Draft Modification Report

P428 'Correction to P376 Legal Text'

This Modification is required to correct an error contained within the approved legal drafting for P376. This Proposal will ensure that Virtual Lead Parties (VLPs) do not need to submit the status of Metering System Identifier (MSID) pairs contained within secondary Balancing Mechanism (BM) Units that do not use the baselining methodology introduced in the P376 solution.

The BSC Panel initially recommends **approval** of P428

The BSC Panel **does not** believe P428 impacts the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to impact:

- Virtual Lead Parties (VLPs)

ELEXON

Phase

- Initial Written Assessment
- Definition Procedure
- Assessment Procedure
- Report Phase
- Implementation

Contents

About This Document

Not sure where to start? We suggest reading the following sections:

- Have 5 mins? Read section 1
- Have 15 mins? Read sections 1, 6, 7 and 8
- Have 30 mins? Read all sections
- Have longer? Read all sections and the annexes and attachments

This is the P428 Draft Modification Report, which Elexon will present to the Panel at its meeting on 9 December 2021. The Panel will consider all responses, and will agree a final recommendation to the Authority on whether the change should be made.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach.
- Attachment A contains the draft redlined changes to the BSC for P428.
- Attachment B contains the Proposal Form.
- Attachment C contains the full responses received to the Panel's Report Phase Consultation.

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1 Summary

What is the issue?

The Ofgem decision letter for P376 detailed an error in Section S of the BSC legal drafting which inadvertently places new requirements on VLPs that do not wish to use the baselining methodology detailed in the P376 solution. The P376 solution intends to ensure that only VLPs that wish to use the baselining methodology are required to register the 'Inactive' status of an MSID pair in a BM Unit that has been registered as a 'Baselined BM Unit'.

Under the current approved P376 solution, VLPs with BM Units that have not been registered as a 'Baselined BM Unit' would be required to specify the 'Inactive' status of a non-baselined BM Unit. It is Elexon's view that this new requirement was not intended, and is expected to increase both system development costs associated with P376 as well as on-going operational costs for VLPs. This current requirement is not necessary, adds no value and does not better facilitate any of the Applicable BSC Objectives. The Proposer of P376 agrees that allowing non-baselined BM Units would cause a problem and suggested disallowing this functionality.

What is the proposed solution?

This Modification moves BSC Section S 10.1.3A (i) in the approved P376 legal text to Section 10.1.3A and updates the reference to this Section in 10.1.3B. This will ensure that the 'Inactive' status of an MSID pair will only need to be specified by VLPs in baselined BM units.

Impacts and costs

Costs Estimates			
Organisation	Implementation (£k)	On-going (£k)	Impacts
Elexon	<1k	0	The implementation costs are associated with the development of the legal text of Section S 'Supplier Volume Allocation'
NGESO	0	0	No impact
Industry	0	0	No impact
Total	0	0	

This Modification is required to deliver the P376 Solution as initially intended. As such the costs associated with this Modification are minimal. If approved, this Modification will avoid additional Elexon system development costs and on-going VLP operational costs. As these costs were never envisaged as part of P376, if this Modification is not progressed it is expected that P376 ongoing and implementation costs would increase.

Implementation

The Panel recommends an Implementation Date of:

- **23 February 2023** as part of the standard February 2023 Release.

This is required to align the Implementation Date to that of P376.

Recommendation

The Panel initially unanimously believe P428 will better facilitate Applicable BSC Objective (d) and should therefore **be approved**. The Panel unanimously do not believe P428 impacts the EBGL Article 18 balancing terms and conditions. The Panel also believe P428 should be progressed as a Self-Governance Modification Proposal.

2 Why Change?

What is the issue?

