

# ELEXION

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**BSC Panel 308**

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Public

12 November 2020



# PART I: NON-MODIFICATION BUSINESS (OPEN SESSION)

# ELEXION

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## **Retail Energy Code Update**

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Verbal – Arik Dondi (Ofgem)

12 November 2020





## PART II:NON- MODIFICATION BUSINESS (OPEN SESSION)

# ELEXION

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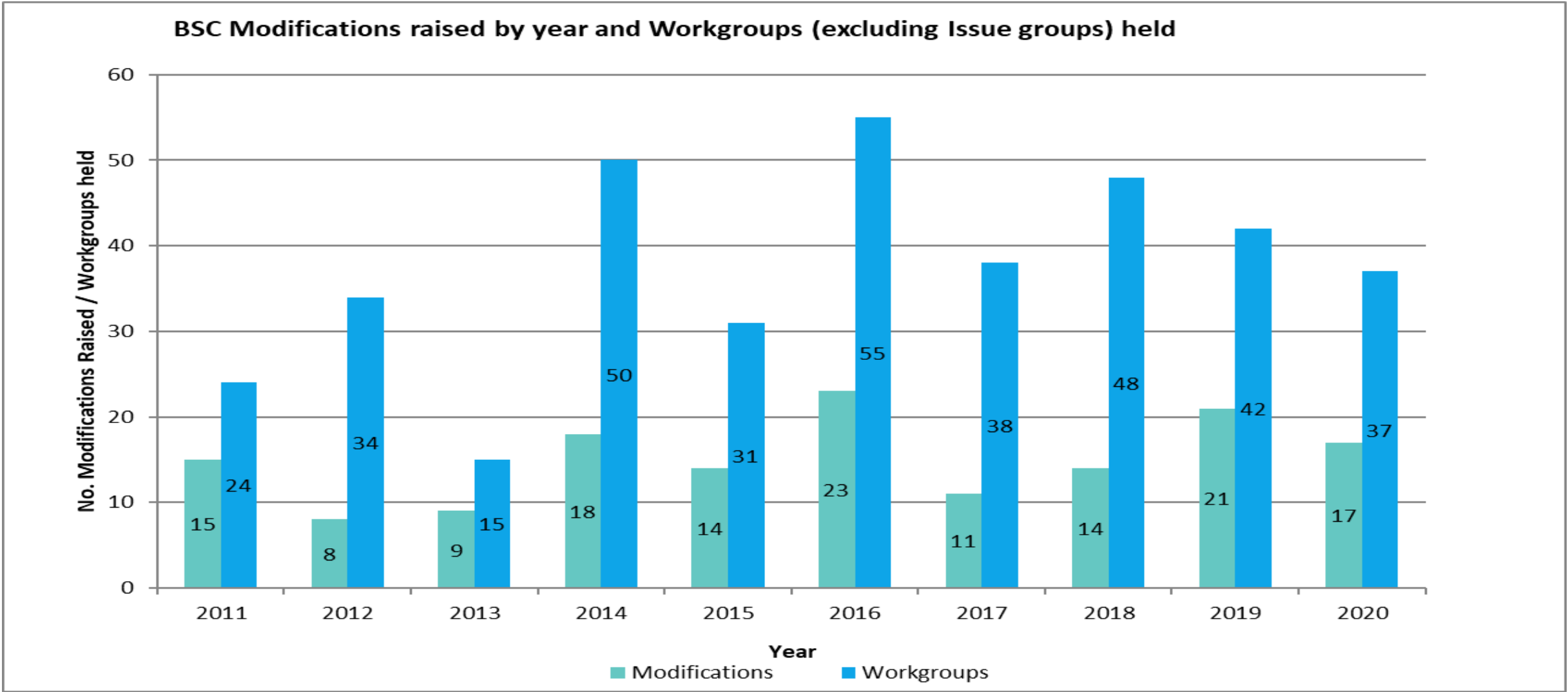
## **Change Report and Progress of Modification Proposals**

