Initial Written Assessment

'Removal of Unused BSC Provisions'

This proposal seeks to simplify the Balancing and Settlement Code (BSC) by removing redundant or expired provisions.



BSCCo recommend that the Panel raise this proposal in accordance with BSC Section F2.1.1(d)(i)



ELEXON recommends this proposal is progressed directly to the Report Phase with an initial recommendation to approve

This Modification is expected to impact:

BSCCo

ELEXON

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

295/17

Removal of Unused BSC Provisions Initial Written Assessment

3 October 2019

Version 1.0

Page 1 of 16

Contents

1	Why Change?	3
2	Solution	6
3	Areas to Consider	8
4	Proposed Progression	9
5	Likely Impacts	10
6	Recommendations	13
Αp	pendix 1: Glossary & References	14



Contact



About This Document

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 10 October 2019. The Panel will consider the recommendations and agree how to progress the Modification.

There are four parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress.
- Attachment A contains the Modification Proposal Form.
- Attachment B contains the draft redlined changes to the BSC for this proposal.
- Attachment C contains the draft redlined changes to the BSC subsidiary documents for this proposal.

295/17

Removal of Unused BSC Provisions Initial Written Assessment 3 October 2019

Version 1.0

Page 2 of 16

1 Why Change?

Background

Over the lifetime of the BSC, there have been a number of provisions introduced that have since become redundant. These include provisions that were never called upon by Parties or fully developed and therefore left unused, and transitional arrangements that have now expired.

Removing these provisions will increase the efficiency of the Code and reduce regulatory burden on both new and existing market participants. It does this by making the code less convoluted and difficult to interpret, hence making the Code more accessible to ELEXON's customers. Further, it will prevent financial inefficiencies from migrating unused provisions into the Foundation Programme architecture, which is modernising BSC Central Systems. The items identified as such are:

- Dual Notifications
- Quiescent Physical Notifications
- Joint BM Units
- Party and NETA Funding
- BSC Section I Transitional Arrangements for the Implementation of BETTA
- Pool Supplement
- Manual Credit Qualification
- BSCP534

Dual Notifications

Dual notifications were introduced by <u>Modification P098</u> in November 2004 to allow two parties engaged in trading a volume of electricity over one or more Settlement Periods to both submit a copy of the transaction via different Energy Contract Volume Notification Agents (ECVNAs). The volumes could then be matched by the Energy Contract Volume Aggregation Agent (ECVAA), reducing the risk of erroneous transactions. However, the functionality has never been used in live operation since its implementation.

Quiescent Physical Notifications (QPNs)

QPNs were introduced as part of the New Electricity Trading Arrangements (NETA) in March 2001, to facilitate Balancing Mechanism (BM) participation for units that contained both controllable and non-controllable assets. However, settlement and dispatch arrangements were never defined, and the Grid Code stipulates that QPN values must be zero. ELEXON is introducing new solutions for sites with controllable and uncontrollable loads through BSC Modification P375 – Behind the Meter' arrangements.

Joint BM Units

Joint BM Units were introduced as part of NETA to allow customers with Non-Half Hourly (NHH) Teleswitch meters to participate in the BM. In reality they were never fully

295/17

Initial Written Assessment

3 October 2019

Version 1.0

Page 3 of 16

implemented; the requirements for dispatching Joint BM Units were never agreed and, after discussions with National Grid, no evidence has been found of such dispatch processes being developed or implemented. Joint BM Units can be registered with the Central Registration Agent (CRA), but this functionality has never been used.

Party and NETA funding

Party funded costs entitled some Parties to receive payments from other parties or classes of party, to recover amounts incurred for 1998 Programme Costs, NETA costs, British Electricity Trading and Transmission Arrangements (BETTA) Support Costs and Scottish Operational Run-Off costs. The NETA funding charge was used to recover costs incurred by BSCCo in relation to NETA implementation from trading Parties. Party funded costs and NETA funding have expired, therefore their associated code provisions have become redundant.

BSC Section I 'Transitional Arrangements for Implementation of BETTA'

Section I 'Transitional Arrangements for Implementation of BETTA' was introduced as a temporary Section to cover the transitional arrangements whilst the scope of the BSC was extended to Scotland. It expired in 2005, and as such is redundant, except for some specific Metering Dispensations, non-standard BM Unit definitions and Trading Unit definitions that need to be retained in the Code to ensure the continued legality of existent registrations within the Trading Arrangements.

Pool Supplement

The Pool Supplement was a transition document that laid out provisions for the run-off of Settlement relating to trading under the Pooling and Settlement agreement up to the Go Live Date for the BSC. As such, it expired upon Go Live in 2001.

