

P403 'BSC TERRE Market Suspension Arrangements'

This Modification will change the Balancing and Settlement Code (BSC) to align with the existing Grid Code Trans European Replacement Reserves Exchange (TERRE) market suspension arrangements and support National Grid Electricity System Operator's (NGESO) Market Suspension Rules proposal; mandated by the European regulations 'Network Code on Electricity Emergency and Restoration' (NCER) and 'Establishing a guideline on electricity transmission system operation (SOGL). P403 will provide Market Participants clarity on how the BSC arrangements will operate in the event that the TERRE Market arrangements are suspended.



ELEXON recommends P403 is progressed directly to the Report Phase as a Self-Governance Modification Proposal with an initial recommendation to approve.

This Modification is expected to impact:

- National Grid Electricity System Operator (NGESO)
- Balancing and Settlement Code Company (BSCCo)

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

300/04

P403
Initial Written Assessment

10 March 2020

Version 1.0

Page 1 of 13

© ELEXON Limited 2020

Contents

| | | |
|----------|-----------------------------------|-----------|
| 1 | Summary | 3 |
| 2 | Why Change? | 4 |
| 3 | Solution | 5 |
| 4 | Proposed Progression | 7 |
| 5 | Likely Costs and Impacts | 9 |
| 6 | Recommendations | 12 |
| | Appendix 1: Glossary & References | 13 |



Contact

Faysal Mahad

020 7380 4375

faysal.mahad@elexon.co.uk



About This Document

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 12 March 2020. The Panel will consider the recommendations and agree how to progress P403.

There are three 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 P403 Proposal Form.
- Attachment B contains the draft Legal text for P403.

300/04

P403
Initial Written Assessment

10 March 2020

Version 1.0

Page 2 of 13

© ELEXON Limited 2020

1 Summary

What is the issue?

There are currently no Settlement provisions within the BSC for the event that National Grid Electricity System Operator (NGESO) decides to suspend the Trans European Replacement Reserves Exchange (TERRE) market. Market Participants would therefore not have clarity that the TERRE arrangements are suspended nor how balancing and Settlement would work in that situation.

What is the proposed solution?

This Modification proposes to amend the BSC to define rules for:

- TERRE-related data in the event of system outages;
- TERRE-related Settlement processes in a TERRE Market suspension scenario; and
- TERRE-related Settlement processes in a contingency scenario.

Impacts

The changes required to the BSC do not result in any BSC system changes. It will cost approximately £5,000 to update ELEXON documents, processes and conduct user acceptance testing. There is no impact on NGESO from this Proposal, as the NGESO TERRE suspension arrangements were approved in Grid Code modification [GC0097: Grid Code processes supporting TERRE](#).

Implementation

In order align with the Grid Code and 'Network Code on electricity Emergency and Restoration' (NCER), this Modification needs to be implemented **no later than the current TERRE go-live date**, which is currently **30 June 2020**.

Recommendation

We believe that the solution to this Modification is self-evident and can therefore progress **straight to the Report Phase**. The solution has already been defined based on the requirements specified in the Grid Code and the Commission Regulation [\(EU\) 2017/2196 'establishing a network code on electricity emergency and restoration \(NCER\)'](#). These requirements are well understood as they build on existing market suspension processes. As the solution is clearly defined and understood it is not clear what benefits Workgroup consideration would provide. The Proposer believes this Modification should be treated as a Self-Governance Modification Proposal and not sent to Ofgem for decision.

300/04

P403
Initial Written Assessment

10 March 2020

Version 1.0

Page 3 of 13

© ELEXON Limited 2020

2 Why Change?

Background

The [Commission Regulation \(EU\) 2017/2196 'establishing a network code on electricity emergency and restoration \(NCER\)'](#) was established for the purposes of safeguarding operational security, preventing the propagation of an incident to avoid a widespread disturbance, and to allow for the efficient and rapid restoration of the electricity system from emergency or blackout states.

Ofgem, as the National Regularity Authority, assigned NGENSO to develop a proposal for the GB market suspension rules to satisfy NCER and [Commission Regulation \(EU\) 2017/1485 'Establishing a guideline on electricity transmission system operation \(SOGL\)'](#). On the 17 May 2018, [NGESO submitted a market suspension rules proposal](#). The proposal detailed how the existing market suspension rules for GB could meet and are compliant with the requirements of NCER. The proposal stated the TERRE Market suspension rules, required under NCER, were covered under the approved Grid Code modification [GC0097: Grid Code processes supporting TERRE](#).

