

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.

322/01 Elexon Report

BSC Panel

Date of meeting	13 January 2022
Paper Number	322/01
Owner/author	Sara Vaughan
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 Elexon's 2022/2023 business plan;
- noted that Elexon's 2021 customer survey results show that 91% of respondents believe our service has improved over the last year, or stayed the same;
- highlighted that Expleo Technology UK Limited has been appointed as the Lead Delivery Partner for the Market-wide Half Hourly Settlement (MHHS) Programme;
- advised that the Credit Committee decided to cancel the last notified Credit Assessment Price (CAP) value of £380/MWh, which was due to go live on 7 January 2022, and instead proposed a new CAP value of £340/MWh, which will go live on 25 January 2022; and
- explained that the Performance Assurance Board (PAB) are concerned about an increase in the number of missing or late DA submissions which have resulted in the Supplier Volume Allocation Agent (SVAA) using default data in the Volume Allocation Run.

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.

In that context, we notified BSC Parties on 23 December 2021 of a potential need to implement the BSC Section N shortfall provisions. Ultimately, following the re-submission to us of corrected data, we were able to inform parties on 4 January 2022 that all payments were expected to be able to be made without the need to operate those shortfall provisions. In light of certain questions raised following that event, we have supplemented the guidance on our [website](#) in relation to the operation of shortfall as a consequence of a BSC Party's failure to pay trading charges.

Consultation Responses

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

- The Department for Business, Energy and Industrial Strategy (BEIS)'s [consultation](#) on Offshore Transmission Network Review: Enduring Regime and Multi-Purpose Interconnectors. In our response we:
 - noted that, while they may not be considering the Settlement, metering, or Market Design aspects yet, we wanted to ensure, on behalf of our Parties, that BEIS is aware that we are willing to share our expertise and work together when they do think about these areas of the Offshore design.
- NGESO's [consultation](#) on Settling non-BM Response and Reserve Services at a Price that reflects the real-time value of Energy (P412). In our response we:
 - noted that all Balancing Services procured via the non-BM Unit route to market are impacted and that there would be a significant impact on the current BSC arrangements;
 - asked NGESO to clarify whether option B includes a BSC non-delivery charge equivalent or not; and
 - noted our support for harmonising the principles under which BM and non-BM Service Providers are settled under the BSC.

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

Elexon 2022/23 business plan now available

We have [published](#) our business plan for 2022/23, which sets out our work priorities for the coming year. Our overarching focus is on 'delivering the day job' by continuing to manage Settlement to our historic high standards. We will also continue to adapt the BSC so that it can support progress to Net Zero.

Our total proposed budget for 2022/23 is £98.2m compared with £83.7m in 2021/22. The main drivers of the increase are the spending required for the MHHS Programme (£19.5m in 2022/23) and the Helix programme (£16.2m in 2022/23). We regard both of these programmes as mandatory, following Ofgem's approval of MHHS implementation in April 2021. Our other priorities for 2022/23 include continuing delivery of our new cloud platform Elexon Kinnect, and working to implement major Modifications to support Net Zero.

We do appreciate the challenging conditions that our customers are facing. Therefore in preparing the plan, we have worked to ensure that all the activities that we are committing to are essential. We have also considered how we could be ever-more efficient and agile in our delivery of our work. As a result, our budget for 'regular business-as-usual activity' (including operational costs) will decrease by £6.6m (nearly 10%) to £62.5m in 2022/23.

We would like to hear your feedback so please do send through any views or comments to communications@elexon.co.uk by close of play on 31 January 2021. In addition, we are hosting a webinar on 14 January from 15:30 to 16:30, where the executive team will present and take any questions. You can register to attend on the [gotowebinar webpage](#).

2021 customer survey shows satisfaction levels remain high

Elexon's 2021 customer survey results show that 91% of respondents believe our service has improved over the last year, or stayed the same. Overall satisfaction with our service remains consistently high, with 69% of respondents giving us a score of 8 to 10 out of 10.

Further information can be found on our website at the following [link](#).

Energy Systems Catapult and Elexon report on accurate carbon tracking

Elexon has worked in collaboration with Energy Systems Catapult (ESC) on a paper, which examines options to improve the tracking of carbon content in electricity markets.

ESC and Elexon believe that if the GB energy market can harness the power of digitalisation to accurately track carbon across the system at a granular level, then it could open up significant opportunities to align power market reform with the implementation of ambitious carbon policy, as well as responding to consumer demand for zero carbon electricity.

