

# ELEXON

## Quality Delivery

Actively managing our services to ensure that we deliver in a reliable, economic and efficient way.

## Innovation

Enhancing and evolving our services to support industry changes and development of the energy market.

## Customer Centric

Improving the customer experience and developing richer customer relationships.

## Simplification & Consolidation

Reducing complexity and fragmentation.

## Digital Platform

Creating an agile digital platform to meet the changing energy market.

## 310/01 Elexon Report

### BSC Panel

Date of meeting	<b>14 January 2021</b>
Paper Number	<b>310/01</b>
Owner/author	<b>Mark Bygraves</b>
Purpose of paper	<b>For Information</b>
Classification	<b>Public</b>
Summary	<b>Elexon provides this paper for the Panel's information. The paper presents an overview of activities and developments within Elexon, the balancing and settlement arrangements, industry and Codes.</b>

### Executive Summary

Elexon is doing everything to assure the continuity of the services provided under the BSC and EMR during the Coronavirus pandemic.

We have published our 2021/22 Business Plan and would like you to provide your views. We have also provided the results of our 2020 Annual Customer Survey.

We have highlighted that the Code Change and Development Group (CCDG)'s industry consultation on the detailed design of the Market-wide Half Hourly Settlement Target Operating Model (TOM) has been issued, with responses due by 26 January 2021.

We have provided a detailed update on European Developments following the Free Trade Agreement on 24 December 2020 and the transition period ending on 31 December 2020

As we enter 2021, we have reflected on 2020 as a whole; the year no one expected.

### Target Audience

Elexon's customers and the wider industry.

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## I. Coronavirus News

Elexon is doing everything to assure the continuity of the services provided under the BSC and EMR. We are helping to ease the burden of our Parties who may be experiencing difficulties at this time. Our office remains closed with all Elexon colleagues continuing to work remotely.

Actions taken by Elexon, the BSC Panel and Panel Committees are set out on our dedicated Coronavirus [webpage](#). Here we have also addressed a number of questions or issues that may arise because of the current events. We will also communicate any major changes to Elexon or the BSC via our regular channels.

### Extension of COVID-19 Prioritisation

At its meeting on 10 December 2020, the BSC Panel agreed to extend the COVID-19 prioritisation for BSC Changes until 31 March 2021 subject to the evolving situation and feedback from customers.

In coming to this decision, the Panel took into consideration the November 2020 lockdown and the new tier system with the majority of GB remaining in tier 2 or higher. The Performance Assurance Board (PAB) extending its COVID-19 derogations as well as the feedback received in the Elexon Customer Survey asking for more prioritisation also contributed to the decision.

### 2020: The year no one expected

As we have entered 2021, we look back in this [end of year review](#) at an eventful 2020 in which the electricity industry faced unprecedented challenges due to the COVID-19 pandemic. 2020 has been extremely difficult and challenging for all companies in the energy industry. We believe we have worked effectively alongside our customers and stakeholders to help them manage some of the issues they face. As always, we aim to improve and evolve our services to meet the needs of our customers. We are looking forward to delivering the activities outlined in our new 2021/22 Business Plan over the coming year.

## II. Elexon News

### Consultation Responses

We have responded to one consultation since our last update to the Panel as follows:

**The British Standards Institute on Publicly Available Specification (PAS) 1879 2021 Energy smart appliances – Demand side response operation – Code of practice.** In our response we:

- Provided some comments on their choice of terminology, noting that standardising language across the industry would maintain clarity.

All consultation responses are available on the [industry insights](#) page of the Elexon website.

### 2021/22 Business Plan published

Our 2021/22 business plan has now been [published](#) and we would like your views on it.

Our Business Plan sets out how we will continue to manage our services to high standards over the coming year, while delivering the BSC rule changes needed to help support net zero.

