

# 292/01 – ELEXON REPORT

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<b>MEETING NAME</b>	BSC Panel
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<b>Date of meeting</b>	11 July 2019
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<b>Paper number</b>	292/01
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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 2 consultations since our last update to the Panel as follows:

- National Grid's consultation on EBGL Article 26: Requirements for specific products
  - Our response suggested NGESO emphasised unique challenges that they face which require continued use of specific products for balancing services, and stated that the continued use of specific products should not distort the markets for any other products.
- DCUSA's consultation on the removal of residual charging for storage facilities in the CDCM/EDCM
  - Our response supported the overall intent of the modifications, however, we raised concerns about inconsistencies between the DCUSA proposals and the related CUSC modification proposals, and that aspects of the DCUSA proposals could have been explained in more detail.

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

### ELEXON blog on the connected home now live on Tech UK's website

2.3 ELEXON has published a blog on how new technology at home will help consumers to engage more in the energy market. The blog is live on [Tech UK's website](#). Tech UK is a membership organisation which works to ensure digital technology is used wisely to build a stronger society and economy. The blog looks at how work ELEXON is leading, such as designing the Target Operating Model for Market-wide Half Hourly Settlement, and BSC rule change proposals based on our analysis ([Modification P379](#)) will make it easier for consumers to capture the benefits of a smarter electricity system.

### New ELEXON Insight published on what drives increases in electricity imbalance volumes

2.4 Daily average energy imbalance volumes have doubled between 2014 and 2019 and in a new ELEXON Insight one of our Business Intelligence Analysts, Emma Tribe, investigates the drivers behind the increase. Read [the full Insight](#) on our website.

### Half Hourly Settlement Workshop

2.5 ELEXON hosted a Half Hourly Settlement Workshop on 12 June 2019. The event was very popular and attracted more than 60 participants from across the Industry. We are collating findings from the workshop

and will publish them on our website soon. In the meantime we have published [the slides from the day](#) on our website.

### **ELEXON's 2018/19 Annual Report and Financial Statements**

- 2.6 On Friday 28 June we published our 2018/19 Annual BSC Report which set out our progress against meeting our objectives and how we have supported our customers and the moves towards a smarter more flexible energy system. We have also published ELEXON's Financial Statements. The [Annual Report](#) and [Financial Statements](#) can be found on the ELEXON website.

### **Radio Teleswitching Settlement Service**

- 2.7 Teleswitching for Economy 7 relies on BBC signals from various transmitters. The Energy Networks Association (ENA) has responsibility for management of the service and communications contracts but are refusing to continue to fund via the Distribution Network Operators (DNOs). ELEXON is engaging with the ENA (and Energy UK who is looking for an industry wide solution) about invoicing suppliers for the £1.4m charges pa from April 2020. As well as ENA wanting to avoid funding, another issue is that the current arrangements do not oblige new suppliers to sign up to pay their share of the costs to ENA and do not include mutualisation for non-payment, both of which are desired by industry and ENA. These issues would be solved by including teleswitching charges within the BSC. An Issue Group will explore a potential BSC solution, including whether a Modification would be required.

## **3. Industry News**

### **ELEXON supports Energy Data Taskforce's view on freely available data**

- 3.1 ELEXON welcomes the findings of the Energy Data Taskforce report ([published 13 June 2019](#)) on how data can help unlock opportunities so that consumers benefit from the moves to a smarter, lower carbon energy system.
- 3.2 The Energy Data Taskforce was set up to provide the Department for Business, Energy and Industrial Strategy and Ofgem with recommendations on how energy data can help the development of a smarter energy system in Britain.
- 3.3 ELEXON is a member of the taskforce and we provided valuable input based on our in depth experience of managing the electricity Balancing and Settlement Code (BSC) over the last 20 years. Our contribution was acknowledged in the report. ELEXON already provides extensive data free of charge via the BMRS. We will also review our other licensing arrangements (P114 etc.). For more information please see [ELEXON's related article](#).

### **Latest gross supplier market share data published**

- 3.4 We have published the latest version of [gross supplier market share data for Q1 2019](#). We publish a quarterly summary of each supplier's market share by volume and average Meter Point Administration Number (MPAN) count.

