

# 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.

## 313/01 Elexon Report

### BSC Panel

Date of meeting	<b>8 April 2021</b>
Paper Number	<b>313/01</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 the final version of the 2021/22 BSCCo Business Plan.

We highlight two significant Modifications – the approval of P390 (Allowing extensions to Elexon's business and activities, subject to additional conditions) and the withdrawal of P379 (Multiple Suppliers through Meter splitting).

We have provided an update on the large scale change to Market Domain Data (MDD) sets for Ofgem's Targeted Charging Review (TCR) having recently completed testing.

We have highlighted a webinar that we will be hosting on 28 April 2021 in relation to Market Wide Half Hourly Settlement.

The BSC celebrated its twentieth anniversary!

### 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.

## II. Elexon News

### Consultation Responses

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

- **Ofgem's Call for evidence: Review of the Data and Communications Company (DCC) licence arrangements.** In our response we:
  - Expressed our view that it would be beneficial to see the DCC/Smart Energy Code (SEC) arrangements encompassed within an independent Market Operator, as laid out in our recent [Policy View on Reforming the System Operator roles and Code Arrangements](#).
  - Suggested that Ofgem undertake a review of the way that the DCC arrangements are funded, noting that the returns allowed for the DCC are in excess of what is allowed for other Priced Controlled entities.

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

### Elexon Board's latest Circular letter to BSC Parties

Elexon's Board has highlighted that 2021 will be a key year for the ongoing roll out of [Elexon Kinnect](#), our new flexible and scalable digital platform. It will ensure that we can continue to deliver our high quality services to customers on the road to net zero.

In its [latest circular letter](#) to BSC Parties, Michael Gibbons, Chair of Elexon's Board and the BSC Panel discusses the progress of Kinnect, the Business Plan, Elexon's Corporate Purpose and implementation of MHHS.

The BSCCo Board sends open letters to the industry about its work on a regular basis. This started in 2017 following the governance changes affecting the Board in [P324](#), and has become a conscious commitment to increase accountability to Parties. Further information can be found on the following [webpage](#).

### Modification P390 'Allowing extensions to Elexon's business and activities, subject to additional conditions' is approved by Ofgem

Ofgem approved Modification [P390](#) on 19 March, which will speed up the process for Elexon to take on additional work where there would primarily be benefits to BSC Parties.

In the past, specific Modifications needed to be raised to allow Elexon to undertake additional work, for example, [P330 'Allowing Elexon to tender for the Uniform Network Code Gas Performance Assurance Framework Administrator \(PAFA\) role'](#).

Raising individual Modifications to extend our vires is time consuming and adds extra burden onto the industry participants who engage with the Modifications process. P390 will allow Elexon's Board to identify additional activities that Elexon can undertake provided certain conditions are met, and are given the consent of Ofgem. The Board will need to consult BSC Parties before Ofgem takes a decision.

The change will be implemented on 26 March 2021. If you have any questions about P390 please contact lead Analyst Ivar Macsween on 020 7380 4270. Alternatively you can email us at [bsc.change@elexon.co.uk](mailto:bsc.change@elexon.co.uk).

### **Modification P379 is withdrawn but learnings can support future change**

BSC Modification [P379 'Multiple Suppliers through Meter Splitting'](#) has been withdrawn by the Proposer after independent analysis of the proposal showed that the costs for implementing it would significantly outweigh the benefits. P379 proposed to change the BSC so that meters can account for two or more different electricity Suppliers or more than one consumer of electricity. If P379 had been implemented it would have resulted in a dramatic change to the way the retail electricity market operates.

There are important learnings from the development process for P379, which Elexon now plans to compile and publish. These lessons include elements of the customer experience that would be affected by having multiple Suppliers, and what changes might be needed in the wider policy environment before some of the benefits cases envisaged under P379 could be realised. Further information can be found on the following [webpage](#).

