

Public

BSC Panel 306

10 September 2020

Public

Market-wide Half-Hourly Settlement SCR Update

Verbal

10 September 2020
Anna Stacey (Ofgem)

Half Hourly Settlement Reform

Update on MHHS Draft IA, Consultation and Industry Working Groups

September 2020



We have published a [Draft Impact Assessment and Consultation](#) document on MHHS.

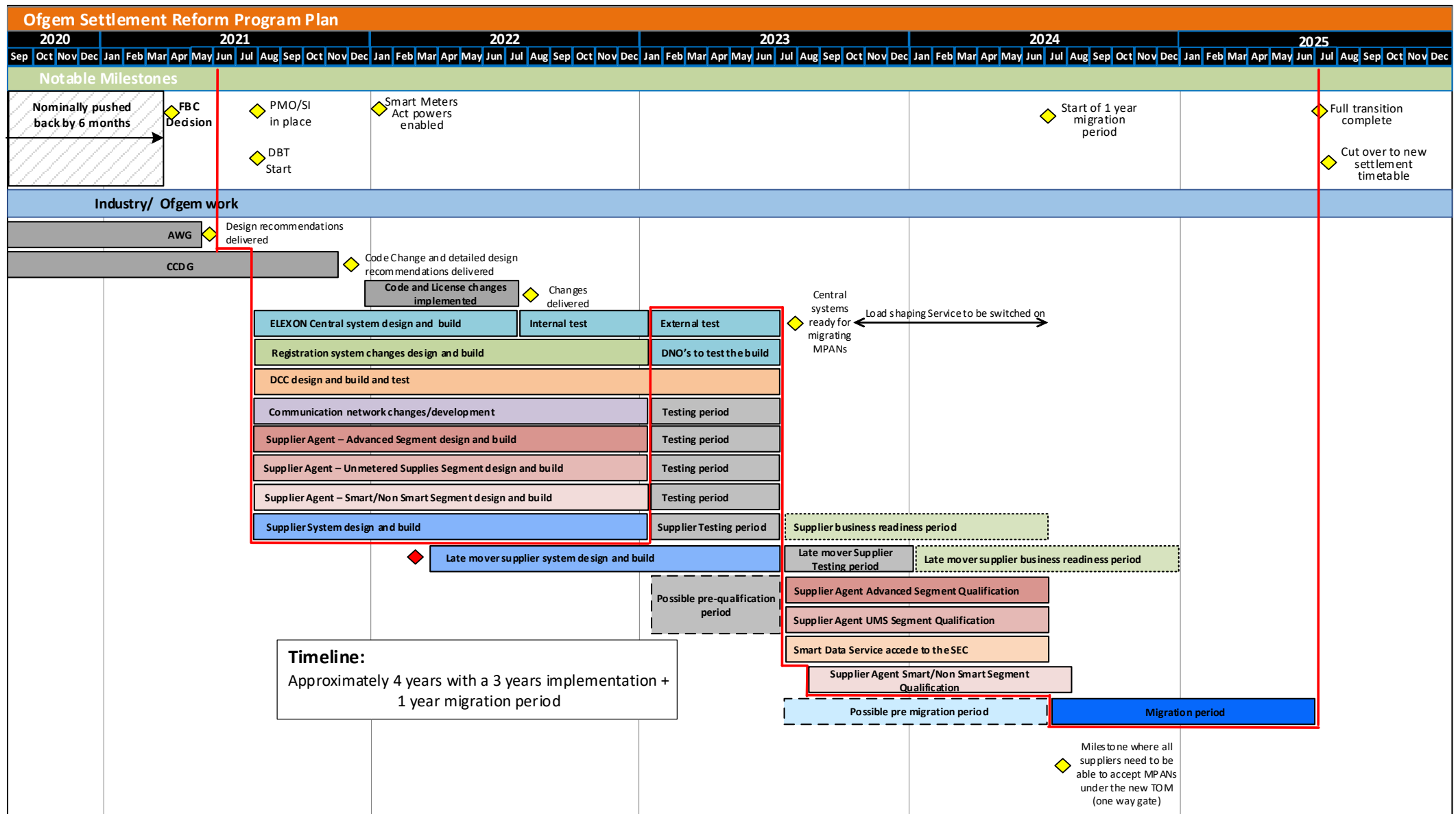
- Preferred option is to implement MHHS for all MPANs (import and export) over a 4 year period, starting from the Full Business Case decision (Spring 2021).

