

Designation Request and Initial Written Assessment

ELEXON

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

'Enabling EMRS to undertake preparatory work for potential future settlement services to LCCC'

This Modification seeks to enable Electricity Market Reform Settlement Limited (EMRS) to complete the necessary preparatory work in relation to schemes established by the Secretary of State (SoS) outside of the Capacity Market (CM) and Contracts for Difference schemes.



Elxon recommends LCCC is designated a Third Party Proposer for the attached Modification Proposal



Elxon recommends the Modification is progressed directly to the Report Phase with an initial recommendation to approve



Elxon does not consider that this Modification Proposal impacts the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to impact:

- EMRS
- Elxon

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Contact

Stanley Dikeocha

020 7380 4063

bsc.change@elexon.co.uk

stanley.dikeocha@elexon.co.uk



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, 4, 5 and 6
- Have 30 mins? Read all sections
- Have longer? Read all sections and the annexes and attachments

This document is an assessment of a request by a non-BSC Party to be designated by the BSC Panel to raise a specific Modification Proposal.

It is also an Initial Written Assessment (IWA) for that Modification Proposal, which Elexon will present to the Panel on 10 February 2022. The Panel will consider the recommendations and decide whether to designate the Third Party Applicant and if so, agree how to progress the Modification Proposal.

There are three parts to this document:

- This is the main document. It provides details of the designation request and Modification Proposal, an assessment of the potential impacts and a recommendation on designation and on how the Modification should progress.
- Attachment A contains the Designation Request Form.
- Attachment B contains the Modification Proposal Form.

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Why does a non-BSC Party want to raise a BSC Modification?

The Low Carbons Contracts Company (LCCC), the Third Party Applicant, believes that the proposed modification to the BSC has no direct relevance or impact to the core BSC activities and as such, interest from BSC Parties may be limited.

Further, the Applicant argues that they are best placed to raise the change as it impacts them and the outcome of it will be to position EMRS for future work which will be awarded under future energy market schemes.

Finally, the only way to enable EMRS to take on non-EMR settlement services (from a SoS appointed Counterparty) is by allowing this in the BSC, and as such, a BSC Modification procedure will be required to progress such request.

Therefore, the applicant has requested to be designated as the Proposer believing this to be the most efficient route and avoids the need to burden a BSC Party with the responsibility of being a Proposer.

What is the issue?

The activities Exelon or its subsidiaries are permitted to undertake are outlined in [BSC Section C 'BSCCo and its Subsidiaries' Annex C-1](#). Currently, the services provided to LCCC as the CfD Counterparty and to ESC as the CM Settlement Body are restricted to settlement services for the two schemes. These services are delivered through Exelon's wholly owned subsidiary, EMRS.

As the energy market evolves, new schemes, to deliver Government policy, may be introduced by Business Energy and Industrial Strategy (BEIS) and given to LCCC/Electricity Settlement Company (ESC) to deliver. However, the BSC does not allow LCCC/ESC to award or contract any associated administration and settlement services to EMRS, should it wish to do so.

Further, EMRS would need to have the necessary processes and systems to support potential future work, should it be awarded.

What is the proposed solution?

This Modification seeks to enable EMRS to complete the necessary preparatory work, including developing systems and processes on behalf of the CfD Counterparty or CM Settlement Body, in order to facilitate the implementation of any new schemes established by, or proposed to be established by the SoS from time to time (from legislation and/or via contract).

Impacts and costs

No impact on BSC Parties or Agents is expected. The ring-fencing of risks and liabilities between BSCCo and EMRS will not be impacted by this change. The Modification Proposal will not require any changes to the BSC systems. An update to the BSC Section C is required. Implementation costs are expected to be less than £1k. There are no on-going

Capacity Market (CM)

A scheme designed to ensure sufficient reliable capacity is available by providing payments to encourage investment in new capacity or for existing capacity to remain open.