On 22 November 2019, Ofgem published an [open letter to NGENSO titled 'Request for amendments to the market suspension and restoration rules and to the Settlement rules for market suspension'](#). Ofgem notes, in the scenario where NGENSO suspends the TERRE Market, in accordance with GC0097, the provisions of the Grid Code would be triggered. However, no Settlement provisions within the BSC exist for such a scenario. It is therefore not clear to Market Participants what happens when the TERRE arrangements are suspended, specifically how the balancing and Settlement arrangements would work in this situation.

What is the issue?

There are currently no Settlement provisions within the BSC for the event that National Grid Electricity System Operator (NGESO) decides to suspend the Trans European Replacement Reserves Exchange (TERRE) market. Market Participants would therefore not have clarity that the TERRE arrangements are suspended nor how balancing and Settlement would work in that situation.

In order to provide maximum clarity for stakeholders on the GB arrangements for TERRE during market suspension, Ofgem has requested that NGENSO and ELEXON assess whether the different provisions in the Grid Code and the BSC lead to any practical implication to the settlement of TERRE bids when the market has been suspended. The NGENSO and ELEXON have determined that a number of changes are necessary to align the two Codes. Currently, the BSC and the Grid Code are not aligned and it is not clear to Market Participants how the Settlement arrangements for the occurrence of TERRE market suspension would be treated.



What is the guideline on electricity transmission system operation (SOGL)?

SOGL defines a set of minimum requirements for EU-wide transmission system operation, including cross-border cooperation between transmission system operators (TSOs). These guidelines are necessary for the purpose of safeguarding operational security, power supply frequency and the efficiency of the interconnected system and resources.

300/04

P403
Initial Written Assessment

10 March 2020

Version 1.0

Page 4 of 13

© ELEXON Limited 2020

Proposed solution

In order to provide clarity to Market Participants, in the event that the TERRE Market is suspended, this Modification proposes to define rules in the BSC for:

- TERRE-related data in the event of system outages;
- TERRE-related Settlement processes in a TERRE Market suspension scenario; and
- TERRE-related Settlement processes in a contingency scenario.

This Proposal will support NGESO to meet EU Regulation by including procedures and actions that will be carried out during emergency, blackout and restoration states.

This Modification will align the BSC with Grid Code and NCER requirements and will provide clarity to Market Participants on the Settlement arrangements in the occurrence of TERRE Market suspension.

In summary, the solution shall contain:

Section G

- BSC Section G 'Contingencies' of the BSC sets out provisions of the Code which are to apply in certain contingencies, and related provisions. Section G3 details the BSC arrangements should a total shutdown or a partial shutdown occur and the circumstances where the NGESO intends to implement a Black Start. Currently this includes a list of the rules that vary under a Market Suspension Period (G3.2); this Modification will add the suspension of the Replacement Reserve (RR) market to this list, which includes TERRE.

Section Q

Under this Modification, the provisions for an RR Market Suspension will be detailed in [BSC Section Q 'Balancing Mechanism Activities'](#). [Section Q](#) defines an "Outage" as "any withdrawal by the NGESO (for maintenance or otherwise), breakdown or failure of any electronic data communications systems by which the NGESO receives and accesses communications made by Lead Parties..." this Modification will amend Section Q as follows:

- expand the current definition of 'Outage' in Section Q to include the event BSCCo cannot receive RR Bid data;
- outline the process for RR Bids during a period of "Outage" (to align with BC4.5.1);
- outline the notification process if RR Market is suspended by NGESO under the Grid Code, section BC4.9 'Outages of computer systems leading to the suspension of the TERRE Market';
- Produce an equivalent of the current process for the Suspension of the Balancing Mechanism (Q5.4) for RR market suspension which will apply to both a suspension under BC4.9 of the Grid Code and a suspension as result of partial or total shutdown. As such, a section is needed detailing provisions for RR Market Suspension stating:
 - No communications will be issued by NGESO regarding RR Bid data, RR Auction Result Data or RR Flagged Acceptance data; and

- Any communications received from the NGESO not classed as RR Bid data, RR Auction Result Data or RR Flagged Acceptance data.

Section X- Annex X-1

- Add the definition of 'TERRE Market' in [BSC Section X- Annex X-1 'General Glossary'](#).

It's worth noting a provision already exists which requires NGESO to notify BSCCo when an outage starts and ends ([BSC Section Q1.2.5 'Balancing Services Activities'](#)), which will also apply to an Outage in the event BSCCo cannot receive RR Bid data.

Applicable BSC Objectives

The Proposer believes that this Modification will positively impact objective (a). P403 will support the ESO's proposal for the TERRE Market suspension rules imposed under NCER and SOGL. The ESO is obliged to meet EU rules under its licence so it is discharging its licence obligations through this Modification.

