

Modification proposal:	<b>Balancing and Settlement Code (BSC) P399: Making the identity of balancing service providers visible in the Balancing Services Adjustment Data' (P399)</b>		
Decision:	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>		
Target audience:	National Grid Electricity System Operator (NGESO), Parties to the BSC, the BSC Panel and other interested parties		
Date of publication:	18 May 2021	Implementation date:	4 November 2021

## Background

The Electricity System Operator (“ESO”), in discharge of its obligations under C16 of its Electricity Transmission Licence (“SLC C16”), may procure balancing services outside of the balancing mechanism. In order to be included in the electricity imbalance price calculation, these actions known as Balancing Service Adjustment Actions are submitted to the Balancing Market Reporting Agent (BRMA) in the form of Balancing Services Adjustment Data (“BSAD”), the rules of which are set out in Section Q of the BSC. The BSAD is then factored into the imbalance price calculation pursuant to Section T of the BSC. The BSAD is also published by the BMRA on the the Balancing Market Reporting Service (BMRS) as set out in Section V of the BSC.

Currently the identity of parties that the ESO is trading with outside the balancing mechanism (non-BM counterparties) are not visible in the BSAD, meaning these parties are effectively anonymous. In the view of the proposer, this creates an asymmetry of information between non-BM counterparties and participants in the BM that are not anonymous. The proposer suggests there is an impact on competition as anonymity gives non-BM parties a competitive advantage over BM participants.

<sup>1</sup> References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

In addition, in accordance with Article 18 of the Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing<sup>3</sup>, as amended by the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019 (the “EBGL Regulation”),<sup>4</sup> NGESO was required to develop a proposal regarding the terms and conditions (“T&Cs”) for balancing service providers (“BSPs”) and balance responsible parties (“BRPs”). On 8 October 2019,<sup>5</sup> we published our decision to confirm, upon satisfaction of certain conditions, that the T&Cs proposed by the ESO are the T&Cs required by Article 18 of the EBGL Regulation. On 25 June 2020, all the necessary conditions were met and the proposed T&Cs came into force in Great Britain. We note that the proposed legal text changes for BSC modification P399 include changes which affect the T&Cs.<sup>6</sup>

### **The modification proposal**

The proposal seeks to amend Section Q of the BSC, and in particular to add four new data requirements to the BSAD:

- **Party ID.** This is the ID of the person providing the procured Balancing Services Adjustment Action. This will either be the full name of the party or a unique identifier verifiable against a supplementary table published on the ESO’s website.
- **Asset ID.** This is the ID already assigned to balancing market units (“BMUs”) and will be used to identify the specific asset. Where the service is provided by an interconnector with no BMU ID, the asset ID can be referenced against the same supplementary table on the ESO’s website.
- **Tendered Status.** This will display either true or false to indicate whether the trade has been concluded.

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<sup>3</sup>Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing, The EBGL Regulation, came into force on 18 December 2017. Accessible at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R2195>

<sup>4</sup> The UK SI amendment of the EBGL Regulation is accessible at: [https://assets.publishing.service.gov.uk/media/5c17d6b440f0b60c8d601a2c/ENC\\_Markets\\_and\\_Trading\\_SI.pdf](https://assets.publishing.service.gov.uk/media/5c17d6b440f0b60c8d601a2c/ENC_Markets_and_Trading_SI.pdf)

<sup>5</sup> Our 8 October 2019 decision is accessible at: <https://www.ofgem.gov.uk/publications-and-updates/decision-transmission-system-operators-proposal-terms-and-conditions-related-balancing>

<sup>6</sup> Mapping of EBGL Regulation Article 18 National Terms and Conditions requirements to the existing GB Electricity Market frameworks can be found at: <https://www.nationalgrideso.com/document/146936/download>

- **Service type.** This indicates the category of balancing service procured by the ESO, e.g. whether the service is STOR, Frequency Response and, in the case of bilateral trades, whether these are energy balancing trades or system trades.

### **BSC Panel<sup>7</sup> recommendation**

At the BSC Panel meeting on 14 January 2021, a majority of the BSC Panel considered that P399 would better facilitate the BSC objectives and the Panel therefore recommended its approval. The panel agreed unanimously that P399 better facilitates the applicable BSC objectives a) b) c) d) and e). One member voted against the proposal noting that, despite the modification facilitating the applicable BSC objectives, the costs of implementing the modification were disproportionate to the benefits.

