












BSC Modification Proposal Form		At what stage is this document in the process?
<p>Mod Title: Enabling EMRS to undertake preparatory work for potential future settlement services to LCCC.</p>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #28a745; color: white; padding: 5px; display: flex; align-items: center; justify-content: center;"> 01 Modification </div> <div style="border: 1px solid #17aebc; padding: 5px; display: flex; align-items: center; justify-content: center;"> 02 Workgroup Report </div> <div style="border: 1px solid #6c757d; padding: 5px; display: flex; align-items: center; justify-content: center;"> 03 Draft Modification Report </div> <div style="border: 1px solid #fd7e14; padding: 5px; display: flex; align-items: center; justify-content: center;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>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.</p>		
<p>Does this Modification impact any of the European Electricity Balancing Guideline (EBGL) Article 18 Terms and Conditions held within the BSC?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>		
	<p>The Proposer recommends that this Modification should:</p> <ul style="list-style-type: none"> be a Self-Governance Modification Proposal be sent directly into the Report Phase <p>This Modification will be presented by the Proposer to the BSC Panel on 10 February 2022. The Panel will consider the Proposer's recommendation and determine how best to progress the Modification.</p>	
	<p>High Impact:</p> <p>None</p>	
	<p>Medium Impact:</p> <p>EMRS</p>	
	<p>Low Impact:</p> <p>None</p>	

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Timetable		
The Proposer recommends the following timetable:		
Designation request and Modification Proposal considered by the Panel	10 February 2022	Proposer: Low Carbon Contracts Company
Report Phase Consultation (10WDs)	14 February 2022 - 25 February 2022	Proposer's representative: Alec Thompson
Draft Modification Report presented to Panel	10 March 2022	 alec.thompson@lowcarboncontracts.uk
Self-Governance appeal window closes	01 April 2022	 07917679191
Implementation Date	08 April 2022	Other: N/A
		 N/A
		 N/A
		Other: N/A
		 N/A
		 N/A

1 Why Change?

What is the issue?

The activities Elexon or its subsidiaries are permitted to undertake are outlined in [BSC Section C 'BSSCo 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 (as defined in legislation). These services are delivered through Elexon's wholly owned subsidiary, EMRS.

As the electricity market evolves, the Secretary of State for Business Energy and Industrial Strategy (BEIS) may seek to introduce additional schemes, or amend existing schemes, to deliver government policy and incentivise investment in new technology not currently covered by existing mechanisms. In the event that these schemes are managed by LCCC outside remit of the CFD Counterparty or the CM Settlement Body, they may need support from EMRS to explore and develop the necessary settlement systems and processes.

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 regulated by the BSC. Currently, the BSC would not permit EMRS to offer its expertise and experience to LCCC for any purpose other than CFD and CM settlement.

Desired outcomes

Enable EMRS to complete the necessary preparatory work, including developing systems and processes on behalf of LCCC, 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).

2 Solution

Proposed Solution

This Modification seeks to enable EMRS, as a wholly owned subsidiary of Elexon, to complete preparatory work, including the development of the necessary systems and processes that may be required in relation to schemes established by, or proposed to be established by the SoS.

The change proposed by this Modification is subject to existing provisions of Section C that ring-fence EMRS activities from the BSC and BSC Parties (for example the protections contained in Section C10.2, including C10.2 (d) which ensures that Parties have no liability or obligation to provide financial support to a EMRS in respect of its performance of any support that EMRS provides to LCCC or ESC through this solution). 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 'BSSCo and its Subsidiaries' Annex C-1](#). Draft legal text for this Modification can be found in Attachment B.

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, makes it best placed to support LCCC 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.

3 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the National Electricity Transmission System Operator of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Positive
(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	Neutral
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Positive
(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]	Neutral
(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	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

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'](#).

4 Potential Impacts

Impacts on Core Industry Documents

Impacted Core Industry Documents			
<input type="checkbox"/> Ancillary Services Document	<input type="checkbox"/> Connection and Use of System Code	<input type="checkbox"/> Data Transfer Services Agreement	<input type="checkbox"/> Use of Interconnector Agreement
<input type="checkbox"/> Retail Energy Code	<input type="checkbox"/> Transmission License	<input type="checkbox"/> System Operator Transmission Owner Code	<input type="checkbox"/> Supplemental Agreements
<input type="checkbox"/> Distribution Code	<input type="checkbox"/> Grid Code	<input type="checkbox"/> Other (please specify)	<input checked="" type="checkbox"/> None

This Modification does not impact on any existing Core Industry Documents.

Impacts on BSC Systems

Impacted Systems				
<input type="checkbox"/> CRA	<input type="checkbox"/> CDCA	<input type="checkbox"/> PARMS	<input type="checkbox"/> SAA	<input type="checkbox"/> BMRS
<input type="checkbox"/> EAC/AA	<input type="checkbox"/> FAA	<input type="checkbox"/> TAAMT	<input type="checkbox"/> NHHDA	<input type="checkbox"/> SVAA
<input type="checkbox"/> ECVAA	<input type="checkbox"/> ECVAA Web Service	<input type="checkbox"/> Elexon Portal	<input type="checkbox"/> Other (Please specify)	<input checked="" type="checkbox"/> None

This Modification does not directly impact any BSC systems. Any possible future system developments would be under EMRS, which are developed, governed and accounted for outside the BSC under separate legal mechanisms.

