

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.

319/01 Elexon Report

BSC Panel

Date of meeting	14 October 2021
Paper Number	319/01
Owner/author	Mark Bygraves
Purpose of paper	For Information
Classification	Public
Summary	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.

Executive Summary

We have published our annual Elexon customer survey for 2021.

We have highlighted both Elexon and the BSC Panel's responses to Ofgem/BEIS's Energy Codes Reform consultation.

We have provided the current scope for the November 2021 Release, which currently includes two BSC Modification and four Change Proposals.

We have highlighted that another Credit Assessment Price (CAP) consultation has been issued for the highest ever level at £259/MWh from £184/MWh.

We have published the Code Change and Development Group (CCDG)'s recommendations to Ofgem following its MHHS transition consultation.

Target Audience

Elexon's customers and the wider industry.

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I. Elexon News

Market Conditions

BSC Parties will be well aware of the volatile market conditions being experienced currently. Elexon continues to operate Settlement and to closely monitor Parties' payments and credit cover positions, escalating defaulting Parties to the Panel where resolutions available under the BSC are discussed and applied. Such discussions also include representatives of Ofgem. Where there are non-payments, these are recovered under the BSC via mutualisation, which has long been a feature of the market, and continues to be so. We also support Ofgem in the SoLR process as well as supporting the appointed Supplier and will continue to be available to assist Parties during these difficult times.

Consultation Responses

We have responded to three consultations since our last update to the Panel as follows:

- The Department for Business, Energy and Industrial Strategy (BEIS)'s consultation on [Proposals for a Future System Operator \(FSO\) role](#).

In our response we noted that:

- Elexon is a subsidiary of National Grid ESO and while we are committed to working well with any of the proposed ownership models, we do have some concerns if it were to be a public body as it could be subject to more bureaucracy and policy constraints than necessary, which may ultimately result in it being slow to react to change.
- We also believe that the FSO must maintain independence both from the industry and from the government. This will be key to its credibility and effectiveness.
- We also believe that it is rightly recognised in the consultation that Elexon's independence is of value to Government, Ofgem and the industry and should be maintained.

- BEIS/Ofgem's consultation on the [Energy Code Reform: Governance Framework](#).

In our response we noted that:

- Elexon is a strong supporter of consolidation and simplification of the codes and we have also called for reform of the System Operator arrangements.
- The consultations imply that that the FSO and Strategic Body (under the Codes Review) will be decided on first, followed by code consolidation and simplification. We agree that this is the right approach and that Ofgem can take on the Strategic Body role, if it is resourced accordingly.
- We do not support tendering for code services as we do not believe the benefits have been established and yet there will be material costs associated with its implementation. Tendering also represents an unnecessary risk to establishing the new arrangements and further delays consolidation and simplification.
- We are also unconvinced by the need to license code managers. If this were to go ahead, a proportionate approach is needed.
- Tendering and licensing processes could also create further burdens on Elexon at a time when we are required to focus on implementing Market-wide Half Hourly Settlement.

- We are keen to ensure that the strategic engagement forums adequately retain the interest and participation of industry.
 - BEIS's consultation on [Maximising non-domestic smart meter consumer benefits, improving the data offer and enabling innovation](#).
- In our response we were highly supportive of BEIS's proposals to make smart meter data more accessible for all energy consumers, including non-domestic energy consumers and their nominated third parties.
- We noted that the open availability of data is a key tool as we transition towards Market-Wide Half Hourly Settlement (MHHS) and as the energy industry heads towards Net Zero. As this was a null response, we have not published this externally.

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

Elexon 2021 Customer Survey goes live

On 17 September 2021, we published our annual Elexon customer survey.

Elexon serves more than 530 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. We will use the feedback collected in the survey to take action on our customers' priority areas, whilst also addressing suggestions or concerns. BSC Parties will have until 17:00 on 15 October 2021 to respond to the survey although we are very conscious that industry's focus is elsewhere currently.

II. Industry News

European Developments

The post-Brexit transition continues and we are still awaiting details from Ofgem regarding the Memorandum of Understanding (MoU) they are agreeing with the EU Commission. The MoU will agree the processes for engagement, periodicity etc. and will be the 'starting-gate' for any further UK/EU alignment.