In 2020/21 demand for our services increased as we served more BSC Parties and progressed more BSC Modifications. All the indications show this increasing demand will continue into 2021/22. Our Business Plan therefore sets out a range of key activities during 2021/22 which include:

- Progressing delivery of Elexon Kinnect, our new digital platform;
- Progressing Modifications which have potential to open up new markets and support new business models, including P375, P415 and P379;
- Supporting implementation of regulatory initiatives such as Ofgem's Targeted Charging Review, which involves overseeing the introduction of a much larger Market Domain Data (MDD) set;
- Making the case to the Government and Ofgem for reforming the System Operator roles and consolidating the energy codes in tandem;
- Continuing to lead industry preparation for Market-wide Half Hourly Settlement (MHH Settlement);
- Supporting innovators through the BSC Sandbox (where companies can trial concepts without having to meet the usual BSC rules);
- Making it easier for customers to interact with the BSC by progressing work to digitise code documents; and
- Continuing to deepen our relationship with our customers, and our understanding of their needs. This includes further developing our website and digital resources.

We want to hear your views on the Business Plan so please get in touch with us at [communications@elexon.co.uk](mailto:communications@elexon.co.uk) by 17:00 on 22 January 2021 if you have any comments. We are also hosting a [webinar](#) on 12 January 2021, to talk through the plan and answer any questions you may have.

### **Elexon's 2020 customer survey shows appreciation of our support during COVID-19**

The results of Elexon's 2020 annual customer survey sees improvements in a number of our core services and highlights that the support we have provided our customers during COVID-19 was appreciated.

Elexon serves more than 480 electricity market participants and commissions an annual survey, carried out by an independent third party, to find out how energy companies rate its performance as manager of the BSC. Although the 2020 survey shows that overall satisfaction with our service in 2020 dipped slightly (with 66% of respondents scoring 8 or more out of 10) from a three year high in 2019 of 71%, our average service ratings remain consistently high. Of the customers who responded to our survey, 70% of them would speak highly of Elexon, with 88% of them saying our service had improved or stayed the same. More than 50% of respondents said they highly rated our adaptability, an increase of 16% compared with 2019. And 71% of customers also highly rated our quality of service.

Further information can be found on the following [webpage](#).

### **Elexon Kinnect Customer Solution – trial begins**

Elexon has opened up the Elexon Kinnect Customer Solution to industry in a soft launch. Five customers are taking part in the trial period of around six weeks. It will involve using the Customer Solution self-service gateway to manage their accounts, including their assets and organisation details. We will be asking for participants' views on the tool throughout December 2020 and into January 2021, and responding to their feedback prior to opening up the Customer Solution to industry in January 2021.

To find out more about Elexon Kinnect and the Customer, Insights or Settlement solutions, including access to a short video on the benefits of Elexon Kinnect, please visit the [Elexon Kinnect](#) page on the Elexon website.

## III. Industry News

### European Developments

#### Future UK-EU trading agreement

##### FTA negotiations

The United Kingdom and European Union announced the agreed [Free Trade Agreement](#) on 24 December 2020, with the full text becoming available a few days later. The main points to note are:

- New day-ahead trading arrangements;
- Close cooperation with the [Agency for the Cooperation of Energy Regulators](#) (ACER) and [European Network of Transmission System Operators for Electricity](#) (ENTSO-E), but not membership of either;
- Regulatory alignment in terms of cooperation and best practice;
- Alignment to Clean Energy Package;
- Transparency in market operations, including balancing arrangements;
- Close cooperation in Market manipulation and inside trading monitoring; and
- Clear commitments to renewable technologies, north sea grid integration and climate change commitments

Most of what is in the FTA is already being delivered (e.g. transparency in balancing arrangements), so it could be read as an affirmation that very little will change, with the exception of day-ahead trading and arrangements for interconnectors, but they should not impact on settlement, however we continue to investigate and will confirm once we have a definitive answer.

The document is over 1200 pages long and while we have analysed the Energy Title (Title VIII) at the time of drafting this submission, the other sections that may impact Elexon's work are being reviewed during the week that this report is submitted. Other Titles of potential interest still to be reviewed at time of drafting are (with a short explanation for each):

- Trade in Goods – cross referenced from the Energy Title;
- Services and Investment – cross referenced from the Energy Title;
- Digital Trade – in case there is an implication for Trading Parties that trade via digital exchanges;
- Capital movements, payment etc. (Title IV) – in case there is any implication for EU based Parties making Settlement Payments;
- Small and Medium Enterprises (SMEs) – to be aware of any potential for Electricity SMEs;
- Transparency – Energy transparency (e.g. [Regulation on wholesale Energy Market Integrity and Transparency \(REMIT\)](#)) is covered in the Energy title, but we should be aware of wider transparency agreements;
- Good regulatory practice and cooperation – for awareness and our own conduct;
- Level playing field – for awareness and wider implications;
- Exceptions – general information;
- Visas for short-term visits – HR interest;
- Other Provisions relating to trade – general information;
- Cyber security – general information;
- Dispute Settlement – awareness in case any issues arise with EU based BSC Parties; and
- Final Provisions – general information.

