

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

P389 'Resolution of Capacity Market and Balancing Mechanism registration conflicts'

There is a conflict between the rules in the Balancing and Settlement Code (BSC) and the Capacity Market (CM) rules regarding how Balancing Mechanism (BM) Units are registered. Removing this conflict from the BSC will clarify the arrangements and ensure BSC Parties remain compliant with both the BSC and CM rules.



The BSC Panel initially recommends **approval** of P389

This Modification is expected to impact:

- Capacity Market participants (Capacity Providers)
- Suppliers

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About This Document

This is the P389 Draft Modification Report, which ELEXON will present to the Panel at its meeting on 12 September 2019. It includes the responses received to the Report Phase Consultation on the Panel's initial recommendations. The Panel will consider all responses, and will agree a final recommendation to the Authority on whether the change should be made.

There are three parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach. It also summarises the Workgroup's key views on the areas set by the Panel in its Terms of Reference, and contains details of the Workgroup's membership and full Terms of Reference.
- Attachments A – B contain the draft-redlined changes to the BSC and BSCP15 for P389.



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Why Change?

BSC Section K 'Classification and Registration of Metering Systems and BM Units'

paragraph 3.1.8(b) hampers Capacity Providers and Suppliers in how they can configure their CM Units in relation to their relevant BM Units. It was introduced in August 2014 when the Capacity Market was first introduced but subsequent changes to the CM rules in March 2015 negated its need.

Solution

Delete K3.1.8(b) as it is not needed for Settlement integrity and the original CM purpose has been surpassed by updated CM Rules.

Impacts & Costs

The only cost will be to change the relevant sections of the BSC. No impacts or costs for industry participants have been identified.

Implementation

P389 is recommended for implementation on 7 November 2019 as part of the November 2019 BSC Release.

Recommendation

The Panel initially unanimously believes that P389 better facilitates Applicable BSC Objectives (d) and (f) and so should be **approved**. The Panel initially believe P389 should be implemented as a Self-Governance Modification.

2 Why Change?

Background

Generators are deploying more and more non-traditional configurations of Plant and Apparatus as the market evolves. These configurations are not only used to provide Balancing and/or Settlement Services but to provide CM services too.

In October 2013 the former Department of Energy and Climate Change (DECC¹) consulted on their proposed implementation for Electricity Market Reform (EMR) implementation (including the CM), and published their [response](#) in June 2014. On 1 August 2014, the [Secretary of State directed](#) the BSC to be amended to include provisions to support EMR. K3.1.8(b) was introduced to protect Capacity Providers who were relying on having their CM Assets in a dedicated BM Unit, and for these BM Unit Metered Volumes to be provided by ELEXON to EMR Settlement for CM Settlement purposes².

This caused potential issues for CM Units with Settlement Metering, whether registered in the Supplier Meter Registration Service (SMRS) or Central Meter Registration Service (CMRS). It put a requirement on Suppliers to register Additional BM Units (ABMUs) solely for SMRS registered CM Units. An ABMU would normally consist of several Metering points and associated Generating Units but, K3.1.8(b) states a BM Unit can only consist of CM Assets. Therefore, any other Assets (Generation or Supply) that are not part of the same Capacity Agreement cannot be included in the same ABMU.

CMRS registered BM Units with multiple Generating Units in the same BM Unit were not allowed by the CM rules and design if they were not all subject to the same Capacity Agreement. Instead, they had to be split into separate BM Units – one for the CM Unit and one for non-CM Generating Units.

In September 2014, DECC consulted on [supplementary design proposals and](#), on 23 March 2015, introduced a number of new Metering options for Capacity Providers:

- Three new 'Metering Configuration Solutions' to provide alternatives to registering a BM Unit corresponding to the CM Unit; and
- Metering options for a CM Unit that is a subset of a BM Unit³.

