

# 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.

## 320/01 Elexon Report

### BSC Panel

Date of meeting	<b>11 November 2021</b>
Paper Number	<b>320/01</b>
Owner/author	<b>Sara Vaughan</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

We have highlighted that Elexon's CEO, Mark Bygraves stepped down as of 29 October 2021. Sara Vaughan, a Non-Executive Director of Elexon has now taken over as Interim Chief Executive

We have noted that Industry and BSC Central Systems testing for Ofgem's Targeted Charging Review (TCR) is now complete.

We have explained that BSC Parties now have additional entries on their Confirmation Notices (i.e. invoices) having scrutinised the receipt and payment of Trading Charges due to the current market conditions.

We have highlighted that the November 2021 Standard Release was successfully implemented.

We have published a link to the Code Administration Code of Practice (CACoP)'s new website.

### Target Audience

Elexon's customers and the wider industry.

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## Contents

<b>Contents</b>	<b>1</b>
<b>I. Elexon News</b>	<b>2</b>
<b>II. European Developments</b>	<b>3</b>
<b>III. Operational News</b>	<b>4</b>
<b>IV. Contract for Difference and Capacity Market Settlement News</b>	<b>7</b>
<b>V. Cross-Code News</b>	<b>7</b>
<b>VI: Summaries of Panel Business – Tabled</b>	<b>8</b>
<b>VII: Recommendations</b>	<b>8</b>
<b>Attachments</b>	<b>8</b>

## I. Elexon News

### Market Conditions

The energy industry is currently experiencing unprecedented and challenging market conditions. 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. We also support Ofgem in the Supplier of Last Resort (SoLR) process, as well as supporting the appointed Supplier. We will continue to be available to assist Parties during these difficult times.

### Change to Confirmation Notices – Shortfall

Elexon has been scrutinising the receipt and payment of Trading Charges (otherwise known as Imbalance Charges) by BSC Parties due to the current market conditions.

For clarification every day Elexon calculates the Imbalance Charges for each half hour and collects this from Parties who have contributed to the imbalance and pays it out to those that have mitigated it. As BSC Parties will be aware, the BSC sets out what action Elexon<sup>1</sup> is to take in the case of non-payment to Elexon by BSC Parties of any sums they owe (be that Trading Charges or other liabilities). This action includes firstly utilising any credit lodged by the non-paying Party and then requiring BSC Parties to contribute to any shortfall via subsequent mutualisation. Such mutualisation has always been a feature of the market and has been used where there have been Supplier failures.

The BSC further provides that Elexon can only pay out in Trading Charges what it receives in. Any shortfall is usually small and, given the ability to recover via mutualisation, usually short lived. If the defaulting Party's Credit Cover has been exhausted and Elexon still has insufficient receipts to be able to absorb the shortfall, the BSC provides for Elexon to scale back payments out. Throughout the Supplier failures to date, Elexon has not implemented the shortfall provisions to scale back Trading Charges payments to Parties.

However, in anticipation of this being necessary at some point in the future, Parties will have noticed that their Confirmation Notices (i.e. invoices) now have entries titled "shortfall amount" and "Non-VATable Shortfall Amount" which are currently shown as "£00.00". The purpose of this communication is to explain to Parties the additional entries on the confirmation notices.

Should you have any questions please feel free to contact your Operational Support Manager or the [BSC Service Desk](#).

### Consultation Responses

We have not responded to any consultations since our last update to the Panel.

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

### Elexon's CEO, Mark Bygraves stepped down as of 29 October 2021

After seven years as Chief Executive, and 10 years in total working for Elexon, Mark Bygraves decided to step down to focus on, and develop other opportunities outside of the company. Mark's last day as Chief Executive was Friday 29 October 2021.

<sup>1</sup> In the situation described, 'Elexon' here is meaning the Funds Administration Agent (FAA), which acts on behalf of the BSC Clearer, Elexon Clear Ltd.

Sara Vaughan, a Non-Executive Director of Elexon, and former Political and Regulatory Affairs Director at E.ON UK has now taken over as Interim Chief Executive until an enduring replacement is appointed following a formal recruitment process.

Under Mark's leadership, Elexon has continued to provide best in class customer service to the industry as Code Manager of the Balancing and Settlement Code (BSC). Elexon has also delivered changes to the wholesale market arrangements that are an essential enabler to achieve the UK's Net Zero targets.

