

Update on status of BSC Sandbox derogations and applications

BSC Panel

Date of meeting **10 November 2022**

Paper number **332/05**

Owner/author **Kathryn Coffin**

Purpose of paper **Information**

Classification **Public**

Document version **V1.0**

Summary

We invite the Panel to note the current status of all live BSC Sandbox derogations and applications. The trials for the approved derogations are still in the preparation stage and require no Panel action. We will give the Panel more detailed updates on their progress once they start, or if there are any other major developments. We will also bring our annual lessons learned report on BSC Sandbox activities to the December 2022 Panel Meeting.

1. What is the BSC Sandbox?

- 1.1 Innovators may want to trial an activity or arrangement, in a live market environment, that wouldn't normally be allowed by the Balancing and Settlement Code (BSC) rules. Through the [BSC Sandbox](#),¹ they can seek a temporary BSC Derogation from having to comply with one or more of these rules.
- 1.2 For each application, Elexon assesses the risks and impacts of the requested derogation on behalf of the BSC Panel. The Panel makes a recommendation to Ofgem. Ofgem makes the final decision.
- 1.3 The maximum Derogation Period permitted by the BSC is three years. This comprises:
 - Two years' maximum for the Trial Period in which the applicant tests their innovation; plus
 - Any additional Transition Period during which they exit from the derogation, by either:
 - Returning to compliance with the normal BSC rules; or
 - Progressing a BSC Modification Proposal to implement a permanent rule change.
- 1.4 Derogations may also have other conditions such as restrictions on scope. Applicants must report to Ofgem and Elexon on the progress of approved derogations, and Elexon passes updates to the Panel. The Panel may recommend that Ofgem removes a derogation early, if the derogated party breaches the conditions or if the derogation no longer meets the eligibility criteria against which it was approved.

2. BSC Sandbox (BSB) Application 001 – Emergent

- 2.1 Ofgem approved Emergent Energy's application in May 2021.
- 2.2 Emergent's derogation applies to domestic sites (blocks of social housing flats) that are on private distribution networks and where some, but not all, customers have opted to use a third-party Supplier of their choice. It enables Emergent, as the private network (microgrid) operator, to trial an alternative way of aggregating the site's metered volumes for Settlement.

¹ Our BSC Sandbox webpage provides guidance on the process, a register of all applications and all public documents for each application: <https://www.elexon.co.uk/bsc-and-codes/derogations-from-the-bsc/>.

- 2.3 Normally the BSC would require these sites to use a 'Difference Metering' arrangement, where the readings from the Settlement Meters for the third-party Suppliers are deducted from the site's Boundary Point Meter reading. Emergent's derogation allows the Boundary Point Supplier to submit an aggregation of volumes from the microgrid's Non Settlement Meters instead of the usual Boundary Point Meter reading.
- 2.4 The approved derogation runs for three years from 26 September 2021, including a two-year Trial Period. It limits the trial's scope to 2,000 Metering System IDs (MSIDs).
- 2.5 Emergent is currently undertaking Elexon's required tests for its proposed trial sites. These tests are designed to give assurance that Emergent's alternative aggregation method won't create any material difference in Settlement accuracy for the sites. Any on-boarding of customers to the trial remains subject to the results of these tests.
- 2.6 Emergent has been experiencing some challenges with setting up and conducting the tests. This is due to how the nature of its trial, and therefore the test requirements, differ from the standard BSC arrangements. Elexon is supporting Emergent by giving answers to technical questions and clarifications on the test requirements and approach.
- 2.7 Emergent's progress reports to Elexon contain detailed technical and commercially-sensitive information. They have also led to further back-and-forth discussion and clarification between Elexon and Emergent. We have therefore chosen to provide a public summary update through this paper, rather than try to share redacted versions of the verbatim reports.
- 2.8 Elexon will update the Panel in more detail once Emergent's completed the tests.

3. BSB002 – Centrica

- 3.1 Ofgem approved Centrica Business Solution's application in February 2022.
- 3.2 Centrica's derogation enables it to trial Balancing Mechanism participation by assets that are Half Hourly (HH) measured, operated by a Virtual Lead Party (VLP) and located on sites that are settled on a Non Half Hourly (NHH) basis. This enables controllable storage heaters in social housing to provide demand-side response when needed, by dialling down their demand. Normally the BSC would only permit a VLP (an independent aggregator) to operate assets on sites that are settled HH.
- 3.3 The approved derogation runs for three years from 1 September 2022, including a two-year Trial Period. It limits the trial's scope initially to 2.5 MW total capacity of participating assets, with potential for the Panel to recommend (and Ofgem to approve) an increased scope for year two of the trial.
- 3.4 Elexon has been working with Centrica to register the NHH MSIDs and the Secondary BM Units needed for the trial. We have also implemented additional controls through Elexon's Kinnect Customer Solution to ensure that:
- The NHH MSIDs needed for the trial can't be confused with HH or non-trial MSIDs
 - Only the designated VLP and Half Hourly Data Aggregator (HHDA) for the trial can submit data for a trial MSID
 - The designated HHDA will use a new Market Participant ID for trial data.
- 3.5 In parallel, Centrica has been setting up its necessary commercial arrangements and working with NGENSO² to register the BM Units in NGENSO's systems. It now expects its trial to start in early November 2022, rather than September as originally planned. This still allows time for it to be effective over the 2022/23 winter period.
- 3.6 Elexon will update the Panel in more detail once Centrica's trial begins. Centrica's first formal quarterly report to Elexon is due at the end of November 2022. The derogation conditions also require Centrica to send extra specific reports to Elexon during the trial, on which we'll also update the Panel once received.

4. BSB003 – Good Energy

- 4.1 Elexon submitted the Panel's report to Ofgem for Good Energy's application on 16 September 2022.
- 4.2 Good Energy's proposed derogation would enable it to appoint different Supplier Agents for the Import and Export MSIDs for HH Metering Systems, where Data Communications Company (DCC) enabled smart meters are installed. Good Energy believes this will facilitate export by small-scale microgeneration. For shared Metering Equipment, the BSC normally requires appointment of the same Supplier Agents.

² National Grid Electricity System Operator Limited.

- 4.3 The Panel has recommended that Ofgem rejects Good Energy's application. The Panel believes it would be more appropriate for Good Energy to progress its idea as a Modification Proposal, since that would open up benefits to all BSC Parties.
- 4.4 Since submitting the report, we've attended discussions with Good Energy and Ofgem (at their request) to clarify the reasons for the Panel's recommendations.
- 4.5 Elexon will update the Panel and BSC participants on Ofgem's formal decision, once received.

5. Recommendations

- 5.1 We invite the Panel to:
 - a) **NOTE** the status of all live BSC Sandbox derogations and applications;
 - b) **NOTE** that Elexon will update the Panel in more detail on Emergent's and Centrica's approved derogations once their trials start, or if there are any other major developments;
 - c) **NOTE** that Elexon will update the Panel and BSC participants once it receives Ofgem's decision on Good Energy's application; and
 - d) **NOTE** that Elexon will bring its annual sandbox lessons learned report to the Panel in December 2022.

For more information, please contact:

Kathryn Coffin, Senior Market Architect

kathryn.coffin@elexon.co.uk

020 7380 4030