The UK Government and Commission had their first Specialised Committee on Energy meeting in July 2021 and published the [minutes](#) in September 2021. The headline summary is that both sides are committed to working together going forward. Amongst industry members, there are now concerns as to whether the Trade and Cooperation Agreement (TCA) commitments can be met on time.

Electricity Balancing Guideline (EB GL)

We still await a determination by NGESO regarding the potential for a GB only TERRE. [P410 'Changing imbalance price calculations to comply with the Imbalance Settlement Harmonisation regulations'](#) is still expected to be withdrawn following Brexit but no action has yet been taken by NGESO.

Day-Ahead trading

European Network of Transmission System Operators for Electricity (ENTSO-E) and the UK TSOs all published their joint proposal for Multi-Region Loose-Volume Coupling (MRLVC) on 26 April 2021, which closed on 16 May 2021. Responses are still being considered but we will continue to monitor.

EU Horizon Scan

The Panel is aware that there is a longer list of initiatives (see previous Elexon Reports) 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.

III. Operational News

Kinnect Platform remains on track to deliver 2021/22 objectives with Insights Solution prototype going live to small group of industry experts

Settlement Solution

The project to migrate the legacy SAA to the Kinnect Platform has been re-baselined to account for additional work to deliver a complete set of 'must have' user stories. This additional development work has incurred a delay to the project of approximately ten weeks but the cost for the additional work is still forecast to be within the SAA approved budget.

Following completion of the development of Drop 1 functionality and solution infrastructure, Drop 1 is now being deployed into the test environment and testing commenced on 31 August 2021. Drop 1 includes Metered Volumes and Transmission Loss Multipliers, Balancing Mechanism Volumes, and Replacement Reserve and Balancing Services Volume.

Development of the remaining system functionality, Drop 2, is being progressed in parallel and is due to be delivered in November 2021. This will be followed by testing and parallel runs with SAA migration to Kinnect now planned to conclude in June 2022.

Insights Solution

Development of the main features for the Insights Solution continue and Elexon will launch a live data prototype to 20 industry experts from the Data and Reporting user group for testing from 7 October 2021. The testing will last for two weeks before progressing to beta testing with a wider user community from 20 October 2021.

Elexon will continue to refine the product and implement additional feature requests prior to the product launch later this year.

Customer Solution

At the August 2021 SVG meeting, Elexon gained approval to continue processing the TCR MDD volumes. The first TCR IDNO Submission was included in the September MDD publish (V315).

The Party Management Product (PMP) team are working on Release 3, Drop 1 of the Elexon Kinnect Customer Solution. PMP are working with our service providers to iteratively agree building a pipeline of continuous delivery for the Customer Solution, which will include Release 3 Drop 1 enhanced functionality and other customer-led service improvements in April next year.

We are ensuring, where possible, that the Customer Solution builds through relevant Industry Change Modifications and CPs including changes for Metering behind the boundary point industry change (P375 for June 22 go-live), mandatory changes for the Central Switching Service, enhanced reporting of demand data (P419), final consumption levies (P395), utilising a baselining methodology as an alternative to Physical Notifications (P376) and automation of P383 through one rationalised solution.

Overall the Kinnect Programme remains on budget with £26.3m of investment in progress, of which £17.9m has been spent to date. The remaining £20.3m is forecast for future work to conclude migration of the legacy systems to the digital platform in 2023. These figures are also demonstrated in the table below:

CTD (£m)	Committed	FTC	Forecast Outturn	Budget	Variance
17.9	8.4	20.3	46.6	46.6	0

New Credit Assessment Price (CAP) consultation proposing increase to highest level ever on 2 November 2021 from £184/MWh to £259/MWh

Following recent increases in the forward market prices, another CAP review was triggered. We have issued another [consultation](#), which proposes to increase the value of the CAP to £259/MWh from the last notified CAP value of £184/MWh. This is in addition to the 5 October 2021 CAP increase to £137/MWh and the Thursday 21 October 2021 increase from £137/MWh to £184/MWh.