Contract for Difference (CfD)

A scheme designed to support investment in new low-carbon generation by fixing the price received for power generated in advance.

costs to the BSC, as all costs related to any new work undertaken by EMRS will be fully funded outside of the BSC.

Implementation

The Proposer has suggested that this Modification is implemented 5 Working Days (WDs) after the closure of the Self-Governance Appeal Window, as they believe the Modification should be a Self-Governance Modification. However, we believe the Modification should be submitted to Ofgem for decision and implemented 5WDs after Ofgem’s decision.

Recommendation

Designate LCCC to raise the attached Modification Proposal and progress straight to Report Phase Consultation, for decision by Ofgem (not Self-Governance).

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EMR settlement services

These are services provided to the Capacity Market which involves the management of settlement of payments, on behalf of the Electricity Settlement Company (ESC).

How does the designation process work?

This is the second designation request we have received following the implementation of [P370 'Allow the Panel to designate non-BSC Parties to raise Modification'](#) in April 2019. We therefore think it is beneficial to include a brief summary of the process.

Non-BSC Parties can ask the Panel to designate them to raise a specific Modification Proposal. Industry are notified of a designation request in advance of the Panel meeting where the Panel will decide whether or not to designate. The request is presented to the Panel, along with the proposed modification.

In considering the application, the Panel may:

- before designating a person as a Third Party Proposer, conduct such consultation with Parties and interested third parties as it considers necessary;
- refuse to accept an application for designation as a Third Party Proposer, in which case we shall provide the Third Party Applicant with the Panel's reasons for such refusal and notify industry of the decision; and
- approve the request, in which case the Third Party Proposer shall be treated as a Proposer under Section F of the BSC, and we shall notify industry of the decision.

BSC Parties and the applicant may appeal the Panel decision to Ofgem.

Designation Request

The designation request was submitted by LCCC on 27 January 2022 and can be found in Attachment A.

Rationale for requesting designation as a Third Party Proposer

The Applicant believes the proposed modification to the BSC has no direct relevance or impact to the core BSC activities and as such, interest from BSC Parties may be limited.

Therefore, they have requested to be designated a Third Party Proposer to raise the attached Modification Proposal. The applicant believes this is the most efficient route to progress this change and avoids the need to burden a BSC Party with the responsibility of being a Proposer of a Modification Proposal.

The Applicant argues that they are best placed to raise and progress the change given the outcome of the change will result in more work being awarded to EMRS by them.

Reasons why the Third Party Applicant believes that they have an interest in the Code

Elexon can only do what the Balancing and Settlement Code (BSC) allows it to do – its vires are constrained. These vires were enabled to allow Elexon to provide Electricity Market Reform (EMR) settlement services via a new, separate limited liability company called Electricity Market Reform Settlement (EMRS). These arrangements were put in place

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[via a direction](#) from the Secretary of State for the former Department of Energy and Climate Change, now the Department for Business, Energy & Industrial Strategy (BEIS).

EMRS provides these settlement services on behalf of LCCC and ESC, and LCCC have identified that there may be future opportunities for EMRS to conduct additional settlement services for newly introduced schemes.

LCCC would like to progress a Modification Proposal to update [BSC Section C 'BSCCo and its Subsidiaries' Annex C-1](#) to enable EMRS to complete the necessary preparatory work in relation to schemes established by the Secretary of State (SoS) outside of the Capacity Market (CM) and Contracts for Difference schemes.

Currently, EMRS is not permitted to take on any work that is not related to EMR settlement services. The only way to enable EMRS to take on non-EMR settlement services (from LCCC/ESC) is by allowing this in the BSC. Therefore, LCCC request to be designated a Third Party Proposer to enable them to suggest this change via the BSC Modification procedure.