Manual Credit Qualification

The manual Credit Qualification process was introduced by Modification P215 in June 2009 to allow generating BM Units to use Final Physical Notification data in the calculation of their Credit Assessment Energy Indebtedness, in order to improve the accuracy of Credit Cover arrangements. The process has not been used since implementation and alternative methods have since been introduced to reflect generation in the SVA registered BM Units for Credit Cover Percentage calculation. This includes the introduction of the Supplier Export Credit Assessment Load Factor (SECALF) introduced in Modification P310 in June 2015.

BSCP534 'PARMS Techniques'

Following the implementation of P207 'Introduction of a New Governance Regime to Allow a Risk Based Performance Assurance Framework (PAF) to be Utilised and Reinforce the Effectiveness of the Current PAF' in November 2008, the relevant sections of BSCP534 were incorporated into BSCP533 'PARMS Data Provision, Reporting and Publication of Peer Comparison Data' and BSCP538 'Error and Failure Resolution'. The BSCP has been left empty pending removal since that date.

295/17

Initial Written Assessment

3 October 2019

Version 1.0

Page 4 of 16

What is the issue?

Redundant BSC sections reduce the efficiency of the Code. They also make the BSC harder to interpret and understand, resulting in increased regulatory burden for Parties (and potential Parties). Lastly, as ELEXON replaces its Central Systems, the unused provisions generate unnecessary requirements that could result in superfluous costs.

Why Remove these Sections?

Removing these sections will increase the efficiency of the Code and reduce regulatory burden on both new and existing market participants, hence making the Code more accessible to ELEXON's customers. Further, it will prevent financial inefficiencies from migrating unused provisions into the Foundation Programme architecture. Previously, ELEXON committed to the BSC Panel that it would actively seek opportunities to simplify the Code for the benefit of market participants, and the removal of unused provisions aligns to this goal of simplification and Applicable BSC objective (d) - Promoting efficiency in the implementation of the balancing and settlement arrangements.

295/17

Initial Written Assessment

3 October 2019

Version 1.0

Page 5 of 16

Proposed solution

This Modification proposes to remove the unused BSC provisions outlined in Section 1 of this paper.

Removal of sections pertaining to any of the redundant Code provisions will impact the following BSC Sections:

- BSC Section C BSCCo and its Subsidiaries
- BSC Section D BSC Cost Recovery and Participation Charges
- BSC Section F Modification Procedures
- BSC Section G Contingencies
- BSC Section H General
- BSC Section I Transitional Arrangements for Implementation of BETTA
- BSC Section K Classification and Registration of Metering Systems and BM Units
- BSC Section L Metering
- BSC Section M Credit Cover and Credit Default
- BSC Section P Energy Contract Volumes and Metered Volume Reallocations
- BSC Section Q Balancing Services Activities
- BSC Section R Collection and Aggregation of Meter Data from CVA Metering Systems
- BSC Section S Supplier Volume Allocation
- BSC Section U Provisions Relating to Settlement
- BSC Section V Reporting
- BSC Section W Trading Disputes
- BSC Section X Definitions and Interpretation
- Pool Supplement

It will also impact the following Code Subsidiary Documents (CSDs):

- <u>BSCP01</u>
- BSCP18
- BSCP71
- BSCP534
- Central Registration Agent User Requirement Specification
- Energy Contact Volume Aggregation Agent User Requirements Specification
- Settlement Administration Agent User Requirements Specification
- Energy Contract Volume Aggregation (ECVAA) Service Description
- Settlement Administration Agent (SAA) Service Description
- BMRS Data Catalogue

Draft Legal Text

The draft legal text is provided in Attachment B and the draft changes to the BSC subsidiary documents can be found in Attachment C.

Applicable BSC Objectives

Removing redundant sections contributes to the simplification of the BSC, making the Code more efficient, accessible and relevant to parties, and removing potential ambiguity.



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 coordinated 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 administrating 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

295/17

Removal of Unused BSC Provisions Initial Written Assessment

3 October 2019

Version 1.0

Page 6 of 16

This proposal therefore better facilitates Applicable BSC Objective (d) - Promoting efficiency in the implementation of the balancing and settlement arrangements.

Progression approach

We request that the Panel raise this Modification in accordance with Section F2.1.1(d)(i), and recommend that it is progressed straight to the Report Phase. This is due to the solution to remove unused provisions being self-evident and uncontroversial in nature. A consultation was issued on 10 June 2019 seeking industry views on the sections flagged for removal. The two respondents supported the removal of these provisions. The respondents also highlighted the importance of retaining certain elements of Section I, which has been incorporated into this proposal.