### **REC Manager and Ofgem Switching Programme**

- 3.5 On Monday 17 June Ofgem issued its consultation 'Switching Programme and Retail Code Consolidation: Proposed changes to licences and industry codes'. This seeks industry views on the Retail Energy Code, its schedules, and the licence changes required to deliver faster, more reliable switching and Retail Code Consolidation.
- 3.6 Ofgem is also consulting on the approach to the Significant Code Review, the governance of the Retail Energy Code, the timelines and approach for its delivery, as well as consequential changes to other industry

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codes, which includes the BSC. The latest consultation includes the ability for industry to remove directors of RECCo to increase accountability (which we note would increase the similarities with ELEXON).

- 3.7 The consultation provides an update on the REC tender timeline. Ofgem now envisages that RECCo would launch the REC Manager tender during November 2019, in order for contracts to be in place by Q2 2020. Ofgem considers that the earliest the REC Manager could reasonably be mobilised is by 1 April 2020, to align with the 2020/21 FY RECCo budget.

### **Code Administration Code of Practice (CACoP) June newsletter and event**

- 3.8 The CACoP sets out the principles for the administrators of the industry codes that underpin the electricity and gas wholesale and retail markets. On 24 June 2019, ELEXON published [the first ever Code Administration Code of Practice \(CACoP\) newsletter](#), which is an important step in helping stakeholders to understand the work of CACoP.
- 3.9 ELEXON has embedded the CACoP principles in its change processes. An example of this is the work we have undertaken alongside other code administrators so that there is a consistent approach to ensuring that a potential 'no deal' Brexit can be managed through changes across codes.
- 3.10 On 16 July we will host a stakeholder event on the Code Administration Code of Practice (CACoP) at our offices in London. The CACoP sets out the principles for the administrators of the industry codes that underpin the electricity and gas wholesale and retail markets. You can register to attend the event using [this link](#).

### **European and Brexit Developments**

#### **Brexit**

- 3.11 The UK's default legal position of a 'no deal' Brexit on 31 October 2019 is unchanged and there were no significant Brexit developments this month affecting the BSC directly.
- 3.12 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)**

#### **EBGL – TERRE**

- 3.13 EB GL Article 19 requires that TERRE (Trans-European Replacement Reserves Exchange) must go live at the latest by one year after the TERRE implementation framework is approved by European regulators. We understand that this would set a legal TERRE go live backstop date in late December 2019 or early January 2020. However, we were made aware on 21 June 2019 that National Grid ESO had raised a derogation request with Ofgem to delay its participation in the Project TERRE balancing product to no later than December 2020. The request had been made because French electricity transmission system operator RTE has announced that it will not go live in December 2019, which means there will not be a market in which GB can participate. Project TERRE was due to launch across nine European countries this autumn.
- 3.14 ELEXON is committed to supporting the facilitation of wider market access to the Balancing Mechanism and GB market participation in TERRE. We still intend to make wider Balancing Mechanism access available this year, regardless of whether GB participation in TERRE is deferred.
- 3.15 This is to ensure that independent aggregators have access to the GB Balancing Mechanism (which was also part of and set out in Modification P344 'Project TERRE implementation into GB market arrangements'). ELEXON will continue to work closely with National Grid ESO to ensure that we play our part in enabling GB's participation in Project TERRE on the date approved by Ofgem.

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

- 3.16 NGESO submitted its amended EB GL Article 18 proposal to Ofgem in April 2019. As previously noted, 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](#)).
- 3.17 On 4 June 2019, Ofgem decided that further changes were needed to the NGESO proposal, so NGESO now has two months to make the revisions requested and as part of this it is consulting on the new draft proposal. The [consultation](#) opened on 2 July 2019 and closes at midday on 2 August 2019.

### **EB GL – 15-minute settlement**

- 3.18 Last month we reported that, in May, Ofgem had made a statement 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.
- 3.19 Ofgem had 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 and has now commenced that CBA.

