

# 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.

## 321/01 Elexon Report

### BSC Panel

Date of meeting	<b>9 December 2021</b>
Paper Number	<b>310/01</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 the Performance Assurance Board (PAB) has reviewed its approach to managing Suppliers' Settlement performance against the BSC standards.

We have noted that the Credit Assessment Price (CAP) will decrease from £240/MWh to £230/MWh effective from 3 December 2021. However, the Credit Committee met on 30 November 2021 to propose a new CAP value for consultation. The Credit Committee have proposed an increase in the CAP to £305/MWh to go live on 17 December 2021. Under the alternative CAP review process, the minimum period this CAP value will be live is between 17 December 2021 and 30 December 2021 as the CAP is reviewed every two weeks.

We have explained that approximately £4m would be redistributed back to Suppliers in December 2021 following a review of the Market-wide Half Hourly Settlement (MHHS) costs for 2021/22.

We have now released the Modification P375 Industry Participant Test Strategy and Scope and the Modification P375 Industry Test Scenarios.

We have reminded BSC Parties of what they should consider when implementing and maintaining a Shared SVA Metering System.

We contacted 1700 Category A BSC Parties on 23 November 2021 to update them on the shortfall provisions in Section N of the BSC.

### Target Audience

Elexon's customers and the wider industry.

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## 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. This also extended to the recent first use of the Energy Supply Company Administration process. We 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:

- Ofgem and the Department for Business, Energy and Industrial Strategy (BEIS)'s joint [consultation](#) on Renewables Obligation (RO): addressing electricity supplier payment default under the RO scheme. In our response we:
  - noted that more frequent RO Settlement, as set out in options 1a – 1c could reduce the risk of Supplier failure. As a result, this would reduce the risk of us having to initiate Settlement Mutualisation following a SoLR; and
  - suggested that the benefits of a more frequent RO Settlement needed to be weighed against the costs involved in delivering it, for all parties involved.
- NGENO's [consultation](#) on Digitalised Whole System Technical Code (WSTC). In our response we:
  - noted that there was a need for code rationalisation and that in our view, a single WSTC would address some of the issues associated with the present number of codes.
  - offered to share our learnings from the BSC digitalisation journey with the WSTC team and ESO to identify if any of the solutions we developed for the digital BSC could apply and deliver value to the WSTC project; and
  - noted that there was significant Interaction between the Grid Code / Distribution Code and other codes such as the BSC, and so suggested that a representative of the other code bodies should be included in the Steering Group.
- The Energy Networks Association (ENA)'s [consultation](#) on the Preliminary Open Networks Project 2022 Workplan. In our response we:
  - were supportive of the proposed key areas of focus and priorities set out in the preliminary workplan for 2022.
  - welcomed Open Networks proposal to review the approach to Settlement across DSO services, noting that Open Networks' new area of work 'Carbon Reporting' ties in with work we are currently undertaking alongside Energy System Catapult. As thinking develops, we were happy to offer our learnings and solutions with the Workgroup.

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

## Elxon in the Media - TechUK blog by Peter Stanley: cloud technology revolutionises Elxon services

Elxon's Director of Digital Operations, Peter Stanley, wrote a blog for TechUK. He emphasised that our Settlement systems will be key to unlocking the benefits of Market-wide Half Hourly Settlement (MHHS), and it is one of the reasons why we have been developing a new cloud platform – Elxon Kinnect – to replace our ageing settlement architecture. The full article can be accessed [here](#).

## II. Industry News

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### 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.

[P431 'Post Brexit Agreement Updates'](#) is being presented at this month's Panel to make changes to the BSC post-Brexit. As the proposal and IWA explain, we were ready to raise this Modification at the start of the year but, given that there is zero operational impact, we have waited until it fits better within the overall change pipeline.

### 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. BEIS is still to publish their determinations, but our understanding is that work is progressing between BEIS, NGESO and Interconnectors, though it is becoming apparent (and accepted) that initial deadlines are not fully feasible.

BEIS and Ofgem consulted in October regarding re-coupling the clearing prices for the two GB Power Exchanges. We did not respond to the consultation, as it is not within our remit, but saw the Energy UK (EUK) response (through our membership of the EUK TCA Workgroup) and had nothing further to add from a Balancing or Settlement perspective. EUK agreed with recoupling of the exchanges, which would have been our position had we responded.

### North Sea Grid

We recently responded to BEIS's '[Consultation on Offshore Transmission Network Review: Enduring Regime and Multi-Purpose Interconnectors](#)'. This consultation is not concerned in itself with joint GB/EU cooperation but, it did cover the regulatory framework for establishing an effective North Sea Grid and we responded that it is essential that any regulatory framework marry with our neighbours in the EU and other third countries.

