

# 291/01 – ELEXON REPORT

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<b>MEETING NAME</b>	BSC Panel
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<b>Date of meeting</b>	13 June 2019
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<b>Paper number</b>	291/01
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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 ELEXON provides this paper for the Panel's information. It presents an overview of activities and developments within ELEXON and the balancing and settlement arrangements. ELEXON provides detailed information on operational matters in other reports, particularly the Trading Operations Report.

## 2. ELEXON News

### Consultation Responses

2.1 We have responded to 3 consultations since our last update to the Panel as follows:

- Ofgem's Call for evidence on ESO performance over the 2018-19 regulatory period
  - Our response offered an update for the second six months of the review year (October 2018 to March 2019) and a copy of the response we previously sent in October 2018 covering the first six months of the review year (April 2018 to September 2018).
- ENA's Open Networks Project: Consultation on future worlds impact assessment
  - Our response highlighted the importance of distinguishing trials from enduring market frameworks and highlighted a number of implicit assumptions in the analysis that may need to be surfaced and considered.
- BEIS' The future for small-scale low carbon generation: part B
  - Our response highlighted the lack of a clear requirement to register Smart Export Guarantee (SEG) eligible installations for settlement under the BSC.

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

### Performance Assurance Framework (PAF) Review

2.3 ELEXON recently updated the [Review web page](#) with the latest information about the review.

2.4 The [Risk Visualisation Tool](#) is available on the website. We welcome feedback on it to help us with future development.

2.5 The Technique Review Recommendations for Supplier Charges and the BSC Audit are available with the [PAB 220 Papers](#).

### Credit Assessment Load Factor values for the Summer 2019 BSC Season: 1 August appeal deadline

2.6 The Credit Assessment Load Factor (CALF) values for the Autumn 2019 BSC Season, which runs from **1 September to 30 November 2019**, are available from the Credit/Credit Alerting section under the Financial and Credit menu on the [ELEXON Portal](#).

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2.7 To raise an appeal, please complete the CALF Appeals pro forma in Appendix 5 of the [CALF Guidance document](#) and email it to [bscservicedesk@cgi.com](mailto:bscservicedesk@cgi.com) by **Thursday 1 August 2019**. To find out more about CALF appeals, please see Section 12 of the CALF Guidance document.

2.8 Contact details: [SettlementOperations@elexon.co.uk](mailto:SettlementOperations@elexon.co.uk).

### Transmission Loss Factor values for the Summer 2019 Season

2.9 The Balancing Mechanism Unit Specific Transmission Loss Factor (TLF) values for Year 2019-2020 Summer V1.0 are available on the TLFs Determination page under 'BM Unit Specific Transmission Loss Factors (TLFs)' on the [ELEXON Portal](#).

2.10 This file provides the TLF for each BM Unit that is registered to be active during the period **1 June 2019 to 31 August 2019**. The file will be updated as a result of any subsequent BM Unit registrations and/or de-registrations that will be effective during this period. We will change the version number in the file name whenever the content changes in the file.

2.11 Contact details: [bm.unit@elexon.co.uk](mailto:bm.unit@elexon.co.uk)

### New Insight article published on the need for settlement services for low carbon heat and how ELEXON could help

2.12 Earlier this month the Committee on Climate Change (CCC) underlined how much work the UK has to do to reduce carbon emissions in its Net Zero report. Thomas Demetriades, an Analyst at ELEXON has been looking at the potential for more heat networks to be developed in Britain, and the support that ELEXON could offer towards this. See [Thomas' ELEXON Insight](#).

2.13 Contact details: [communications@elexon.co.uk](mailto:communications@elexon.co.uk), [Thomas.demetriades@elexon.co.uk](mailto:Thomas.demetriades@elexon.co.uk)

### New ELEXON Insight on Imbalance Charging

2.14 We have published an ELEXON Insight article in which Business Intelligence Analyst, Emma Tribe, explains energy imbalance cash flow and how leftover amounts are redistributed among BSC Parties. This article highlights how we calculate payments that come into ELEXON and how, as a not-for-profit organisation the way they are calculated means we receive no financial gain. See [Emma's insight article in full](#).

### ELEXON insights: Code Governance Review

2.15 We have provided our view of how energy codes (the commercial arrangements underpinning the energy system) could be consolidated and simplified for the benefit of new entrants and energy companies that are already in the market, by improving the user experience, speeding up changes to code rules and ensure that we have more consistent and coordinated processes across the codes. We believe consolidation will also result in cost synergies for the energy sector.

2.16 We are sharing our views with Ofgem and the Department for Business Energy and Industrial Strategy. They are reviewing the code arrangements and are expected to announce next steps this summer.

