

Minutes

BSC Panel

Meeting number	341	Venue	Elexon Offices – Ice Blue Room/Video Conference
Date of meeting	10 August 2023	Classification	Public

Please note that unless otherwise stated, all Panel decisions were unanimous.

Attendees and apologies		
Attendees		
Sara Vaughan	SV	BSC Panel Chair
Phil Hare	PH	Deputy BSC Panel Chair
Alan Hawkins	AH	ESO (Interconnector Trading) (part meeting)
Andrew Colley	AC	Industry Panel Member
Andrew Grace	AG	Elexon (part meeting)
Ayo Bammeke	AB	Elexon (part meeting)
Cian McLeavey – Reville	CMR	ESO (part meeting)
Claire Huxley	CH	ESO Panel Member
Darren Draper	DD	Elexon (part meeting)
Derek Bunn	DB	Independent Panel Member
Diane Dowdell	DD	Industry Panel Member
Euan Graham	EG	Citizens Advice Representative
Fionnghuala Malone	Fma	Elexon BSC Admin Team Leader
Fungai Madzivadondo	FM	Distribution Business Representative
Ivar Macsween	IM	Elexon (part meeting)
Izzie Sunnucks	IS	ESO (REMA) (part meeting)
James Nixon	JN	Industry Panel Member Alternate
Jonathan Coe	JC	Ofgem Representative

Attendees and apologies

Jocelyn Paulley	JP	Gowling WLG
Kit Dixon	KD	Good Energy
Lisa Waters	LW	Industry Panel Member
Mark Oxby	MO	Industry Panel Member
Tirath Maan	TM	Elexon (part meeting)
Tom Edwards	TW	Industry Panel Member
Victoria Moxham	VM	Elexon Director of Customer and Code Management

Apologies

Elliott Harper	EH	Elexon Head of Governance Services & Panel Secretary
Karen Thompson-Lilley	KTL	NGESO Panel Member
Lawrence Jones	LJ	Elexon Head of Rules Management & BSC Modification Secretary
Michael Robertson	MR	Industry Panel Member
Simon McCalla	SM	Elexon CEO

Open Session

1. Introduction

- 1.1 The Chair noted apologies from Karen Thompson – Lilley, whose alternate was Claire Huxley. Apologies also noted from Elliott Harper, Lawrence Jones and Simon McCalla.

Part I: Non- Modification Business (Open Session)

2. REMA Update (Verbal)

- 2.1 Izzie Sunnucks (IS) from ESO presented an update on REMA and Wholesale Market Reform. Cian McLeavy-Reville (CMR) also joined the call.
- 2.2 IS began with why NGESO felt reform was needed, giving an example of the Southeast import constraint and explaining that 90% of constraint costs were attributable to that one corner. IS further indicated that, in NGESO'S view, zonal pricing was preferable to the status quo and that, in the US, there was consensus that moving from zonal to nodal had reduced cost and gaming. There was discussion around the proposed nodal pricing implementation, and how this would differ from the North America model. IS confirmed that having a forward market which brings together the sharing requirements would provide the most benefits and that ESO would be the market operator. IS suggested that there was not sufficient evidence to justify ruling out nodal pricing at this stage. A Panel Member raised concerns around liquidity at nodes, given the current lack of market liquidity.
- 2.3 In relation to impact on investment, IS suggested that there was no evidence that LMP systematically increased WACC. IS also said that ESO's view was that TNUoS reforms alone would not be sufficient.
- 2.4 A Panel Member queried whether there had been any work done on predicting what the settlement systems could look like under the BSC, given the market structures had been looked into. IS confirmed that ESO were

part of the way through an impact assessment of this. IS noted that it is difficult to know what settlement period granularity the government was looking at, especially in relation to how much it would align with European trading arrangements.