Registration of Baselined BM Units Under P376

The P376 Solution allows VLPs with Secondary BM Units (SBMU) to use a baselining methodology to determine the expected energy flows for an MSID Pair in the calculation of Non-Delivery Charges and Delivered Volumes. If VLPs wish to use a baselining methodology they are required to register relevant MSIDs. As part of this the VLP must:

- Specify the relevant Additional BM Units (ABMU) is a 'Baselined BM Unit'; and
- Specify the status of the MSID Pair within the Baselined BM Unit as either:
    - **Baselined** – MSID Pairs that will have their forecasted volumes determined using a Baselining Methodology.
    - **Included in Party Submission** – MSID Pairs in a Baselined BM Unit that will not have their forecast volumes determined using a Baselining Methodology. Instead, Parties will submit an aggregate forecast of energy flows for these MSID Pairs. Or;
    - **Inactive** – MSID Pairs in a Baselined BM Unit that will not be used to provide any balancing services and whose volumes will not be used in the calculation of Non-Delivery Charges or Delivered Volumes. Inactive MSID Pairs will not be able to have Delivered Volumes assigned against them. The inactive status is expected to be use in cases where the VLP is not in a position to provide any reasonable estimate of the Import/Export levels.

Error in P376 Drafting

Section S of the P376 legal drafting inadvertently places new requirements on VLPs that do not wish to use the baselining methodology detailed in the P376 solution. The P376 solution intends to ensure that only VLPs that wish to use the baselining methodology are required to register the 'Inactive' status of an MSID pair in a BM Unit that has been registered as a 'Baselined BM Unit'.

Under the current approved P376 solution, VLPs with BM units that have not been registered as a 'Baselined BM Unit' would be required to specify the 'Inactive' status of a non-baselined BM Unit. It is Elexon's view that this new requirement was not intended, is expected to increase both system development costs associated with P376 as well as on-going operational costs for VLPs and does not better facilitate any of the Applicable BSC Objectives. The table below summarises the issue:

For Which MSID Pairs is a VLP Required/Able to Specify the Inactive Status?

	Baselined MSID Pair in Baselined SBMU	Non-Baselined MSID Pair in Baselined SBMU	Non-Baselined MSID Pair in non-Baselined SBMU
According to the approved P376 legal text	✓	✓	✓
As intended by the P376 Workgroup and Proposer (P428 proposed solution)	✓	✓	✗

Table 1: Description of P376 Drafting Error

P376 Background, Solution and Current Status

What issue is being addressed by P376?

Modification P376 'Utilising a Baselining Methodology to set Physical Notifications for Settlement of Applicable Balancing Services' was raised by Enel Trade S.P.A on 11 December 2018. This Modification seeks to address an issue faced by VLPs and Suppliers whereby a relevant party controls an asset which shares a network connection with other assets (demand or generation) whose output is outside of their control and as a result they are not able to accurately forecast. In these instances, it can be challenging for the relevant party to provide accurate Physical Notifications (PNs) which can lead to inaccurate Settlement, with parties or customers not being paid fully for delivery even if they respond to an instruction in the Balancing Mechanism (BM) as requested. These inaccuracies may lead to parties incurring inappropriate Non-Delivery Charges.

What is the P376 Solution?

The P376 Solution introduces Baselining Methodologies which will be detailed in a new BSC document. These methodologies use recent historic data to provide an estimate of the energy flows that would be expected at a Boundary Point under normal circumstances. The Baselining Methodologies use actual Metered Data to produce an estimate of what energy flows would be expected if a site was operating normally. This estimate known as the Settlement Expected Volume (SEV) can be used by VLPs with Secondary BM Units (SBMU) or Suppliers with Additional BM Units (ABMU) in place of the Final Physical Notification (FPN) in settlement calculations to improve settlement accuracy.

A full description of the P376 Solution including details of the Baselining Methodologies and worked examples can be found in the P376 Final Modification Report.

P376 Current Status

P376 was recommended for approval by the Panel on 13 May 2021, Panel Members believed that the Modification better facilitated Applicable BSC Objectives (b), (c) and (e). P376 was subsequently approved for implementation by Ofgem on 6 August 2021. In the Ofgem approval letter the Authority highlighted an unintentional error in Section S of the BSC and set the expectation that this would be resolved via a new BSC Modification prior to the Implementation Date of P376 on the 23 February 2023.

What are Non-Delivery Charges?

Where a BM Unit participates in the Balancing Mechanism, the Settlement process charges/claws back payments as Non-Delivery Charges if a particular BM Unit Meter Volume does not reach the expected level.