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308/03 - Lawrence Jones

12 November 2020

# BSC Modifications raised by year and Workgroups held



## BSC Modifications overview

Initial Written Assessment	P416
Assessment Procedure	P332, P376, P379, P395, P402, P407, P410, P412, P413, P415
Report Phase	P375, P398, P399, P414
Urgent	
With Authority	P390
Authority Determined	
Self-Gov. Determined	-
Fast Track Determined	-
Withdrawn	-
Open Issues	Issue 69, Issue 83, Issue 86, Issue 87, Issue 88, Issue 89, Issue 91

## BSC Modifications approved timelines

	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21
P332 'Revision to the Supplier Hub'				AR		DMR					
P375 'Behind the Meter'	AR		DMR								
P376 'Baselining methodology'				AR		DMR					
P379 'Multiple Suppliers'							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				
P412 'Non-BM Balancing Providers pay for non-delivery imbalance'								AR		DMR	
P413 'MHHS Programme Manager'					AR	DMR					
P414 'Withdrawal mod'	IWA		DMR								
P415 'VLP access to wholesale market'	IWA										
P416 'Include Appeals mechanism for Annual Budget'		IWA					AR	DMR			



### ‘Enabling reform of residual network charging as directed by the Targeted Charging Review’

- Assessment Consultation closed on 27 October 2020
- At the Workgroup meeting on 2 November, the Workgroup raised an Alternative solution
  - Removes the need for BSC Central Systems and places obligations on LDSOs to provide the required data to ESO
- This requires:
  - New business requirements
  - New legal text
  - A new consultation, in particular to understand the costs for the two solutions
- Now unlikely we will be able to bring the Assessment Report to the December Panel meeting
- The Workgroup recognised that this new development may risk the delivery of P402 by the requested April 2022 deadline, but believed it better to get the right solution
  - We are continuing to engage with Ofgem on the development of P402
- The Workgroup therefore request a two month extension to allow this additional work to complete, returning with the Assessment Report by February 2021

### ‘Multiple Suppliers through Meter Splitting’

- Cost-benefit analysis (CBA) timetable has been agreed as part of the contract award to CEPA
- The industry consultation will be issued late November to early January
- The CBA report is due to be presented at the March 2021 Panel meeting
- **We welcome comments on the scope of the CBA and the areas for consideration on the costs and benefits, including the counter-factual**
- **We invite the Panel to attend a workshop to review and feedback on this scope document**
  - This document is important as it will be the basis on which the CBA is conducted
    - Do you agree with the assumptions?
    - Do you agree the with the scope of the costs?
    - Do you agree with the scope of the benefits?
    - Do you agree with the counter-factual and the appraisal?
    - Do you agree with the proposed approach to modelling?
- Benefits will, in general, be hypothetical as many of the business cases are unable, or less able, to operate in the current market, due to the barriers the Modification is attempting to address. Benefits cases should be supported by technical reports, academic papers, consumer research and international studies where possible
- In addition, the benefits case will be compared against a counterfactual scenario in which we consider the extent to which certain benefits may arise in the absence of P379 implementation
- Costs will be assessed against a series of hypotheses, whereby the Modification may impose a particular cost on a Party. These hypotheses are to be tested, with the results quantified. The quantified results will be validated and fed into a model to deliver ‘whole of market’ costs

## Modification Update: P379 (2 of 3)

### Key cost and benefit considerations

Benefits	Costs
1. Increased competition for customer supply volumes	1. Primary Supplier – cost to serve, billing systems, on-going Settlement operation, risks, compliance, supplier failure, other
2. New service offerings for customers	2. Secondary Supplier – costs to serve, billing systems. Metering, on-going Settlement operation, risks, compliance, customer mis-use, supplier failure, other
3. Increased deployment of smart energy technologies at grid-edge	3. Supplier Agent Costs – HHMOAs, HHDC, HHDA : systems and processes, qualification, operational, other
4. Increased consumer engagement	4. Contract Notification Agent (CNA) – setup costs, systems development, other
5. Wholesale market peak-shifting benefits	5. Ofgem - Licences, compliance, other costs
6. Reduction in carbon emissions	6. BSCCo – system development, system operation, operational, other
7. Other benefits	7. DCC - Data volumes, other
	8. LDSO – new charging methodology development, new charging methodology operation,
	9. RECCo – system development (CSS)
	10. Other codes and costs