Given the magnitude of the change, Elexon will arrange a Credit Committee meeting after the consultation closes to determine whether a new CAP should be set. If a new CAP value is to be set, the Credit Committee will also determine its value.

As a result of the increase, Parties may notice a change in their Credit Cover Percentage and should review the amount of Credit Cover lodged.

Please note the Credit Committee members have decided to escalate the market situation to the BSC Panel. The BSC Panel will discuss the CAP process and its sustainability under the current fast market circumstances. The CAP review process proceeds as defined in the [CAP Review Process Guidance](#) unless advised otherwise by the BSC Panel. We will be communicating any decisions made by the Credit Committee and the BSC Panel in due course.

BSC Panel response to the consultation by the Government and Ofgem on energy code reforms

The BSC Panel has published a formal response to the Ofgem and the Department for Business, Energy & Industrial Strategy (BEIS) joint consultation which seeks views on a range of proposed reforms of energy codes.

The Panel argued that Code simplification and consolidation is still the most effective way to achieve many of the ambitions of the Review, including importantly reducing the cost burden on consumers. It suggested that non-regulatory options could lead to more effective, lower cost and less burdensome solutions. In the Panel's opinion, many of the issues are specific to individual Codes (or their Administrators) and not widespread, as might be inferred from the consultation. Yet the proposed solutions (abolition of Panels, licensing, tendering, etc.) will apply to all Codes.

The Panel urged Ofgem to consider a more targeted approach to the roll out of the measures, and priority should be given to the underperforming Code Managers/ Administrators and to some quick wins. It was concerned that tendering for Code Administrators had many unintended consequences, and argued for a process, which benchmarked the best in the Code Bodies and set in train actions to bring all the others to this level.

Elexon has responded separately to the consultation, which closed on 28 September 2021.

November 2021 BSC Release – Scope

The current scope for the November 2021 BSC Release, which will become effective on 4 November 2021 is as follows:

Modification P399	Making the identity of Balancing Service providers visible in the Balancing Services Adjustment Data	Approved
Modification P421	Align BSC with Grid Code for TERRE Market Suspension	Pending
CP1541	Use of DTC data flow D0004 in Half Hourly Sector to inform Suppliers that a manual download to obtain data was not successful	Approved
CP1544	Category A BSC Signatory or Company Director sign-off required for any EFR plan following escalation	Pending
CP1545	Introducing Technical Assurance of Metering (TAM) Central Volume Allocation (CVA) Specific Sample audits	Approved
CP1547	Clarification on Site Specific Line Loss Factor Calculation Process for Embedded Licensed Distribution System Operators	Approved

Final Smart Meter Technical Details (SMTD) report published

The SMTD report for August 2021 has been published. During August 2021 SMETS v2.0 installs constitute the majority of exchanges (89% of total Meter installs over the month).

The August 2021 report will be the last [Smart Meter Technical Details report](#) by Elexon. The Smart Meter Technical Details report has been used to monitor compliance with BSC obligations regarding the sending of Meter Technical Details over the foundation and mass roll-out phases of the smart Meter roll-out. Since the introduction of the Retail

Energy Code these obligations no longer sit within the Balancing and Settlement Code and instead are managed by the REC.

For more information about the Retail Energy Code and how Retail Energy Code Obligations are monitored and managed please see the [Retail Energy Code Portal](#). If you wish to provide feedback on Elexon reporting please contact Analysis.Insight@elexon.co.uk.

Confirmation of Code of Practice Compliance and Protocol Approval – Amendments to the EM-Lite Ltd EMA1 Meter/Outstation Type

[BSCP601 'Metering Protocol and Compliance Testing'](#) (section 2.3) requires manufacturers of Meters and Outstations to inform Elexon of any amendments to their Metering Equipment and confirm if they have any impact on their existing Compliance and Protocol Approvals.

