Draft Modification Report

P422 'Reflecting NCER Rules in the BSC'

This Modification will update the BSC to ensure it accurately reflects the BSC provisions constituting the Network Code on Electricity Emergency and Restoration (NCER) Rules in the mapping for the European Electricity Balancing Guideline (EBGL) Article 18 Terms and Conditions. Both the EBGL and the NCER were incorporated into UK law by the European Union (Withdrawal) Act 2018 following the UK-EU transition period.

The BSC Panel initially recommends **approval** of P422

The BSC Panel **does not** believe P422 impacts the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to impact:

- BSC Parties engaging in the BSC Modifications process; and
- Interested third parties engaging in the BSC Modifications process

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Phase

- Initial Written Assessment
- Definition Procedure
- Assessment Procedure
- Report Phase
- Implementation

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Contents

1 Summary 3
2 Why Change? 5
3 Solution 7
4 Impacts & Costs 8
5 Implementation 12
6 Panel's Initial Discussions 13
7 Report Phase Consultation Responses 14
8 Recommendations 15
Appendix 1: Glossary & References 16

About This Document

Not sure where to start? We suggest reading the following sections:

- Have 5 mins? Read section 1
- Have 15 mins? Read sections 1, 7 and 8
- Have 30 mins? Read all except the annexes and attachments
- Have longer? Read all sections and the annexes and attachments

This is the P422 Draft Modification Report, which Elexon will present to the Panel at its meeting on 12 August 2021.

As P422 is a Self-Governance Modification, it does not get submitted to the Authority for decision. The Panel will determine whether to approve or reject P422 and then send P422 to the Authority for information. Parties have until 5pm, Friday 3 September 2021 to object to the Panel's decision, stating why they do not believe P422 meets the Self-Governance criteria. If no objection is received by this time, the Panel's decision is final.

There are three parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach.
- Attachment A contains the Proposal Form.
- Attachment B contains the draft redlined changes to the BSC for P422.

Contact
Chris Arnold

020 7380 4221

BSC.change@elexon.co.uk

chris.arnold@elexon.co.uk

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1 Summary

What is the issue?

P392 'Amending BSC Change Process for EBGL Article 18' introduced Section F 'Modification Procedures' Annex F-2 to the BSC on 25 June 2020. Annex F-2 gives guidance as to which BSC provisions also constitute Electricity Balancing Guideline (EBGL) Article 18 terms and conditions and hence which BSC Modifications should be subject to a BSC Change process that includes a one month Report Phase Consultation to also satisfy the 'EBGL change process'.

The EBGL also states (at Article 18(2)) that the Article 18 terms and conditions shall include the rules for suspension and restoration of market activities pursuant to Article 36 of the NCER, and the rules for settlement in case of market suspension pursuant to Article 39 of the NCER (together, the 'NCER Rules'), once these Rules have been approved. These NCER Rules were approved by Ofgem on 11 June 2021.

Following this approval it is important that the BSC should be amended to ensure NCER and EBGL requirements are appropriately reflected. In particular, Annex F-2 should be updated so that the mapping continues to give an accurate reflection of which BSC provisions also constitute EBGL Article 18 terms and conditions.

Please note following the UK's exit from the European Union, the NCER and EBGL remain in force in the UK as retained direct EU legislation, with minimal amendments to the original text.

What is the proposed solution?

This Modification updates references in the table in Section F 'Modification Procedures' Annex F-2 which identifies the Sections and parts of the Code that constitute EBGL Article 18 Terms and Conditions. The Modification also makes minor amendments to ensure relevant definitions in Section X Annex X-1 'General Glossary' and the EBGL change process in Section F reflect the incorporation of the NCER Rules.

Impacts & Costs

This Modification will make clear to BSC Parties and interested third parties engaging in the BSC Modifications process where such Modifications must follow the EBGL Change process within the BSC (one month Report Phase Consultation).