Since issuing the consultation, a further two provisions have been identified that can be removed. These are the unused Manual Credit Qualification process, and the expired BSCP534.

We recommend at least a 10 Working Day Report Phase Consultation, with the Draft Modification Report being presented to Panel on 14 November 2019. Subject to approval, this Modification can be incorporated into the February 2020 BSC Release.

Implementation approach

We recommend this proposal is implemented in the next available scheduled release on **27 February 2020**. Based on the Panel approving this Proposal as a Self-Governance Modification proposal at it's meeting on 14 November 2019 the next available scheduled Release is on 27 February 2020.

295/17

Initial Written Assessment

3 October 2019

Version 1.0

Page 7 of 16

3 Areas to Consider

Impacts on the Grid Code

Both Joint BM Units and Quiescent Physical Notifications have relevant provisions in the Grid Code, with some dependencies across the two codes. ESO are carrying out a concurrent Modification to remove the relevant provisions from the Grid Code, which is due to be released at the same time to minimise the risk posed by misalignment.

Provisions of Section I that must be retained

Section I contains some provisions, namely Metering Dispensations and non-standard BM Unit definitions, that need to be retained in the Code to ensure the continued legality of existent registrations within the Trading Arrangements. These are contained in Annex I-2 Tables A, B, C and related sections (6.3, 6.4, 6.5).

295/17

Removal of Unused BSC Provisions <u>Initial Written Assessment</u>

3 October 2019

Version 1.0

Page 8 of 16

4 Proposed Progression

Next steps

This modification should be progressed to the Report Phase as the proposal is self-evident and support was gained from the previous public consultation.

Self-Governance

We recommend that this Modification is progressed as Self-Governance as it does not have a material effect on the Self-Governance criteria as we are removing unused or obsolete provisions.

Since we are proposing to remove unused BSC provisions for efficiency, there will be no impact on BSC Parties or any other market participants. Therefore, it will not discriminate between different classes of parties.

Timetable

This modification should be progressed before work commences on digitisation of the code and the Foundation Programme, as it delivers benefits for both of these work streams.

Proposed Progression Timetable for PXXX	
Event	Date
Present Initial Written Assessment to Panel	10 Oct 19
Report Phase Consultation	14 Oct 19 – 30 Oct 19 (13WDs)
Present Draft Modification Report to Panel	14 Nov 19
Issue Final Modification Report to Authority	20 Nov 19



What is the Self-Governance Criteria?

A Modification that, if implemented:

(a) is unlikely to have a material effect on: (i) existing or future electricity consumers; and (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and (iii) the operation of the national electricity transmission system; and (iv) matters relating to sustainable development,

(b) is unlikely to discriminate between different classes of Parties.

safety or security of supply, or the

procedures or

and

management of market or network emergencies; and (v) the Code's governance

modification procedures;

295/17

Removal of Unused BSC Provisions Initial Written Assessment 3 October 2019

Version 1.0

Page 9 of 16

5 Likely Impacts & Costs

Anticipated Industry Costs

We do not anticipate any costs for industry to implement or operate this proposal.

BSC / ELEXON Impacts and Costs

No ELEXON systems will be impacted by this proposal. The removed provisions will not be included in replacement of ELEXON's central systems via the <u>Foundation Programme</u>.

ELEXON's costs to implement this change are driven by the implementation of the document changes. ELEXON's costs to implement this proposal are approximately £5,000.

Impact on BSC Parties and Party Agents	
Party/Party Agent Potential Impact	
None	We do not anticipate any impacts on Parties or Party Agents as these provisions have either never been used or have expired.

Impact on National Electricity Transmission System Operator

We do not anticipate any impacts on the National Electricity Transmission System Operator (NETSO) as these provisions have either never been used or have expired.

Impact on BSCCo	
Area of ELEXON	Potential Impact
Project team	Implement this proposal

Impact on BSC Systems and processes	
BSC System/Process Potential Impact	
BMRS	There will no longer be a provision for reporting Quiescent Physical Notifications in BMRS.
CRA	There will no longer be a provision to register Joint BM Units with the CRA.