### **Twentieth anniversary of the Balancing and Settlement Code**

Saturday 27 March 2021 marked the 20th anniversary of the Balancing and Settlement Code (BSC), which was launched as part of NETA (the New Electricity Trading arrangements) on 27 March 2001.

NETA created a wholesale electricity market for England and Wales to replace the Electricity Pool by allowing electricity to be traded bilaterally between buyers and sellers. In 2005 the new arrangements were extended to Scotland (and since then they became the British Electricity Trading Arrangements (BETA). Elexon, and the BSC Panel (which governs the code) were both set up in August 2000 in preparation for managing the BSC when the arrangements went live. Elexon's role is to make sure that payments for imbalances in wholesale electricity supply and demand are settled accurately and efficiently.

Further look-backs can be found on the following [webpage](#).

## **III. Industry News**

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### **European Developments**

The Department for Business, Energy and Industrial Strategy (BEIS) is starting to engage more with stakeholder groups such as Energy UK, Joint European Stakeholder Group (JESG), and [Trade and Cooperation Agreement \(TCA\) Forum](#) (see below), all of which we are members of. However, the message we are still receiving is that Day-Ahead trading (DAH) is the priority and progressing, but we wait for further information on all other matters.

#### **Trade and Cooperation Agreement (TCA) Forum**

Energy UK (EUK) alongside the European Federation of Energy Traders (EFET) has established a TCA forum. Members are drawn from across GB and Europe including Market Participants, Traders and Trade Associations. It aims to provide a collective voice to BEIS and European Commission organisations in regards to meeting TCA requirements. The first meeting was held on 22 March 2021 to establish the group, discuss Day-Ahead Trading (see below) and next steps.

We are members of the Forum, having been invited to join by virtue of our membership of Energy UK's TCA group, and will make the Panel aware of anything we feel relevant to the operation of the BSC.

## Day-Ahead trading

BEIS has tasked NGENSO to lead on establishing a Memorandum of Understanding (MoU) with their European counterparts. NGENSO is acting as lead for all GB Transmission System Operators (TSOs) (England, Scotland, OFTOs). The MoU is expected in April 2021, but no definitive time has been published.

BEIS and NGENSO committed to engaging with stakeholders going forward; we will monitor developments and how they affect implementing TCA principles. At this time though, there is no impact on Elexon but, we expect to be consulted if the new DAH processes may impact Settlement.

## Electricity Balancing Guideline (EB GL)

Notwithstanding anything regarding the TCA, we are continuing to work with NGENSO on TERRE until a determination is made on the way ahead. NGENSO is planning on conducting a cost-benefit-analysis (CBA) for a GB-only TERRE. In addition to providing a platform for Replacement Reserve (RR), the CBA will give them an indication of whether the platform can be used to consolidate some legacy systems e.g. Short Term Operating Reserve (STOR).

[P410 'Changing imbalance price calculations to comply with the Imbalance Settlement Harmonisation regulations'](#) has been identified for probable withdrawal now that GB is no longer part of the Internal Energy Market (IEM) and as their revised solution will not require an amendment to the BSC. For the time being therefore, P410 still remains open, but we are not intending to progress any further.

## Network Code on electricity emergency and restoration (NCER)

We are still waiting on a decision from Ofgem regarding NCER and market suspension. We have a modification from NGENSO 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: Alignment of Market Suspension Rights to the EU Emergency and Restoration Code Article 35.1\(b\)](#) 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. GC0144 is now with the Authority for consideration.