### Counter factual

- The P379 Cost Benefit Analysis will take into account near term expected changes in the market. In particular, we believe it would be prudent to consider:
  - The Faster Switching Significant Code Review (SCR), the introduction of a new Central Switching Service and updated switching procedures
  - The Targeted Charging Review SCR, the introduction of new network charging methodologies and the changing incentives on Supply
  - Market Wide Half Hourly Settlement and the availability of half-hourly metering data
  - The Future Retail Market Review and changes to the structure and operations of the electricity retail market, to the extent that such information is available
- The counterfactual will also consider alternative solutions for the proliferation of anticipated services that may be able to overcome some of the barriers addressed by Modification P379.
  - This will include facilitation within a Supplier's portfolio as opposed to splitting energy between different Suppliers.
- The CBA therefore seeks to only consider costs/benefits which are marginal for the P379 solution. This approach minimises the potential for double-counting costs and benefits attributable to other known developments and delivery models.

## TERRE and MARI updates

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- We are not aware of any new information relating to access to the LIBRA platform post 1 January 2021 – legally we will not have access, but subject to Free Trade Agreement (FTA)

### TERRE

- Ofgem published an open letter on the ESO delays to the implementation of TERRE in GB on 6 November 2020
- “ESO’s engagement with stakeholders in this area has been below our expectations”
- Lack of clear planning beyond 1 January 2020, including communication of plans to stakeholders
- Ofgem has asked ESO to collaborate with stakeholders, including Elexon, to address all outstanding implementation details through the creation of a GB TERRE Implementation Group
  - Develop and share plan for small range of credible scenarios
  - Ensure measures are in place to enable ESO to continue to access cross-border balancing services with other TSOs in the event of no access to TERRE platform
  - Ensure no knock on delays to other 20/21 Forward Plan deliverables
- We will work with ESO to develop and deliver the new plan

### P407 MARI

- Workgroup meeting held 3 November to agree BSC solution, which is based on the following assumptions, as was the case for TERRE:
  - Load shape methodology to be created during implementation phase
- Next Workgroup planned for 23 Nov to step through legal text
- Assessment Consultation planned for 17 Dec to 20 Jan
  - More prudent to wait until January to issue? Trade off between assessment time vs. implementation time
- **We need to start development work by June/July 2021**

## Consumer Benefits: CACoP Proposal (1 of 3)

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- The CACoP forum is undertaking a review of Modification Proposal Forms across the industry
  - We have fed in our simplification updates we made to the Proposal Form last year
- The intent of this is to ensure consistency across the Codes to facilitate easier engagement in the change processes by market participants
- This is in keeping with CACoP Principle 2 that Documentation shall be in clear English and consistent across Codes
- As part of this work, the CACoP Forum has considered changes that could be made to Modification documents to better assess the impact a Modification may have on consumers
- **We welcome comments on the proposed changes**
- **We invite the Panel to attend a workshop to review and feedback on this initiative before deciding whether to approve**
  - **Whilst we welcome this initiative we believe it is important to consider how this should be implemented and operated if we are to get value from it**



## Consumer Benefits: CACoP Proposal (2 of 3)

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- The CACoP Forum proposes that consumer benefit is presented in a way that mirrors assessment of Code Applicable Objectives
- The assessment of consumer benefits will be separated into each of Ofgem's five Consumer Benefit Categories:
  - Improved safety and reliability of the system;
  - Lower Bills than would otherwise be the case;
  - Benefits for society as a whole;
  - Reduced environmental damage as a whole; and
  - Improved quality of service.
- Each of these areas should be assessed against the baseline to indicate whether the Proposed Modification will be positive, negative or immaterial against each category, along with commentary to provide rationale for this view
- The CACoP forum proposes that where possible, the Proposer should complete this, but that it should be revisited and validated by Workgroups and Code Admins at each stage of the Modification process
- In addition to an assessment of the five Consumer Benefit Categories, the CACoP Forum proposes that Modification Documents include:
  - An explanation of the current consumer experience and how this would be affected if the Proposed Modification was not implemented; and
  - An overview of the new consumer experience that the Modification would deliver, highlighting how this differs from the current experience