Between drafting this report and the Panel meeting itself, we will continue to analysis the FTA for all implications. We are also comparing our own analysis with others' for sense checking and we are engaging with NGESO, Ofgem and BEIS.

We will communicate our findings with industry and key stakeholders in due course.

#### Cross-border balancing arrangements

Our initial view is that the FTA does not prevents us from participating in TERRE or MARI. However, this is contrary to what we were expecting.

We are engaging with NGESO (as the lead for TERRE and MARI) and will engage with BEIS and Ofgem to determine the next steps; we will report further in due course.



## Clean Energy Package

Article 6 of the Electricity Regulation (Regulation (EU) 2019/943) requires Settlement to be based on pay-as-clear instead of pay-as-bid. This could cause substantial work for NGESO and some work for Elexon to deliver a BSC Modification in the required timetables. Ofgem issued a derogation from this requirement in December 2020.

A large part of the FTA agrees to principles that are covered as part of the Clean Energy Package and as such, our working assumption at time of drafting is that implementation will continue as planned, but we will confirm this with Ofgem and BEIS.

## Electricity Balancing Guideline (EB GL)

On 4 September 2020, NGESO announced publically that they would not deliver TERRE before the end of 2020. What will happen post 1 January 2021 remains unclear and is largely dependent on UK/EU FTA Negotiations, notwithstanding caveats mentioned above. However, Ofgem published an open letter on 6 November 2020 that was quite critical of how NGESO has handled this delay, particularly regarding external communications. Ofgem's letter urges NGESO to work closely with key stakeholders (and names Elexon specifically) to make a plan for 2021.

Notwithstanding anything above regarding the FTA, we are continuing to work with NGESO to develop TERRE until a determination is made on the way ahead. However, regardless of when we will go-live with TERRE, we need to complete the current work package so that we are able to put it 'on the shelf' if required in such a state that we can pick up the work later.

National Grid ESO raised BSC Modification [P407 'Project MARI'](#) on 4 May 2020 and Grid Code Modification [GC0145: Updating the Grid Code to include MARI](#) on 19 May 2020 for project MARI. These are the BSC and Grid Code Modifications to ensure GB Market participants are able to provide manually Activated Frequency Reserve (mAFR) when the platform goes live by July 2022.

MARI is in a similar state as TERRE in that we need to work to a point where we can cease work without causing issues later if it is resumed. We are engaging with NGESO on TERRE and MARI developments.

## Network Code on electricity emergency and restoration

We are still waiting on a decision from Ofgem regarding NCER and market suspension. We have a modification from NGESO ready to be raised that will ensure the NCER terms of reference are incorporated into the balancing terms of reference as required by Article 18 of the EBGL.

Ofgem has recently indicated that they won't make a determination until Grid Code Modification GC0144 is complete. GC0144 is concerned with TERRE market suspension; we are Workgroup Members and have identified that a complimentary minor change to the BSC will be required. We are working with the Change team to raise this Modification.

We have not seen anything in the FTA at the time of drafting this report that suggests that the requirement is no longer needed.

## Publishing data

The UK left the EU on 31 January 2020 and entered a transition period until 31 December 2020. During the transition period Market Participants (MPs) and NGESO reporting requirements under the [European Transparency Regulation \(ETR\)](#) and REMIT remained in place. Elexon continued to submit ETR data to ENTSO-E and make data available to ACER.

Regardless of what may have happened with FTA negotiations, when the transition period ended at 23:00 on 31 December 2020, we were no longer required to report to ENTSO-E or ACER (notwithstanding the section below). The Balancing Mechanism Reporting Service (BMRS) has stopped pushing data to ENTSO-E, and we expect ACER will stop pulling REMIT data – but in the short term we do not plan on decommissioning the Atom web feed ACER uses to collect REMIT data.