Expected range of net benefits to GB consumers: £1,607m-£4,557m up to 2045

- We have asked stakeholders for their views on the impact of COVID-19 on timing – both the start of transition and how long it will take.

Deadline for responses to the consultation and Draft IA is the 14th September 2020.

Proposed Transition Timetable (indicative)



- Oversight is required for an orderly and timely transition
- Several oversight roles are likely to be necessary
 - Programme Management Office (PMO)
 - System Integrator
 - Programme Party Co-ordinator
 - Assurance Function
- Ofgem is overall project sponsor but need not necessarily lead all aspects of delivery. We are considering three possible options:
 - Delivery led by an industry party/body
 - Ofgem procures a 3rd party to take on these roles on our behalf (with direct control of delivery and ultimate responsibility)
 - A hybrid, with an industry body/party responsible for some functions (such as PMO and SI) and Ofgem responsible for the assurance function

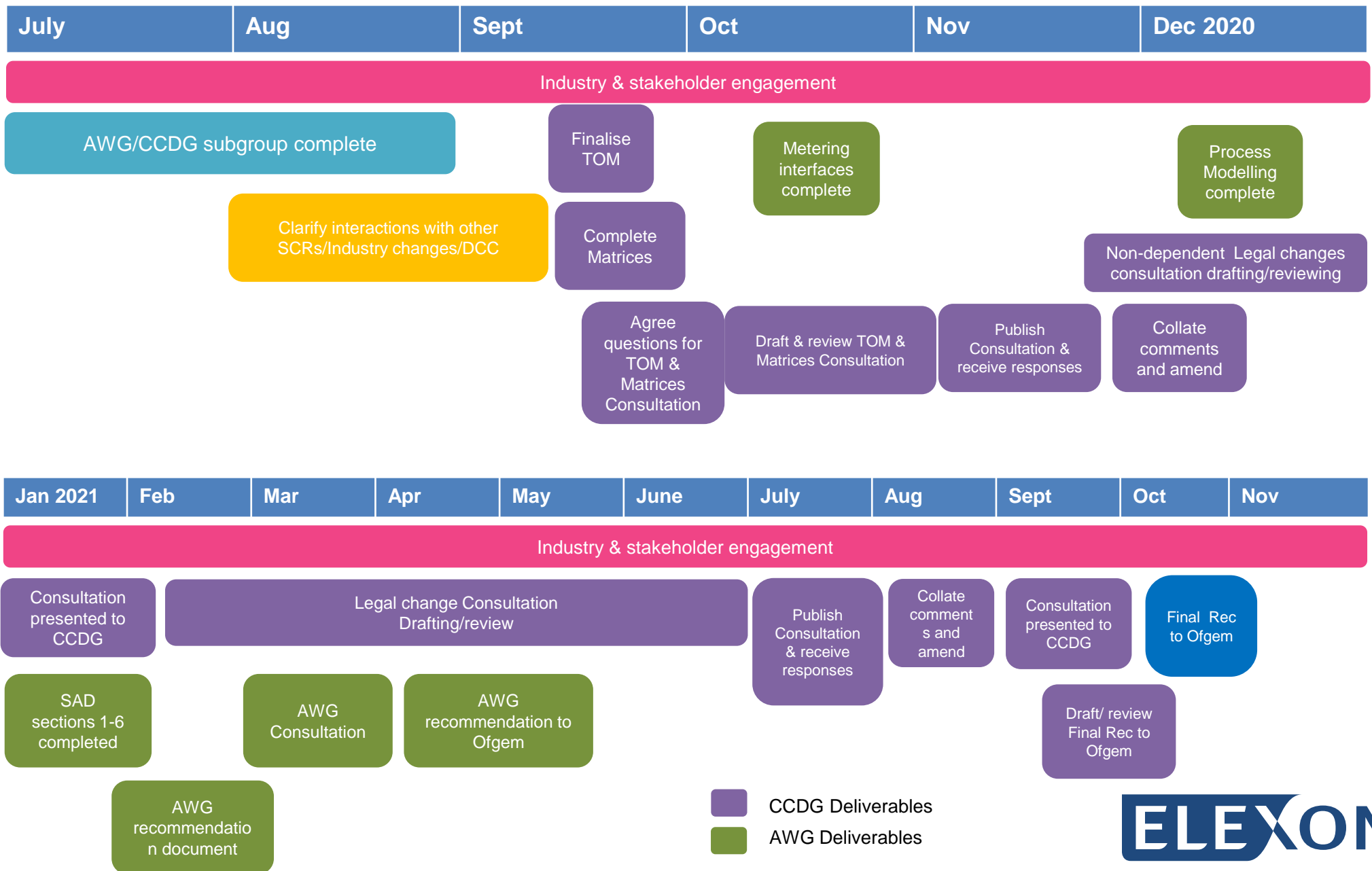
We are aware of ELEXON's interest. We will be considering stakeholder responses to our consultation and other evidence to make our decision.