Costs Estimates			
Organisation	Implementation (£k)	On-going (£k)	Impacts
Elexon	<£1k	0	The cost to implement this Modification is expected to be <£1k which are the costs associated with developing the legal drafting for Section F and X-1.
NGESO	0	0	No impact identified
Industry	0	0	No impact identified

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Costs Estimates			
Organisation	Implementation (£k)	On-going (£k)	Impacts
Total	<£1k	0	

Implementation

The Panel recommend that P422 is implemented as soon as possible to give clarity to BSC Parties. The Panel therefore recommend P422 is implemented after the closure of the Self-Governance appeal window, 16 Working Days after the Panel decision, on **6 September 2021**.

Recommendation

The Panel initially unanimously believe P422 will better facilitate Applicable BSC Objective (d) and should therefore be approved. The majority of the Panel do not believe P422 impacts the EBGL Article 18 balancing terms and conditions and that it should be progressed as a Self-Governance Modification Proposal (Panel decision).

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2 Why Change?

What is the issue?

P392 'Amending BSC Change Process for EBGL Article 18' introduced Section F Annex F-2 to the BSC on 25 June 2020 as part of the June 2020 BSC Release. Annex F-2 maps the requirements of Commission Regulation (EU) 2017/2195 (Electricity Balancing Guideline – EBGL) Article 18 to the approved EBGL Article 18 terms and conditions contained within the BSC.

Annex F-2 gives guidance as to which provisions in the BSC also constitute EBGL Article 18 terms and conditions and hence which BSC Modifications should be subject to an extended change process (incorporating a one month Report Phase Consultation) – as required by EBGL Article 10 and detailed in the P392 Modification Report.

On 11 June 2021 the NCER Rules were approved by Ofgem under Article 4 of Commission Regulation (EU) 2017/2196 establishing a network code on electricity emergency and restoration (the NCER). As a result of this approval, the existing BSC provisions that form NCER Rules as approved, now also constitute EBGL Article 18 terms and conditions (in accordance with Article 18(2) of the EBGL). Therefore, BSC Modifications affecting NCER Rules will be subject to an EBGL compliant change process. To clearly inform Market Participants which change process should be used when developing Modifications, the BSC requires amendments to ensure NCER and EBGL rules, terms and conditions are accurately reflected. In particular, Annex F-2 requires updates so that the mapping continues to give an accurate reflection of which BSC provisions constitute EBGL Article 18 terms and conditions. Section F should also be amended as necessary to incorporate reference to the NCER into the EBGL change process, and definitions in Annex X-1 should be amended to incorporate references to the NCER.

Background

Electricity Balancing Guideline (EBGL)

The EBGL came into force on 18 December 2017. The EBGL is one of eight European Network Codes (ENCs) and Guidelines and is intended to create an interconnected internal energy market. The EBGL is the Network Code most relevant to the BSC as much of its scope covers Balancing and Settlement. EBGL Article 18 terms and conditions include the rules for market suspension and restoration pursuant to Article 36 of the NCER and the rules for settlement in case of market suspension pursuant to Article 29 of the NCER.

Following the UK's exit from the European Union, the NCER and EBGL remain in force in the UK as retained direct EU legislation, with minimal amendments to the original text.

Network Code on Electricity Emergency and Restoration (NCER)

The NCER also came into force on 18 December 2017, and is also one of the ENCs. It sets out requirements for the management of transmission systems in case of emergency or blackout, as well as other different system critical states. The NCER addresses the suspension and restoration of market activities, and requires Transmission System Operators (TSOs) to develop proposals for the NCER Rules (as well as other documents), which must be approved by the relevant National Regulatory Authority ('the Authority' in GB i.e. The Gas and Electricity Markets Authority, subsequently delegated to Ofgem)). In its proposals for these rules, submitted to Ofgem, National Grid ESO set out the sections of

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the BSC, the Grid Code and the System Operator Transmission Owner Code (STC) that constitute the NCER Rules.

