panel meeting ELEXON, Ofgem and NGESO had been in discussions regarding the Government's 'no deal' Statutory Instrument (SI) that amends the European Transparency Regulation. We continue to believe that the SI does not automatically result in the status quo for transparency data reporting in GB because it would require NGESO to develop its own reporting system. However, it appears that we can maintain the status quo if Ofgem approves the Balancing Mechanism Reporting System (BMRS) as a 'reporting service' under the amended Transparency Regulation. For that to occur, Ofgem is also required to satisfy itself that BMRS meets certain criteria.
- 3.5 Therefore, ELEXON and NGESO had drafted a letter requesting the Authority to approve BMRS as the GB 'reporting service' in the event that this SI amends the Transparency Regulation and we provided evidence of BMRS compliance with the criteria.
- 3.6 As 'no deal' is still, at the time of writing, an uncertain scenario, we did not expect to receive, and have not yet received, any immediate response from Ofgem.
- 3.7 The rest of this European section assumes that we continue to be bound by European energy law, which has been the default assumption adopted by the energy industry including Ofgem, even at this late stage. In fact, some obligations remain in the event of no deal because they are being retained into UK law.

Electricity Balancing Guideline (EB GL)

- 3.8 NGESO published its consultation on its amended EB GL Article 18 proposals on 28 February 2019. The amendments were required due to Ofgem's formal request as reported last month. NGESO also held an

associated [webinar](#) on 13 March 2019. As noted above, ELEXON has responded to the consultation, with comments mainly regarding the detail of the mapping from Article 18 requirements to the BSC. NGESO only had until 4 April 2019 to send its final, amended proposal to Ofgem.

- 3.9 In relation to the European Transmission System Operator (TSO)s' proposal for harmonising imbalance settlement, which is required under the EB GL, we are now aware that a formal regulatory decision is likely to be made in mid-summer 2019. If approved at that point, the required harmonisation would need to be implemented in the BSC by early 2021, i.e. by 18 months after regulatory approval.
- 3.10 The European Parliament gave [approval](#) to the final elements of the 'Clean Energy Package' of European legislation on 26 March 2019. Some parts of this legislative package are likely, subject to Brexit, to affect the BSC. The next steps are for EU Member State ministers to give their formal approval, with these final elements possibly coming into force in May/June 2019.

P370 Approved by the Authority

- 3.11 On 27 March 2019, the Authority approved the [P370 'Allow the Panel to designate non-BSC Parties to raise Modifications'](#) Alternative Modification Proposal for implementation on 3 April 2019 (five Working Days following approval).
- 3.12 P370 will move the body responsible for designating non-BSC Parties to be able to raise Modification Proposals from Ofgem to the BSC Panel. As it was the Alternative which was approved, it also has a route of appeal to Ofgem. If anyone has any questions or would like to discuss this Modification further, please contact Lawrence Jones on 020 7380 4118 or email bsc.change@elexon.co.uk

4. Operational News

March 2019 Standalone Release – successfully implemented

- 4.1 One Modification and one Change Proposal (CP) were successfully implemented on 29 March 2019 (this follows the successful February release):
- [P369 'National Grid Legal Separation changes to BSC'](#) - P369 modifies the BSC to reflect the creation of a new National Grid Electricity System Operator that is legally separate from National Grid Electricity Transmission Limited; and
 - [CP1511 'Clarification of BSCP40 definitions and processes'](#) – this CP implements a number of clarifications and improvements to the BSC Change Management processes. It formalises the categorisation of Configurable Items, including the introduction of a new category; Category 3 Configurable Item.
- 4.2 Further information can be found on the [March 2019 Standalone Release](#) page of our website. If anyone has any queries, they should email releases@elexon.co.uk.

Settlement adjustment due to clock change on 31 March 2019

- 4.3 The clock change on 31 March 2019 resulted in a 'short' day which impacted Settlement periods and contract notifications. On a 'short' clock change day, there are only 46 Settlement Periods instead of the normal 48.
- 4.4 If Parties submitted a contract notification, which included the clock change day and normal, non-clock change days, Energy Contract Volume Aggregation Agent (ECVAA) default rules were applied. The notified volumes corresponding to Settlement Periods three and four were removed on the clock change day. Notified volumes for the remaining Settlement Periods on the clock change day were all used for the Settlement Period two Settlement Periods earlier than the one they were originally notified for.
- 4.5 The ECVAA Notification Report (ECVAA-I014) for 31 March 2019 only contained 46 Settlement Periods and included the effect of any defaulting rules applied to multi-day notifications. The ECVAA Forward Contract Report (ECVAA-I022) for 31 March 2019 showed a representation of the original notifications submitted.