## EU Horizon Scan

The current Commission was formed early last year (2020) and President von der Leyen made the EU Green Deal one of the commission's biggest priorities. We are now starting to see this come into effect and various initiatives are starting to gain momentum. Things of note that may impact GB and therefore Elexon depending on how post-TCA relationships evolve include, in no particular order:

- CACM 2.0 is being drafted and stakeholders engaged;
- A new Network Code on Cyber security will be drafted shortly, but is dependent on the forming of the new Distribution System Operator (DSO) body equivalent to the European Network of Transmission System Operators for Electricity (ENTSO-E);
- Discussions are on-going regarding a North Sea Grid and we are already engaging on this domestically in GB;
- Consultation on European Single Access Point (ESAP) – this equates roughly to Open Data principles;
- Continued lobbying for linking the GB and EU Emissions Trading Schemes (ETSs);
- Development of an EU carbon border;
- New Climate law discussions;
- New Renewable Electricity Directive (RED III) in development;
- Review of Trans-European Energy Networks (TEN-E) – ensuring infrastructure is fit for evolving markets and technology; and
- Power-to-gas – how electricity needs to be managed, and the associated regulatory changes, so that electrolysis of hydrogen can occur efficiently and without undue impact of the Electricity System.

These items are all in different stages of progression and we will continue to monitor. In a post-TCA world, there is no immediate impact on GB or Settlement. However, the topics are very much what we are starting to see discussed in GB and will expect to gain far more attraction as the Government starts to implement the Energy White Paper and Prime Minister's ten point plan. As such, we will continue to monitor EU progression for comparison when we engage on GB policy changes as well as to ensuring we are informed as the post-TCA relationship evolves.

## IV. Operational News

### Latest update on large scale change to Market Domain Data (MDD) sets for Ofgem's Targeted Charging Review (TCR)

As part of our continuing work to progress large scale change to MDD sets for Ofgem's TCR, we recently successfully completed industry testing. We have also completed testing of the BSC Central Systems in order to verify how they operate under the additional load of the Line Loss Factors and MDD data, and are now progressing the recommended system improvements from the testing.

We plan to update the Supplier Volume Allocation Group (SVG), about industry and BSC Central System testing, on 6 April 2021. A summary paper will be available on the Elexon website following this meeting. We also continue to engage with the Energy Networks Association (ENA) and other industry bodies around the next steps.

If you have questions regarding the MDD Plan for Ofgem's TCR, please contact us at [mddc@elexon.co.uk](mailto:mddc@elexon.co.uk) or [llfs@elexon.co.uk](mailto:llfs@elexon.co.uk).

Further information, including progress made to date, is available on the [Large Scale Changes to Market Domain Data](#) page on the Elexon website.

### Risk Operating Plan 2021/22 – Consultation Period Open

The Performance Assurance Board (PAB) endorsed the Risk Operating Plan (ROP) 2021/22 for industry consultation at its meeting on 25 March 2021.

We invite you to respond to the consultation, which sets out how Elexon, as the Performance Assurance Administrator (PAA), will seek to mitigate Settlement Risks within the Electricity Market in 2021/22. This new format Risk Operating Plan is a key deliverable from the Performance Assurance Framework Review, and is designed to be more concise, informative and effective.

The Risk Operation Plan for 2021/22 and questionnaire are published on the [Consultations](#) page of the Elexon website. Please email your response to [Risk@elexon.co.uk](mailto:Risk@elexon.co.uk) by 17:00 on 16 April 2021.

### Credit Assessment Price (CAP) to falls to £54/MWh on 23 March 2021

From 23 March 2021, the CAP decreased from £64/MWh to £54/MWh. This followed a breach of the CAP trigger level, and a resulting consultation from Elexon.

Parties may notice a change in their Credit Cover Percentage, and should review the amount of Credit Cover lodged. For more information see Elexon Circular [EL03258](#).

### March 2021 BSC Release implemented

The [18 March 2021 Standalone Release](#) has been implemented. The changes in this Release were as follows:

- ['P408 'Simplifying the Output Usable Data Process'](#)

The [BSC Baseline Statement](#) has been updated and the [Consolidated Operational BSC](#) has been updated and uploaded to the website.