P392 'Amending BSC Change Process for EBGL Article 18'

EBGL Article 18 (terms and conditions) sets obligations on the TSOs of each Member State to develop the terms and conditions for Balancing Service Providers (BSPs) and Balancing Responsible Parties (BRPs). Article 18 of EBGL also describes at a high level what these balancing and imbalance terms and conditions must cover.

Articles 4, 6 and 10 describe the process that must be followed if any of the Article 18 terms and conditions are to be amended. Therefore any Modification that impacts BSC provisions constituting the EBGL Article 18 terms and conditions has to satisfy this process.

The National Electricity Transmission System Operator (NETSO) delegated some of its tasks under EBGL Articles 4, 6 and 10 to Elexon as BSCCo and the BSC Panel. P392 was implemented on 25 June 2020 and introduced amendments to reflect those delegations. This ensures the EBGL amendment procedure requirements are fulfilled within the BSC Modifications process. P392 also introduced Annex F-2, an indicative list of those BSC provisions that constitute EBGL Article 18 terms and conditions.

As the approved NCER Rules are included within the Article 18 terms and conditions, the BSC EBGL-compliant change process will also apply to those BSC provisions constituting NCER Rules.

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3 Solution

Proposed solution

This Modification will update Section F 'Modification Procedures' Annex F-2 to reflect the incorporation of BSC provisions constituting the approved NCER Rules into the BSC mapping of the Article 18 terms and conditions. BSC Section F and Section X Annex X-1 'General Glossary' will also be updated to reflect these changes and include a new definition of the NCER.

Benefits

Ensuring the Annex F-2 mapping is accurate will help Market Participants understand the EBGL impact of proposed BSC Modifications and the proposed governance around making such changes, including timescales.

Applicable BSC Objectives

This Modification will positively impact objective (d) as it will assist those engaging in the BSC change process have clarity on whether a Modification will be required to undergo the additional steps involved in the EBGL change process (e.g. a consultation of one calendar month).

We note that this Modification does not directly impact compliance, as the Annex F-2 mapping is used to show which BSC provisions constitute Article 18 terms and conditions. If this Modification were not implemented, the EBGL change process would still apply, but it would not be clear for market participants that it would apply. Therefore, this Modification is neutral against all other Applicable BSC Objectives.

Legal Text

The proposed redlined changes to the BSC to deliver P422 can be found in Attachment B.

What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission 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

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(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]

(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

(g) Compliance with the Transmission Losses Principle

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4 Impacts & Costs

Estimated implementation costs of P422

This is a document-only Modification and we identified only a minor positive impact on Parties or Market Participants interested in progressing BSC Modifications. This is because P422 will provide clarity on which BSC provisions will be required to undergo the EBGL change process if amended.

This Modification will not have any impacts on BSC Central Systems.

We estimate the costs of implementing this Modification as a document-only change to be **<£1k**.

Implementation cost estimates			
Organisation	Item	Implementation (£k)	Comment
Elexon	Systems	0	
	Documents	< £1k	The cost to implement this Modification is expected to be <£1k which are the costs associated with developing the legal drafting for Section F and X-1.
	Other	0	
NGESO	Systems	0	
	Other	0	
Industry	Systems & processes	0	
	Total	< £1k	

Estimated on-going costs of P422

On-going cost estimates		
Organisation	Implementation (£k)	Comment
Elexon	0	No costs identified
NGESO	0	No costs identified
Industry	0	No costs identified
Total	0	

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P422 impacts

Impact on BSC Parties and Party Agents	
Party/Party Agent	Impact
BSC Parties/Party Agents/interested third parties engaging in the BSC Modifications process	BSC Parties, Party Agents and interested third parties may be indirectly impacted positively by the solution to this Modification Proposal due to the more accurate reflection of BSC provisions constituting Article 18 terms and conditions