Enabling EMRS to be involved in the development of the necessary systems and processes required for schemes established by or proposed to be established by the SoS will contribute to the efficient development and operation of those schemes. The expertise and knowledge possessed by EMRS, its status as a trusted central service provider that already operates reliable settlement services for similar schemes, and its established close working relationship with LCCC and ESC, makes it best placed to support LCCC and ESC in implementing these schemes. As an existing market expert, that regularly engages with industry stakeholders, EMRS will be able to mitigate challenges associated with developing new schemes.

3 Why Change?

What is the issue?

The activities Elexon or its subsidiaries are permitted to undertake are outlined in [BSC Section C 'BSCCo and its Subsidiaries' Annex C-1](#). Currently, the services provided to LCCC as the CfD Counterparty and to ESC as the CM Settlement Body are restricted to settlement services for the CfD and CM schemes. These services are delivered through Elexon's wholly owned subsidiary, EMRS.

The Secretary of State (SoS) and BEIS may seek to introduce additional market schemes, or amend existing schemes, to deliver government policy and incentivise investment in new technology, to cater for the evolving electricity market.

When new or amended market schemes are designated to the CfD Counterparty or the CM Settlement Body to manage, EMRS may be called upon to offer its expertise. Furthermore, support from EMRS may be needed to develop the necessary settlement systems and processes, to facilitate the management of such relevant schemes. Although EMRS was established to provide settlement services with respect to the Government's CfD and CM schemes, as a subsidiary of Elexon, its vires is governed by the BSC.

Currently, the BSC would not permit EMRS to undertake the necessary preparatory work, should a request from the CfD Counterparty and CM Settlement Body be submitted to Elexon. Therefore, EMRS will not be in a position to offer its expertise and experience to support the schemes.

Background

Elexon Vires

Elexon 'vires' set out what Elexon is allowed to do and are outlined in BSC Section C 'BSCCo and its Subsidiaries', with subsection 1.2 'Role and powers, functions and responsibilities of BSCCo' stating in 1.2.2 that:

"Subject to the further provisions of this Section C, BSCCo shall have the powers, functions and responsibilities set out in or assigned to it pursuant to the Code, and shall not undertake any business or activity other than as provided for in the Code."

These provisions mean that whenever an opportunity originates where Elexon might be able to extend the company's business activities beyond those stipulated in the Code, either the '[P390](#) route' must be used to bid for and win the work, or a Modification is required to implement a change to expand the vires.

Extensions of Elexon's Vires via Modifications Proposals

Two Previous Modifications were approved by Ofgem, which saw the extension of Elexon's vires and the scope of activities that it is permitted to undertake. There were:

- Code manager for the Retail Energy Code (REC) – permitted via [P365](#), raised by Hudson Energy; and
- Gas Performance Assurance Framework Administrator (PAFA) – permitted via [P330](#) raised by Scottish Power.

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Both of these Modifications used the same model, but were for different activities. [P390 'Allowing extensions to Elexon's business and activities, subject to additional conditions'](#) took this agreed model and built upon it to enable the Elexon Board to determine whether Elexon can undertake additional activities provided certain conditions are met, and with the consent of Ofgem. The 'P390 route' is applicable when any new activities are to be offered via a competitive tender process.

Extension of Elexon's vires via directions

Two directions to the BSC have been made by the Secretary of State to allow Elexon to undertake new activities:

- [Warm homes in 2011](#) - facilitating the establishment and operation of a reconciliation mechanism in connection with the Warm Home Discount Scheme established under Part 2 of the Energy Act 2010.
- [EMR in 2015](#) – consequential changes to the BSC to allow Elexon, via EMRS to provide CfD and CM settlement services.

[EMRS](#) was set up as a wholly owned subsidiary of Elexon Limited in March 2014, after BEIS, recognised Elexon having the experience and capabilities to be the EMR Settlement Services Provider.