### **Our decision**

We have considered the issues raised by the modification proposal and the Final Modification Report ("FMR") dated 19 January 2021. We have considered and taken into account the responses to the industry consultation(s) which are attached to the FMR<sup>8</sup>. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC;<sup>9</sup> and
- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>10</sup>

### **Reasons for our decision**

We consider this modification proposal will better facilitate BSC objectives a), b), c) and d) and has a neutral impact on the other applicable objectives.

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<sup>7</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and [Standard Special Licence Condition C3 of the Electricity Transmission Licence](#) available.

<sup>8</sup> BSC modification proposals, modification reports and representations can be viewed on the [Elexon website](#).

<sup>9</sup> As set out in [Standard Condition C3\(3\) of the Electricity Transmission Licence](#).

<sup>10</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

***a) the efficient discharge by the licensee of obligations imposed upon it by this 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***

When procuring balancing services outside of the balancing mechanism, SLC C16 requires that the ESO takes into account the impact of doing so on competition in the wholesale electricity market. C16 also requires that the procurement of balancing services is transparent. We set our expectations out in further detail in the ESO Roles and Principles Guidance Document.<sup>11</sup>

This modification helps facilitate these aspects of C16, most notably because identifying the non-BM counterparties makes the BSAD more transparent. This increase in transparency will also improve the ability of market participants to use the data to make efficient trading decisions, therefore increasing efficiencies between the balancing mechanism and the balancing services market. Further, we agree that revealing the identity of non-BM counterparties helps to foster a level playing field between these parties and those operating in the BM, the identities of which are already available in the BM reporting data. This will improve competition between these parties when the ESO compares the merits of taking actions within or outside the BM.

For the reasons set out above, this modification better facilitates BSC objectives (a), (b) and (c).

***(d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements;***

The costs associated with creating the tendered status provoked some debate at all levels of the process as the addition of this field could incur a cost of up to £500k, almost half of the

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<sup>11</sup> [Roles and principles guidance document 2020-21 \(draft for consultation\) \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/consult/condocs/rolesandprinciples/rolesandprinciplesguidancedocument2020-21/draftforconsultation/rolesandprinciplesguidancedocument2020-21.pdf)

full implementation cost. The ESO note in the report phase consultation that this is due to a need to create a link between two different software interfaces, i.e. its Salesforce system and the systems that facilitate BM reporting. The ESO's impact assessment indicates this is a slow and expensive process.<sup>12</sup>

One panel member voted against the modification based on the costs involved with the modification being too high, with other panel members expressing similar reservations around cost. Notwithstanding this, the Panel unanimously voted in favour of the proposal.

One respondent to the initial consultation also commented on this, arguing that the modification did not provide an efficient way of implementing a solution to the issue due to the costs involved. In addition, a targeted question around tendered status was put to industry in the second phase consultation. One of the three respondents to this question felt the costs of adding the tendered status did not merit the inclusion of tendered status.

Having considered this issue and the responses, it is our view that, on balance, the modification does better facilitate this objective than the status quo. Whilst there have been some reservations, as set out above, the Panel unanimously agreed that the modification better facilitated this objective, as well as there being broad support in both consultations that this objective was better facilitated by the modification.

This objective asks whether the proposal will better facilitate the promotion of "*efficiency in the implementation and administration of the balancing and settlement arrangements*". The cost involved in implementing the proposal is, in our view, one of a number of relevant considerations in assessing such efficiency, but the objective does not refer to "cost" nor does it identify this as the sole measure of efficiency in this context. In addition to and notwithstanding the costs, the panel agreed that transparent data availability will enable disputes and errors to be more efficiently resolved and/or prevented.<sup>13</sup>

We note that, as part of workgroup process, the ESO sought to address the issue of cost by clearly setting out the drivers for the cost of the proposal, as well as considering alternative solutions. Given this, and the Panel's unanimous support for the inclusion of the tender status

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<sup>12</sup> The ESO's impact assessment has been summarised in the workgroup report

<sup>13</sup> The Panel's views have been summarised in the workgroup report

field, as well as the broad support from industry and the further improvements to efficiency noted above, we are satisfied that the objective has been adequately assessed. Further, we are satisfied with the analysis provided to us on this aspect of the proposal in the FMR.

For the reasons given above, we consider P399 better facilitates objective (d).

### **Decision notice**

In accordance with Standard Condition C3 of the Transmission Licence, the Authority hereby directs that modification proposal BSC 399: *Making the identity of balancing service providers visible in the Balancing Services Adjustment Data* be made.

As a consequence of the above, we also approve the amendment to the T&Cs related to balancing resulting from the modification of Sections Q and X of the BSC.

**Heather Stewart**

**Head of GB Wholesale Markets**

Signed on behalf of the Authority and authorised for that purpose