In addition, during Mark's tenure, Elexon established and continues to successfully deliver Settlement for Contracts for Difference generators and the Capacity Market regime. In April 2021, Ofgem also appointed Elexon to facilitate the industry-led programme to deliver Market-wide Half Hourly Settlement. These and other examples demonstrate how Elexon has established itself as more than a code administrator. They also show how Elexon is delivering its purpose of 'Serving at the heart of the energy industry, building a path to Net Zero'.

Elexon's Board and colleagues thank Mark for his significant contribution to the company and wish him well for the future. Michael Gibbons, Chair of Elexon and of the BSC Panel said:

*"We would especially like to thank Mark for his huge dedication to Elexon, and the energy he has brought to the role. Mark maintained a firm grip on the many policy and operational issues that we manage, and he built good relationships with so many of our stakeholders, including the BSC Panel. On behalf of the Board, the Panel, and everyone at Elexon, I wish Mark success in the next phase of his career."*

*"I am very pleased to welcome Sara into the Chief Executive role. She has been an Elexon Board member since 2019 and with her vast experience in the energy sector she will ensure that Elexon maintains continuity, consistency and the high standards of performance for customers for which it is known."*

## 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. We are also expecting to hear further announcements in the coming months regarding North Sea cooperation.

Given the intrinsic link between Electricity and Fisheries (within the Trade and Cooperation Agreement (TCA), and cancellation of the Fisheries agreement automatically cancels the Electricity agreement nine months later); we have been keeping a close eye on recent media reports in this respect.

### 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 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 their various Energy Strategies and plans. 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 Settlement Administration Agent (SAA) to the Kinnect Platform is currently reporting red because of delays in the factory acceptance testing for Drop 1. Testing is in progress. To complete the Drop 1 testing it will either extend by two weeks, or complete in the first two weeks of the planned time for Drop 2 testing.

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 planned to conclude in June 2022.

##### **Insights Solution**

Following successful Alpha testing with 20 users from the Data and Reporting User Group, the Insights Solution is now in Beta testing, which began on 26 October 2021.

Seven sprints have been completed, and alongside new features the Analysis and Insights (A&I) Product team has delivered numerous bug fixes identified during Alpha release as well as improvements on testing, security and performance. Several security penetration tests have also been completed. Development efforts have focused on optimizing the Developer Portal and Data Download functionality.

The A&I team will continue to refine the Product and implement additional feature requests prior to the official product launch later this year.

##### **Customer Solution**

At the September 2021 SVG meeting, IDNO changes for Ofgem's Targeted Charging Review (TCR) were approved. Increased TCR MDD volumes were included and published in September and October and no issues have been identified. The Participant Management Product (PMP) team will continue to progress the TCR Volumes in November's MDD publication.

Ofgem's Switching Programme Significant Code Review (SCR) introduces a Central Switching Service (CSS) in mid-2022. The CSS and its new governing code, the Retail Energy Code (REC), will enable rapid dual fuel switching for retail customers. Elexon has been working with other Regulatory bodies regarding the provision of Market Participant Data as the majority of the data required by the CSS is already held within the Elexon Kinnect Customer Solution. Elexon are awaiting the final requirements to be agreed and then will work towards a delivery solution.

In addition to the above, the PMP team continue to progress Release 3, Drop 1 of Elexon Kinnect establishing a pipeline of continuous delivery for the Customer Solution, which will include enhanced functionality and other customer-led service improvements in April 2022.

Overall the Kinnect Programme remains on budget with £26.4m of investment in progress, of which £18.6m has been spent to date. The remaining £20.2m 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
18.6	7.8	20.2	46.6	46.6	0

#### **Industry and BSC Central Systems testing for Ofgem's TCR now complete**



As part of our continuing work to progress large-scale change to Market Domain Data (MDD) sets for Ofgem's TCR, we have been carrying out industry and BSC Central Systems testing over recent months. Due to the unprecedented growth in the size of the MDD and Line Loss Factor (LLF) datasets needed for the TCR, we undertook this testing to identify and mitigate any potential risk to industry processes relating to balancing and Settlement.