The new report sets out how the industry could create the common rules, standards and processes to measure, track, report and verify the carbon content of electricity within the power system. More information, including the full report can be found on our website at the following [link](#).

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 Draft Modification Report for [P431 'Post Brexit Agreement Updates'](#) is being presented at this month's Panel to make changes to the BSC post-Brexit. As the Modification documentation explains, we were ready to raise this Modification at the start of 2021 but, given that there is zero operational impact, we waited until it fits better within the overall change pipeline.

Electricity Balancing Guideline (EB GL)

Ofgem approved NGESO's updated Imbalance Settlement Methodology on 15 December 2021. As a consequence, [P410 'Changing imbalance price calculations to comply with the Imbalance Settlement Harmonisation regulations'](#) was withdrawn on 5 January 2022.

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 its determinations, but our understanding is that work is progressing between BEIS, NGESO and Interconnectors, although it is becoming apparent (and accepted) that initial deadlines are not fully feasible.

EU Horizon Scan

The Panel is aware there is a longer list of initiatives (see previous CEO Reports) in different stages of progression and we will continue to monitor these. In a post-TCA world, there is no immediate impact on GB or Settlement. However, the topics are very much what are 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 ensuring we are informed as the post-TCA relationship evolves.

Progress continues to be made regarding North Sea cooperation. BEIS reported to the Energy UK TCA Workgroup (of which we are a member) that they have a draft MoU with the North Sea Energy Corporation (NSER). The NSER is an EU group that coordinated activity in the North Sea and GB's participation is accepted as being vital if we are to coordinate North Sea assets with our European neighbours. It is hoped that the MoU will be signed in January 2022.

III. Operational News

Kinnect Platform remains on track to deliver 2021/22 objectives

Settlement Solution

The factory acceptance testing for Drop 1 concluded on 19 November 2021. Development of the remaining system functionality, Drop 2, which has been progressing in parallel, was delivered at the end of November 2021. Factory accepting testing for Drop 2 was marginally delayed by several days, however SAA migration to Kinnect is still currently on track to conclude in June 2022.

Insights Solution

The Insights Solution team completed beta testing in November 2021, as well as continuing to optimise and refine the Solution based on feedback from the Data and Reporting User Group. During December 2021, the team had been maintaining the backlog for the next iteration of the Insights Solution and are continuing with the migration of data from the Balancing Mechanism Reporting Service (BMRS) onto the new platform.

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 £20.9m 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
20.9	5.5	20.2	46.6	46.6	0

Movements in the Credit Assessment Price (CAP)

The Credit Committee has been monitoring market data and as such held a meeting on 5 January 2022 to decide if the last notified CAP value of £380/MWh was still reflective of the recent market data and/or to propose a new CAP value for consultation.

The Credit Committee decided to cancel the last notified CAP value of £380/MWh, which was due to go live on 7 January 2022 and therefore to retain the current CAP of £305/MWh. They also proposed a new CAP value of £340/MWh, which will go live on 25 January 2022. The next scheduled Credit Committee meeting is on 11 January 2021. Therefore, the minimum duration of the new proposed CAP (£340/MWh) will be between 25 January 2022 and 27 January 2022. The Credit Committee also discussed whether it was appropriate to retain the alternative CAP review process. The Credit Committee considered that the absolute price changes in the market, as well as the changes on a percentage basis, were considerable. Hence, they agreed that it was still appropriate to retain the alternative CAP review process.

Changes to SAA Settlement Report (SAA I014)

The November 2021 Release went live on 4 November 2021, and this Release included changes to the Settlement Administration Agent (SAA) Settlement Report (I014) flow.

From the 4 November 2021, the SAA I014 Sub Flow 1 Version 11 is being sent to BSC Parties and Ellexon ceased support to the SAA I014 Version 9. Ellexon has provided the schema and sample files on the [November 2021 Release page](#).

From the 31 January 2022, Ellexon will decommission the production of the SAA I014 Sub Flow 1 Version 10. This means that the only version available to all BSC Parties will be Version 11 after this date. Please ensure that your systems are able to process Version 11 of the report.

BSC Party currently receives	From January 31 2022	Action
SAA I014 Sub Flow 1 (V11)	SAA I014 Sub Flow 1 (V11)	Do nothing
SAA I014 Sub Flow 1 (V10)	SAA I014 Sub Flow 1 (V11)	Complete BSCP41

In order to move from SAA I014 Sub Flow 1 Version 10 to Version 11 BSC Parties will need to complete the [BSCP41](#) (Report Requests and Authorisations) and submit the completed form to the [BSC Service Desk](#) by 21 January 2022.

