ELEXON

Amending Baselining Methodology Document for P415

BSC Panel

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Summary **Elexon would like to seek the views from the BSC Panel on a proposal to amend the Baselining Methodology Document for the method used to determine a Deviation Volume, using a baselining technique, for BSC Modification P415.**

1. Background

1.1 Balancing and Settlement Code (BSC) Modification P376 ('Utilising a Baselining Methodology to set Physical Notifications for Settlement of Applicable Balancing Services'), which was implemented on 23 February 2023, introduced the concept of baselining to the BSC.

1.2 P376 allows an optional alternative mechanism to determine the expected flows at Supplier Volume Allocation (SVA) Metering Systems (using a baselining technique calculated using an approved Baselining Methodology) for verifying that Additional BM Units and Secondary BM Units have delivered Bid Offer acceptances. A BM Unit utilising this option is referred to as a Baselined BM Unit.

1.3 BSC Section S13 requires the BSC Panel to establish a Baselining Methodology Document (and subsequently have it in force at all times) containing the approved methodologies.

1.4 There is currently one approved methodology, BL01, the focus of which is on the Balancing Mechanism (BM) and describes the methodology for calculating volumes of electricity delivered by Suppliers and Virtual Lead Parties (VLPs) in the BM.

1.5 BSC Modification P415 ('Facilitating access to wholesale markets for flexibility dispatched by Virtual Lead Parties') was approved by the Authority on 6 October 2023 for implementation on 7 November 2024 as part of the November 2024 Standard BSC Release.

1.6 P415 relies on Deviation Volumes, which capture the difference between what a site would tend to consume or generate without any action from a VLP (calculated using a Baselining Methodology) and what was actually consumed/generated as a result of a VLP action taken at that site. Deviation Volumes represent an import/export MWh deviation to the Total System as a result of that action by a VLP.

1.7 The only approved Baselining Methodology technique, and the Baselining Methodology Document itself, was established by Modification P376 for use in the BM. Both the P376 and P415 Workgroups envisaged that additional Baselining Methodologies may be required over time, as the volumes of flexibility using baselining increase, and new flexibility technologies become available. However, the P376 solution has not yet been used to any material extent, and we therefore don't have the data required to assess how Methodology BL01 has performed to date. We therefore do not propose a full review of Baselining Methodologies at this stage. However, we have reviewed the BL01 Methodology to assess whether any features of it could be problematic in the context of P415. As a result we propose that the Panel should make changes to clarify the use of In Day Adjustments.

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1.8 P376 established the process for amending the Baselining Methodology Document (section 4). The process allows BSCCo to request the BSC Panel to review or change the Baselining Methodology. Elexon is requesting the BSC Panel to make changes to the Baselining Methodology Document as part of the implementation of P415.

1.9 The process requires that the BSC Panel will consult with Parties in a manner appropriate to the scale and complexity of the changes before agreeing them.

2. Proposed Clarification to Use of In Day Adjustments

2.1 Methodology BL01 uses historic data (for up to 10 Working Days, or 4 Non-Working Days) to calculate Unadjusted Baseline Values, but these do not fully account for variations in factors such as weather and temperature on the day. The In Day Adjustments are used to provide an up or down lift to ensure the values used in the calculations are a better representation of the conditions on the day. Elexon proposes to clarify how In Day Adjustments would work under P415.

2.2 BL01 handles In Day Adjustments as follows:

- Where the BM Unit has an Acceptance (in the BM), an In Day Adjustment is calculated (and added to the Unadjusted Baseline) as per section 3.4.3 (BL01 Step 3 – Calculate In Day Adjustment) of the Methodology. It is based on consumption in the "In Day Reference Window" i.e. the three-hour period up until Gate Closure for the first Settlement Period with an Acceptance.

- Where the BM Unit doesn't have an Acceptance, section 3.4.3.1 (In Day Adjustments for Settlement Days without Acceptances) states that multiple In Day Adjustments are calculated (for reporting purposes only), but don't impact Settlement (because, in the absence of Acceptances, baselines aren't used in Settlement).