There will be no impact on BMRS, and MPs won't have to do anything different for BMRS. All ETR and REMIT data will still be published as it is now in GB (ETR data for GB won't be published by ENTSO-E from 1 January 2021). More detail can be found in [Ofgem's open letter](#) published on 13 October 2020, including how it will monitor the market going forward.

In addition to the changes we made to the BMRS to stop data going to ENTSO-E and ACER, Ofgem has also had to designate BMRS as the reporting service for GB (Ofgem letter of [4 January 2021](#)). This is a technicality and is something we have engaged with Ofgem and NGESO on since 2019, ahead of Brexit. The Statutory Instrument (SI) that subsumed REMIT and ETR into UK law applies to both GB and Northern Ireland and placed this responsibility on the TSO to publish data. However, in GB most data is published on BMRS and it was always BEIS and Ofgem's intent that this should continue.

The reason why BMRS was not designated until after the transition period ended is because of the way the SI is drafted; Ofgem did not have the power to do so until after 31 December 2020. As mentioned above, we have engaged with Ofgem on this for some time and had e-mails of intent.

We have engaged with industry to make them aware of the changes. We will continue to engage with Ofgem and NGESO to discuss what is next for REMIT and ETR in light of the FTA and Ofgem's October letter in terms of market monitoring and reporting.

## Legislation

As mentioned in previous reports, SIs were issued in 2020 to amend the SIs issued in 2019 ahead of Brexit on 31 January 2020. The 2020 SIs had an effective date of the end of the 'Implementation Phase' i.e. 23:00 on 31 December 2020. However, the 2019 SIs were drafted for the event of a no-deal Brexit, which did not happen, and the implication of the 2020 SIs were that they were for the event of no-deal FTA, but some would apply regardless of whether there was an FTA e.g. BMRS – see above.

At the time of drafting this report, we are still looking into the status of the 2020 SIs to confirm their applicability and are seeking guidance from BEIS and/or Ofgem, as well as when we should expect any further SIs to implement the FTA.

Once we have clarified the SIs' status and know if/when new SIs will be issued, we will be able to make a determination on when a Modification should be raised to implement the FTA and/or the end of the Implementation Phase.

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## IV. Operational News

### Major changes to Market Domain Data (MDD) sets – December data set published and industry testing confirmed for w/c 8 February 2021

We can confirm that industry testing, to support our continuing work to progress large scale change to Market Domain Data (MDD) sets for Ofgem's Targeted Charging Review (TCR), will now take place from 10 February 2021 to the 23 February 2021. Thank you to everyone who has registered their interest in participating in testing. If you have not yet but would like to take part, please contact [Releases@elexon.co.uk](mailto:Releases@elexon.co.uk) by 15 January 2021.

We published the December MDD data set on 9 December 2020, which went live on 16 December 2020. We will continue to monitor the progress of the MDD published for December and listen to feedback from parties. If you experience any unexpected system issues, please contact us at [lfs@elexon.co.uk](mailto:lfs@elexon.co.uk) so we can investigate.

Additionally, at its November meeting, the BSC Panel agreed to write to Ofgem detailing the Panel's concerns on the timescales and approach that Ofgem's TCR is having to MDD and the impact to industry. On 23 December 2020, the BSC Panel received a response from Ofgem where they stated that the mitigation plans Elexon has in place and the work already conducted by Elexon, have provided them with assurances that risks are being actively managed and contingency plans are in place, to deliver the TCR according to the established timelines. Copies of both letters and further information is available on the [MDD changes initiated by Ofgem Review](#) page on the Elexon website.

### Elexon investigates metering error in GSP Group\_A

Elexon has identified an issue at a Grid Supply Point (GSP) within GSP Group\_A (Eastern region), which is causing the Annual Demand Ratio (ADR) for the GSP Group to deviate beyond accepted tolerances within Settlement.

The ADR measures the difference between the total annual profiled Non-Half Hourly (NHH) consumption and the total annual metered NHH consumption. Elexon has been investigating the issue, which we believe is either an installation

or configuration problem with the meter. Maintaining Settlement accuracy is of utmost importance to us and we are therefore carrying out an investigation, which includes arranging site visits. We are working with National Grid and the relevant Distribution Network Operator and Meter Operator to get to the root cause of the problem, and identifying what needs to be done to resolve it.