The EU is working on North Sea Grids and Europex has recently formed a group to look into the Commission's proposal for market design – we are a member of this group as there is overlap with GB developments. The Commission is considering whether it is better for the North Sea to be its own Offshore Bidding Zone (OBZ) or part of an adjacent Home Market, and what the incentives should be to enable the market to develop.

The UK used to be part of the North Seas Energy Cooperation (NSEC) via EU membership – our understanding is that talks are ongoing regarding re-joining.

We are engaging with NGESO regarding collaboration on potential code changes and have made initial connection with BEIS but BEIS is not yet ready to consider Settlement options. We will continue to engage so they remain aware that we are ready to support as required.

### III. Operational News

#### Kinnect Platform remains on track to deliver 2021/22 objectives

##### Settlement Solution

The project to migrate the legacy Settlement Administration Agent (SAA) to the Kinnect Platform is currently reporting amber, following the red status last month. The delayed factory acceptance testing for Drop 1 needed a two-week extension and concluded on 19 November 2021.

Development of the remaining system functionality, Drop 2, which has been progressing in parallel, is on track to be delivered by the end of November 2021. This will be followed by testing and parallel runs with SAA migration to Kinnect planned to conclude in June 2022.

##### Insights Solution

The Insights Solution continues with Beta testing, which began on Tuesday 26 October, with around 50 users from the Data and Reporting User Group.

The Minimum Viable Product (MVP) has now been delivered. Alongside new features, the Analysis and Insights (A&I) Product team has delivered numerous bug fixes 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

The Participant Management team continue to progress Release 3.2, 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 May next year.

A roadmap of the current, next and future developments planned for the Customer Solution is now available on the [Kinnect Customer Solution ongoing development and planning](#) page of the Elexon website.

Overall the Kinnect Programme remains on budget with £26.4m of investment in progress, of which £20.0m 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
20.0	6.4	20.2	46.6	46.6	0

#### Movements in the Credit Assessment Price (CAP)

Following recent changes in forward market prices, another CAP review was triggered. As such, a consultation was issued on 16 November 2021 as part of the alternative CAP review process. Two respondents disagreed with the proposed value. The Credit Committee considered the consultation responses without holding a Credit Committee meeting, so as not to hold up the implementation of the reduced CAP value. However, these responses will be considered in more detail at the next Credit Committee meeting, which will be held in the week beginning 29 November 2021.

On 3 December 2021, the CAP value will decrease to £230/MWh. As a result, Parties may notice a change in their Credit Cover Percentage and should review the amount of Credit Cover lodged. Further information on the CAP can be found on the [Credit Committee](#) page of our website.

However, the Credit Committee met on 30 November 2021 to propose a new CAP value for consultation. The Credit Committee have proposed an increase in the CAP to £305/MWh to go live on 17 December 2021. Under the alternative CAP review process, the minimum period this CAP value will be live is between 17 December 2021 and 30 December 2021 as the CAP is reviewed every two weeks.

## November Changes to Performance Standard monitoring thresholds

The PAB has reviewed its approach to managing Suppliers' Settlement performance against the BSC standards. It has agreed:

- All Suppliers below the 97% Non Half Hourly (NHH) standard at the Final Reconciliation run (RF), the 99% Half Hourly (HH) Measurement Class C standard at SF and the 99% HH sub 100kW standard at the first Reconciliation run (R1) should be striving to improve performance above these levels and providing updates to their Operational Support Managers on how work is being undertaken to do this;
- To reduce the current threshold of 2,000MWh of non-compliant estimation for the HH Measurement Class C and sub 100kW markets to 1,500MWh from 1 December 2021 and maintain the NHH threshold at 2,000MWh until Elexon and the PAB reviews the threshold again in February 2022;
- To reduce the current Error and Failure Resolution (EFR) exit criteria for HH Measurement Class C and sub 100kW markets to 750MWh from December 2021 and maintain the NHH threshold at 1,000MWh until Elexon and the PAB reviews the threshold again in February 2022; and
- That it is likely to apply EFR to Suppliers with non-compliant estimation above the threshold, 1,500MWh threshold for HH and the 2,000MWh threshold for NHH, which will require them to produce plans with forecast performance improvements.

The PAB also agreed that in February 2022 it is likely to:

- Reduce the focus threshold to as low as 1,500MWh of non-compliant estimation for NHH Suppliers and the EFR exit criteria to 750MWh; and
- Maintain the EFR thresholds for the HH Measurement Class C and sub 100kW markets.