The Period Expected Metered Volume, QME_{ij} is calculated for BM Unit i for Settlement Period j as:

$$QME_{ij} = FPN_{ij} + QBS_{ij}$$

Where FPN_{ij} is the Final Physical Notification which is the level of Import and Export that the party expects to Import or Export in the absence of any Balancing activity. QBS_{ij} is the Period BM Unit Balancing Services Volume which is the sum of the net quantity of accepted Bids and Offers. The BM Unit Metered Volume QM_{ij} is then subtracted from QME_{ij} the expected volume and the Non-Delivery Charges are then calculated in accordance with the provisions in BSC Section T4.8.

3 Solution

Proposed solution

This Modification moves BSC Section S 10.1.3A (i) in the approved P376 legal text to Section 10.1.3A and updates the reference to this Section in 10.1.3B. This will ensure that the 'Inactive' status of an MSID pair will only need to be specified by VLPs in baselined BM units.

Benefits

This Modification will remove the unintended inefficiency in the current P376 solution by removing the requirement for VLPs to specify the Inactive status on non-baselined BM Units this is expected to reduce costs associated with the system development of P376 and the on-going operational costs associated VLPs specifying the 'Inactive' status of MSID pairs in non-baselined BM Units.

Applicable BSC Objectives

As this Modification will remove the unnecessary requirement on VLPs to specify the 'Inactive' status of MSID pairs in non-baselined BM Units, the Panel and Elexon believe that this will increase operational efficiency and thus will better facilitate Applicable BSC Objective (d) Promoting efficiency in the implementation of the balancing and settlement arrangements.

Legal Text

The proposed redlined changes to the BSC to deliver P428 can be found in Attachment A. Please note that the draft legal text has been updated to reflect minor typographical amendments contained in the original draft redlining. These updates have been included to more accurately reflect the approved P375 legal text.

What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

(g) Compliance with the Transmission Losses Principle

4 Impacts & Costs

Estimated implementation costs of P428

This is a document-only Modification and we have identified a positive impact on VLPs as a result of this Modification. This is because P428 will ensure that the 'Inactive' status of an MSID pair will only need to be specified by VLPs in baselined BM units.

This Modification will not have any impacts on BSC central systems, it is expected that failure to progress this Modification will increase the implementation and on-going operational costs of the P376 solution.

We estimate the costs of implementing this Modification as a document-only change to be **<£1k.**

Implementation cost estimates			
Organisation	Item	Implementation (£)	Comment
Elexon	Systems	0	
	Documents	<1k	The implementation costs are associated with the development of the legal text of Section S 'Supplier Volume Allocation'
	Other	0	
NGESO	Systems	0	
	Other	0	
Industry	Systems & processes	0	
	Total	<1k	

Estimated on-going costs of P428

On-going cost estimates		
Organisation	Implementation (£k)	Comment
Elexon	0	No impact identified
NGESO	0	No impact identified
Industry	0	No impact identified
Total	0	

P428 impacts

Impact on BSC Parties and Party Agents		
Party/Party Agent	Impact	Estimated cost
Virtual Lead Parties	This Modification will remove an unnecessary burden for VLPs who do not wish to use the Baselining Methodology. If this Modification is not progressed VLPs will be required to specify the 'Inactive' status for MSID pair within non-baseline BM Units.	None

Impact on the NETSO	
Impact	Estimated cost
No impact identified	None

Impact on BSCCo		
Area of Elexon	Impact	Estimated cost
N/A	No impacts identified	None

Impact on BSC Settlement Risks
No impacts identified. Whether VLPs are required to specify 'Inactive' status for MSID pair within non-baseline BM Units or not, has no impact on Settlement.

Impact on BSC Systems and process	
BSC System/Process	Impact
None	If approved, this Modification will avoid additional Elexon system development costs and on-going VLP operational costs. As these costs were never envisaged as part of P376, if this Modification is not progressed it is expected that P376 ongoing and implementation costs would increase.

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Impact
N/A	No impacts identified

Impact on Code	
Code Section	Impact
BSC Section S	To be amended as per Attachment A to meet the solution specified in Section 3

Impact on EBGL Article 18 terms and conditions
No EBGL Article 18 terms and conditions have been identified.

