

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

Request to Raise Modification 'Correction to P376 Legal Text'

This Modification is required to correct an error contained within the approved legal drafting for P376. This Proposal will ensure that Virtual Lead Parties (VLPs) do not need to submit the status of Metering System Identifier (MSID) pairs contained within secondary Balancing Mechanism (BM) Units that do not use the baselining methodology introduced in the P376 solution



Elxon recommends the Panel raises the attached Modification Proposal in accordance with the provisions of Section F 'Modification Procedures' F2.1.1(d)(i).



Elxon recommends that the Panel raises this Modification and is progressed directly to the Report Phase with an initial recommendation to approve.



Elxon does not consider that this Modification impacts the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to impact:

- Virtual Lead Parties (VLPs)

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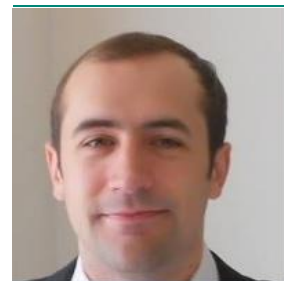
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About This Document



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

- Have 5 mins? Read section 1
- Have 15 mins? Read sections 1, 4, 5 and 6
- Have 30 mins? Read all sections
- Have longer? Read all sections and the annexes and attachments

This document is an Elexon recommendation to the BSC Panel to raise a Modification Proposal (Attachment B) as it will facilitate a more efficient implementation and operation of the BSC (in accordance with BSC Section F 2.1.1(d)(i)).

Elexon will present this Proposal to the Panel on 11 November 2021. If the Panel agree to raise the Modification Proposal, this document will form its Initial Written Assessment (IWA), and the Proposal Form will be updated and published on the Elexon website accordingly.

There are three parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress, including the Workgroup's proposed membership and Terms of Reference.
- Attachment A contains the draft legal text for the Modification.
- Attachment B contains the Proposal Form.

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1 Summary

What is the issue?

The Ofgem decision letter for P376 detailed an error in Section S of the BSC legal drafting which inadvertently places new requirements on VLPs that do not wish to use the baselining methodology detailed in the P376 solution. The P376 solution intends to ensure that only VLPs that wish to use the baselining methodology are required to register the 'Inactive' status of an MSID pair in a BM Unit that has been registered as a 'Baselined BM Unit'.

Under the current approved P376 solution, VLPs with BM Units that have not been registered as a 'Baselined BM Unit' would be required to specify the 'Inactive' status of a non-baselined BM Unit. It is Elexon's view that this new requirement was not intended, is expected to increase both system development costs associated with P376 as well as on-going operational costs for VLPs. This current requirement is not necessary, adds no value and does not better facilitate any of the Applicable BSC Objectives. The Proposer of P376 agrees that allowing non-baselined BM Units would cause a problem and suggested disallowing this functionality.

What is the proposed solution?

This Modification moves BSC Section S 10.1.3A (i) in the approved P376 legal text to Section 10.1.3A and updates the reference to this Section in 10.1.3B. This will ensure that the 'Inactive' status of an MSID pair will only need to be specified by VLPs in baselined BM units.

Impacts and costs

| Costs Estimates | | | |
|-----------------|---------------------|---------------|--------------------------------------------------------------------------------------------------------------------------|
| Organisation | Implementation (£k) | On-going (£k) | Impacts |
| Elexon | <1k | 0 | The implementation costs are associated with the development of the legal text of Section S 'Supplier Volume Allocation' |
| NGESO | 0 | 0 | No impact |
| Industry | 0 | 0 | No impact |
| Total | 0 | 0 | |

This Modification is required to deliver the P376 Solution as initially intended. As such the costs associated with this Modification are minimal. If approved, this Modification will avoid additional Elexon system development costs and on-going VLP operational costs. As these costs were never envisaged as part of P376, if this Modification is not progressed it is expected that P376 ongoing and implementation costs would increase.

Implementation

We recommend an Implementation Date of:

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- **23 February 2023** as part of the standard February 2023 Release.

This is required to align the Implementation Date to that of P376.

Recommendation

We recommend the Panel raise this Modification Proposal as it will facilitate the efficient implementation and operation of the Approved P376 Modification Proposal (in accordance with Section F 2.1.1(d)(i)).