- 2.5 There was discussion around the difference in how many nodes there are in the UK in comparison with some USA States. IS confirmed that FTI had modelled 800 nodes, California had about 5000. A Panel Member queried how much experience individuals working at ESO have with the nodal pricing market. IS noted that this is a hypothetical scenario and aspects of the US design will need to be adapted into the GB system.
- 2.6 IS said that much feedback had been received that the BM could be improved and there was evidence that people want this therefore ESO would look at significantly modernising this regardless of what happened in REMA.
- 2.7 IS highlighted that there is an implementation complexity, as people are concerned that the ESO is taking time to build the locational nodal pricing platform. In response to a Panel Member question around central dispatch, IS said that this would enable a move towards a more algorithmic dispatch where any assessment of types of delays will be compared against the counterfactual.
- 2.8 A Panel Member expressed their concern, saying that this was a really bad idea and that it was creating signals that no-one was going to respond to (as the timing was too later and the market was at the wrong level of maturity) and queried what actions ESO are taking to resolve the energy market. IS confirmed that there were two projects, on each of scheduling and co-optimisation, and that the projects would have workshops in the Autumn. There was also a discussion around comparison between liquidity in the gas market and the learnings from this.
- 2.9 The BSC Panel:
 - a) **NOTED** the update

3. Interconnector Trading Update (Verbal)

- 3.1 Alan Hawkins (AH) from ESO presented an update on Interconnector Trading. AH began by noting that there was currently 8.4GW of interconnector capacity but that there would soon be 10GW, meaning a potential flow of 20GW.
- 3.2 AH confirmed that there was no compensation if action was not taken to achieve cheapest pricing, and similarly, ESO did not compensate others in the same scenario. AH clarified a discussion on accountability trading and noted that ESO does not directly trade, and so goes out with an auction requirement which eligible counterparties can participate in.
- 3.3 AH confirmed that all trading is done outside of BM timescales and is therefore subject to the normal notification before gate closure – it was on GTMA timescales. AH indicated that 25% of all UK intraday trading was interconnector trades.
- 3.4 There was discussion around when ESO trades for margin. AH said that interconnector trades were typically not done for balancing, but rather for margin creation. AH confirmed that margin gets tagged as energy, and that ESO can trade with GB traders for margin if considerable money can be saved. AH said that the Faradyn auction platform was used and that that ESO goes out publicly for bids. A Panel Member highlighted that it is hard to predict this as trading is done so far ahead. AH noted that ESO could trade up to a couple of hours ahead of time but only trades when there is insufficient margin. A Panel Member commented that the market is concerned that ESO is not trading small BMUs as flexible assets and so they are persistently left being unutilised. The question was asked whether there was a different platform over which GB generators could trade.
- 3.5 There was discussion around who the counterparties are on the auction platform Faradyn, AH confirmed that it was only for players who can trade across the interconnectors and that 30-40 counterparties all have ability to flow over an interconnector.
- 3.6 The BSC Panel:
 - a) **NOTED** the update

Part II: Modification and Change Business (Open Session)

4. Change Report and Progress of Modification Proposals (341/02)

- 4.1 Elexon presented the Change Report and progress of Modification Proposals.
- 4.2 JC confirmed that Ofgem's timings for a decision on P443 had been pushed back from 11 August to 12 September 2023.
- 4.3 IM confirmed that increased promotion for workgroup members had allowed P451 to reach quoracy requirements. A Panel Member highlighted that they have been in contact with industry individuals to try and drive engagement. There was discussion around having more simplified communications in the emails asking for workgroup members and to make it clearer the right sort of industry members who might be interested. This might be done by way of simple template email.
- 4.4 It was noted that P456 only had two workgroup members signed up and it was decided that a communication should be sent out which indicated to market participants the intention for P456 to go straight to report phase unless the Workgroup could reach quoracy requirements. The Panel did not think that reducing quoracy was the right answer.
- 4.5 IM provided an update on
- 4.6 The BSC Panel:
- a) **APPROVED** a three month extension to the P451 Assessment Procedure; and
 - b) **NOTED** the contents of the August 2023 Change Report.