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

## Shared Supplier Volume Allocation (SVA) Metering System obligations

The Trading Disputes Committee (TDC) has recently encountered a number of Trading Disputes where the root cause was determined to be issues with implementing or maintaining a Shared Supplier Volume Allocation (SVA) Metering System. We want to ensure that Parties understand their obligations and the processes they must follow to prevent future impacts to Settlement.

To help BSC Parties to understand their obligations, we have collated some key points within the process that BSC Parties and Party Agents should consider when implementing and maintaining a Shared SVA Metering System. It is not an exhaustive list and Parties responsible for Shared SVA Metering Systems should ensure they have read and understood BSCP550 in its entirety. These can be found on the following [webpage](#).

## Changes impacting aggregated Distribution Use of System (DUoS) Billing

On 8 December 2021, we will be implementing a change, which will impact the Aggregated DUoS Report (D0030).

[P300 'Introduction of new Measurement Classes to support Half Hourly DCUSA Tariff Changes \(DCP179\)'](#) introduced functionality to enable metered volumes for elective Half Hourly (HH) Metering Systems to be reported against different time of use DUoS tariff bands. These tariff bands are supported by the introduction of 'dummy' Standard Settlement Configurations (SSC) and Time Pattern Regimes (TPR). The dummy SSC and TPR definitions are defined in the 'Mapping Data for HH Aggregated Metering Systems' (P0239) flows, which are loaded into the BSC central systems.

This change covers three issues, all relating to the processing of the P0239 flows:

- The time-of-use volumes reported in the Aggregated DUoS Report (D0030) are incorrectly reported by an hour during British Summer Time, because the time band definitions in the P0239 flow are being treated as Co-ordinated Universal Time (UTC).
- Outputs that have already been processed treating the clock interval data as UTC need to be corrected. As a result, backdated data since 1 April 2021, will be corrected taking into account the correction been made with this implementation.

- Due to a system limit, P0239 data flows that exceed 200 records currently need to be broken down into smaller files. This restriction is being removed.

As a result of these issues, metered volumes will be allocated to the correct DUoS time band for future Settlement Dates. Following this implementation, LDSOs do not need to resubmit P0239 flows.

The D0030 flow will report the correct values next time the clocks change (i.e. during BST 2022 and thereafter). Any Reconciliation runs in respect of dates between 1 April 2021 and the end of BST 2021 will be reported correctly in Reconciliation Runs. LDSOs that have adjusted their D0030 outputs to allow for the one-hour shift, will no longer need to do so.

### **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](#).

Please note that we have now released the Modification P375 Industry Participant Test Strategy and Scope and the Modification P375 Industry Test Scenarios. For those attending the webinar, please try to review these documents prior to the session so that we can then discuss any queries you may have during the webinar.

### **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 Events of Default.

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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 (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

### **Ofgem approves Elexon's Business Separation Plan for Market-wide Half Hourly Settlement (MHHS)**

On 19 November 2021, Ofgem approved Elexon's Business Separation Plan for the MHHS Programme. Elexon collaborated with Ofgem to ensure the Separation Plan mitigated the potential conflict of interest risk and was aligned with the BSC and MHHS Governance Framework. The Business Separation Plan supports the required physical, organisational and cultural programme separation.

Elexon has implemented internal compliance controls to monitor compliance with the Business Separation Plan and the ongoing management of the potential conflict of interest risk. The Independent Programme Assurance (IPA) provider will monitor and provide assurance that Elexon is complying with its obligations and will be responsible for identifying and reporting on issues relating to business separation and Elexon's conflict of interest. Further information, including Ofgem's decision letter, can be found on the following [webpage](#).

### **Review of the MHHS 2021/22 costs – £4m to be returned to Suppliers in December**

The MHHS Implementation Management Charge was set by the BSC Panel at its June 2021 meeting at £0.03847/Supplier Volume Allocation MSID, per month. This charge was initially calculated on the basis of the annual MHHS budget, however we committed at the June 2021 Panel meeting to review the charge later in the financial year once there was a better view of the costs likely to be incurred.

To that end we have been monitoring the likely spend within 2021/22 and recommended to the BSC Panel at its October 2021 meeting that the rate should be revised to £0.02235 per SVA MSID per month. The Panel approved this new rate, which means that the revised rate would be retrospectively applied from April 2021. Approximately £4m would therefore be redistributed back to Suppliers in December 2021, with invoicing for the year concluding over the remaining 2021/22 months at the £0.02235 per SVA MSID per month.

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

### **Programme Steering Group (PSG)**

The first PSG meeting was held on 10 November 2021, where the Programme Governance Framework and Terms of Reference were approved. All meeting documentation including the Headline Report and minutes can be found on the following [webpage](#). The next PSG meeting will be held on 15 December 2021.

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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 C1 – Report from the SVG (public)

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 47)

### For more information, please contact:

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