DECC also introduced BSC Metering Options where the CM Unit was not required to have its own BM Unit, creating an inconsistency between the BSC and CM Rules and negating the original reason for including BSC Section K3.1.8(b) in the BSC.

Existing BSC and CM rules for Metering configuration

A BM Unit may be comprised of multiple Generating Units, some of which may constitute a CM Asset. This could be done for a number of reasons including commercial decisions.

K3.1.8(b) states: 'A BM Unit comprised of: ...CM Assets shall be comprised solely of the CM Assets specified in the Capacity Agreement relating to that BM Unit and shall not include any other Plant or Apparatus.' For K3.1.8(b) to apply, the BSC definition of CM Assets must be met, specifically 'the Capacity Provider has elected to use a BSC metering option'.

There is no definition of 'BSC metering option' but it is interpreted to mean where a Metering System used for Settlement is also used for CM purposes. Where a BSC Metering



What is Electricity Market Reform

Electricity Market Reform (EMR) is a government policy to incentivise investment in secure, low-carbon electricity, improve the security of Great Britain's electricity supply, and improve affordability for consumers.

The Energy Act 2013 introduced two key mechanisms: A Capacity Market; and Contracts for Difference (CFD)



What is the Capacity Market

The Government introduced the Capacity Market to provide an insurance policy against the possibility of future blackouts – for example, during periods of low wind and high demand – to ensure that consumers continue to benefit from reliable Electricity supplies at an affordable price.

The Capacity Market is designed to ensure sufficient reliable capacity is available by providing payments to encourage investment in new capacity or for existing capacity to remain open.

¹ Now subsumed into the Department for Business, Energy & Industrial Strategy (BEIS)

² So that the BM Unit Metered Volume could also be used to settle their CM Unit

³ e.g. where the BM Unit contains Generating Units in a CM Unit, and other non-CM Generating Units

Option is used, the Capacity Provider will provide Metered data via a BSC Agent (Settlement Administration Agent (SAA)) for CMRS registered Meters or their Supplier's Party Agent (e.g. Half Hourly Data Aggregators (HHDA)) for SMRS registered Meters.

The Capacity Market rules allow for four types of Metering configuration solution:

1. BM Unit Metering (BSC Metering option⁴) – data provided by SAA;
2. Supplier Settlement (non-BM Unit) (BSC Metering option⁴) – data provided by HHDA;
3. Existing Balancing Services (Capacity Provider) Metering (non-BSC metering option⁵) – data provided by Capacity Provider or nominated representative; and
4. Bespoke (Capacity Provider) Metering (non-BSC metering option⁵) – data provided by Capacity Provider or nominated representative

These Metering configurations are approved by the CM Settlement Body⁶. Each Generating Unit's CM Unit component must have a Metering System capable of measuring the net output of the Generating Unit⁷.

All CM Unit components are required to be Metered by a HH Meter or equivalent⁸. Some CM Units may require additional Metering (a bespoke Solution) behind the Boundary Point to demonstrate their capacity obligation. Any situation falling outside the BSC will be covered by the relevant Balancing Services agreement or bespoke technical requirements; these include splitting out circuits from existing BM Units and difference metering⁹.

What is the issue?

K3.1.8(b) hampers Capacity Providers and Suppliers in how they can configure CM Units and their relevant BM Units. K3.1.8(b) could cause confusion over whether configurations are compliant, which could lead to delays in decision making when considering appropriate configurations. We are not aware of any operational issues caused by existing BSC provisions but a strict application of the BSC could unnecessarily constrain the configuration of BM Units and CM Assets.

There are two specific examples where the current provisions could cause issues for participants to comply with the BSC and the CM rules:

1. Where a Capacity Provider elects to provide data via the Supplier's HHDA the Meter will likely be in the Supplier's Base BM Unit. This is contrary to K3.1.8(b) as the Meter may be in a BM Unit with non-CM assets. This is not a problem for BSC or EMR Settlement, but does technically create a non-compliance; and
2. Where a Capacity Provider provides data via a BSC Agent the BM Unit may contain non-CM Assets for shared station demand. This is contrary to K3.1.8(b), but is legitimate under the intent of the BSC and CM rules.