We currently have two industry working groups, chaired by ELEXON.

1.) [Code Change and Development Group](#): who are working on the more detailed design of the Target Operating Model, as well as identifying the impacted codes.

- This group is currently working with representatives of the BSC, MRA, DCUSA, CUSC, SEC and DCC (as a central body) to identify the areas of the impacted codes and subsidiary documents.
- The next stage will be to begin the redlining of the codes (starting early 2021).

2.) [Architecture Working Group](#): designing the architecture solution for the TOM. They are currently setting out the interface requirements under the TOM



To contact us, please email:

half-hourlysettlement@ofgem.gov.uk

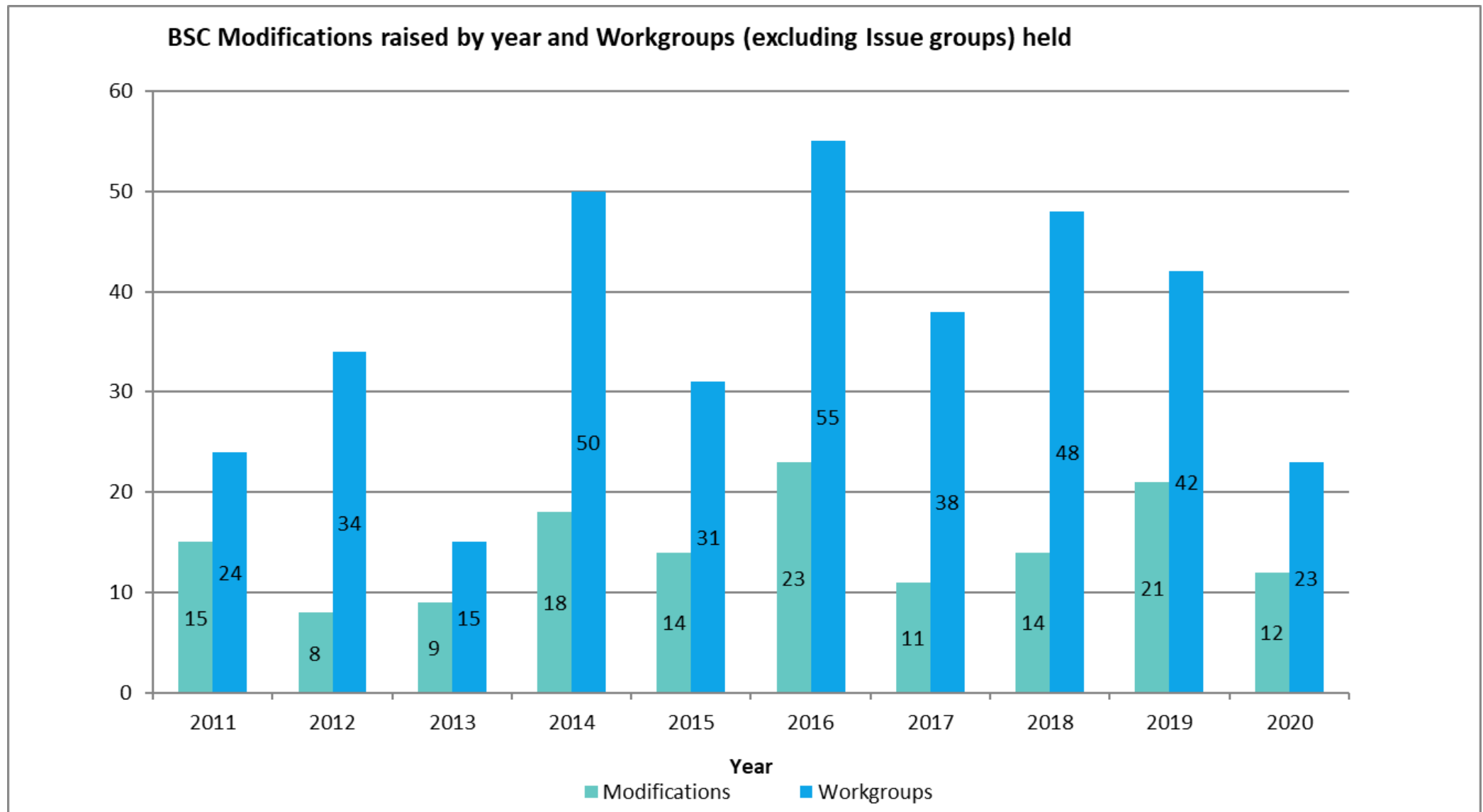
Public

Change Report and Progress of Modification Proposals

306/03

10 September 2020
Lawrence Jones

BSC Modifications raised by year and Workgroups held



BSC Modifications overview

Initial Written Assessment	P412, P413
Assessment Procedure	P332, P375, P376, P379, P395, P398, P399, P402, P407, P410
Report Phase	
Urgent	
With Authority	P397, P390
Authority Determined	
Self-Gov. Determined	P411
Fast Track Determined	-
Withdrawn	-
Open Issues	Issue 69, Issue 83, Issue 86, Issue 87, Issue 88, Issue 89

BSC Modifications approved timelines

	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21
P332 'Revision to the Supplier Hub'			AR	DMR	→						
P375 'Behind the Meter'			AR		DMR						
P376 'Baselining methodology'				AR	DMR						
P379 'Multiple Suppliers'		CBA		AR	DMR						
P395 'Final Consumption Levies'			AR	DMR	→						
P398 'Open Data'			AR	DMR							
P399 'BSAD transparency'			AR		DMR						
P402 'BSC Data for targeted Charging Review'				AR	DMR						
P407 'MARI'						AR		DMR			
P410 'Harmonised Imbalance'							AR		DMR		

Red = staggered to reduce burden on market participants in response to COVID-19

Modification Update: P332

'Revisions to the Supplier Hub Principle'

- The legal text has been drafted for Workgroup review
- P332 was initially delayed three months due to Covid prioritisation
- With the agreement of the Proposer a further three month delay is requested, to reduce the number of Assessment Consultations being issued in August and September
- Workgroup meeting rescheduled from August to September due to Workgroup availability
- We therefore request a three month extension to the P332 Assessment Procedure, returning with the Assessment Report to the January 2021 Panel meeting, or earlier if possible
 - This assumes the Workgroup agree with the legal text

Modification Update: P395

'Excluding generators from BM Unit Gross Demand and the calculation of EMR Supplier Charges'

- One Workgroup meeting has been held to date