After the first round of testing, we identified a number of enhancements to be made to the BSC Systems. After implementing those in the test system, we conducted a further round of testing between June and July 2021. Overall, the results gave us confidence that the Central Systems will be able to process the additional data volumes, and that our Parties' systems will be able to cope with the increase. We deployed the enhancements in August. We provided this information to the Supplier Volume Allocation Group (SVG) at their meeting on 3 August. The SVG then approved the next batch of TCR related changes for the MDD Version 315, which added 4,657 TCR Line Loss Factor Classes (LLFCs) and 32,350 combinations; this was published in September 2021.

The SVG have since also approved the TCR related changes for MDD Version 316, which was published on 13 October and went live on 20 October 2021. The SVG also approved MDD Version 317, which will be published on 10 November and will go live on 17 November 2021. Some TCR Changes will also be included in MDD Version 318, which will be published in December 2021.

Further information, including details on the volumes and combinations that will be added to MDD in October, November and December, is available on the [MDD changes initiated by Ofgem Review webpage](#). If you have any questions, please contact us at [mddc@elexon.co.uk](mailto:mddc@elexon.co.uk) or [llfs@elexon.co.uk](mailto:llfs@elexon.co.uk).

### **Webinar on implementing the Modification P375 reforms**

We will be hosting a webinar on 7 December 2021 between 9.30am-12.30pm on the new roles and processes that will be introduced by the implementation of [P375 'Settlement of Secondary BM Units using metering behind the site Boundary Point'](#), on 30 June 2022.

This webinar will be of interest to anyone that wishes to become an Asset Metering Virtual Lead Party (AMVLP) to take advantage of these changes. AMVLP is a new role in the BSC, introduced by P375. Note that it will not be necessary to be a VLP before you can begin the Qualification process to become an AMVLP.

This webinar will also be of interest to Half Hourly Data Collectors (HHDCs) and SVA Half Hourly Meter Operator Agents (HHMOAs), as P375 will introduce new activities for these Party Agents, which they will be able to perform without being required to undergo any further Qualification or Re-Qualification processes. Finally, this webinar will be of interest to anyone that wishes to act as an Asset Metering HHDC (AMHHDC) or an Asset Metering MOA (AMMOA), which are also new roles introduced by P375.

P375 supports Net Zero by allowing individual Asset Meters located 'behind the boundary point' to be used for Settlement purposes. It creates more opportunities for smaller asset owners to provide balancing services and demand-side flexibility. It will also help us to provide more openly accessible data on the performance of these assets, which could help innovators to develop new products and services.

The webinar will cover:

- An explanation of how the new roles and processes work, and the high-level impacts on industry roles;
- How AMVLPs can use the Elexon Kinnect Customer Solution to register and maintain their behind-the-meter assets, agents and metering details;
- The Party Agent process and meter compliance and protocol approval testing;
- A high level overview of the qualification processes for AMVLPs and AMVLP Agents;
- Overall assurance of the new roles and processes (once they are live post 30 June 2022); and
- The strategy, plan and scenarios for industry testing of the P375 processes. The testing will take place between 6 June 2022 and 17 June 2022 and we will be looking for industry parties to volunteer to participate in the programme.

To sign up to attend the webinar please visit this [gotowebinar page](#). For detailed background information on P375, including the Modification Proposal, consultations, and Final Modification Report, visit our [P375 webpage](#).

## November 2021 BSC Release – Successfully Implemented

The [November 2021 BSC Release](#) has been implemented and became effective on 4 November 2021. The changes implemented in this Release were as follows:

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

The [BSC Baseline Statement](#) has been updated to v194.0.

In addition, we introduced a new version of the SAA-I014 Settlement Report as part of P399. If you are a BSC Party that receives the SAA-I014 sub-flow 1, you will receive the new version 011 for the first time at approximately midnight on 5 November 2021 (as the SAA-I014s released after midnight on 4 November 2021 will be in the old version 010 format). If you are a Virtual Lead Party, which receives the SAA-I014 sub-flow 4, you will continue to receive the current version 009.

Further information on can be found in the [new versions of the SAA-I014 Settlement Report for P399 on 4 November 2021 BSC Release Circular](#).

## New Credit Assessment Price (CAP) process triggered and CAP Consultation issued

Following recent changes in forward market prices, another CAP review has been triggered. The Credit Committee made the decision to use the alternative CAP process, which was approved last week following industry consultation and a presentation to the BSC Panel at its October 2021 meeting. The approved alternative review process will be used temporarily in volatile market conditions to give more flexibility to the Credit Committee to set a CAP more quickly using a wider range of data sources. Further information on the alternative CAP review process can be found in the newly-updated [CAP Guidance document](#).