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

- 3.20 On 19 June 2019, Ofgem published its decisions on various proposals made by NGESO that were required under the NC ER. However, Ofgem made no decisions on the NGESO's proposed terms and conditions for: market suspension and restoration; and imbalance settlement during market suspension periods. This was due to NGESO having re-submitted these particular proposals after the original submission. Ofgem stated that it would make a determination on these re-submitted proposals in a separate decision.
- 3.21 Once approved, the 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.

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

- 3.22 The final parts of the 'Clean Energy Package' of European legislation were published in the Official Journal of the EU (OJEU) on 14 June 2019. This means that they become law on 4 July 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.
- 3.23 ELEXON will review the final texts of both the Electricity Regulation and Electricity Directive to ensure that we prepare for any Brexit scenario that includes compliance with these laws.

### **Other**

- 3.24 The June 2019 meeting of the Florence Forum (which was set up in 1998 for the European Commission, Member States, regulators and stakeholders to discuss the creation of the European internal electricity market) welcomed the intention of the European Commission to start development of two new network codes covering respectively: cybersecurity and demand side flexibility. It called for as much transparency and stakeholder involvement as possible during the early and informal development stage.

## **4. Operational News**

### **New BSC Issue 81**

- 4.1 ELEXON raised Issue 81 on 12 June 2019 and we are seeking members to join the Issue Group.
- 4.2 Issue 81 seeks to determine the benefits of Run-up/Run-down rates and Last Time to Cancel Synchronisation (LTCS) publication on BMRS. If you would like to be part of this Issue Group, please email

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[bsc.change@elexon.co.uk](mailto:bsc.change@elexon.co.uk). We will consider meeting dates at a later time. If you have any questions, please contact Faysal Mahad on 020 7380 4275 or email [bsc.change@elexon.co.uk](mailto:bsc.change@elexon.co.uk).

### New BSC Issue 82

- 4.3 ELEXON raised [Issue 82 'Expand the BSC Panel's ability to raise Modification Proposals'](#) on 19 June 2019 and we are seeking members to join the Issue Group.
- 4.4 Further information can be found on the [Issue 82](#) page of our website. If you have any questions, please contact Fungai Madzivadondo on 020 7380 4341 or email [bsc.change@elexon.co.uk](mailto:bsc.change@elexon.co.uk).

### The 2018/19 BSC Audit Report and Technical Assurance Agent (TAA) Report published

- 4.5 The 2018/19 BSC Audit Report to the BSC Panel has been published. For the 2018/19 Audit, the report has been split into two parts:
- The International Standard on Assurance Engagements (ISAE) 3000 Opinion covering Central Volume Allocation (CVA) MOAs (Meter Operator Agents) and Central Systems, and
  - The Process Assessment Report covering Suppliers and Supplier Volume Allocation (SVA) Agents.
- 4.6 See [the BSC Auditors report - CVA ISAE 3000 Opinion](#) and [the BSC Auditors report - SVA Process Assessment](#) on our website.
- 4.7 The TAA Annual Report focuses on risk and compliance in respect of physical Metering Equipment.
- 4.8 See [the 2018/19 TAA Annual Report](#) on our website.

### EMR update

- 4.9 The following EMR Circulars have been issued since the last Panel meeting:
- EMRC181: LCCC determine ILR and TRA 1 Oct 19 to 31 Dec 19
- 4.10 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

### Design Working Group consults on transitioning to Market-wide Half Hourly Settlement

- 5.1 The ELEXON-led Design Working Group (DWG) has developed its approach for transitioning from the current Settlement arrangements to the Target Operating Model (TOM) for Market-wide Half Hourly Settlement (MHHS). The DWG [published its consultation](#) on the transition approach on 7 June 2019. The deadline for responses to the DWG consultation is 08:00 on 8 July 2019. If you would like to submit a response please complete the response form on the consultations page of our website, then send your response to [dwgsecretary@elexon.co.uk](mailto:dwgsecretary@elexon.co.uk).
- 5.2 If you have any questions about the transition approach, ELEXON's MHHS team will be happy to help. Please email [dwgsecretary@elexon.co.uk](mailto:dwgsecretary@elexon.co.uk).

## 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.

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## 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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