Impact on Code Subsidiary Documents	
CSD	Impact
N/A	No impacts identified

Impact on other Configurable Items	
Configurable Item	Impact
N/A	No impacts identified

Impact on Core Industry Documents and other documents	
Document	Impact
Ancillary Services Agreements	No impacts identified
Connection and Use of System Code	
Data Transfer Services Agreement	
Distribution Code	
Grid Code	
Retail Energy Code	
Supplemental Agreements	
System Operator-Transmission Owner Code	
Transmission Licence	
Use of Interconnector Agreement	

Impact on a Significant Code Review (SCR) or other significant industry change projects
No impacts identified. We requested that Ofgem treat this Modification as a SCR exempt Modification on 4 November 2021. Ofgem agreed to this request on 10 November 2021.

Impact of the Modification on the environment and consumer benefit areas:	
Consumer benefit area	Identified impact
1) Improved safety and reliability	Neutral
2) Lower bills than would otherwise be the case	Neutral
3) Reduced environmental damage	Neutral
4) Improved quality of service	Neutral
5) Benefits for society as a whole	Neutral

This Modification has no impact on consumers. It will improve the VLPs registration experience by removing the need to maintain SBMUs statuses, unless they have chosen to use the baselining methodology.

Other Impacts	
Item impacted	Impact
N/A	No other impacts identified

What are the consumer benefit areas?

1) Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?

2) Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?

3) Will this proposal support:
i) new providers and technologies?
ii) a move to hydrogen or lower greenhouse gases?
iii) the journey toward statutory net-zero targets?
iv) decarbonisation?

4) Will this change improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.

5) Are there any other identified changes to society, such as jobs or the economy.

5 Implementation

Recommended Implementation Date

The Panel recommends an Implementation Date for P428 of:

- **23 February 2023** as part of the standard February 2023 Release.

The Panel believes that this is required to align the Implementation Date to that of P376 to avoid the detrimental impacts associated with not progressing P428.

6 Panel's Initial Discussions

The P428 Initial Written Assessment Report was presented to the Panel at its meeting on 11 November 2021 (320/03).

The Panel agreed to raise P428 (in accordance with Section F2.1.1(d)(i)) on the recommendation from BSCCo, as it would better facilitate Applicable BSC Objective (d) for the reasons detailed in Section 3 of this report.

The Panel agreed to send P428 directly to the Report Phase as a Self-Governance Modification. The Panel believed that this would be the most appropriate route to follow as the solution is self-evident, fully defined (in Attachment A) and it does not fundamentally alter the intent of P376 or impact or extend the EBGL Article 18 Terms and Conditions. Further, Ofgem expect this change to be progressed, as detailed in its decision letter and the P376 Proposer fully supports this Modification Proposal.

7 Report Phase Consultation Responses

The Report Phase Consultation opened on 17 November 2021 and closed on 30 November 2021. No responses were received to the consultation.

8 Recommendations

We invite the Panel to:

- **AGREE** that P428:
    - **DOES** better facilitate Applicable BSC Objective (d);
- **DETERMINE** (in the absence of any Authority direction) that P428 is a Self-Governance Modification Proposal;
- **APPROVE** an Implementation Date of:
    - **23 February 2023** as part of the February 2023 Release;
- **APPROVE** the draft legal text;
- **APPROVE** the P428 Modification Report.

Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronym	
Acronym	Definition
ABMU	Additional BM Unit
BM	Balancing Mechanism
BSC	Balancing and Settlement Code
CSD	Code Subsidiary Document
EBGL	Electricity Balancing Guidelines
FPN	Final Physical Notification
IWA	Initial Written Assessment
MSID	Metering System Identifier
NETSO	National Electricity Transmission System Operator
NGESO	National Grid Electricity System Operator
PN	Physical Notification
SBMU	Secondary BM Unit
SCR	Significant Code Review
SEV	Settlement Expected Volume
VLP	Virtual Lead Party

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
6	P376 Modification Webpage	https://www.elexon.co.uk/mod-proposal/p376/
13	Panel Meeting 320	https://www.elexon.co.uk/meeting/bsc-panel-320/