5. P459 'Allowing different Supplier Agents to be appointed to Import and Export MSIDs Initial Written Assessment (341/03)

- 5.0 Kit Dixon (KD) (Good Energy) joined as the proposer and presented the context for raising P459.
- 5.1 There was discussion around the potential drawbacks of the proposal. KD noted that ensuring correct information continued to flow between industry Parties was a risk that was identified during the sandbox, and therefore they were aware of it. It was confirmed that cross-code working was happening in relation to the proposal and that the BSC was likely to be the lead Code.
- 5.2 It was agreed that there should be a MHHS representation at the P459 Workgroup. It was clarified that the Mod is not seeking to include the existing Half-Hourly market as there was a limitation on the single agent for import and export in relation to the security access to specific meters. The proposal related only to DCC-enrolled meters.
- 5.3 The BSC Panel:
- a) **AGREED** that P459 progresses to the Assessment Procedure;
 - b) **AGREED** the proposed Assessment Procedure timetable;
 - c) **AGREED** the proposed membership for the Modification Workgroup;
 - d) **AGREED** the Workgroup's Terms of Reference.

6. 'Amend the responsibility to propose and consult on a MHHS Migration Plan' Initial Written Assessment (341/04)

- 6.1 AG presented the 'Amend the responsibility to propose and consult on a MHHS Migration Plan' Initial Written Assessment.
- 6.2 The BSC Panel:
- a) **RAISED** this Modification Proposal in accordance with Section F2.1.1(d)(i);
 - b) **AGREED** that this Modification progresses directly to the Report Phase;
 - c) **AGREED** that this Modification:
 - i) **DOES** better facilitate Applicable BSC Objective (d);

- d) **AGREED** an initial view that this Modification **SHOULD NOT** be treated as a Self-Governance Modification;
- e) **AGREED** that this Modification **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- f) **AGREED** an initial recommendation to the Authority that this Modification should be approved;
- g) **AGREED** an initial Implementation date of:
 - i 5 Working Days following Authority's decision;
- h) **AGREED** the draft Legal Text; and
- i) **NOTED** that Elexon will issue the Draft Modification Report (including the draft Legal Text) for a 10 Working Day consultation and will present the results to the Panel at its meeting on 14 September 2023.

7. P458 'Introducing Data Controller and Processor Obligations in the BSC for Market-wide Half Hourly Settlement Testing' (341/12)

7.1 The BSC Panel:

- a) **AGREED** that the P458 Proposed Modification:
 - i **DOES** better facilitate Applicable BSC Objective (d);
- b) **AGREED** that P458 **SHOULD NOT** be treated as a Self-Governance Modification;
- c) **AGREED** that P458 **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- d) **AGREED** an recommendation to the Authority that the P458 Proposed Modification should be **APPROVED**;
- e) **AGREED** an Implementation Date of:
 - i **5 Working Days** after Authority Decision
- f) **AGREED** the amendments to the Legal Text;
- g) **APPROVED** the Legal Text; and
- h) **APPROVED** the P458 Modification Report.

8. Issue 105 'Further considerations following implementation of BSC Modification P448' (341/05)

8.1 The BSC Panel:

- a) **NOTED** the update

9. Issue 107 'Review of Section N – Clearing, Invoicing & Payment' (341/06)

9.1 The BSC Panel:

- a) **NOTED** the update

Part III: Non-Modification Business (Open Session)

10. Elexon Report Minutes of previous meetings and Actions arising

10.1 The BSC Panel approved the draft minutes for BSC Panel meeting 340. Elexon presented the actions and associated updates for the August 2023 Panel meeting. Updates are summarised in the table appended to this set of minutes.