- P395 has been on hold since February 2020 due to commitments to TCR and DCE work and the need to build on the P375 solution
- We plan to restart work in October and estimate five more meetings are required
 - May need to a Request for Information to support complex site arrangements
- We therefore request an eight month extension to the P395 Assessment Procedure, returning with the Assessment Report to the June 2021 Panel meeting, or earlier if possible

Modification Update: P398

'Increasing access to BSC Data'

- Assessment Consultation closes on 14 September
- Assessment Report is due at Panel on 8 October
- P398 proposes to require the Panel to establish the BMRS Change Board (BCB) in Section B
- BMRS Change Board was established by the Panel following the implementation of P372 'Speeding up the approval process for the publication of BSC data on the BMRS' – but is not required by the BSC
 - 2 BCB meetings held to date
- Opportunity for Panel to feed its views, via the consultation, on the role of BCB for assessing BSC data and the role of Panel (appeals) for P398 to the Workgroup

Modification Update: P379

- We have completed the tender process for a third party to conduct a cost-benefit analysis for P379
- CEPA have been selected, subject to contract
- Work is due to start this month and provide the CBA Report by February 2021
- Industry consultation likely in November 2020

CP1535 Implementation Date

'Interconnector Fuel Type Category update to BMRS'

- Panel approved CP1535 for implementation on 1 April 2021 at its meeting on 13 August 2020
- An opportunity has arisen, following announcement of TERRE delay, to bring the CP1535 delivery forward to 3 December 2020 (to align with P408 delivery)
- This will:
 - Deliver benefits for BMRS Users earlier by reporting all Interconnector volumes in a disaggregated format, removing the CP1516 'interim solution'
 - Be more efficient to implement alongside P408 as both impact BMRS reporting
 - Improve capacity in the BSC delivery pipeline

Recommendations

We invite the Panel to:

- a) **APPROVE** a three-month extension to the P332 Assessment Procedure;
- b) **APPROVE** an eight-month extension to the P395 Assessment Procedure;
- c) **AGREE** that the Implementation Date for CP1535 is brought forward from 1 April 21 to 3 December 20;
- d) **AGREE** that the North Sea Link Interconnector as a Fuel Type Category under paragraph 6.1.18 (I) of section Q of the BSC effective from 3 December 2021;
- e) **AGREE** that we consult industry for 10 WDs on the proposed date change;
- f) **NOTE** we will bring back CP1535 for approval on 8 October 2020; and
- g) **NOTE** the contents of the September Change Report.