EM-Lite Ltd has notified us of an amendment to the EMA1 (integral Outstation) Meter type. The amendment relates to the firmware in the Meters being updated to add new functionality. EM-Lite Ltd has confirmed that the new version of firmware (v3.04-0) for the EMA1 Meter type does not impact compliance with CoP10 Issue 2 or the approved protocol (communication language). It has also confirmed that the software (V3.20-4) will not change hence there is no impact on metrology.

We have updated the CoP Compliance and Protocol Approval list to reflect the updated firmware version. If you have any questions please contact metering@elexon.co.uk.

Digitalised Whole System Technical Code Consultation Events

The digitalised Whole System Technical Code (WSTC) project has issued its first [consultation](#) to industry, which will run until 12 November 2021. During this time, National Grid ESO (NGESO) will be running regular webinars to discuss the consultation, enable you to ask questions and provide feedback. The webinars will run on:

- Tuesday 5 October, 11:00 – 12:00,
- Monday 11 October, 10:00 – 11:00,
- Wednesday 20 October, 10:00 – 11:00,
- Tuesday 2 November, 14:00 – 15:00,
- Friday 5 November, 10:00 – 11:00, and
- Wednesday 10 November, 14:00 – 15:00.

More information on the project and webinars can be found on the [Digitalised Whole System Technical Code webpage](#).

BSC Insights

What is Credit Cover and how does the Credit Assessment Price affect it?

In our latest [BSC Insight](#), Emma Tribe, our Senior Product Analyst from the Analysis and Insights team, explains how the Credit Assessment Price is related to a Parties' Credit Cover requirements.

What is driving the latest increases in Credit Assessment Price?

In our latest [BSC Insight](#), our data analyst Mehdi Jafari outlines the recent trends in forward market prices and how we measure the CAP process effectiveness against the System Buy Price. The article also provides an update on our Insight Article in May 2021, where the sixth CAP change of 2021 was in process.

The Analysis and Insight team are keen to analyse our BSC data to provide insight which is useful to our BSC Parties. If you have an idea for a potential BSC Insight article, please email Analysis.Insight@elexon.co.uk.

Latest information on the status of BSC Parties

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

IV. Contract for Difference and Capacity Market Settlement 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.

No EMR Circulars have been issued since the last Panel meeting. All EMR Circulars are available to download from the [EMRS Circulars page](#) of the EMRS website.

V. Cross-Code News

Code Change and Development Group (CCDG)'s recommendations following MHHS transition consultation

On 30 September 2021, Elexon published and delivered to Ofgem the recommendations made by the CCDG, following the CCDG's consultation on the transition and migration approach to support MHHS implementation.

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

BSC Modification P423 approved

Ofgem has approved [P423 'Market-wide Half Hourly Settlement \(MHHS\) Implementation and Governance Arrangements'](#), which formally transfers the MHHS programme to Elexon, with Ofgem retaining the role as programme sponsor. The separation solution, setting out the various roles Elexon undertakes and how they will be managed, is in the process of being agreed by the Elexon Board and Ofgem.

Elexon, as Implementation Manager, expects to finalise the Lead Delivery Partner (LDP) by the end of October, and to appoint them following approval of the Elexon Board, in November.

Programme expenditure up until the end of August 2021 was £0.8M against a budget of £2.9M, a variance of £2.1M. This is due to lower recruitment costs and slower than expected mobilisation, which is a result of using the model of appointing a Lead Delivery Partner.

The Clock (MHHS Programme)

On 29 September 2021, the MHHS Programme newsletter, The Clock was launched.

The Clock provides participants with updates and key information to support delivery of the MHHS Programme. The Clock signposts readers to events, plans, reports and documents on the [MHHS website](#) to assist in planning, design, development, testing and delivery.

All subscribers to Elexon's Newscast have automatically been added to The Clock's mailing list. and readers will have the option to unsubscribe. If you have any questions, please email Comms@mhhsprogramme.co.uk.

VI: 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.

VII: Recommendations

We invite the Panel to:

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

Attachments

Attachment A – Elexon monthly KPIs

Attachment B - Report from the ISG

Attachment C – Report from the SVG

Attachment D1 – Report from the PAB (public)

Attachment D2 – Report from the PAB (confidential)

Attachment E – Report from the TDC

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