2.17 See the full detail in ELEXON Policy View: [The Energy Codes Review](#).

2.18 Contact details: [communications@elexon.co.uk](mailto:communications@elexon.co.uk) (REF: Code Reform)

## 3. Industry News

### New ELEXON Insight published on the rapid decline in coal-fired generation

3.1 Angus Fairbairn, Market Analyst at ELEXON has been looking at the data behind the major reduction in coal generation in Britain which has been making headlines as the GB market aims to phase out the fuel by the end of 2025. The record for the longest 'coal-free' period has been broken again over May bank holiday weekend. See the [Insight article in full](#).

3.2 Contact details: Market Analysis Team [market.analysis@elexon.co.uk](mailto:market.analysis@elexon.co.uk)

### Industry testing for Project TERRE to begin in July

3.3 Industry testing for Project TERRE begins in July. If you are interested in finding out more about Project TERRE or applying to become a Virtual Lead Party so you can trade balancing power, please get in touch with us at [market.entry@elexon.co.uk](mailto:market.entry@elexon.co.uk).

3.4 See more information about Project TERRE in this [news article](#). Our [answers to Frequently Asked Questions](#) will also help you learn more about the initiative.

### Code Administration Code of Practice (CACoP) Engagement Event

3.5 We are hosting a Code Administration Code of Practice (CACoP) Engagement Event at our offices on **16 July**. The CACoP sets out principles for the administrators of the energy industry codes. It facilitates convergence and transparency in code modification processes and helps to protect the interests of small market participants and consumers. Topics for discussion include the horizon scanning work that CACoP does and areas that code administrators have led on to help deliver the CACoP principles. You can sign up to attend [on this link](#).

### Energy Data Taskforce

3.6 We continue to provide support and advice to the Energy Data Taskforce and its final report is imminent. We have stated our support for their findings, saying:

- We welcome the report and believe that it is a valuable contribution to facilitating the development of innovative products for the energy market for the benefit of the end customer. We strongly agree that companies managing customers' data on behalf of the system should not profit from their privileged position of having access to particular datasets. We totally agree with the principle of Open Data, and already seek to make the data we hold as accessible as possible to all parties.
- We continue to agree that a Data Catalogue offers the opportunity for improved data governance in the sense of agreed data standards, methods of data exchange, standardised units etc. However, at ELEXON we are committed to the simplification and rationalisation of Codes and governance, and so would not support the idea of introducing yet another Code or set of regulations specifically aimed Data Governance.
- We remain committed to providing our support to the Energy Data Taskforce, and see it as an important step to unlocking benefits for the end customer.
- As is evident from our support, ELEXON already comply with key recommendations of the Taskforce. We have said that a key focus of the work moving forwards needs to be in those areas where data is not currently measured or recorded.
- We have also offered our expertise to data work group under the ENA Open Networks project being set up to develop proposals on access to Distribution System Operator (DSO) type data.

### European and Brexit Developments

#### Brexit

3.7 As the Panel is aware, the UK Government and the European Union agreed on 11 April 2019 that the Brexit date should move to a later date (it had been scheduled for 12 April 2019), to a variable date that should not be later than 31 October 2019.

3.8 Since that agreement, until the time of writing this report, there have been no further formal developments.

- 3.9 However, Michel Barnier in an interview for the [European Commission's Finance Newsletter in May](#), noted amongst other things: 'Before 31 October, we will also need to continue the work led by the Secretariat-General to prepare for the 'no deal' scenario. With our 92 notices, sector by sector, our discussions with the Member States and our contingency legislation at EU level, we were ready already for the possibility of 'no deal' on 29 March. We are now reconsidering these preparedness measures to see if they need to be adapted in the light of the new deadline.'
- 3.10 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. In fact, some obligations remain in the event of no deal because they are being retained into UK law.

### **Electricity Balancing Guideline (EB GL)**

#### **EB GL – Article 18 terms and conditions for balancing service providers and balance responsible parties**

- 3.11 As previously reported, National Grid Electricity System Operator (NGESO) submitted its amended EB GL Article 18 proposal to Ofgem on 4 April 2019, following an industry consultation in March. Under the EB GL, Ofgem then had a two-month period in which to consider the revised proposal. On 4 June 2019, Ofgem requested further amendments to the proposal, giving NGESO two months to make the required changes before resubmission and, following this, Ofgem will have a further two months to approve.
- 3.12 Changes may be needed to the BSC Modification process to comply with the EB GL Article 18 change process (which is the subject of BSC Modification proposal [P374](#)).

#### **EB GL – 15-minute settlement**

- 3.13 At the May Joint European Stakeholder Group (JESG) meeting, Ofgem made an announcement on the potential exemption for GB from 15-minute settlement. If Ofgem does not grant this exemption then the EB GL requires that 15-minute settlement must be implemented across the EU (including in GB) by 18 December 2020.
- 3.14 Ofgem noted that it was required to do a joint cost-benefit analysis (CBA) with the European regulatory body, ACER, in order to grant the exemption.
- 3.15 Ofgem has now agreed the terms of that CBA with ACER and the plan is to update the 2016 Frontier Economics CBA with more recent information. Ofgem will be approaching NGESO, ELEXON and wider industry over the next month to identify any changes to that original CBA. And, on behalf of Ofgem, ELEXON, Energy UK and NGESO have recently published a request for information in our respective industry newsletters:
- Given the number of responses from GB in 2016 on costs, Ofgem is confident that the costs presented in the 2016 CBA were a reliable estimate of the costs at that time. However, to ensure their reliability 3 years on, Ofgem asks stakeholders to consider whether there has been a significant change to the cost estimates – which they submitted to Frontier Economics – in the years since that CBA.
  - If stakeholders think that there has been a significant increase or decrease in their costs relating to a change from 30 to 15 minute settlement, Ofgem would like to know what costs they estimated for the 2016 CBA and how much more or less their estimated costs are now.

