

Impact assessment and summary on inclusion of sub 1MW participation in the BM (including submission of bids with decimal numbers)

External Brief

As the Electricity System Operator, our vision is to meet the future needs of the electricity system by making the most of the resources available on the system in a flexible, economic way. Due to the complex and connected nature of the energy industry, energy codes, data flows and IT systems, change is a challenge that has to be prioritised to ensure the ESO creates value for its consumers and stakeholders.

We have assessed the high-level impacts to understand the challenges and barriers sub 1MW participants experience and want to share our initial views. We also looked at the barriers for inclusion of decimals in balancing services bids. Our intention is to work with our stakeholders to discuss some of these issues and challenges in more detail and work together on overcoming problems in ways that create consumer benefits.

Assessment of Barriers to Entry

We assessed the impacts across a range of internal areas including codes, control room, IT, settlement. Two of the key barriers to entry identified relate to a recent ACER (Association for the Cooperation of European Regulators) decision that sets the minimum size of standard products to 1MW (and 1MW increments) and the current ESO IT system set up. The existing IT control room systems are unable to allow decimal place entry.

Our balancing services reform will make significant changes to our systems and ways of working which will deliver improvements to the services we offer and help set us up for the future. These include updates to our systems for access to the Balancing Mechanism, particularly for smaller units. We anticipate that this transformation programme will be delivered by 2025. There is an expectation that by Q3/Q4 of 2020 more detail will be available. Sub1MW and decimals are expected to be fed into the design set for the new tools.

A large number of small players participating in the balancing services market would require a robust approach and accurate data for settlement and metering, to enable visibility and control for efficient control room operations.

From a Grid Code perspective, a sub 1MW BMU would be treated no differently than a small embedded power station or virtual lead party. In England and Wales, a small power station could be anything smaller than 50MW and in Scotland, 5MW. CUSC and BSC do not reference minimum sizes in the context of balancing services. The BSC mod P344 (approved and implemented) introduced the concept of Virtual Lead Parties and secondary BMUs creating a route for aggregators to participate in the BM (and TERRE) in the future.

From a European Codes' perspective, on the 18th of June 2020 ACER published 2 [decisions](#) on EB GL (European Balancing Guidelines). ACER (Agency for the Cooperation of Energy Regulators) the European regulatory body aimed at working towards a European single energy market to benefit consumers currently has the power to mandate regulatory change in Great Britain, as GB is part of the European internal energy market. Post Brexit arrangements are yet to be clarified.

One of these [decisions](#) related to the methodology and list for standard products for balancing capacity. It indicated (Art 5.1c): **the minimum bid quantity and granularity shall be 1 MW;**

This aligns with Article (5.2d) **volume divisibility: divisible with a minimum granularity of 1 MW or indivisible bids;**

This means that bids relating to standard products have a minimum threshold of 1MW and can only be offered in 1MW increments. Further work to clarify this meaning and implementation timescales for this decision is underway. This relates to standard products, specific products, products only required for GB, (each must be approved by Ofgem) do not have to meet the same criteria. To date we don't have any products approved yet as specific products.

We recommend the set-up of an BSC Issues Group to discuss and evaluate barriers to entry for small units. We are happy to propose this group and share our findings. While we are working on the IT delivery of a fit for purpose system solution and processes for small parties, other areas should be explored, such as the impact of the ACER ruling on existing and future products, metering and communications requirements for small users. We want to explore how to scale the participation of small participants by defining roles and responsibilities of market participants to facilitate entry under the current restrictions.

The planned next steps include:

- Communication to industry to share our initial assessment of barriers to entry for sub 1MW units (September 20)
- Support initiation of Elexon issues group to discuss barriers to entry and potential options and solutions on how different market players could facilitate either entry or aggregation (October 20)
- Discussion on EU codes minimum size ruling with Ofgem to understand their level of support for small BMUs, as there may be opportunity for non-standard products to offer a decimal granularity size (September 20)