## Consumer Benefits: CACoP Proposal (3 of 3)

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- The consideration of consumer benefits is a requirement for Ofgem
  - What value will a views based approach provide?
  - We would welcome guidance from Ofgem on how it conducts its consumer benefit analysis under its statutory powers to ensure that we take an aligned approach
- Ofgem does not conduct impact assessments for all Modifications
  - Which Modifications should be required to assess consumer benefits and to what extent?
  - What criteria should be used to determine this and by who?
- Quantifying consumer benefits relies upon the provision of quality data from industry
  - Currently no vires to require the provision of this information
  - How should data be extrapolated?
  - How should the data be validated?
- For a fundamental shift in approach to assessing Modification, should we consult Parties?
- Should all codes use the same methodologies and models? E.g. Application of supply and distribution models
- Concerned that without proper consideration, the consumer benefits will not be properly assessed, adding time and effort for progressing Modifications with no clear benefits
  - May be left blank e.g. no direct impact identified
  - Absence of quantified/validated evidence may not be of value to Ofgem or Panel? How valuable and reliable is a views based approach for Panels and Ofgem?
  - Risk that if analysis isn't robust, we might provide misleading or incorrect information
- Will a modification be delayed/ incomplete/ rejected/ Sent Back if the requisite information cannot be found?
- Should the Proposer be responsible for providing the first evidence?
- Will Citizens Advice provide evidence? Is this evidence of greater value?
- If a Modification is shown to not benefit energy consumers, should it be rejected or work cease?

### P408 'Simplifying the Output Usable Data Process'

- Last month, the Panel requested that Ofgem approve the P408 Implementation Date is moved from 3 December 2020 to 2 February 2021
- Ofgem approved this request on 9 November 2020
- P408 will now be implemented on 2 February 2021

# Updates to Modification Reports

- Last month we spoke to you about updating our templates to present costs in a tabular format and to work towards reporting benefits
- We have now updated our Modification Reports to present costs in a tabular format
  - Separated by implementation costs; and
  - On-going costs
- This month we will update the consultation questions to validate cost categories with market participants
- We believe this work complements the CACoP work on consumer benefits
  - We should bed this new practice and gather feedback
- We have also updated the contents page to include signposting for those less familiar with the Modification Reports:

On-going cost estimates		
Organisation	Implementation (£k)	Comment
Elxon	500 to 600	Extra 0.5 FTE
NGESO	500	Based on ESO impact assessment
Industry	200 to 1000	Extrapolated from limited response to RfI / to be confirmed via consultation / Judgement provided by Workgroup/Proposer. If cannot indicate then give a High/Medium/Low
Total	1200 to 2100	



Not sure where to start? We suggest reading the following sections:

- Have 5 mins? Read section 1
- Have 15 mins? Read sections 1 and 7
- Have 30 mins? Read all except section 6
- Have longer? Read all sections and the annexes and attachments

## Reminder: Modcasts

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- We implemented Modcasts a year ago
- We believe these are a valuable addition for market participants and are keen to spread the word that these exist!
- As an example, one of the most listened to is for P385 'Improving the efficacy and efficiency of the Section H Default provisions'
- <https://soundcloud.com/user-827415659/podcast-on-bsc-modification-p385-improving-efficacy-and-efficiency-of-section-h-default-provisions>

## Recommendations

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We invite the Panel to:

- a) **APPROVE** a two-month extension to the P402 Assessment Procedure;
- b) **COMMENT** on the P379 cost/benefit analysis approach and scope;
- c) **NOMINATE** attendees for a workshop on the P379 cost/benefit analysis approach and scope;
- d) **COMMENT** on the CACoP consumer benefits proposal;
- e) **NOMINATE** attendees for a workshop on the CACoP consumer benefits proposal;
- f) **NOTE** the contents of the November Change Report, including the change to the P408 Implementation Date.