New Error and Failure Resolution (EFR) Approach for Risk 9

The Performance Assurance Board (PAB) are concerned about an increase in the number of missing or late DA submissions (D0040/D0041/D0298 files) which have resulted in the Supplier Volume Allocation Agent (SVAA) using default data in the Volume Allocation Run. This falls under [Supplier Volume Allocation \(SVA\) Risk 9 of the Risk Evaluation Register](#). To help Market Participants improve their compliance, the PAB has agreed the following EFR approach for this risk:

- A DA which has two or more material incidents within a rolling six month period will be considered a candidate for EFR; and
- An incident will be considered material where it has introduced any error at any Settlement Run.

Monitoring of the above, for EFR purposes, will begin in January 2022. Where a candidate is identified, a decision will be made at the next monthly PAB meeting about whether the candidate should be placed subject to EFR. For more information, please contact risk@ellexon.co.uk.

Two Metering Dispensations requested by Ellexon on behalf of the Issue 97 Workgroup

- Metering Dispensation (D/535) proposes an 18 month transition period for Parties to be compliant with [CP1527](#) when it is implemented in June 2022. This transition period would allow the installation of Meters to the pre

CP1527 version of the Code of Practices (CoPs) and allows Meter Operator Agents (MOAs) to install Meters compliant with the latest version of the CoPs post June 2022 when they become available.

This Dispensation is required because a number of Meter manufacturers have expressed concerns that they will not be able to produce Meters compliant to the new requirements within the CoPs due to a shortage of materials and the impacts of COVID-19.

This Metering Dispensation only applies to the relevant sections of the CoPs impacted by CP1527. This Metering Dispensation does not exempt Metering Systems from compliance to any future updates to the relevant CoPs outside of the scope of CP1527.

- Metering Dispensation (D/536) proposes a temporary break from the requirement to periodically calibrate Meters when they have been in situ for a certain amount of time (determined by the relevant Code of Practice (COP) in Appendix A of CoP4). This Metering Dispensation is proposed for a period of 18 months from the date of approval.

A condition of this is that any Meters that were due for calibration within these 18 months must be re-calibrated or replaced within two years of the end date of this Metering Dispensation.

This Metering Dispensation is required because there is a lack of availability of certain Meter types due to a shortage of materials and the impacts of COVID-19. The Meters impacted include those that are required for Settlement.

We invite BSC Parties to provide their views as to whether they support Metering Dispensation (D/535) and Metering Dispensation (D/536) by responding to dispensations@elexon.co.uk by 17:00 on 5 January 2022.

Publication of Transmission Loss Factors (TLFs) and Associated Data

On 24 December 2021, Elexon published the TLF data for the BSC Year 2022/23 for [Approved Modification P350 'Introduction of a seasonal Zonal Transmission Losses scheme'](#).

The files can be found on the [Elexon Portal](#) in the BSC Year 2022/23 folder, under the TLF Determination section. Further details on each file can be found in the TLF Determination Guidance Note in the same location.

TLFs allow BSC Parties to estimate what Transmission Loss Multipliers (TLMs) will be. More information on this can be found in [BSC Section T](#).

Latest information on the status of BSC Parties

All changes to the status of BSC Parties and Qualified Persons for December 2021 can be found [here](#) and for January 2022 can be found [here](#). This includes information on any new qualifications and registrations, new market participants, withdrawals and Events of Default.

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.

V. Cross-Code News

Expleo Technology UK Limited appointed as the Lead Delivery Partner for Market-wide Half Hourly Settlement Programme

Following a thorough procurement process over the past five months the Market-wide Half Hourly Settlement (MHHS) Programme has appointed Expleo Technology UK Limited (with its subsidiary company, Moorhouse Consulting Limited) as the Lead Delivery Partner (LDP) for the Programme.

Throughout the process, Expleo proposed value for money, a high degree of cost certainty, and a flexible and 'hands-on' approach. They were technically robust and adaptable in collaborating with Elexon's Senior Responsible Owner (SRO) function and demonstrated healthy partnership behaviours.

Expleo colleagues joined the MHHS Programme team last week. Further information can be found on the [MHHS Programme webpage](#).

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 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-F4 – Report from the Credit Committee (meetings 47, 48, 49 and 50)

For more information, please contact:

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