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P412 'Ensuring non-BM Balancing Services providers are responsible for their imbalances'

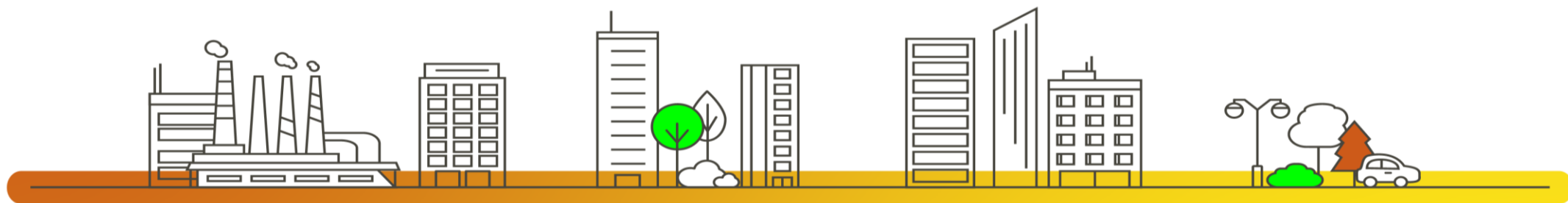
306/04

10 September 2020
Grahame Neale (NGESO) and
Elliott Harper

BSC Modification 412: Ensuring non-BM Balancing Services providers are responsible for their imbalances

(Clean Energy Package Articles 6.5 / 5.1)

National Grid ESO



national**grid**ESO

Background

- This BSC Modification is being raised based on requirements of the Clean Energy Package, while also aiming to remove some inconsistencies between the BM and non-BM elements of the balancing services market.
- Article 5 of the Regulation on the Internal Market for Electricity (RIME) within the Clean Energy Package (CEP), deals with 'Balance Responsibility'. Article 5.1 states that "All market participants shall be responsible for the imbalances they cause in the system ('balance responsibility')." Furthermore, Article 6 of the RIME covers 'Balancing Markets'. Article 6.5 states that "imbalances shall be settled at a price that reflects the real-time value of energy."
- The definition of market participants in the CEP extends to generators, aggregators, and demand response or storage services.

Background

- In totality, this means that all providers of balancing services should settle any imbalances (for example when instructed energy is not fully delivered as requested) at an imbalance type price, paid against the differential in delivered energy.
- At present, providers of balancing services that use the BM pay a “price that reflects the real-time value of energy” (an imbalance price), wherever there is a difference between instructed and delivered energy.
- Currently, where under-delivery against instructed energy occurs, non-BM balancing service provider contracts contain penalty clauses related to availability payments, rather than an imbalance charge. Any imbalance calculation for these sites uses delivered not instructed volumes. This is the issue in the GB market that needs to be addressed.

What has been considered?

- Given the potential gap between regulation and current market arrangements, a change to the current framework is required.
- Three potential approaches were considered in detail.
- 1) Make a change to the Balancing Mechanism processes to accommodate – specifically through an extension to the processes and functionality introduced through P354, which introduced functionality to allow energy differences to be settled through the ABSVD mechanism.
- 2) Make a consultative change to existing non-BM balancing service provider contracts to allow any under-delivery against instructed energy to be penalised at any imbalance price (rather than through availability payment clauses). This would be settled directly by NGESO, rather than by Elexon.
- 3) A manual approach to 2) that could be delivered quickly.

What has been considered?

- In summary, it was felt that an approach that did not fully interact with the BM (options 2 and 3) would not sit coherently with the current market arrangements and would leave too many areas of difficulty (for example dealing with imbalance revenues and neutrality, and operating a parallel imbalance type process).
- For this reason, the proposed BSC Modification (option 1) was felt to be the most logical solution, building on functionality and processes that had already been introduced. This would have the additional benefit of minimising change for affected market participants.
- Given the need to meet the regulation, and a way forward seeming reasonably clear, a BSC Modification was preferred to for example, requesting the formation of an Issues Group.