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⁴ The Meter is configured in accordance with [BSC Section L 'Metering'](#) and relevant [Codes of Practice \(CoP\)](#)

⁵ Does not have to comply with BSC Section L or relevant CoPs but, has to comply with Balancing Services requirements

⁶ Low Carbon Contracts Company (LCCC)

⁷ Gross Generation less demand used by the Generating Unit to produce electricity (the auxiliary load).

⁸ e.g. a Meter pulsing to an outstation that converts to HH Settlement Periods

⁹ Simply, the 'difference' between an Asset's Meter and Boundary point Meter to determine respective liabilities

Proposed solution

The proposed solution is to delete BSC Section K3.1.8(b). This will remove conflict and ambiguity between the BSC and CM rules without affecting either.

Capacity Market provisions

EMR Services Limited (EMRS) provides substantial [guidance](#) covering how the energy flow to/from CM Assets is required to be Metered as per CM Rules. This enables accurate measurement of a CM Asset's Generation, making BSC Section K3.1.8(b) superfluous.

Integrity of Settlement

The BSC has sufficient measures¹⁰ to ensure there isn't opportunity for a Generating Plant to be (re-)configured so that Electricity to/from the Total System is not accurately accounted for in Settlement; as such, K3.1.8(b) is not required for Settlement purposes.

Preventing inadvertent non-compliance

Removing K3.1.8(b) removes a risk that a BM Unit Lead Party will become inadvertently non-compliant if the Capacity Provider changes which of the Generating Units in the associated BM Unit are part of the CM contract.

Government policy

Written consent to amend the BSC, on behalf of the Secretary of State for Business, Energy and Industrial Strategy is expected week commencing 9 September 2019. It will be provided as BEIS (on her behalf) is content that removing K3.1.8(b) does not affect EMR policy intent. The EMR will still be delivered by the CM rules, rather than the BSC but, confusion and worries over compliance would be removed.

Contracts for Difference

BSC Section K3.1.8(a) is worded almost identically to K3.1.8(b) but refers to 'Relevant CFD¹¹ Assets' instead of 'CM Assets'. K3.1.8(a) was introduced to the BSC at the same time as K3.1.8(b) with the same intent. In discharging our critical friend analysis obligation¹² when reviewing the draft Proposal Form we considered advising whether K3.1.8(a) should also be removed.

There are provisions within the CFD framework to allow for scenarios where Relevant CFD Assets are in the same BM Unit as other Plant and Apparatus in the same Generating Plant not subject to a CFD. The CFD refers to these Sites as a 'Dual Scheme Facility' (DSF). The 'scheme' referred to in DSF is the [Renewables Obligation \(RO\)](#). The DSF provision was introduced in 2014 as part of the transition from RO to CFD.



What is Contracts for Difference

A CFD is a contract between a low carbon electricity generator and the Low Carbon Contracts Company (LCCC), a government-owned company.

A CFD Generator is paid the difference between the 'strike price' – a price for electricity reflecting the cost of investing in a particular low carbon technology – and the 'reference price' – a measure of the average market price for electricity in the GB market.

It gives greater certainty and stability of revenues to Generators by reducing their exposure to volatile wholesale prices, whilst protecting consumers from paying for higher support costs when electricity prices are high

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¹⁰ E.g. K3.1.9 requires that the BM Unit's Lead Party reports any changes to BM Unit configuration

¹¹ Contracts for Difference

¹² Principle one of the Code Administration Code of Practice ([CACoP](#))

There are provisions in place to ensure CFD energy flow is measured separately from non-CFD energy flow in the same BM Unit. This suggests no need for K3.1.8(a) as there would be no need for the BSC to have provisions to safeguard the CFD but, this is not the case. DECC's [policy intent](#) was for DSF only to be used where biomass co-firers¹³ accredited under the RO were seeking to convert Generating Units from fossil-fuel to solid biomass. In this circumstance, a CFD could be entered into for each fully converted Generating Unit or, the Generating Plant as a whole. Given this very limiting restraint (there is only one CFD Generator that we are aware of that this applies to) it becomes obvious that the wording of K3.1.8(a) is still required and should not be deleted as part of the P389 solution.