11. Chair Report

- 11.1 The Chair noted that the Annual BSC Meeting in July went very well, including having received positive feedback from the guest speakers. SV also noted that Clare Duffy's term as a non-exec director will finish at the end of October, and that the recruitment process for a new NED has been launched.
- 11.2 SV informed the Panel that she had a productive meeting with Elexon colleagues about the process for producing the Annual BSC Report. SV thanked Phil, Diane and Andy for their contributions to the meeting. It was noted that the process will be changed for following years as preparation of the report will begin earlier in

the year. The Chair also noted that she had participated in an Energy Research Accelerator hearing in relation to Assessing the case for public ownership in energy.

11.3 The BSC Panel:

a) **NOTED** the update.

12. Elexon Report – (341/01)

12.1 A Panel Member highlighted that DESNZ had published a draft Strategic Policy Statement for consultation, which consultation had closed the previous week. The Chair noted that Elexon would provide an agreed delayed response to this, once the relevant colleague returned from leave. Similarly, she noted that if there are points the Panel would like to make then they can be included in the response

12.2 The BSC Panel:

a) **NOTED** the contents of this paper.

13. Distribution Report

13.1 FM noted she had no updates for the Panel. A Panel Member asked how the ENA intended to take forward the Open Networks project in light of the letter published by Ofgem. FM said she would revert on this.

ACTION 341/01

13.2 The BSC Panel:

a) **NOTED** the update.

14. ESO Report

14.1 The ESO Panel Member (CH) referenced that there would be a [Balancing Reserve webinar](#) on the 17th August, and a publication on the [ESO Markets Roadmap](#). Also, consultation number 3 on the FSO.

14.2 There was discussion regarding the ICRP model for the 10 year TNUoS projection, to which CH noted that during the Transmission Charging Methodologies Forum (TCMF) ESO stated it would not be providing the model that had been used for this, but will be providing data tables as part of the publication. Further, she noted that ESO cannot provide the T&T model as it contains confidential information.

14.3 CH described the difference between a forecast and a projection. ESO noted it had used the different terms to call out that there is significant differences in the methodology and data used between the forecasts and projection. The projection is different from the forecast because the methodology and data used either does not work or is not available when you look further out than ESO's 5-year view.

14.4 A Panel Member expressed that they believe the OTF is becoming significantly less transparent, given that Parties are trying to leave the BM given the clip sizes were too high. CH talked about a sub 1MW trial as part of the Power Responsive initiative

14.5 The BSC Panel

a) **NOTED** the update.

15. Ofgem Report

15.1 The Ofgem Representative noted that as mentioned in the Change Report, Ofgem and DESNZ have published a second policy consultation and project update on the Future System Operator work. Additionally, there was a publication of call for volunteers for the FSO Codes Change Programme. JC also agreed to take away the question around what needs to happen across Codes for the FSO to succeed from day one.

15.2 The BSC Panel

a) **NOTED** the update.

16. Tabled Reports

16.1 The BSC Panel noted the tabled reports from the ISG, SVG, PAB and TDC.

17. Funding Shares Audit Findings and Reconciliation MHHS Rate (341/07)

- 17.1 The BSC Panel:
- a) **NOTED** the findings of the 2022/23 Funding Shares Audit.
 - b) **NOTED** the Reconciliation rate for MHHS Monthly Implementation Charge of £0.05003 MSID per month

18. Approval of BSC Panel Meeting Dates 2024 (341/08)

- 18.1 The BSC Panel:
- a) **APPROVED** the proposed BSC Panel dates for 2024; and
 - b) **NOTED** the dates will be published on the Elexon website.

Part VI: Confidential Business (Closed Session)

19. Non – Confidential AOB

- 19.1 FMa discussed a provisional Panel Christmas lunch, which would be held on Thursday 14 December 2023 if there was enough genuine interest from BSC Panel Members. She requested members to get in touch if this is something individuals would be interested to partake in.
- 19.2 A Panel Member requested more transparency from Elexon around the BMRS.

20. Next meeting

- 20.1 The next scheduled meeting of the BSC Panel will be held on Thursday 14 September 2023.