# ELEXON

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**P416 ‘Introducing a route of appeal for the Annual Budget’**

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308/04 - Kevin Woollard (British Gas) & Chris Arnold (Elexon)

12 November 2020

# Issue and Proposed Solution



## Issue

There is currently no direct route of appeal for any BSC Parties not in agreement with any items in the Annual Budget, and who feel their comments have not been addressed during the drafting phase of the Business Strategy/Annual Budget

There is also a lack of consistency across codes on the appeal route for code-related budgets. In particular, the current version of the proposed legal text for V1.1 of the Retail Energy Code (REC) specifies a route to appeal the REC Budget to Ofgem

## Proposed Solution

The change will allow for an appeal to the Authority in the case that a BSC Party reasonably believes that an item in the Annual Budget:

- was not consulted upon as part of the draft Annual Budget process, or the Board failed to have reasonable regard to the comments submitted;
- is not a legitimate item of expenditure for the Board;
- is a manifestly inappropriate provision for the activity in question, and there are not insufficient safeguards in place to ensure that the actual costs incurred will be efficient; or
- will, or is likely to, prejudice unfairly the interests of one or more Parties, or cause them to be in breach of this Code, the Energy Licences and/or Law.

## Objective (d):

- There is currently no direct route of appeal for any BSC Parties not in agreement with any items in the Annual Budget, and who feel their comments have not been addressed during the drafting phase of the Business Strategy/Annual Budget
- A Party who is sufficiently motivated could lobby other BSC Parties to support the removal of Elexon Board members, which would be both disproportionate and inefficient in most cases. Introducing a route to challenge items in the Annual Budget in a limited and specific way is therefore an improvement in efficiency in the implementation of the balancing and Settlement arrangements

## P416: Terms of Reference

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In addition to the standard Modification questions, we aim to verify the following with the Workgroup:

- What controls would need to be in place to prevent frivolous and vexatious appeals or appeals that would result in Elexon being unable to meet its obligations or duties?
- Do the deadlines for draft publication, comment summary and BSCCo Board decision need to be changed to accommodate the appeals process?
- What process (if any) is needed to resolve a disagreement before an appeal is raised?
- How would the existing mechanisms handle such an appeal and are these sufficient?

## P416: Proposed Progression

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- Five month Assessment Procedure:
  - Three Workgroup meetings:
  - Assessment Procedure Consultation (15WDs);
  - Assessment Report by **8 April 2021**;
  - Report Phase Consultation (10WDs); and
  - Draft Modification Report by **13 May 2021**.
- Workgroup membership having expertise in:
  - BSC Governance; and
  - Business Strategy and Annual Budget process
- P416 is **not** expected to have any impact on the EBGL Article 18 terms and conditions.
- P416 should **not** be a Self-Governance Modification as it will materially impact the Code's governance procedures and impose new requirements on Ofgem

# P416: Recommendations

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We invite the Panel to:

- a) **AGREE** that P416 progresses to the Assessment Procedure;
- b) **AGREE** the proposed Assessment Procedure timetable;
- c) **AGREE** the proposed membership for the P416 Workgroup; and
- d) **AGREE** the Workgroup's Terms of Reference.





# PART III:NON- MODIFICATION BUSINESS (OPEN SESSION)

# E L E X O N

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**Minutes of previous meetings  
and Actions arising**

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Claire Kerr

# ELEXION

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## Chairman's Report

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Michael Gibbons

# ELEXON

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**Elexon Report**

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308/01 - Mark Bygraves

# ELEXION

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## Distribution Report

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Fungai Madzivadondo

# ELEXION

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**National Grid ESO Report**

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Jon Wisdom



# ELEXION

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**Ofgem Report**

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Colin Down

# ELEXION

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**Panel Committee Reports**

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308A-F

# ELEXION

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**Market Index Definition Statement (MIDS)  
Review 2020**

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308/05 – Nick Baker

12 November 2020

# What is the MIDS?

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- The Market Index Definition Statement (MIDS) defines a set of parameters that determine how the Market Index Price (MIP) is calculated
- The MIP reflects the short term electricity price on the wholesale market
- Elexon (on behalf of the BSC Panel) reviews the MIDS and consult at least annually as required by the BSC

## Future of the MIDS and use of the MIP

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- To comply with European Balancing Guideline, from 15 January 2022, the MIP cannot be used as a component of the System Price calculation, and will be replaced by the Value of Avoided Activation of Balancing Energy (VOAA)
- BSC Modification P410 'Changing imbalance price calculations to comply with the Imbalance Settlement Harmonisation regulations' has been raised to address this
- As part of the BSC Modification P410 workgroup, the future of the MIDS will be determined, including whether the requirement for an annual review of the MIDS remains valid