Electricity Market Reform (EMR) was introduced by the UK Government to deliver the low carbon energy and reliable supplies that the United Kingdom (UK) needs, while minimising cost to consumers. The reforms introduced two key mechanism to provide incentives for the investment required in our energy infrastructure:

- Contracts for Difference (CfD) - designed as an incentive for investment in new low-carbon electricity generation.
- Capacity Market (CM) - designed to ensure sufficient and reliable capacity during peak demand i.e. when there is not enough electricity available on the Transmission System.

Governance

EMRS is delivered via a wholly owned subsidiary of Elexon and a managed services agreement is in place setting out the arrangement for the provision of shared services and resources between Elexon and EMRS.

In addition, contractual arrangements are in place between LCCC and ESC and EMRS, for the provision of the relevant Services.

Funding

EMRS operating costs are funded via LCCC and ESC through the CfD and CM schemes. These funds are recovered from licenced electricity Suppliers, via the Operational Costs Levy and Settlement Costs Levy. BEIS consult on the LCCC and ESC Operational Costs every three years. EMRS's costs defray certain BSC Costs, such as overheads form office space. [In 2020/21, this saved BSC Parties £932k \(see pg.42\).](#)

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Future outlook

As the electricity market evolves, the SoS for BEIS may seek to introduce additional schemes to deliver government policy and incentivise investment in new technology not currently covered by existing mechanisms. LCCC/ESC believe it is likely that the CfD Counterparty or the CM Settlement Body will manage any new scheme.

Desired outcomes

The Proposer seeks to enable EMRS to complete the necessary preparatory work, including the development of systems and processes on behalf of the CFD Counterparty or CM Settlement Body, in order to facilitate the implementation of any new schemes established by, or proposed to be established by the SoS from time to time (from legislation and/or via contract).

After the successful implementation of this Modification, EMRS will be in a position to implement the necessary processes and systems to support future schemes established by the SoS, should it be awarded.

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Proposed solution

This Modification seeks to enable EMRS, as a wholly owned subsidiary of Elexon, to undertake the necessary preparatory work in relation to schemes established by, or proposed to be established by, the SoS from time to time.

Under the solution, EMRS shall be enabled by the BSC to prepare and implement the necessary processes and systems to support the facilitation of new schemes established by the SoS.

The existing provisions of Section C that ring-fences EMRS activities from the BSC and BSC Parties will remain in force (for example the protections contained in Section C10.2).

These protections are:

- BSCCo shall not transfer, lease, licence, or lend any sum or sums, asset (including non-financial resources), right, or benefit to a Permitted Affiliate;
- BSCCo shall not enter into any borrowing for or on behalf of a Permitted Affiliate;
- BSCCo and each Permitted Affiliate shall implement agreed contractual arrangements to ensure that:
- Shared cost between BSCCo and a Permitted Affiliate that are incurred will be allocated reasonable; and
- When BSCCo incur costs associated with the services provided to a Permitted Affiliate, such cost shall be recovered from the Permitted Affiliate; and
- Parties will not be obligated to provide financial support to a Permitted Affiliate in respect of its performance of Permissible Activities.

Using EMRS will remove some of the overheads associated with establishing a new legal entity, which will improve the efficiencies that this Modification seeks to achieve. As with the existing CfD and CM arrangements, all funding and governance mechanisms would be operated outside of the BSC by the scheme manager with its own separate agreements and legal framework.

To implement the solution to this Modification, amendments will be required to:

- [BSC Section C 'BSCCo and its Subsidiaries' Annex C-1 to expand the scope of EMRS's activities.](#)

Draft legal text for this Modification can be found in Attachment A.

Operating new schemes awarded by the SoS

Should the LCCC want EMRS to operate any new schemes a further amendment to the BSC will be needed, either via a new Modification Proposal or via a direction from the SoS, using legislative powers.