295/17

Removal of Unused BSC Provisions Initial Written Assessment 3 October 2019 Version 1.0 Page 10 of 16

Impact on Code	
Code Section	Potential Impact
BSC Section C	Pool Supplement
BSC Section D	Party Funded Costs and NETA funding
BSC Section F	Pool Supplement
BSC Section G	Section I
BSC Section H	Pool Supplement
BSC Section I	Transitional document for BETTA
BSC Section K	Joint BM Units
BSC Section L	Section I
BSC Section M	Manual Credit Qualifying
BSC Section P	Dual Notifications
BSC Section Q Quiescent Physical Notifications	
BSC Section R	Manual Credit Qualifying
BSC Section S	Section I, Joint BM Units
BSC Section U	Manual Credit Qualification
BSC Section V	Dual Notification, Section I
BSC Section W	Pool Supplement
BSC Section X	Pool Supplement, various definitions
Pool Supplement	Transitional document for Pool trading arrangements

Impact on Code Subsidiary Documents	
CSD	Potential Impact
BSCP01	Quiescent Physical Notifications
BSCP18	QPN
BSCP71	Dual Notifications
BSC <mark>P534</mark>	Redundant Document
CRA URS	QPNs; Joint BM Units
ECVAA URS	Dual Notifications
SAA URS	QPN
CDCA URS	Manual Credit Qualifying
ECVAA SD	Manual Credit Qualification; Dual Notifications
SAA SD	QPN
BMRS Data Catalogue	QPN
CVA Data Catalogue	QPN - Please note that the CVA Data Catalogue includes references to QPNs. We are not removing these references as this would also require us to amend our systems.

Initial Written Assessment

3 October 2019

Version 1.0

Page 11 of 16

Impact on Code Subsidiary Documents	
CSD	Potential Impact
SVA Data Catalogue Volume 2	Joint BMU Please note that the SVA Data Catalogue includes references to Joint BM Units. We are not removing these references as this would also require us to amend our systems.

Impact on Core Industry Documents and other documents		
Document	Potential Impact	
Grid Code	Dependencies relating to QPNs and Joint BM Units will be removed from the BSC and NGESO have confirmed they will be removed from the Grid Code.	

Initial Written Assessment

3 October 2019

Version 1.0

Page 12 of 16

6 Recommendations

We invite the Panel to:

- RAISE this proposal in accordance with Section F2.1.1(d)(i);
- AGREE that the Modification progresses directly to the Report Phase;
- AGREE that the Modification :
 - o **DOES** better facilitate Applicable BSC Objective (d);
- AGREE an initial recommendation that the Modification should be approved;
- AGREE an initial Implementation Date of:
 - 27 February 2020
- AGREE the draft legal text;
- AGREE the draft changes to the BSC subsidiary documents;
- AGREE to remove the Pool Supplement and BSCP534 from the Baseline Statement;
- AGREE an initial view that the Modification should be treated as a Self-Governance Modification; and
- NOTE that ELEXON will issue the draft Modification Report (including the draft BSC legal text) for a 12 Working Day consultation and will present the results to the Panel at its meeting on 14 November 2019.

295/17

Removal of Unused BSC Provisions Initial Written Assessment 3 October 2019

Version 1.0

Page 13 of 16

Appendix 1: Glossary & References

Acronyms

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

Acronym	
Acronym	Definition
BETTA	The British Electricity Trading and Transmission Arrangements
ВМ	Balancing Mechanism
BMRS	Balancing Mechanism Reporting Service
BMU	Balancing Mechanism Unit
BSC	Balancing and Settlement Code
BSCCo	The Balancing and Settlement Code Company
BSCP	Balancing and Settlement Code Procedure
CRA	Central Registration Agent
CVA	Central Volume Allocation
CSD	Code Subsidiary Document
ECVAA	Energy Contract Volume Allocation Agent
ECVNA	Energy Contract Volume Notification Agent
IWA	Initial Written Assessment
NETA	New Electricity Trading Arrangements
NHH	Non Half-Hourly
PAF	Performance Assurance Framework
PARMS	Performance Assurance Reporting and Monitoring System
QPN	Quiescent Physical Notification
SAA	Settlement Administration Agent
SECALF	Supplier Export Credit Assessment Load Factor
SVA	Supplier Volume Allocation

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		
Page(s)	Description	URL
3	P375 - BTM	https://www.elexon.co.uk/mod- proposal/p375/
4	P215	https://www.elexon.co.uk/mod- proposal/p215-revised-credit-cover- methodology-for-generating-bm-units/

295/17
Removal of Unused BSC Provisions
Initial Written Assessment
3 October 2019
Version 1.0
Page 14 of 16
© ELEXON Limited 2019