Credit Assessment Price to decrease from £56/MWh to £48/MWh on 9 April 2018

- 4.6 ELEXON's Credit Committee has agreed that the Credit Assessment Price (CAP) will decrease from £56/MWh to £48/MWh on Tuesday 9 April 2019.
- 4.7 This follows a meeting by the Credit Committee on 15 March 2019, and a previous ELEXON [consultation](#) on reducing the CAP, which was published on 4 March 2019. To determine the new value, the Credit Committee considered the latest forward wholesale electricity prices for April, May and June 2019 that will be used in the reference price calculation.
- 4.8 Parties may notice a change in their Credit Cover Percentage as a result of the new CAP, and should review the amount of Credit Cover lodged. The Credit Committee agreed that the CAP review trigger level value should remain unchanged at +/- £6/MWh.
- 4.9 For more information, Parties should see our FAQs or contact Credit.Committee@elexon.co.uk.

February 2019 Smart Meter Technical Detail Report published

- 4.10 The Smart Meter Technical Detail (MTD) [report](#) is used to monitor compliance with BSC obligations over the foundation and mass roll-out phases of the smart Meter roll-out. It provides market level performance at sending late and corrected MTDs for both Smart Metering Equipment Technical Specification (SMETS) v1.0 and v2.0 Meters; volumes of Meter installations completed by Meter type; and performance at first reconciliation run for all Meter types.
- 4.11 We note that in February 2019 reporting period, the number of SMETS v1.0 Meters installed decreased from 145k to 125k. SMETS v1.0 installs still constitute the majority of exchanges (56.3% of total Meter installs).
- 4.12 The number of SMETSv2.0 installed in February 2019 increased from 49k to 56k. The proportion of late MTDs for SMETS v2.0 exchanges has increased to 2.67% in February 2019 from 2.15%. The proportion of corrected MTDs for SMETS v2.0 exchanges has decreased from 0.47% to 0.36% in February. However, the total number of SMETSv2.0 exchanges is still too low to raise concerns.
- 4.13 If Parties have any questions, they should email SettlementOperations@elexon.co.uk.

New seasonal Zonal Transmission Loss Factors and Estimated Loss Adjustment now available

- 4.14 On 1 April 2019, new Seasonal Zonal Transmission Loss Factors (TLFs) and Estimated Transmission Loss Adjustment (ETLMs) came into effect.
- 4.15 TLFs were first introduced on 1 April 2018, in response to the findings of the Competition and Markets Authority's (CMA) [Energy Market Investigation](#). TLFs are now set for each Grid Supply Point (GSP) Group and BSC Season, meaning transmission losses are allocated on a geographical and seasonal basis.
- 4.16 ETLMs are parameters set for the purposes of Balancing Mechanism Reporting Agent (BMRA) reporting, and are used to estimate values of the 'Delivering Transmission Losses Adjustment' (TLMOj+) and the 'Off taking Transmission Losses Adjustment' (TLMOj-). For an overview of the Seasonal Zonal Transmission Losses scheme, and the associated BSC Modification [P350 'Introduction of a seasonal Zonal Transmission Losses scheme'](#), please watch this [webinar](#).
- 4.17 For further information please email market.operations@elexon.co.uk.

2019/20 Settlement Year calendars published

- 4.18 We have published the following Settlement Year calendars for 2019/20 on the [ELEXON Portal](#):
- D0095 (Half Hourly Data Aggregation Exception Report) Calendar;
 - 2019/2020 Settlements Administration Agent (SAA) Calendar;

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- 2019/2020 Supplier Volume Allocation Agent (SVAA) Calendar;
- Credit Cover CAR 2019/2020 Calendar; and
- Post Final Settlement Run (PFSR) Calendar 2019/20.

4.19 For further information on the calendars, please contact Chris Stock at Settlement.Operations@elexon.co.uk.

Half Hourly Settlement Performance workshop – save the date for 12 June 2019

- 4.20 We are organising a Half Hourly (HH) settlement performance workshop on 12 June 2019. This will be an all day workshop where Parties can discuss issues in relation to HH Settlement as well as share best practice on improving HH performance.
- 4.21 We encourage BSC Parties and BSC Party Agents to register. More details will be made available in the coming weeks.

EMR Update

- 4.22 The following EMR Circulars have been issued since the last Panel meeting:
- EMRC175: EMRS Settlement Calendar for 1 April 2019 to 31 March 2020 published; and
 - EMRC176: LCCC has determined the Interim Levy Rate and Total Reserve Amount for 1 July 2019 to 30 September 2019.
- 4.23 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 (MHHS)

- 5.1 The Design Working Group (DWG) is now working its way through the consultation responses received on its preferred [Target Operating Model \(TOM\)](#) for Market-wide Half Hourly Settlement (MHHS).
- 5.2 A DWG meeting was held on 26 March 2019 and a further DWG meeting will be held on 1 May 2019.

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 no ISG meeting was held in March 2019 but that two PAB meetings were held over two days on 27 March 2019 and 28 March 2019.

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 SVG

Appendix C – Report from the PAB (A)

Appendix D – Report from the PAB (B)

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Appendix E – Report from the TDC

For more information, please contact:

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