Benefits

Enabling EMRS to be involved in the development of the necessary systems and processes required for schemes established by, or proposed to be established by the SoS will

contribute to the efficient development and operation of those schemes. The expertise and knowledge possessed by EMRS, its status as a trusted central service provider that already operates reliable settlement services for similar schemes, and its established close working relationship with LCCC and ESC, makes it best placed to support LCCC and ESC in implementing these schemes. As an existing market expert, that regularly engages with industry stakeholders, EMRS will be able to mitigate challenges associated with developing new schemes.

As a not for profit company, any financial benefit that Elexon gains through EMRS providing the support envisaged by this Modification will be used to defray BSC Costs and thus benefits all BSC Parties by reducing their BSC costs via the funding shares.

Applicable BSC Objectives

The Proposer believes the Modification Proposal will better facilitate the achievement of Applicable BSC Objectives (b) and (d):

Applicable BSC Objective (b)

This Modification will better facilitate Applicable BSC Objective (b) by ensuring that industry stakeholders and central bodies have a single, efficient and trusted point of contact for the development of industry schemes. This will aid the efficient development and operation of the Transmission System by facilitating industry schemes that support system balancing, whilst ensuring that guidance and support is consistent with industry expectations and reduce the fragmentation of services for the benefit of stakeholders.

Applicable BSC Objective (d)

In the view of the Proposer this Modification will better facilitate Applicable BSC Objective (d) as:

- sharing the fixed costs of Elexon across other activities allows costs to the BSC Parties to be defrayed; and
- any new activity will provide opportunities to staff to work on a wider range of activities, which will help Elexon to retain, attract and develop its people for the benefit of industry.

These reasons were part of the rationale that were accepted by the Authority in approving previous 'enabling' vires modifications, including [P390 'Allowing extensions to Elexon's business and activities, subject to additional conditions'](#) and [P330 'Allowing Elexon to tender for the Uniform Network Code Gas Performance Assurance Framework Administrator \(PAFA\) role'](#).

Implementation approach

The proposer has suggested that this Modification should be implemented at the earliest opportunity and not part of a standard Release. The Proposer believes this Modification should be treated as a Self-Governance Modification Proposal.

If the Panel make a decision, under Self-Governance that this Modification should be approved, it should be implemented 5WDs following the closure of the Self-Governance



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

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Appeal Window. If the Panel decide to submit the Modification to Ofgem for decision, it should be implemented 5WDs after Ofgem approval.

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What is the Self-Governance Criteria?

A Modification that, if implemented:

- (a) does not involve any amendments whether in whole or in part to the EBGL Article 18 terms and conditions; except to the extent required to correct an error in the EBGL Article 18 terms and conditions or as a result of a factual change, including but not limited to:

- (i) correcting minor typographical errors;
 - (ii) correcting formatting and consistency errors, such as paragraph numbering; or
 - (iii) updating out of date references to other documents or paragraphs;
- (b) is unlikely to have a material effect on:
- (i) existing or future electricity consumers; and
 - (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
 - (iii) the operation of the national electricity transmission system; and
 - (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
 - (v) the Code's governance procedures or modification procedures; and

(b) is unlikely to discriminate between different classes of Parties.

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In this section we detail the Proposer's ask and our recommendations to the proposed modification's progression, should the Panel agree to designate LCCC to raise the proposal.

Progression

We agree with the Proposer and recommend this proposal progresses to the Report Phase and follow the timetable below. This is on the basis that the solution for the proposed Modification is fully developed, industry will be consulted on the proposal and the solution builds on a model already established under the BSC.

We therefore recommend, should the Panel agree to designate LCC to raise this proposal, that it should be submitted for a 10WD Report Phase Consultation before the Draft Modification Report is presented to the Panel at its meeting on 10 March 2022.

EBGL Impact

This change proposed in this Modification will have no impact on the EBGL arrangements. The draft legal text does not make any change to any BSC paragraphs that constitute EBGL Article 18 Terms and Conditions as detailed in the Annex F-2 of the BSC, nor does it extend them.