Impact on the NETSO	
Impact	Estimated cost
No impact identified	None

Impact on BSCCo		
Area of Elexon	Impact	Estimated cost
Rules Management	We expect there to be a small positive impact on the Rules Management team in Elexon as it will be easier for change analysts to be able to identify which sections of the BSC constitute EBGL Article 18 Terms and Conditions	None

Impact on BSC Settlement Risks
No impacts identified

Impact on BSC Systems and process	
BSC System/Process	Impact
No impact	No impact identified

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Impact
No impact	No impact identified

Impact on Code	
Code Section	Potential Impact
BSC Section F 'Modification Procedures'	Amendments to Section F and Annex F-2 are required to accurately reflect the EBGL Article 18 terms and conditions being amended by incorporation of the NCER Rules

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Impact on Code	
Code Section	Potential Impact
BSC Section X Annex X-1 'General Glossary'	Amendments required to reflect the inclusion of NCER Rules as EBGL Article 18 terms and conditions

Impact on EBGL Article 18 terms and conditions
This Modification does not directly amend any provisions of the BSC that constitute EBGL Article 18 terms and conditions. It is therefore not required to follow the EBGL Amendment Procedures as detailed under Section F of the BSC.

Impact on Code Subsidiary Documents	
CSD	Impact
No impact	No impacts identified

Impact on other Configurable Items	
Configurable Item	Impact
No impact	No impacts identified

Impact on Core Industry Documents and other documents	
Document	Impact
Ancillary Services Agreements	No impacts
Connection and Use of System Code	
Data Transfer Services Agreement	
Distribution Code	
Distribution Connection and Use of System Agreement	
Grid Code	
Master Registration Agreement	
Supplemental Agreements	
System Operator-Transmission Owner Code	
Transmission Licence	
Use of Interconnector Agreement	

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Impact on a Significant Code Review (SCR) or other significant industry change projects
No impacts on SCRs identified – Elexon requested Ofgem treat this Modification as an SCR Exempt Modification on 29 June 2021. Ofgem confirmed that this Modification is SCR Exempt on 6 July 2021.

Impact on Consumers
No impacts identified

Impact of the Modification on the environment and consumer benefit areas:	
Consumer benefit area	Identified impact
1) Improved safety and reliability	Neutral
2) Lower bills than would otherwise be the case	Neutral
3) Reduced environmental damage	Neutral
4) Improved quality of service	Neutral
5) Benefits for society as a whole	Neutral

Other Impacts	
Item impacted	Impact
No other impacts identified	No other impacts identified

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5 Implementation

Recommended Implementation Date

The Panel recommends an Implementation Date for P422 of:

- **6 September 2021** as part of an non-standard BSC Release

The Panel recommend this Implementation Date, as it will implement the P422 changes at the earliest possible opportunity i.e. the day after the Self-Governance window closes, and therefore provide market participants clarity on which BSC obligations constitute EBGL Article 18 balancing terms and conditions as soon as possible.

NOTE: Please note that the Implementation Date above differs from the Implementation Date proposed in the Proposed Progression Timetable detailed in the P422 Initial Written Assessment (IWA) document. This is because the Panel decided to progress P422 direct to the Report Phase and not as a Fast Track Self-Governance Modification.

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6 Panel's Initial Discussions

The P422 Initial Written Assessment Report was presented to the Panel at its meeting on 8 July 2021 (316/04).

The Panel agreed to raise P422 (in accordance with Section F2.1.1(d)(i) on the recommendation from BSCCo, as it would better facilitate Applicable BSC Objective (d), for the reasons given in section 3 above. The Panel agreed to send P422 directly to the Report Phase as a Self-Governance Modification. The Panel believed that this would be the most appropriate route to follow as this Modification is only updating references and does not have a material impact on any of the Self-Governance criteria. The Panel believed it important for market participants to be consulted on this change.