External Links		
Page(s)	Description	URL
4	P310	https://www.elexon.co.uk/mod- proposal/p310/
5	BSC Section C – BSCCo and its Subsidiaries	https://www.elexon.co.uk/the-bsc/bsc-section-c-bscco-subsidiaries/
5	BSC Section D – BSC Cost Recovery and Participation Charges	https://www.elexon.co.uk/the-bsc/bsc-section-d-bsc-cost-recovery-and-participation-charges/
5	BSC Section F – Modification Procedures	https://www.elexon.co.uk/the-bsc/bsc-section-f-modification-procedures/
5	BSC Section G – Contingencies	https://www.elexon.co.uk/the-bsc/bsc-section-g-contingencies/
5	BSC Section H – General	https://www.elexon.co.uk/the-bsc/bsc-section-h-general/
5	BSC Section I – Transitional Arrangements for Implementation of BETTA	https://www.elexon.co.uk/the-bsc/bsc-section-i-transitional-arrangements-for-implementation-of-betta/
5	BSC Section K – Classification and Registration of Metering Systems and BM Units	https://www.elexon.co.uk/the-bsc/bsc-section-k-classification-and-registration-of-metering-systems-and-bm-units/
5	BSC Section L – Metering	https://www.elexon.co.uk/the-bsc/bsc-section-l-metering/
5	BSC Section M – Credit Cover and Credit Default	https://www.elexon.co.uk/the-bsc/bsc-section-m-credit-cover-and-credit-default/
5	BSC Section P – Energy Contract Volumes and Metered Volume Reallocations	https://www.elexon.co.uk/the-bsc/bsc-section-p-energy-contract-volumes-and-metered-volume-reallocations/
5	BSC Section Q – Balancing Services Activities	https://www.elexon.co.uk/the-bsc/bsc-section-q-balancing-services-activities/
5	BSC Section R – Collection and Aggregation of Meter Data from CVA Metering Systems	https://www.elexon.co.uk/the-bsc/bsc-section-r-collection-and-aggregation-of-meter-data-from-cva-metering-systems/
5	BSC Section S – Supplier Volume Allocation	https://www.elexon.co.uk/the-bsc/bsc-section-s-supplier-volume-allocation/
5	BSC Section U – Provisions Relating to Settlement	https://www.elexon.co.uk/the-bsc/bsc-section-u-provisions-relating-to-settlement/
5	BSC Section V – Reporting	https://www.elexon.co.uk/the-bsc/bsc-section-v-reporting/
5	BSC Section W – Trading Disputes	https://www.elexon.co.uk/the-bsc/bsc-section-w-trading-disputes/

Initial Written Assessment

3 October 2019

Version 1.0

Page 15 of 16

External Links		
Page(s)	Description	URL
5	BSC Section X – Definitions and Interpretation	https://www.elexon.co.uk/the-bsc/bsc-section-x-definitions-and-interpretation/
5	Pool Supplement	https://www.elexon.co.uk/the- bsc/pool-supplement/
5	BSCP01	https://www.elexon.co.uk/csd/bscp01- overview-of-trading-arrangements/
5	BSCP18	https://www.elexon.co.uk/csd/bscp18- corrections-to-bid-offer-acceptance- related-data/
5	BSCP71	https://www.elexon.co.uk/csd/bscp71-submission-of-ecvns-and-mvrns/
5	BSCP534	https://www.elexon.co.uk/csd/bscp53 4-parms-techniques/
5	Central Registration Agent User Requirement Specification	https://www.elexon.co.uk/csd/central- registration-agent-user-requirements- specification-cra-urs/
5	Energy Contact Volume Aggregation Agent User Requirements Specification	https://www.elexon.co.uk/csd/energy- contract-volume-aggregation-agent- user-requirements-specification-ecvaa- urs-v16-0/
5	Settlement Administration Agent User Requirements Specification	https://www.elexon.co.uk/csd/settlement-administration-agent-user-requirements-specification-saa-urs-v13-0/
5	Energy Contract Volume Aggregation (ECVAA) Service Description	https://www.elexon.co.uk/csd/service- description-for-energy-contract- volume-aggregation/
5	Settlement Administration Agent (SAA) Service Description	https://www.elexon.co.uk/csd/service- description-for-settlement- administration/
5	BMRS Data Catalogue	https://www.elexon.co.uk/csd/bmrs-data-catalogue/
5	CVA Data Catalogue	https://www.elexon.co.uk/csd/cva- data-catalogue/
5	SVA Data Catalogue Volume 2	https://www.elexon.co.uk/csd/sva- data-catalogue-volume-2-data-items/

Initial Written Assessment

3 October 2019

Version 1.0

Page 16 of 16