### Transmission Loss Factor (TLF) values for the Spring 2021 Part A Season

The BM Unit Specific TLF values for the Spring Part A 2021 BSC Season, which runs from 1 April 2021 to 31 May 2021, are available on the TLFs Determination page under "BM Unit Specific Transmission Loss Factors (TLFs)" on the [Elexon Portal](#). This file provides the TLF for each BM Unit that is registered to be active during the period 1 April 2021 to 31 May 2021.

If you have any questions, please email [Settlement.Invoicing@elexon.co.uk](mailto:Settlement.Invoicing@elexon.co.uk).

### Protocol approval of the Elster A1700 and A1140 Meters/Outstations

On 21 October 2020, we received an application from the Half Hourly Data Collector (HHDC), BT Plc (BTUK), for protocol approval of the Elster A1700 and A1140 Meters/Outstations. On 17 February 2021, we witnessed the protocol

tests, using BTUK's data collection software, BTUK Meter Data Collection System. We can confirm that BTUK has successfully implemented the protocols for the Elster A1700 and A1140 Meters/Outstations and we have approved the protocols for use for Half Hourly Settlement.

We have updated the Code of Practice (CoP) Compliance and Protocol Approvals spreadsheet on the Elexon website to reflect this. For more information, or if you have any queries, please email [metering@elexon.co.uk](mailto:metering@elexon.co.uk).

### **New Elexon Insight on increasing costs for balancing the GB System**

The Electricity System Operator (ESO) plays an essential role in balancing supply and demand using the Balancing Mechanism. The role (performed by National Grid ESO) is becoming more challenging and costly. Contributing factors include the move to a more decentralised system and increases in intermittent generation. The ESO also faced forecasting challenges in 2020 with changing demand profiles due to COVID-19.

In this latest [insight](#), Analyst Angus Fairbairn has examined cashflow for Balancing Services and the changes seen during 2020, compared with previous years. A key finding is that the net cost of balancing the system in 2020 rose to £1.3Bn, 67% higher than 2019 (£794m).

### **Latest information on the status of BSC Parties**

All changes to the status of BSC Parties and Qualified Persons in March can be found on the following [webpage](#). It includes information on any new qualifications and registrations, new market participants, withdrawals and defaults.

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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:

- **EMRC228:** EMRS successfully implemented improvements to Settlement processes

Please also note that LCCC have adjusted the Total Reserve Amount (TRA) and Interim Levy Rate (ILR) for 1 April 2021 to 30 June 2021. Further information can be found at the following [webpage](#).

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)**

Elexon is hosting a webinar at 14:00 on 28 April 2021 to talk through a consultation it is publishing on the reference architecture which will set the framework for suitable data integration for Market-wide Half Hourly Settlement (MHHS) services.

The reference architecture has been developed over the past year by the [Architecture Working Group \(AWG\)](#), a group of industry technology experts.

The AWG is one of two working groups that Elexon is chairing and providing with technical leadership to support Ofgem's [Significant Code Review](#) on electricity Settlement reform, by further developing aspects of the MHHS Target Operating Model (TOM). The [Code Change and Development Group \(CCDG\)](#) has been working on the detailed design of the TOM and the corresponding industry code changes that are needed to bring it into effect.

Elexon will publish the AWG consultation week commencing 19 April 2021. If you are an architectural expert (or you know somebody in your company who is) the consultation will be of particular interest to you, it will be your opportunity

to consider the preferred reference architecture and let Elexon know your views, before the AWG recommends the solution to Ofgem for approval later this summer.

You can sign up to attend the webinar on the link below (the webinar is expected to last around 1hr 30 minutes) at the following [link](#).

### **Code Change and Development Group (CCDG) industry expert group**

The CCDG continues to discuss the responses received to its detailed Target Operating Model (TOM) consultation, having followed up with a number of the respondents. The next CCDG meeting will take place on 20 April 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 – Elexon monthly KPIs

Attachment B - Report from the ISG

Attachment C – Report from the SVG

Attachment D – Report from the PAB

Attachment E – Report from the TDC

### **For more information, please contact:**

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