EBGL Impacts

A Panel Member raised concerns that this Modification does impact the EBGL Article 18 terms and conditions as he believed the mapping was integral to the EBGL provisions within the BSC. Elexon highlighted that the mapping in Annex F-2 does not include itself which suggests that the mapping does not constitute EBGL Article 18 terms and conditions. Elexon also highlighted that this Modification does not change any obligations under the BSC as the 11 June 2021 NCER approval changed the EBGL Article 18 terms and conditions.

The Panel agreed by majority that P422 does not impact the EBGL Article 18 terms and conditions, however one Panel Member disagreed with this view.

Self-Governance versus Fast Track Self-Governance

The Panel discussed whether P422 should be progressed as a Fast Track Self-Governance Modification (as recommended by BSCCo) or as a straight to Report Phase Self-Governance Modification. Elexon advised that the NCER provisions had already been consulted on through a NGESO consultation and approved by Ofgem. Therefore, this Modification was simply an update to existing mapping provisions within Section F of the BSC and hence satisfies the Fast Track Self-Governance criteria. The decision regarding which BSC paragraphs constitute EBGL Article 18 balancing terms and conditions for the NCER Rules has already been decided and cannot be amended via BSC governance.

A Panel Member had concerns with progressing P422 as a Fast Track Self-Governance Modification, as they believed this sent the wrong signal that the change was urgent. The Panel Member also thought it was important that P422 was consulted on. Elexon expressed the view that the changes in this Modification should be made relatively quickly to ensure the text in the BSC is accurate and fully reflect the NCER Rules.

The Panel must unanimously agree that a Modification is to be progressed as a Fast Track Self-Governance Modification (Section F 7.1.1). As this was not the case and the consensus was that P422 should be sent out for a consultation, the Panel therefore agreed to submit P422 direct to the Report Phase (and not as a Fast Track Self-Governance Modification).

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7 Report Phase Consultation Responses

The Report Phase Consultation opened on 14 July 2021 and closed on 28 July 2021 (10 Working Day consultation period). No responses were received to the consultation.

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8 Recommendations

We invite the Panel to:

- **AGREE** that P422:
    - **DOES** better facilitate Applicable BSC Objective (d);
- **AGREE** that P422 **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- **DETERMINE** (in the absence of any Authority direction) that P422 is a Self-Governance Modification Proposal;
- **APPROVE** P422;
- **APPROVE** an Implementation Date of:
    - **6 September 2021** as part of a non-standard BSC Release;
- **APPROVE** the draft legal text; and
- **APPROVE** the P422 Modification Report.

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Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
BSC	Balancing and Settlement Code
BRP	Balancing Responsible Parties
BSP	Balancing Service Providers
CSD	Code Subsidiary Document
EBGL	Electricity Balancing Guidelines
ENC	European Network Codes
GEMA	Gas and Electricity Markets Authority
IWA	Initial Written Assessment
NCER	Network Code on Electricity Emergency and Restoration
NETSO	National Electricity Transmission System Operator
NGESO	National Grid Electricity System Operator
SCR	Significant Code Review
STC	System Operator Transmission Owner Code
TSO	Transmission System Operator

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
3 & 5	EBGL	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2017.312.01.0006.01.ENG&toc=OJ:L:2017:312:TOC
3 & 5	P392 'Amending BSC Change Process for EBGL Article 18'	https://www.elexon.co.uk/mod-proposal/p392/
3, 7 & 9	Section F 'Modification Procedures'	https://www.elexon.co.uk/the-bsc/bsc-section-f-modification-procedures/

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External Links		
Page(s)	Description	URL
3 ,7 & 10	Section X Annex X-1 'General Glossary'	https://www.elexon.co.uk/the-bsc/bsc-section-x-annex-x-1-general-glossary/
5	NCER	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R2196
5	NCER Rules approval	https://www.ofgem.gov.uk/publications/decision-approve-market-suspension-and-restoration-rules-and-settlement-rules-market-suspension
13	NGESO Consultation	https://www.nationalgrideso.com/document/161736/download
13	BSC Panel Meeting 316	https://www.elexon.co.uk/meeting/bsc-panel-316/

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