Self-Governance

Proposer's view

The Proposer recommends that this Modification should be progressed as a Self-Governance Modification because it satisfies the Self-Governance Criteria (as set out in the Transmission License and provided for in Section F of the BSC¹). We note that the Proposer believes that given this is an enabling Modification which seeks to place EMRS in the position to develop the necessary systems and processes for schemes established by, or proposed to be established by, the SoS, the BSC governance would not apply to such activities, therefore, will have no impact on the operation of the BSC.

Further, the existing governance and conditions that apply to EMRS, including the protection for BSC Parties, will remain in place.

Exelon's view

Our view is that this Modification should not be progressed as Self-Governance because it does not meet the Self-Governance Criteria. The Modification, if implemented, is expected to impact (b) (v) of the Self Governance Criteria as Exelon's vires will be extended, therefore, impacts the Code's governance arrangements.

¹ The full Self Governance criteria set out in the licence are replicated in [Annex X-1](#) of the BSC

Next steps

We recommend that this Modification proceeds directly to the Report Phase for a 10 Working Day consultation from 14 February 2022 to 25 February 2022.

Self-Governance timetable

| Proposed Progression Timetable | |
|---|---|
| Event | Date |
| Present Initial Written Assessment to Panel | 10 February 2022 |
| Report Phase Consultation | 14 February 2022 – 25 February 2022 |
| Present Draft Modification Report to Panel | 10 March 2022 |
| Self-Governance Objection Window (15WDs) | 10 March 2022 – 31 March 2022 |
| Implementation date | 5 WDs after the Objection Window closes |

Standard Governance (Authority decision required) timetable

| Proposed Progression Timetable | |
|---|-------------------------------------|
| Event | Date |
| Present Initial Written Assessment to Panel | 10 February 2022 |
| Report Phase Consultation | 14 February 2022 – 25 February 2022 |
| Present Draft Modification Report to Panel | 10 March 2022 |
| Final Modification Report submitted to Ofgem for decision | 16 March 2022 |
| Implementation date | 5 WDs after Authority approval |

6 Likely Impacts and costs

Estimated Costs

The costs to implement this Modification will be low (<£1k). These costs are associated with the development of the legal drafting in BSC Section C. There will be no on-going costs associated with this Modification.

| Impact on BSC Parties and Party Agents | | |
|--|------------------|----------------|
| Party/Party Agent | Potential Impact | Potential cost |
| No impact anticipated | | |

| Impact on the NETSO | |
|-----------------------|----------------|
| Potential Impact | Potential cost |
| No impact anticipated | |

| Impact on BSCCo | | |
|-----------------|--|----------------|
| Area of Elexon | Potential Impact | Potential cost |
| EMRS | This change will lead to more operational work for the EMRS team that will be fully funded by LCCC/ESC and it will use the existing shared services agreement. | M |

| Impact on BSC Settlement Risks |
|-----------------------------------|
| No impact on BSC Settlement Risks |

| Impact on BSC Systems and processes | |
|-------------------------------------|------------------|
| BSC System/Process | Potential Impact |
| No impact anticipated | |

| Impact on BSC Agent/service provider contractual arrangements | |
|---|------------------|
| BSC Agent/service provider contract | Potential Impact |
| No impact anticipated | |

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| Impact on Code | |
|--|---|
| Code Section | Potential Impact |
| BSC Section C 'BSSCo and its Subsidiaries' Annex C-1 | To include the legal text which permits EMRS to develop the necessary processes and systems to support the delivery of future market schemes. |



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.

| Impact on EBGL Article 18 terms and conditions |
|--|
| No impact anticipated |

| Impact on Code Subsidiary Documents | |
|-------------------------------------|------------------|
| CSD | Potential Impact |
| No impact anticipated | |

| Impact on other Configurable Items | |
|------------------------------------|------------------|
| Configurable Item | Potential Impact |
| No impact anticipated | |

| Impact on Core Industry Documents and other documents | |
|---|------------------|
| Document | Potential Impact |
| No impact anticipated | |

| Impact on a Significant Code Review (SCR) or other significant industry change projects |
|---|
| No impact anticipated |