BSC Objectives

- The proposed solution would be Positive against the following BSC Objectives:
- (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 – while being put forward due to the requirements of the CEP, the proposal would also have the benefit of bringing greater parity between the market requirements of BM and non-BM balancing services providers, increasing competition.
- (e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Cooperation of Energy Regulators] – this proposal will meet the requirements of the CEP more effectively than the current arrangements.

P412: Issue and Proposed solution

■ Issue

- The Clean Energy Package requires that all market participants are responsible for imbalances they cause on the system
- When National Electricity Transmission System Operator (NETSO) issues an instruction to a non-BM Balancing Services provider, there is currently no financial penalty if they under-deliver, as the imbalance calculation for these sites uses delivered not instructed volumes

■ Proposed solution

- National Grid ESO to provide Settlement Administration Agent (SAA) with instructed volumes for use in the imbalance calculation. The Applicable Balancing Services Volume Data (ABSVD) logic will not change

P412: Areas to consider

- In addition to the standard ToRs, the Workgroup should consider:
 - How will P412 impact the Transmission Licence C16 Statements?
 - How and when should the non-BM Balancing Services instructions be sent to the SAA?
 - How should SAA be updated with the relevant list of Metering System Identifier (MSID) Pairs?
 - What are the implications for customers of adjustments being made to their Supplier's imbalance positions?
 - What are the effects on other Balancing Services providers as a result of this Modification?

P412: Proposed Progression

- Eight month Assessment Procedure
 - Four Workgroup meetings
 - Not a Self-Governance Modification
 - Assessment Procedure Consultation (15 WD)
 - Assessment Report by 13 May 2021
 - Report Phase and EBGL change process (20 May 2021 – 21 June 2021)
 - Draft Modification Report by 8 July 2021

- Workgroup membership having expertise in:
 - Non-BM Balancing Services
 - Applicable Balancing Services Volume Data (ABSVD)
 - Imbalance
 - EBGL Article 18 Terms and Conditions

P412: Recommendations (Assessment Phase)

We invite the Panel to:

- a) **AGREE** that P412 progresses to the Assessment Procedure;
- b) **AGREE** the proposed Assessment Procedure timetable;
- c) **AGREE** the proposed membership for the P412 Workgroup; and
- d) **AGREE** the Workgroup's Terms of Reference.

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P413 'Require Elexon to be the Programme Manager for the implementation of Market-wide Half Hourly Settlement'

306/08

10 September 20
Steph Clements (Scottish Power) &
Andrew Grace



Issue

- Ofgem's recent consultation sets out its thinking on how to manage implementation of Market-wide Half Hourly Settlement (MHHS)
- Ofgem has identified the need for a Programme Manager to manage implementation of the system, process and document changes, including for the transition of all Metering Systems from the old to the new Settlement arrangements
- Programme Management function roles:
 - An overall **Programme Co-ordinator** (PC) or **Programme Management Office** (PMO)
 - **System Integrator** (SI)
 - **Programme Party Co-ordinator** (PPC)
- Ofgem has also identified the need for a separate **Assurance** function to be provided by a different entity to the Programme Manager

Solution and Views Against Objectives

- **Solution:**

- Require Elexon, as the BSC Company (BSCCo), to provide the Programme Management (PM) function for the implementation of MHHS
 - Elexon as PM, would remain accountable to Ofgem as the **Senior Responsible Owner (SRO)**
 - Ofgem's proposal is that BSC Parties should fund the costs of the PM function whoever provides it, and hence P413 proposes a BSC cost-recovery mechanism if Elexon is PM

- **Views Against Objectives:**

- As the primary impacts of the MHHS programme are on the BSC, this will better facilitate the achievement of **Applicable BSC Objective (d)** 'Promoting efficiency in the implementation of the balancing and settlement arrangements'.

P413: Issue and Proposed solution

■ **Issue**

- If the BSC is not amended to require Elexon to perform the implementation Programme Manager function for Market-wide Half Hourly Settlement (MHHS), there is a risk that this results in longer implementation timescales, higher costs for the industry and a longer period to see the benefits outlined in Ofgem's Draft Impact Assessment Consultation.