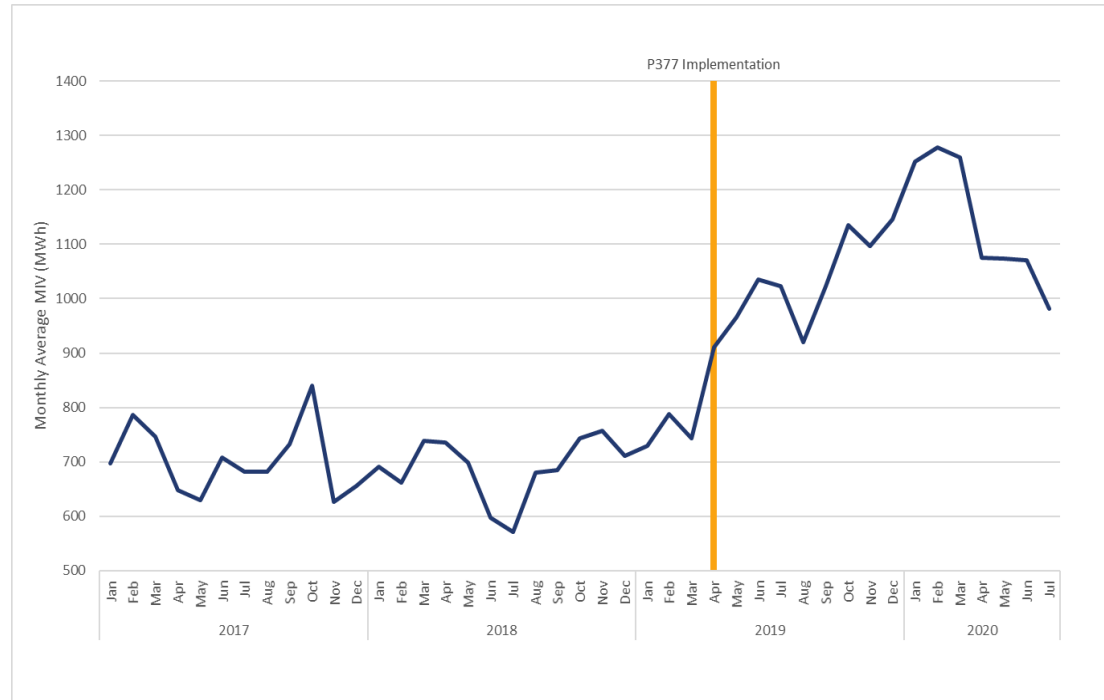
# Summary

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- Following the implementation of BSC Modification P377 on 18 April 2019, the 2020 MIDS review period represents the first full year since these changes were made to Market Index Data
  - Analysis shows that the changes to the timebands have increased the liquidity of the Market Index Volume.
- The following MIDS parameters **remain suitable** for the principles set out in BSC Section T:
  - Individual Liquidity Threshold (ILT), set at 25MWh
  - Product weightings- currently Half Hour, 1 Hour, 2 Hour and 4 Hour products
  - Timeband weightings- currently trades made eight hours prior to the start of a Settlement Period

# Monthly and Daily Average Market Index Volume (MIV)

- The daily average Market Index Volume (MIV) was 1,109MWh between 1 August 2019 and 31 July 2020
- Following the implementation of P377, the monthly average MIV is 386MWh higher than the monthly average MIV prior to P377 since January 2017



**Graph 3.2** Historical monthly average Market Index Volume since 2017

# Industry Consultation and ISG Recommendation

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- Elexon issued a two-week industry consultation on the 2020 MIDS Review (Attachment A)
- The one respondent (Attachment B) agreed with the analysis presented in the consultation, that no changes should be made to the Individual Liquidity Threshold (ILT), or the current weighted products and timebands
- The respondent also supported no change to the calculation of the Market Index Price (MIP) in the context of a highly unusual year to date
- Comments in relation to the use of the MIP were passed to the Lead Analyst for BSC Modification P410, for consideration in discussions of the P410 workgroup on the future of the MIP
- The ISG discussed the consultation response at its October 2020 meeting and recommended that no change is made to the MIDS



# Recommendations

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We invite the Panel to:

- a) **NOTE** the ISG's recommendation; and
- b) **AGREE** that no change is made to the Market Index Definition Statement (MIDS).