The Proposer also believes that the Modification will positively facilitate objective (e) as it will ensure BSC alignment with GC0097 and as such support National Grid's market suspension rules proposal in accordance with 'Network Code on electricity Emergency and Restoration' (NCER) provisions.

Implementation approach

In order to provide clarity to Market Participants, by aligning with the GC0097 modification, this Modification should be implemented no later than the current TERRE go-live date, which is currently **30 June 2020**.



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 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

300/04

P403
Initial Written Assessment

10 March 2020

Version 1.0

Page 6 of 13

© ELEXON Limited 2020



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, safety or security of supply, or the management of market or network emergencies; and
 - (v) the Code's governance procedures or modification procedures; and
- (b) is unlikely to discriminate between different classes of Parties.

Next steps

The Proposer requests this Modification be progressed as a Self-Governance Modification. The triggers and mechanisms for suspending the TERRE Market were approved under GC0097 and the scope of the existing BSC suspension and contingency processes will be expanded to include the TERRE Market suspension.

The Modification will introduce the consequential provisions in the BSC to ensure Market Participants have clarity on how the Balancing and Settlement Code arrangements will operate in the event that TERRE Market is suspended by NGENSO. Therefore, this Modification will not have a material effect on the Self-Governance criteria.

We believe that the solution to this Modification is self-evident and should therefore progress straight to the Report Phase. The solution has already been defined based on the requirements specified in the Grid Code and the Commission Regulation (EU) 2017/2196 'establishing a network code on electricity emergency and restoration (NCER)'. These requirements are well understood as they build on existing market suspension processes. As the solution is clearly defined and understood it is not clear what benefits Workgroup consideration would provide.

Workgroup membership

As the solution is clearly defined and understood it is not clear what benefits Workgroup consideration would provide. However, should the Panel decide to submit this Modification to the Assessment Procedure, the following skill sets and knowledge would be required:

- The Grid Code and BSC TERRE arrangements;
- The existing GB market suspension arrangements;
- 'Network Code on electricity Emergency and Restoration' (NCER) requirements; and
- 'Establishing a guideline on electricity transmission system operation' (SOGL) requirements

Timetable

| Proposed Progression Timetable | |
|---|-------------------------------|
| Event | Date |
| Present Initial Written Assessment to Panel | 12 March 2020 |
| Report Phase Consultation (10 Working Days) | 17 March 2020 - 30 March 2020 |
| Present Draft Modification Report to Panel | 9 April 2020 |
| Publish Final Modification Report | 15 April 2020 |
| Self-Governance Appeal Window (15 Working Days) | 9 April 2020 – 4 May 2020 |

Proposed Progression Timetable

| Event | Date |
|--|--------------------------------------|
| Development and consultation of subsidiary documents | April & May 2020 |
| Implementation Date | 25 June 2020 (June 2020 BSC Release) |

300/04

P403
Initial Written Assessment

10 March 2020

Version 1.0

Page 8 of 13

© ELEXON Limited 2020

5 Likely Costs and Impacts

Costs

The changes required to the BSC do not result in any BSC system changes. It will cost approximately £5,000 to update ELEXON documents, processes and conduct user acceptance testing. There is no impact on NGESO from this Proposal, as the NGESO TERRE suspension arrangements were approved in Grid Code modification GC0097: Grid Code processes supporting TERRE.

Impacts

Impact on BSC Parties and Party Agents

| | |
|-------------------|---|
| Party/Party Agent | No implementation impacts expected. Parties will gain clarity on how TERRE suspension will be treated in the BSC arrangements |
|-------------------|---|

Impact on Transmission Company

NGESO will be required to send the BSCCo notification of TERRE Market suspension, where applicable.

Impact on BSCCo

| Area of ELEXON | Potential Impact |
|-------------------|---|
| Market Operations | ELEXON will be required to make the corresponding adjustments to its processes. |

Impact on BSC Settlement Risks

We do not envisage any impact on BSC Settlement Risks arising from this Modification. P403 would decrease BSC Settlement Risk, as it will provide Market Participants with clarity on how the BSC arrangements will operate in the event that the TERRE Market arrangements are suspended.