■ **Proposed solution**

- Require Elexon, as the BSC Company (BSCCo), to provide the Programme Management (PM) function for the implementation of MHHS

P413: Areas to consider

- The exact BSC cost-recovery mechanism (e.g. whether this is through the BSC's Main Funding Share and whether these costs are funded by BSC Trading Parties only)
- How the BSC provisions will ensure that Elexon is accountable to Ofgem for delivery of the PM function, including whether the BSC should give Ofgem the right to remove some or all of the function from Elexon in the event of poor performance
- Whether the solution should include provisions for the appointment and governance of the Assurance provider

P413: Proposed Progression (1 of 2)

- Not a Self-Governance Modification
- Progressed to Assessment Procedure for an assessment by a Workgroup

Event	Date
Present IWA to Panel	10 September 20
Workgroup Meeting 1	W/B 21 September 20
Workgroup Meeting 2	W/B 12 October 20
Workgroup Meeting 3	W/B 16 November 20
Assessment Procedure Consultation	14 December 20 – 15 January 21
Workgroup Meeting 4	W/B 25 January 21
Present Assessment Report to Panel	11 February 21
Report Phase Consultation	15 February 21 – 1 March 21
Present Draft Modification Report to Panel	11 March 21
Issue Final Modification Report to Authority	15 March 21

P413: Proposed Progression (2 of 2)

- For Workgroup membership, we are seeking expertise in:
 - BSC Governance
 - MHHS
 - Other major Ofgem or Industry delivery programmes
 - Any other relevant experts and interested parties

P413: Recommendations (Assessment Phase)

We invite the Panel to:

- a) **AGREE** that P413 progresses to the Assessment Procedure;
- b) **AGREE** the proposed Assessment Procedure timetable;
- c) **AGREE** the proposed membership for the P413 Workgroup; and
- d) **AGREE** the Workgroup's Terms of Reference.

Public

Update on National Grid ESO Balancing Programme

Verbal

10 September 2020
Graham Dolamore (NGESO)

Project TERRE Update

- Timeline for market go-live Derogation to June 2020 and then COVID impact pushing go-live to late 2020.
- NGESO has written to Ofgem (19th August) wrt TERRE and concerns on our participation post 31st December 2020
- Industry publication on 4th September 2020.
- European Commission Publication – 9th July 2020.
 - UK will no longer participate in the Unions dedicated platforms, alternate fallback solutions should be sort.
 - GB to EU Interconnectors will become 'third party energy flows' and will not be managed through Union platforms.
 - Separate release stating SwissGrid will not be allowed to join TERRE at this time also.
 - TERRE platform LIBRE is a Union platform
 - RTE –lead TSO on TERRE are currently doing a legal review on the contracts, a report expected early September.
- TERRE cross border flow status
 - IFA TERRE readiness 2021.
 - IFA2 TERRE readiness 2021 – Upon completion of Operational Handover.
 - Eleclink TERRE readiness 2022
 - Cross party working groups progressing in readiness for RR products on the interconnectors when they become available.

Project TERRE Update

- **Go-Live Date and timeline for Brexit**

- NGESO go-live with TERRE without any RR products being available across the interconnectors – 'stand alone mode'
- Provide market experience for GB participants until the interconnector cross border availability.
- Following the EC letter this time to gain experience is limited and the costs associated with developing TERRE provides uncertainty on the CBA for participation.
- The estimated €17m pa benefit for GB Consumers uncertain.
- NGESO - our rights to use the central platforms (LIBRE) and therefore 'stand alone mode' is of great concern.
- Following the failure of a BaU update to the BM in July this has also impacted our deployment plans and consequential TERRE go-live to mid December.

- **Next Steps.**

- NGESO continue dialogue with Dfgem and BEIS.
- Gain greater clarity on the legal position (RTE feedback)
- Rapid development the least impact solution on the future GB development pipeline and with parties involved in the complex development.

Public

Minutes of Meetings 305 and 305A and Actions Arising

Claire Kerr

Public

Chairman's Report

Michael Gibbons



Public

ELEXON Report

Mark Bygraves



Public

Distribution Report

Fungai Madzivadondo

ELEXON

Public

National Grid Report

Jon Wisdom

ELEXON

Public

Ofgem Report

Colin Down

ELEXON

Public

Panel Committee Reports

306/01A-F

Public

MDD Change Requests for Version 302/303

306/05

10 September 2020
Oliver Meggitt / Freya Gardner

Background & Summary

- Updates to MDD are made monthly, and taken to the SVG for approval
- New LLFCs and HH & NHH Combinations need to be created to support the implementation of Ofgem's TCR
- Large volume of these – have been spread between October 2020 and April 2021 MDD releases
- First set was taken to SVG235 (1 September 2020)