Legal text

Proposed changes to the BSC to deliver P389 are in Attachments A and B.

Are there any alternative solutions?

P389 proceeded straight to Report Phase and was not considered by a Workgroup. As such, there is no Alternative Modification.

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¹³ The combustion of biomass alongside another material, in this case – fossil fuel

4 Impacts & Costs

Estimated central implementation costs of P389

ELEXON's costs to implement P389 are approximately £360. This cost is one and a half day's effort to implement document changes to the BSC and BSCP15.

EMRS will require three Working Days to update their guidance 'G1 – Capacity Market Metering.'

Indicative industry costs of P389

We do not expect P389 to impact industry in any way and therefore there will be no associated implementation costs.

P389 impacts

Impact on BSC Parties and Party Agents	
Party/Party Agent	Potential Impact
Generators that are also Capacity Providers	Simpler registration process and more configuration options
Suppliers	Increases BM Unit configuration options
Suppliers acting on behalf of CM Generators	Simpler registration process and more configuration options

Impact on Transmission Company
Nil expected impact

Impact on BSCCo	
Area of ELEXON	Potential Impact
Implement P389 legal text	

Impact on BSC Settlement Risks
Nil impact

Impact on BSC Systems and processes	
BSC System/Process	Potential Impact
Nil impact on BSC Systems or processes	

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Impact on Code

Code Section	Potential Impact
BSC Section K	Remove paragraph K3.1.8(b)

Impact on Code Subsidiary Documents

CSD	Potential Impact
BSCP15	Amend paragraph 1.9 to remove reference to K3.1.8(b) constraints

Impact on a Significant Code Review (SCR) or other significant industry change projects

No impact on SCRs – this was confirmed by Ofgem on 7 August 2019

The Proposer requested, and the Panel agreed, that P389 should be implemented as soon as reasonably practicable within the standard Release cycle. This is an operational change to remove ambiguity so there is no immediate rush to change the BSC but nothing to be gained from waiting either. The Panel does not anticipate there being any lead-time required by industry.

Recommended Implementation Date

The Panel has initially agreed Implementation Date for P389 of:

- 7 November 2019 as part of the November 2019 BSC Release.

Self-Governance

As P389 is an operational change to remove ambiguity, there would be no need to make changes to existing arrangements. Nor will planned configurations need to be reconsidered. Given the nature of the proposed change there is no reason why the Authority would need to consider this proposal. The following is added for clarification:

- As there will be minimal impacts on Capacity Providers and Suppliers, and no one else, existing or future consumers will not be materially affected;
- Given the minimal impacts, and that CM Assets will not need to be configured any differently, there will be no competition issues arising;
- This proposal will not affect how the Total System is operated as configurations of BM Units and CM Assets will not be affected;
- There will be no effect on matters relating to sustainable development, safety or security of Supply or network emergencies. As this is an operational change to remove ambiguity, there will be no effect on the management of the market;
- The BSC's governance procedures will not be impacted in anyway; and
- Given that nothing will change in how BM Units and CM Assets are configured because of this proposed Change, its implementation will not result in discrimination between Parties.

The Proposer recommended, and the Panel agreed, that P389 be treated as a Self-Governance Modification Proposal.