We plan to conclude this investigation early in January 2021 and expect the results to be reflected in the usual way via adjustments of Suppliers' volumes in future Settlement reconciliation runs. In this case the adjustments are likely to be material (our preliminary estimate is a £25 million adjustment) although we cannot be certain of the scale until the investigation has fully concluded. We have already raised the issue with the relevant Elexon committees.

There was a different GSP Metering issue in GSP Group\_A, which Elexon notified BSC Parties of in April 2020. That issue is now resolved, following our work with the Central Data Collection Agent (CDCA) and the Registrant for the GSP to correct that error. For more information about this previous issue please contact [TDCSecretary@elexon.co.uk](mailto:TDCSecretary@elexon.co.uk).

### Publication of Transmission Loss Factors (TLFs) and Associated Data

On 11 December 2020, Elexon published the TLF data for the BSC Year 2021/22 for [Approved Modification P350 'Introduction of a seasonal Zonal Transmission Losses scheme'](#) on the [Elexon Portal](#).

These files can be found in the BSC Year 2021/22 folder under the TLF Determination section, and further details on each file can be found in the TLF Determination Guidance Note in the same location.

TLFs allow BSC Parties to estimate what Transmission Loss Multipliers (TLMs) will be. More information on this can be found in [BSC Section T](#).

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## V. Electricity Market Reform News

Settlement of Contracts for Difference and of the Capacity Market is undertaken on behalf of Low Carbon Contracts Company (LCCC) and Electricity Settlements Company (ESC) respectively, by Elexon's wholly owned subsidiary EMR Settlement (or EMRS) which involves the calculation, collection and distribution of payments to CfD generators and CM providers.

The following EMR Circulars have been issued since the last Panel meeting:

- **EMRC225:** Successful implementation of EMRS changes to support the Stress Event Improvement Programme 2020
- **EMRC224:** Update on the EMRS changes for the Stress Event Improvement Programme 2020

All previous EMR Circulars are available to download from the [EMRS Circulars page](#) of the EMRS website.

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## VI. Cross-Code News

### Ofgem Market Wide Half Hourly Settlement (MHHS)

Our Code Change and Development Group (CCDG) industry expert group (which we are leading on Ofgem's behalf) issued its [consultation](#) on 17 December 2020 on the detailed design of the Market-wide Half Hourly Settlement Target Operating Model (TOM). This work is part of Ofgem's Significant Code Review (SCR) on Electricity Settlement Reform. Over 2020 with the CCDG, we have been developing the detail of this TOM design, and have identified the required industry code changes.

The consultation sets out:

- How the lower-level detail on specific TOM design areas has been developed;
- New data items/processes and why some data items will no longer be required;
- The remaining areas and dependencies on other industry change;



- Matrices that set out the sections of each industry code that need to be amended, the nature of the changes required and any dependencies on other areas of change. The affected codes are the BSC, the Smart Energy Code (SEC), the Distribution Connection and Use of System Agreement (DCUSA) and the Master Registration Agreement / Retail Energy Code (REC); and
- An assessment of the detailed design against [Ofgem's Design and Development Principles](#) for the TOM.

We will host a [webinar](#) to talk through the consultation and answer any questions you may have at 14:00 on 13 January 2021. Any consultation responses should be provided by 17:00 on 26 January 2021.

In addition, the Architecture Working Group (AWG) is developing the reference architecture to implement the TOM. Due to a variety of factors including COVID-19, we are currently re-planning the AWG's activities with Ofgem. However, we expect the AWG's consultation to be issued in Q2 2021.

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## VII: Summaries of Panel Business – Tabled

Summaries of papers considered and decisions made by the Panel Committees since the last Panel meeting can be found in their headline reports, included as attachments to this paper.

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## VIII: Recommendations

We invite the Panel to:

- **NOTE** the contents of this paper.

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### Attachments

Attachment A – Report from the ISG

Attachment B – Report from the SVG

Attachment C1 – Report from the PAB (Public)

Attachment C2 – Report from the PAB (Confidential)

Attachment D – Report from the TDC

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