- The SVG were unable to reach a unanimous decision
- Concern about the risks posed to Settlement integrity
- Largely supported by RFI issued to industry in August
- However, TCR is a 'policy level' decision and SVG noted the issues that may be caused by not approving
- Felt that BSC Panel direction and support was required

Discussion at SVG235

- SVG members were split – 1 agreed to approve, 5 wanted to reject

- **Reasons for rejection**
 - Risks identified in the RFI could affect integrity of Settlement processes
 - No industry testing has been carried out (or even scheduled)
 - Unsure if the vires of the SVG allowed for 'policy level' input in decision making

- **Reasons for approval**
 - However, risks are mitigated – eg 14 month Settlement Reconciliation, still have until April to test and load
 - 'Domino effect' of delaying a release – impact on deadline of 1 April 2021
 - Cannot distinguish which LLFCs are needed for BAU activities and which are for TCR – BAU updates are needed by Participants for DuOS billing

Options Available

■ Approve

- Could pose risks to Settlement as identified by SVG members and RFI
- Would facilitate the TCR implementation

■ Defer

- Until when? e.g. Participant testing is complete – currently unknown timescales
- Would 'back load' the MDD releases – could cause more problems later on
- Would give time for testing to be carried out, or further discussion to possibly alter the go-live date

■ Reject

- Would need to encourage Ofgem and ENA to re-visit the TCR timescales
- Would need to create a new TCR implementation timeline or revised approach

Recommendations

We invite the Panel to:

- a) **APPROVE** four General Change Requests for implementation in MDD 303 with a go-live date of 21 October 2020.

Public

PAB Recommendations for Reinstating Supplier Charges

306/06

10 September 2020
Dnieper Cruz

ELEXON

Introduction

- At the PAB meeting on 30 July 2020, Elexon presented a paper (PAB234/03) 'Criteria for Reinstating Supplier Charges', following a Panel action raised in June
- The committee was invited to discuss the viability of each criteria to re-establish Supplier Charges
- Following the discussion, the PAB was invited to make recommendations to the Panel and encouraged to highlight any further criteria for consideration.

Criteria for Reinstating Supplier Charges

Criteria 1 - Follow Government guidance on COVID-19 lockdown restrictions

- Future changes in relaxing lockdown restrictions would make site visits increasingly possible and see a return to normal operational activities
- A PAB Member commented that as a Supplier they have noticed an abort rate for HH site visits remained high at 50% and 30% for NHH site visits
- The PAB agreed that the decision to reinstate Supplier Charges should be made only when this criteria is met.

Criteria for Reinstating Supplier Charges

Criteria 2 - Evidence increase in consumption or a return to 'pre-lockdown' levels

- The PAB discussed the possibility of monitoring consumption for evidence of a return to 'pre-lockdown' levels, taking into account seasonality
- The PAB agreed that a return to pre-lockdown consumption level may never happen, and that determining what a new normal level of consumption to expect may not be possible
- Therefore, the PAB concluded that Criteria 2 was not viable and would not be recommending it to the Panel.

Criteria for Reinstating Supplier Charges

Criteria 3 - Wait until Estimated EACs leaves Settlement after Final Reconciliation (RF) Settlement Run

- The PAB discussed the possibility of only reintroducing Supplier Charges after the Settlement Dates during the lockdown period no longer had an impact on Settlement
- The majority of estimation of consumption has been made by NHH Suppliers for non-domestic customers
- The PAB were in favour of Criteria 3 being met before Supplier Charges could be reinstated

Conclusion

1. Follow UK Government guidance on lockdown restrictions – **Recommended**
 2. See evidence of increase in consumption or a return to 'pre-lockdown' levels – **Not Recommended**
 3. Wait until estimated EACs from lockdown period leaves Settlement after RF Settlement Run – **Recommended**
-
- PAB thought that it was logical that Criteria 1 and 3 should be combined
 - Criteria 3 should only be considered after the Panel deems that Government lockdown restrictions has been sufficiently lifted
 - Hiatus would be an opportunity for Elexon to understand the effectiveness of Supplier Charges technique and review areas for which they believe there is room for improvement

Recommendations

We invite the Panel to:

- a) **NOTE** the recommended criteria by the Performance Assurance Board to reinstate Supplier Charges.