# ELEXION

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**Update on reporting of exempt supply  
volumes to EMRS**

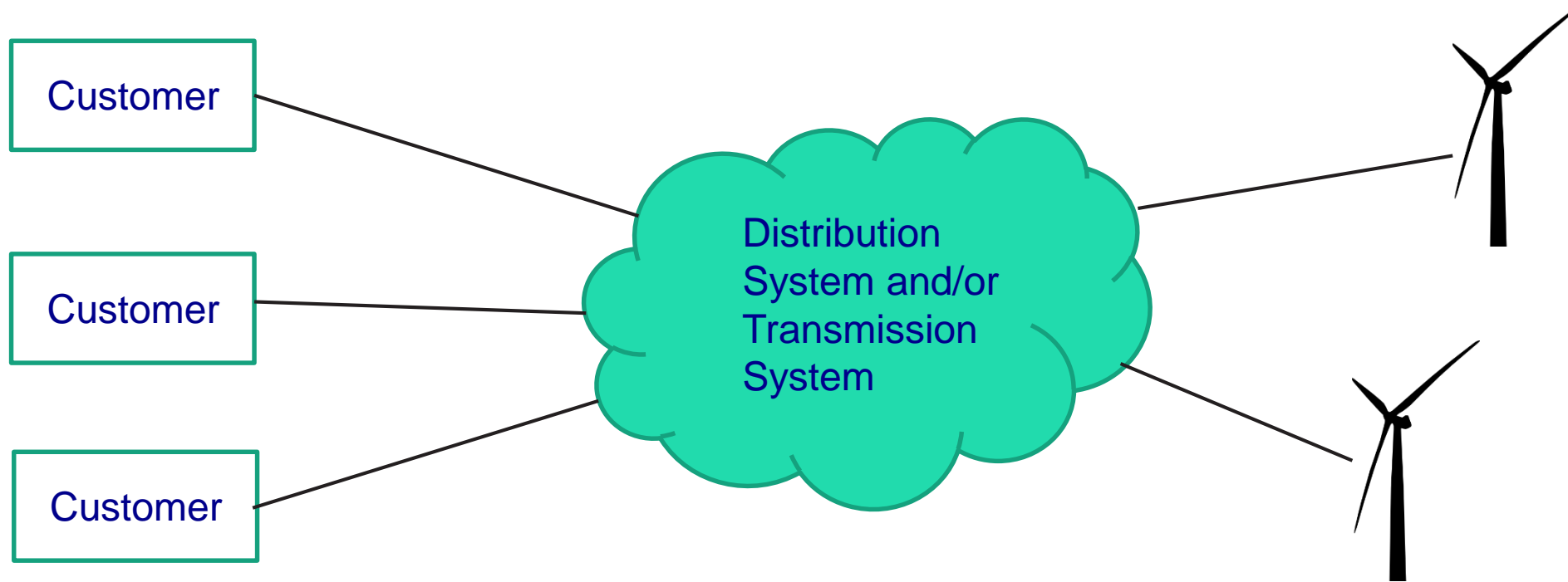
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308/06 – John Lucas

12 November 2020

# Exempt Supply

- Various Class and Individual exemptions allow electricity to be supplied across licensed networks, but the exempt supply has to be facilitated by a Licensed Supplier who registers Metering Systems and pays network charges for the exempt supplier's generating units and customers:



- This paper addresses questions that arose at the August meeting of the BSC Panel

## Why is this a BSC issue?

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- For Settlement purposes, BSC systems don't have to know about the exempt supply arrangement
- But BSC systems are also required to provide the EMR Settlement Services Provider with the data needed to charge licensed Suppliers for the costs of Contracts for Difference (CfD) and the Capacity Market (CM)
- In 2018 we consulted Parties on the proposal that we should seek to put in place interim solutions to ensure that – where possible - licensed suppliers are not charged CFD and CM levies on exempt supply that they facilitate
- Following this consultation, the Panel agreed that SVG should establish an interim process
- The Call for Evidence issued by BEIS on 30 October 2020 asks questions about the charging of policy costs (such as CFD and CM) on exempt supply, which could lead to change in this area