As this Modification seeks to correct a self-evident error in the Code, we believe that this Modification should be progressed straight to the Report Phase as a Self-Governance Modification Proposal.

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2 Why Change?

What is the issue?

Registration of Baselined BM Units Under P376

The P376 Solution allows VLPs with SBMU to use a baselining methodology to determine the expected energy flows for an MSID Pair in the calculation of Non-Delivery Charges and Delivered Volumes. If VLPs wish to use a baselining methodology they are required to register relevant Metering System Identifiers (MSID). As part of this the VLP must:

- Specify the relevant ABMU is a 'Baselined BM Unit'; and
- Specify the status of the MSID Pair within the Baselined BM Unit as either:
 - **Baselined** – MSID Pairs that will have their forecasted volumes determined using a Baselining Methodology.
 - **Included in Party Submission** – MSID Pairs in a Baselined BM Unit that will not have their forecast volumes determined using a Baselining Methodology. Instead, Parties will submit an aggregate forecast of energy flows for these MSID Pairs. Or;
 - **Inactive** – MSID Pairs in a Baselined BM Unit that will not be used to provide any balancing services and whose volumes will not be used in the calculation of Non-Delivery Charges or Delivered Volumes. Inactive MSID Pairs will not be able to have Delivered Volumes assigned against them. The inactive status is expected to be use in cases where the VLP is not in a position to provide any reasonable estimate of the Import/Export levels.

Error in P376 Drafting

Section S of the P376 legal drafting inadvertently places new requirements on VLPs that do not wish to use the baselining methodology detailed in the P376 solution. The P376 solution intends to ensure that only VLPs that wish to use the baselining methodology are required to register the 'Inactive' status of an MSID pair in a BM Unit that has been registered as a 'Baselined BM Unit'.

Under the current approved P376 solution, VLPs with BM units that have not been registered as a 'Baselined BM Unit' would be required to specify the 'Inactive' status of a non-baselined BM Unit. It is Elexon's view that this new requirement was not intended, is expected to increase both system development costs associated with P376 as well as on-going operational costs for VLPs and does not better facilitate any of the Applicable BSC Objectives. The table below summarises the issue:

| For Which MSID Pairs is a VLP Required/Able to Specify the Inactive Status? | | | |
|---------------------------------------------------------------------------------------|------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|
| | Baselined MSID Pair in Baselined Secondary BMU | Non-Baselined MSID Pair in Baselined Secondary BMU | Non-Baselined MSID Pair in non-Baselined Secondary BMU |
| According to the approved P376 legal text | ✓ | ✓ | ✓ |
| As intended by the P376 Workgroup and Proposer (this Modifications proposed solution) | ✓ | ✓ | ✗ |

Table 1: Description of P376 Drafting Error



What are Non-Delivery Charges?

Where a BM Unit participates in the Balancing Mechanism, the Settlement process charges/claws back payments as Non-Delivery Charges if a particular BM Unit Meter Volume does not reach the expected level.

The Period Expected Metered Volume, QME_{ij} is calculated for BM Unit i for Settlement Period j as:

$$QME_{ij} = FPN_{ij} + QBS_{ij}$$

Where FPN_{ij} is the Final Physical Notification which is the level of Import and Export that the party expects to Import or Export in the absence of any Balancing activity. QBS_{ij} is the Period BM Unit Balancing Services Volume which is the sum of the net quantity of accepted Bids and Offers. The BM Unit Metered Volume QM_{ij} is then subtracted from QME_{ij} the expected volume and the Non-Delivery Charges are then calculated in accordance with the provisions in BSC Section T4.8.

P376 Background, Solution and Current Status

What issue is being addressed by P376?

Modification [P376 'Utilising a Baselining Methodology to set Physical Notifications for Settlement of Applicable Balancing Services'](#) was raised by Enel Trade S.P.A on 11 December 2018. This Modification seeks to address an issue faced by VLPs and Suppliers whereby a relevant party controls an asset which shares a network connection with other assets (demand or generation) whose output is outside of their control and as a result they are not able to accurately forecast. In these instances, it can be challenging for the relevant party to provide accurate Physical Notifications (PNs) which can lead to inaccurate Settlement with parties or customers not being paid fully for delivery even if they respond to an instruction in the Balancing Mechanism (BM) as requested. These inaccuracies may lead to parties incurring inappropriate Non-Delivery Charges.