Impact on BSC Systems and processes

| BSC System/Process | Potential Impact |
|---|------------------|
| No impacts identified. Suspension is operated manually. | |

Impact on BSC Agent/service provider contractual arrangements

| BSC Agent/service provider contract | Potential Impact |
|-------------------------------------|------------------|
| No impacts identified | |

300/04

P403
Initial Written Assessment

10 March 2020

Version 1.0

Page 9 of 13

© ELEXON Limited 2020

| Impact on Code | |
|---|--|
| Code Section | Potential Impact |
| BSC Section G 'Contingencies' | Section G3 details the BSC arrangements should a total shutdown or a partial shutdown occur and the circumstances where the NGENSO intends to implement a Black Start. Currently this includes a list of the rules that vary under a Market Suspension Period (G3.2); this Modification will add the suspension of the Replacement Reserve (RR) market to this list, which includes TERRE. |
| BSC Section Q 'Balancing Mechanism Activities'. | Under this Modification, the provisions for an RR Market Suspension will be detailed in section Q. |
| BSC Section X- Annex X-1 'General Glossary'. | Add the definition of 'TERRE Market' in BSC Section X. |

| Impact on Code Subsidiary Documents | |
|-------------------------------------|---|
| CSD | Potential Impact |
| BSCP201 | BSCP201 includes the steps required to restore normal BSC market operations. It highlights the responsibilities and actions required to ensure this is done efficiently and effectively. This Modification will add the steps ELEXON will take in the event that the TERRE Market arrangements are suspended to provide clarity on how the BSC arrangements will operate. |

| Impact on other Configurable Items | |
|------------------------------------|------------------|
| Configurable Item | Potential Impact |
| No impacts identified | |

| Impact on Core Industry Documents and other documents | |
|---|--|
| Document | Potential Impact |
| Ancillary Services Agreements | No impact on any other Core Industry Documents, or other documents identified. |
| Connection and Use of System Code | |
| Data Transfer Services Agreement | |
| Distribution Code | |
| Distribution Connection and Use of System Agreement | |
| Grid Code | |
| Master Registration Agreement | |

300/04

P403
Initial Written Assessment

10 March 2020

Version 1.0

Page 10 of 13

© ELEXON Limited 2020

Impact on Core Industry Documents and other documents

| Document | Potential Impact |
|---|------------------|
| Supplemental Agreements | |
| System Operator-Transmission Owner Code | |
| Transmission Licence | |
| Use of Interconnector Agreement | |

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

We do not believe there will be an impact on any open SCR or any other significant change projects. A SCR exemption request was sent to Ofgem on 4 March 2020. On the 10 March 2020, Ofgem confirmed P403 was not within the scope of any open SCRs and accepted the request for exemption.

6 Recommendations

We invite the Panel to:

- **AGREE** that P403 progresses directly to the Report Phase;
- **AGREE** that P403:
 - **DOES** better facilitate Applicable BSC Objective (a)
 - **DOES** better facilitate Applicable BSC Objective (e);
- **AGREE** an initial recommendation that P403 should be **approved**;
- **AGREE** an initial Implementation Date of:
 - 25 June 2020 as part of the June 2020 BSC Release;
- **AGREE** the draft legal text;
- **AGREE** an initial view that P403 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 10 Working Day consultation and will present the results to the Panel at its meeting on 9 April 2020.

Appendix 1: Glossary & References

Acronyms

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

| Acronym | |
|---------|---|
| Acronym | Definition |
| TERRE | Trans European Replacement Reserves Exchange |
| NGESO | National Grid Electricity System Operator |
| NCER | Network Code on electricity Emergency and Restoration |
| SOGL | Establishing a guideline on electricity transmission system operation |
| IWA | Initial Written Assessment |
| EMR | Electricity Market Reform |
| SCR | Significant Code Review |

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 | Online copy of the Commission Regulation (EU) 2017/2196 'establishing a network code on electricity emergency and restoration' | https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:32017R2196 |
| 4 | Copy of NGESO's initial proposal for market suspension rules | https://www.nationalgrideso.com/document/144011/download |
| 4 | GC0097: Grid Code processes supporting TERRE webpage | https://www.nationalgrideso.com/codes/grid-code/modifications/gc0097-grid-code-processes-supporting-terre |
| 4 | Ofgem's letter to NGESO requesting for amendments to the market suspension and restoration rules | https://www.ofgem.gov.uk/publications-and-updates/request-amendments-eso-s-proposals-blackout-state-market-suspension-rules-and-settlement-rules-market-suspension |
| 5 | Online copy of BSC Section G 'Contingencies' | https://www.elexon.co.uk/documents/bsc-codes/bsc-sections/bsc-section-g-contingencies/ |
| 5 | Online copy of BSC Section Q 'Balancing Mechanism Activities' | https://www.elexon.co.uk/the-bsc/bsc-section-q-balancing-mechanism-activities/ |

300/04

P403

Initial Written Assessment

10 March 2020

Version 1.0

Page 13 of 13

© ELEXON Limited 2020