What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

(f) Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

(g) Compliance with the Transmission Losses Principle

The Initial Written Assessment (IWA) for P389 was presented to the BSC Panel at its meeting on 8 August 2019 ([Panel 293/08](#)). The Panel agreed to submit P389 directly to the Report Phase for consultation, as it is evident what changes need to be made and there is nothing that a Workgroup will be able to offer, so there is no reason not to proceed directly to Report Phase

One Panel member asked if P389 would affect secondary trading within the Capacity Market. ELEXON explained that they didn't think it would but, would double check to be certain. Following the meeting, ELEXON can confirm that there are provisions in place in the CM Rules to deal with a scenario whereby reconfiguration is required to facilitate secondary trading. In summary, if a reconfiguration is required to facilitate secondary trading then such reconfiguration must still adhere to CM Rules and the BSC in terms of Metering System configuration.

The Panel agreed with all recommendations unanimously as set out in Section 7 of this paper below and made no further comments.

Panel's views against Applicable BSC Objectives

The Panel agreed with the Proposer that this Modification will better facilitate Applicable BSC Objectives (d) and (f).

Applicable BSC Objective (d)

Removing potential confusion and an unnecessary constraint from the BSC, with no impact on Parties or other industry participants, will make the BSC more efficient to navigate.

Applicable BSC Objective (f)

By removing ambiguity from the BSC it will make it easier for Capacity Providers to engage in the CM as well as making EMRS's checks and controls simpler, thus making it easier to administer the operation of a CM pursuant to EMR legislation.

The Panel believes P389 will have no impact on the other Applicable BSC Objectives.

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7 Report Phase Consultation Responses

There were no responses to the Report Phase consultation which, given that P389 will have negligible impact on industry participants in their capacity as BSC participants, this is in line with other recent changes that have no impact on participants.

8 Recommendations

We invite the Panel to:

- **AGREE** that P389
 - **DOES** better facilitate Applicable BSC Objective (d); and
 - **DOES** better facilitate Applicable BSC Objective (f);
- **DETERMINE** (in the absence of any Authority direction) that P389 is a Self-Governance Modification Proposal;
- **APPROVE** P389;
- **APPROVE** an Implementation Date of:
 - 7 November 2019 as part of the November 2019 BSC Release
- **APPROVE** the draft legal text; and
- **APPROVE** the P389 Modification Report.

Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
ABMU	Additional BM Unit
BM	Balancing Mechanism
BSC	Balancing and Settlement Code
BSCCo	BSC Company
BEIS	Business, Energy and Industrial Strategy
CFD	Contracts for Difference
CM	Capacity Market
CMRS	Central Meter Registration Service
CSD	Code Subsidiary Document
DECC	Department for Energy and Climate Change
DSF	Dual Scheme Facility
EMR	Electricity Market Review
EMRS	EMR Services Limited
HHDA	Half Hourly Data Aggregator
IWA	Initial Written Assessment
LCCC	Low Carbon Contracts Company
RO	Renewables Obligation
SAA	Settlement Administration Agent
SCR	Significant Code Review
SMRS	Supplier Meter Registration Service

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Pages	Description	URL
3	BSC Section K	https://www.elexon.co.uk/the-bsc/bsc-section-k-classification-and-registration-of-metering-systems-and-bm-units/
4	CM design – Government decision	https://www.gov.uk/government/consultations/proposals-for-implementation-of-electricity-market-reform

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Pages	Description	URL
4	Secretary of State direction to amend BSC	https://www.elexon.co.uk/ord/ord005-electricity-market-reform/
4	CM re-design decision	https://www.gov.uk/government/consultations/consultation-on-capacity-market-supplementary-design-proposals-and-transitional-arrangements
6	EMRS Guidance	https://www.emrsettlement.co.uk/publications/guidance/
6	Renewables Obligation (RO)	https://www.ofgem.gov.uk/environmental-programmes/ro
7	Dual Scheme Facility policy intent	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/289356/CfD_Metering_-_Baseload_Dual_Scheme_Facilities_and_BioConversions_finalised.pdf
11	Panel 293 homepage	https://www.elexon.co.uk/meeting/bsc-panel-293/