# Why has no Modification Proposal been raised to address this?

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- The weakness of the interim process is that it needs all the energy recorded on a Metering System to be exempt supply (under normal circumstances)
- An Export Meter recording generation, all of which is supplied to customers by the exempt supplier; or
- An Import Meter recording demand, all of which is supplied by the exempt supplier
- There are various options for dealing with more complex scenarios:
  1. A process for BSC systems to 'split' a meter reading into exempt supply and licensed supply (considered under Modification P379, but dropped from scope)
  2. A process for Suppliers to split the meter readings and submit them to Settlement through their Half Hourly Data Collector (HHDC). Would require changes to the rules for Shared SVA Metering Systems
  3. Netting Import and Export (so the exempt supply is invisible to Settlement) – being considered by the Issue 88 Workgroup

# Due diligence on compliance with the Exemption

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Following discussion with Elexon's legal team, we propose that:

- The interim process be tightened up to require a declaration of compliance from a Director of the exempt supplier
- If there are questions about compliance the applicant can be asked to address them, but ultimately responsibility must remain with the applicant (as Elexon will not have access to the information needed to verify compliance)

# Threshold for treating a Metering System as exempt

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- The process established by SVG states that an SVA Metering System can be treated as exempt if it records exempt supply “under normal circumstances” – but what does this mean in practice?
- One option would be a threshold (e.g. 95% of energy recorded is exempt supply) – but this is arbitrary (and potentially unfair to those just below the threshold)
- We propose instead that “normal circumstances” includes everything that can be expected to happen in the normal operation of the business. For example:
  - If your ability to supply the customer depends on a single generating unit which requires maintenance each year, then you can’t supply the customer under all “normal circumstances” (because maintenance is normal circumstances)
  - If you can always supply your customer (barring unscheduled maintenance of multiple generating units simultaneously), you would have a strong argument that you can supply the customer under all “normal circumstances”

# Recommendations

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We invite the Panel to:

- a) **AGREE** that the SVG should continue to operate a process for identifying Metering Systems that record exempt supply;
- b) **AGREE** that the SVG process should require a declaration from a director of the exempt supplier, identifying the class or individual exemption that applies, and confirming that its conditions are (or will be) met;
- c) **AGREE** that the SVG process should only treat a Metering System as exempt if the circumstances under which it may record licensed supply are genuinely unusual i.e. not circumstances that would be expected to arise in the normal operation of the business; and
- d) **NOTE** that there are a number of options for a more enduring solution (see paragraph 3.6), which could be progressed as Modification Proposals (or, in some cases, through the BSC Sandbox procedure).



# ELEXION

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**BSC Funding Shares Audit Findings**

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308/07 – Kathy Ferrari

12 November 2020

# Audit Findings

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- KPMG performed an independent re-performance of the calculations of Funding Shares using an independent model of the calculations
- Obtained explanations for any variances/reconciling items
- Agreed results to:
  - The Supporting Information schedules for Elexon Charges; and
  - Files sent to the FAA for their use in calculating Amounts in Default.
- KPMG's audit identified no significant errors affecting the accuracy of the final Funding Shares applied for FY2019/20

## Recommendation

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We invite the Panel to:

**a) NOTE** the findings of the 2019/20 Funding Shares Audit.

# ELEXION

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**Update on reporting of exempt supply  
volumes to EMRS**

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Verbal – Amanda Rooney & Chris Lock

12 November 2020

# Preview of 2021-22 Business Plan and Budget

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- A shorter document than previous years, predominantly created as digital content
- The layout will follow the Products, alongside plans for 2021/22. Additional sections will be devoted to EMRS and Europe
- Timeline for Business Plan comment and adoption:
  - Final draft to BSC Board (2 December 2020) and then **December Panel**
    - Previous years the Panel has written a letter with comments
    - We welcome all comments
- Around 17 December, publish the Business Plan (with your comments incorporated) and distribute to Parties for comment
  - considering posing specific questions at the end of the plan to increase engagement and obtain focused feedback
  - Webinar in January to explain the plan and seek feedback
- BSCCo Board will approve the final Business Plan after comment, ahead of 1 April implementation

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## Recommendations

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We invite the Panel to:

**a) NOTE** the update.

MEETING CLOSE

# ELEXON

THANK YOU

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