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| Impact of the Modification on the environment and consumer benefit areas: | |
|--|-------------------|
| Consumer benefit area | Identified impact |
| <p>1) Improved safety and reliability</p> <p>This Modification would ensure that EMRS can support the efficient development and operation of industry schemes to deliver government policy to secure the future of the Great Britain (GB) energy system and indirectly aid facilitation of the government's net zero pledge.</p> | Positive |
| <p>2) Lower bills than would otherwise be the case</p> <p>No impact</p> | Neutral |
| <p>3) Reduced environmental damage</p> <p>By implementing this Modification, EMRS will indirectly aid the facilitation of the UK government's net zero pledge, thereby, contributing to the reduction of environmental damage.</p> | Positive |
| <p>4) Improved quality of service</p> <p>No impact</p> | Neutral |
| <p>5) Benefits for society as a whole</p> <p>No impact</p> | Neutral |

7 Recommendations

We invite the Panel to:

- **DESIGNATE** LCCC to raise the attached Modification Proposal;
- **AGREE** that this Modification progresses directly to the Report Phase;
- **AGREE** that this Modification:
 - **DOES** better facilitate Applicable BSC Objective (b); and
 - **DOES** better facilitate Applicable BSC Objective (d)
- **AGREE** this Modification **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- **AGREE** an initial recommendation this Modification should be **approved**;
- **AGREE** an initial view that this Modification should not be treated as a Self-Governance Modification;
- **AGREE** an initial Implementation Date of:
 - 5WDs following Authority approval
- **AGREE** the draft legal text in Attachment B; and
- **NOTE** that Elexon will issue that this Modification draft Modification Report (including the draft BSC legal text) for a 10 Working Day consultation and will present the results to the Panel at its meeting on 10 March 2022.

Appendix 1: Glossary & References

Acronyms

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

| Acronym | |
|---------|---|
| Acronym | Definition |
| BEIS | Business Energy and Industrial Strategy |
| BSC | Balancing and Settlement Code |
| BSCCo | Balancing and Settlement Code Company |
| CfD | Contracts for Difference |
| CM | Capacity Market |
| EBGL | European Electricity Balancing Guideline |
| EMRS | Electricity Market Reform Settlement |
| ESC | Electricity Settlements Company |
| IWA | Initial Written Assessment |
| LCCC | Low Carbon Contracts Company |
| NETSO | National Electricity Transmission System Operator |
| PAFA | Performance Assurance Framework Administrator |
| REC | Retail Energy Code |
| SCR | Significant Code Review |
| SoS | Secretary of State |
| WD | Working Day |

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 |
| 3, 6, 7, 11, 15 | BSC Section C 'BSCCo and its Subsidiaries' Annex C-1 | https://www.elexon.co.uk/the-bsc/bsc-section-c-bscco-subsidiaries/ |
| 6 | Electricity Market Reform | https://www.elexon.co.uk/ord/ord005-electricity-market-reform/ |
| 7 | P365 'Enabling Elexon to tender for the Retail Energy Code (REC) | https://www.elexon.co.uk/mod-proposal/p365/ |
| 8 | P330 'Allowing Elexon to tender for the Uniform Network Code Gas Performance Assurance Framework Administrator (PAFA) role' | https://www.elexon.co.uk/mod-proposal/p330/ |

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| 8 | Warm Home Discount scheme | https://www.elexon.co.uk/ord/ord004-warm-home-discount-scheme/ |
| 8 | Electricity Market Reform | https://www.emrsettlement.co.uk/ |
| 11 | P390 'Allowing extensions to Elexon's business and activities, subject to additional conditions' | https://www.elexon.co.uk/mod-proposal/p390/ |

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