Following this, we have issued a consultation paper on the value of the CAP with a two Working Day turnaround for responses. BSC Parties can comment on this consultation using the consultation proforma available on the [Consultations page](#) of our website by 17:00 on 3 November 2021. The consultation proposes to decrease the value of CAP to £240/MWh on 18 November 2021 from the last notified CAP value of £259/MWh. The consultation does not affect the implementation of the £259/MWh CAP on 4 November 2021. The CAP potentially affects the amount of Credit Cover that Parties are required to lodge, and so we encourage Parties to respond to the consultation.

If all respondents and Credit Committee members agree with the proposed value, there will not be a Credit Committee meeting and the new CAP value will be implemented on the proposed date of 18 November 2021. However, if one or more respondents or a Credit Committee member requests it, 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.

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. We will be communicating any decisions made by the Credit Committee and the BSC Panel in due course. Further information on the CAP can be found on the [Credit Committee](#) page of our website.

## Holiday Credit Assessment Load Factor (CALF) values for the Winter 2021 BSC Season: appeal deadline approaching

The CALF values for the Winter 2021 BSC Season, which runs from 1 December 2021 to 28 February 2022, are available from the Credit/Credit Alerting section under the Financial and Credit menu on the [Elexon Portal](#).

If you wish to request recalculated CALF values for the Christmas and New Year Period, the holiday CALF deadline for the Winter 2021 BSC Season is Thursday 18 November 2021, 10 Working Days before the start of the season. Please request a copy of the Holiday CALF proforma via [bscservicedesk@cgi.com](mailto:bscservicedesk@cgi.com). If you have any questions, please email [SettlementOperations@elexon.co.uk](mailto:SettlementOperations@elexon.co.uk).

## New look BSC Release Circulars

From 11 October 2021, we revamped the look of the BSC Release Circulars. We hope you like the new look updates, which we have designed to be simpler and easier to read. It will also enable you to more easily manage your subscription to the BSC Release Circular mailing lists.

We issue Release Circulars to provide important information and to request document reviews that are impacted by upcoming Central Volume Allocation (CVA) and Supplier Volume Allocation (SVA) Releases.

If you were already registered to receive our CVA or SVA Release Circulars you will automatically receive the new look Circulars. If you would like to sign up to receive our BSC Release Circulars, you can do so on our [Newsletter and Circular webpage](#).

## Latest information on the status of BSC Parties

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

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## 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.

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## V. Cross-Code News

### The Code Administration Code of Practice (CACoP) Forum launches new website

The CACoP Forum has launched a new [website](#) so that companies can keep track of code changes across the energy sector and find general information that helps them to navigate the codes.

The new website includes:

- **The Code Administration Code of Practice** – the set of principles that the Code Administrators agree to uphold;
- **The Central Modifications Register** – the consolidated record of all live industry code changes;
- **The Horizon Scanner** – a forward look at the external issues that could impact the industry codes in the medium to long-term;
- **CACoP issued guidance** – any information that helps energy companies to navigate the codes;



- **The latest and previous versions of the CACoP Newsletter;** and
- **An industry codes meeting calendar** - which shows when meetings are taking place across all 10 of the codes covered by CACoP.

If you have any feedback about the new website, or any questions, please use the [Contact Us](#) page.

The latest version of the CACoP Newsletter for October 2021 is also available on the [CACoP Forum](#) page of our website.

If anyone has any questions, please contact [claire.kerr@elexon.co.uk](mailto:claire.kerr@elexon.co.uk).

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## 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.

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## VII: Recommendations

We invite the Panel to:

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

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### Attachments

Attachment A – Elexon monthly KPIs

Attachment B1 - Report from the ISG (public)

Attachment B2 - Report from the ISG (confidential)

Attachment C1 – Report from the SVG (public)

Attachment C2 – Report from the SVG (confidential)

Attachment D1 – Report from the PAB (public)

Attachment D2 – Report from the PAB (confidential)

Attachment E – Report from the TDC

Attachment F1 – Report from the Credit Committee (meeting 45)

Attachment F2 – Report from the Credit Committee (meeting 46)

### For more information, please contact:

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