### **Network Code on Emergency and Restoration (NC ER)**

- 3.16 NGESO has resubmitted to Ofgem an amended proposal for the rules for market suspension and imbalance settlement during market suspension periods. The original proposal made on 18 December 2018 did not reflect consultation comments that were originally received from ELEXON. The amended proposal can be found [here](#).

- 3.17 It is expected that Ofgem will decide on this proposal by 18 June 2019.
- 3.18 The approved terms and conditions will form part of the Article 18 terms and conditions and so will form part of retained EU law in the event of a no deal Brexit.
- 3.19 On 7 May 2019, ENTSO-e hosted a European stakeholder workshop on the implementation of the NC ER across Europe. Europex, of which ELEXON is a member, provided us with feedback, which indicated that the workshop had supported EU harmonisation of market suspension and restoration rules in the longer term. A second Brussels workshop is due to be held later in 2019.

### **Clean Energy Package of European legislation**

- 3.20 The EU Member State ministers gave approval to the final elements of the 'Clean Energy Package' of European legislation on 8 May 2019. The final step is for their publication in the Official Journal of the EU (OJEU). That publication, expected soon, will mean that these final elements are likely to become law in June 2019. However, most of the Electricity Regulation part of the Package will not apply until 2020; and, subject to Brexit, the UK Government will need to transpose the Electricity Directive into UK law by 31 December 2020.
- 3.21 ELEXON has been party to the development of these laws via BEIS, Energy UK and Europex, and we are not expecting significant impacts on the BSC from the Regulation. However, we will re-review the final texts of both the Electricity Regulation and Electricity Directive once published in OJEU to ensure that we prepare for any Brexit scenario that includes compliance with these laws.

## **4. Operational News**

### **Seven months to go for change to BSC Performance Standards for Meter Systems in Measurement Classes F and G**

- 4.1 Performance Standards for Half Hourly (HH) Metering Systems in Measurement Classes (MC) F and G will increase from 90% of energy settling on actual data at the First Reconciliation Run (R1) to 99% on 1 January 2020. If the new standards are met, this will result in better Settlement accuracy earlier in the process.
- 4.2 The Performance Assurance Board (PAB) is closely monitoring MC E, F and G settlement Performance Standards and the latest update, which contains recommendations which the PAB agreed, can be found [here](#).

### **Majority of smart meter installs are now SMETS v2.0 Meters**

- 4.3 Our latest Smart Meter Technical Detail Report shows that in April the number of installs for SMETS v2.0 smart meters has overtaken installation rates for the older style SMETS v1.0 meter. The April report also shows that overall, 9.7 million electricity meters have been replaced with smart meters – just over a third of the total number of electricity meters in Britain.
- 4.4 The Smart Meter Technical Detail Report is used to monitor compliance with BSC obligations over the foundation and mass rollout phases of smart meters.
- 4.5 It provides:
- market level performance at sending late and corrected meter technical details for both 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.
- 4.6 See the [full report](#).
- 4.7 Contact details: [SettlementOperations@elexon.co.uk](mailto:SettlementOperations@elexon.co.uk)

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## EMR Update

- 4.8 The following EMR Circulars have been issued since the last Panel meeting:
- EMRC179: Supplier Capacity Market Demand forecast due 1 June for 2019/20 Delivery Year
  - EMRC180: Capacity Market Stress Event Guide Published
- 4.9 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 DWG has agreed its approach for transitioning from the current Settlement arrangements to its preferred Target Operating Model (TOM) for MHHS. It consulted on this approach in early June, after meeting on 22 May to agree the final content of the consultation.
- 5.2 This is a major milestone in the DWG's deliverables to Ofgem. Following the consultation, the DWG plans to meet twice more (in July and August) to discuss the responses and agree its final report to Ofgem. We remain on track to submit this report in late August.
- 5.3 Ofgem will use the DWG's final report in its concluding business case decision on how and when to proceed with MHHS, as part of its wider Significant Code Review (SCR).

## 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.

## Appendices

- Appendix A – ELEXON monthly KPIs
- Appendix B – Report from the ISG
- Appendix C – Report from the SVG
- Appendix D1 – Report from the PAB Confidential
- Appendix D2 – Report from the PAB Public
- Appendix E – Report from the TDC

### For more information, please contact:

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