2.3 P415 invalidates the explanation in section 3.4.3.1 of the Baselining Methodology Document as it is for the WM and not the BM and using an Acceptance as the decision point for inclusion of In Day Adjustments is not appropriate.

2.4 Elexon have analysed three possible options to address the issue:

- **Option One** – amend BL01 to allow In Day Adjustments for Deviation Volumes. The definition of In Day Reference Window would be amended to include where the Lead Party submitted a Wholesale Market Activity Notification i.e. the In Day Reference Window would end at Gate Closure for the first Settlement Period that had either an Acceptance or a Wholesale Market Notification. We are not proposing this option because:.
  - There is a gaming risk, or as a result of an unintended consequence, with including In Day Adjustments for Deviation Volumes. If a customer had advance warning that they are to reduce demand at a certain time of day they may shift demand which may increase demand immediately prior to the relevant Settlement Period (either for entirely legitimate reasons or deliberate gaming). Should this occur then the Deviation Volumes calculated would be overestimated.

  - This gaming risk was highlighted by the National Grid Electricity System Operator (NGESO) in their consultation on the second year of the Demand Flexibility Service (DFS) that proposed to remove the in-day adjustment for the baseline methodology to mitigate baseline gaming risks.
- **Option Two** - amend BL01 to clarify that a Wholesale Market Notification does not trigger an In Day Adjustment i.e. the In Day Adjustment Window ends at Gate Closure for the first Settlement Period with an Acceptance (as currently), and in the absence of any Acceptance the In Day Adjustment is zero. Section 3.4.3.1 of the Baselining Methodology Document would be amended to clarify that, in the absence of Acceptances, any baseline used in Settlement won't have an In Day Adjustment applied. This clarification is required because (in the absence of Acceptances) the Baseline is currently not used in Settlement at all.
  - This option removes the risk of baselining manipulation, either through deliberate gaming or through legitimate reasons, but could potentially reduce accuracy by not accounting for variations in factors such as weather and temperature on the day.
- **Option Three** – create a new Baselining Methodology, BL02, which is the same as current version of BL01 but without In Day Adjustments applied.
  - This option can be used where BL01, as per proposed amendment in Option One, is also implemented. BL02 effectively allows Lead Parties to opt out of In Day Adjustments where they are not appropriate.

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There are added complications for the Lead Party and a risk of mistakes being made adding a second methodology that is designed for the Wholesale Market where the only difference is whether the In Day Adjustment is applied.

- It would create an assurance issue where Lead Parties chose BL01 even though BL02 would be more accurate.

2.5 Elexon proposes that Option Two should be progressed as it is simpler for the Lead Party, mitigates the gaming risk and avoids the assurance issue of Lead Parties not picking the most accurate Baselining Methodology.

2.6 Elexon proposes general amendments to the wording in the Baselining Methodology Document to make it relevant to P415.

2.7 Elexon proposes to add Virtual Trading to the Event Day list of circumstances in Appendix A to align with the P415 version of BSC Section S.

2.8 The Baselining Methodology Document is a Category 3 Configurable Item and as such does not require to be amended by Modifications or Change Proposals.

2.9 Attachment A contains the proposed redlined changes to the Baseline Methodology Document to deliver the P415 solution.

2.10 Elexon proposes to consult with industry for a period of three weeks on the updates to the Baseline Methodology Document. The proposed questions are in Appendix 1.

3. Recommendations

3.1 We invite the BSC Panel to

a) **COMMENT** on the option proposed by Elexon to amend the Baselining Methodology Document for P415;

b) **PROVIDE** any comments or additional questions for inclusion in the consultation; and

c) **AGREE** the period of three weeks for the consultation.

Appendices

Appendix 1 – Consultation questions

We intend to ask the following consultation questions for this amendment to the Baselining Methodology Document. We do not believe any additional questions need to be asked for this change.

Consultation Questions
Do you have any comments on the proposed changes to the Baselining Methodology Document for P415?

Attachments

Attachment A – Baselining Methodology Document v1.1

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