

DRAFT P397 SEND BACK PROCESS

MEETING NAME BSC Panel Meeting

Date of meeting 12 March 2020

Paper number 300/09

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Purpose of paper Decision

Classification Public

Summary This paper asks the Panel to approve this draft [P397 'Assessing the costs and benefits of adjusting Parties' Imbalances following a demand disconnection](#) Send Back Process. The draft process indicates how we, the BSCCo, on behalf of the Panel, propose to address the P397 Send Back Direction from Ofgem ('the Authority').

1. Introduction

- 1.1 This paper details the draft Send Back Process, which we invite the Panel to approve, prepared in response to the [Ofgem's P397 Send Back Direction](#), dated 15 January 2020 and received on 3 March 2020.
- 1.2 We prepared the draft Send Back Process in accordance with [BSC Section F 'Modification Procedures'](#) 2.7A. The Panel, having considered this draft Send Back Process, may instruct us to make such changes to the draft Send Back Process as it believes necessary to address the Send Back Direction.

2. Background

- 2.1 P397 was raised by the Panel at its meeting on 12 December 2019, following the Panel's concerns that the cost of running the Settlement adjustment processes in response to a Demand Disconnection Event (DCE), would outweigh the benefits (i.e. the total value of imbalance volume adjustment).
- 2.2 P397 proposes to introduce a materiality threshold to the DCE Settlement adjustment processes. The processes would not be operated if the estimated costs of operating the Settlement adjustment process would outweigh the benefits.
- 2.3 P397 was published for a 10 Working Day (WD) Report Phase industry consultation. All nine respondents expressed support for the solution. On 16 January 2020 the Panel unanimously recommended to Ofgem that P397 be approved, which was reflected in the P397 Final Modification Report (FMR) we submitted to Ofgem on 24 January 2020.

3. Ofgem Send Back Direction

- 3.1 On 3 March 2020 Ofgem sent the P397 FMR back to the Panel as it was unable to form an opinion on whether or not P397 should be approved based on the evidence submitted.
- 3.2 In its letter, Ofgem acknowledged that all evidence available to ELEXON and the Panel at the time of compiling the FMR was provided. However, it highlighted that the 'indicative and incomplete' nature of evidence meant it was unable to make an assessment of the impact on competition or whether the solution promotes efficiency in the implementation and administration of Balancing and Settlement arrangements (i.e. BSC Applicable Objectives (c) and (d)).

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- 3.3 In order for Ofgem can make an informed decision on P397, it has requested:
- Evidence gathered from the upcoming Issue Group on the overall costs of running the Settlement adjustment processes, including the difference in costs for different Parties.
 - The cost of running the Settlement adjustment processes following the DCE on 9 August 2019.
- 3.4 Ofgem requested the BSC Panel to resubmit the FMR as soon as practicably possible after addressing the matters above.

4. Proposed Send Back Procedure

- 4.1 As highlighted in the P397 FMR, we planned to raise a BSC Issue following the conclusion of the Settlement adjustment processes, to work with industry to resolve any lessons learned from operating the process. Ofgem acknowledged this in its Send Back letter, and we will raise the BSC Issue by 20 March 2020.
- 4.2 The BSC Issue Group will, amongst other things, seek to gather the evidence requested by Ofgem in order that it can make a decision on P397. We anticipate the Issue Group will need a minimum of two meetings and a Request for Information for 15 WDs to gather this evidence.
- 4.3 We anticipate the amended FMR will be returned to the BSC Panel for approval at its meeting on 9 July 2020, with the resubmission of the P397 FMR to Ofgem shortly following.
- 4.4 The P397 FMR outlined an implementation date of 5 WDs following Ofgem approval, which we do not expect to be impacted by the Send Back process. Similarly, we do not anticipate any amendments to the proposed legal text. However, we note that in assessing the completed Settlement adjustment processes, the Issue Group may make further recommendations to amend the DCE processes outside the scope of P397.

5. Recommendations

- 5.1 We invite you to:
- a) Approve this P397 draft Send Back Process

Attachments

Attachment A – P397 Send Back Direction

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