Impacts on BSC Parties

Impacted Parties			
<input type="checkbox"/> Supplier	<input type="checkbox"/> Interconnector User	<input type="checkbox"/> Non Physical Trader	<input type="checkbox"/> Generator
<input type="checkbox"/> Licensed Distribution System Operator	<input type="checkbox"/> National Electricity Transmission System Operator	<input type="checkbox"/> Virtual Lead Party	<input checked="" type="checkbox"/> None

This Modification does not directly impact any Market Participants. It seeks only to enable EMRS to provide a greater range of services to the CFD Counterparty or CM Settlement Body. As a ring-fenced subsidiary, any activities it undertakes to facilitate the delivery of future schemes will be separate from the core activities of Elexon. Additionally, any costs associated with the establishment of a new scheme would be managed by the scheme manager which falls outside of BSC governance.

Impacts on consumers and the environment

Impact of the Modification on consumer benefit areas:	
Consumer benefit area	Identified impact
<p>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>Lower bills than would otherwise be the case</p> <p>No impact.</p>	Neutral
<p>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>Improved quality of service</p> <p>No impact</p>	Neutral
<p>Benefits for society as a whole</p> <p>No impact</p>	Neutral

Legal Text Changes

[BSC Section C 'BSSCo and its Subsidiaries' Annex C-1](#) will be impacted by this Modification, with proposed legal text in Attachment A to this Proposal Form.

5 Governance

Self-Governance

<input type="checkbox"/> Not Self-Governance – A Modification that, if implemented:	
<input type="checkbox"/> materially impacts the Code’s governance or modification procedures	<input type="checkbox"/> materially impacts sustainable development, safety or security of supply, or management of market or network emergencies
<input type="checkbox"/> materially impacts competition	<input type="checkbox"/> materially impacts existing or future electricity consumers
<input type="checkbox"/> materially impacts the operation of national electricity Transmission System	<input type="checkbox"/> is likely to discriminate between different classes of Parties
<input type="checkbox"/> involves any amendments to the EBGL Article 18 Terms and Conditions related to Balancing; except to the extent required to correct an error or as a result of a factual change	
<input checked="" type="checkbox"/> Self-Governance – A Modification that, if implemented:	
Does not materially impact on any of the Self-Governance criteria provided above	

This Modification will not trigger the criteria which prevent a Modification from being Self-Governance. It seeks only to enable EMRS to participate in the development of systems and processes for schemes established by, or proposed to be established by, the Secretary of State. The existing governance arrangements that apply to EMRS, including the protections for BSC Parties, will remain in place. As such activities do not fall within the scope of the BSC governance, this Modification will not impact the operation of the BSC.

Progression route

<input type="checkbox"/> Submit to assessment by a Workgroup –:A Modification Proposal which:	
does not meet any criteria to progress via any other route.	
<input checked="" type="checkbox"/> Direct to Report Phase – A Modification Proposal whose solution is typically:	
<input type="checkbox"/> of a minor or inconsequential nature	<input checked="" type="checkbox"/> deemed self-evident
<input type="checkbox"/> Fast Track Self-Governance – A Modification Proposal which meets the Self-Governance Criteria and:	
is required to correct an error in the Code as a result of a factual change including but not limited to:	
<input type="checkbox"/> updating names or addresses listed in the Code	<input type="checkbox"/> correcting minor typographical errors
<input type="checkbox"/> correcting formatting and consistency errors, such as paragraph numbering	<input type="checkbox"/> updating out of date references to other documents or paragraphs

Urgent – A Modification Proposal which is linked to an imminent issue or current issue that if not urgently addressed may cause:

a significant commercial impact on Parties, Consumers or stakeholder(s)

a Party to be in breach of any relevant legal requirements.

a significant impact on the safety and security of the electricity and/or gas systems

This Modification should be progressed as direct to Report Phase Modification as the solution substantially relies on existing Code processes and protections in enabling EMRS to participate in the development of systems and processes for schemes established by, or proposed to be established by, the Secretary of State as part of its existing relationship with LCCC. We believe that EMRS is best placed to provide these services if required by LCCC. EMRS has experience and knowledge from its role as CM and CFD settlement services provider.

The scope of the Modification is limited to enabling EMRS to participate in the development of systems and processes for schemes established by, or proposed to be established by, the Secretary of State. EMRS will not be permitted to undertake further activities, and would be accountable for the delivery of such activities through the relevant legal frameworks with LCCC. The existing ring fencing provisions in the BSC that ensure separation between the BSC arrangements and the EMR arrangements would apply to any such new activities. We do not therefore believe this Modification will benefit from assessment by a Workgroup as the solution is built on established and agreed arrangements and principles and is fully defined in the redlined text in Attachment A.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impact anticipated.

Does this Modification impact any of the EBGL Article 18 Terms and Conditions held within the BSC?

No impact anticipated.

Implementation approach

This Modification should be implemented at the earliest opportunity. If the Panel make a decision, under Self-Governance that this Modification should be approved at its meeting on 10 March 2022, this Modification should be implemented 5WDs following the closure of the Self-Governance Appeal Window.