What is the P376 Solution?

The P376 Solution introduces Baselining Methodologies which will be detailed in a new BSC document. These methodologies use recent historic data to provide an estimate of the energy flows that would be expected at a Boundary Point under normal circumstances. The Baselining Methodologies use actual Metered Data to produce an estimate of what energy flows would be expected if a site was operating normally. This estimate known as the Settlement Expected Volume (SEV) can be used by VLPs with Secondary BM Units (SBMU) or Suppliers with Additional BM Units (ABMU) in place of the Final Physical Notification (FPN) in settlement calculations to improve settlement accuracy.

A full description of the P376 Solution including details of the Baselining Methodologies and worked examples can be found in the [P376 Final Modification Report](#).

P376 Current Status

P376 was recommended for approval by the Panel on 13 May 2021, Panel Members believed that the Modification better facilitated Applicable BSC Objectives (b), (c) and (e). P376 was subsequently approved for implementation by Ofgem on 6 August 2021. In the Ofgem approval letter the Authority highlighted an unintentional error in Section S of the BSC and set the expectation that this would be resolved via a new BSC Modification prior to the Implementation Date of P376 on the 23 February 2023.

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Proposed solution

This Modification moves BSC Section S 10.1.3A (i) in the approved P376 legal text to Section 10.1.3A and updates the reference to this Section in 10.1.3B. This will ensure that the 'Inactive' status of an MSID pair will only need to be specified by VLPs in baselined BM units.

Benefits

This Modification will remove the unintended inefficiency in the current P376 solution by removing the requirement for VLPs to specify the Inactive status on non-baselined BM Units this is expected to reduce costs associated with the system development of P376 and the on-going operational costs associated VLPs specifying the 'Inactive' status of MSID pairs in non-baselined BM Units.

Applicable BSC Objectives

As this Modification will remove the unnecessary requirement on VLPs to specify the 'Inactive' status of MSID pairs in non-baselined BM Units, Elexon believes that this will increase operational efficiency and thus will better facilitate Applicable BSC Objective (d) Promoting efficiency in the implementation of the balancing and settlement arrangements.

Implementation approach

Elexon recommends an Implementation Date for this Modification of:

- **23 February 2023** as part of the standard February 2023 BSC release.

This Implementation Date is recommended to align with the P376 Approved Implementation Date and ensure that the unintended consequences associated with implementing the current P376 solution are not realised.

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 administering 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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Proposed Progression

We believe this Modification should be progressed straight to the Report Phase as a Self-Governance Modification Proposal. This Modification seeks to rectify an unintended consequence of the P376 approved redlining. The solution is self-evident, fully defined (in Attachment B) and it does not fundamentally alter the intent of P376 or impact or extend the EBGL Article 18 Terms and Conditions. Further, Ofgem expect this change to be progressed, as detailed in its decision letter and the P376 Proposer fully supports this Modification Proposal.

We believe that any assessment by a Workgroup or further analysis carried out in an Assessment Phase would provide no further benefit in this case.

Progression as a Self-Governance Modification

If the Panel determines to progress this Modification as recommended, we recommend progression in line with the timetable below.

Timetable

| Proposed Progression Timetable for this Modification as a Self-Governance Modification | |
|----------------------------------------------------------------------------------------|-------------------------------------|
| Event | Date |
| Modification raised by the BSC Panel | 11 November 2021 |
| Report Phase Consultation (10WDs) | 16 November 2021 – 30 November 2021 |
| Present Draft Modification Report to Panel | 9 December 2021 |
| Self-Governance Objection Window (15WDs) | 9 December 2021 – 4 January 2022 |
| Implementation Date | 23 February 2023 |

Please note that due to the short time between the Report Phase Consultation closing on the 30 November and the paper day for the December Panel meeting on 2 December 2021 there is a risk that the papers will be late if a large volume of responses are received or if a material issue is raised.

What is the Self-Governance Criteria?

A Modification that, if implemented:

- (a) does not involve any amendments whether in whole or in part to the EBGL Article 18 terms and conditions; except to the extent required to correct an error in the EBGL Article 18 terms and conditions or as a result of a factual change, including but not limited to:
 - (i) correcting minor typographical errors;
 - (ii) correcting formatting and consistency errors, such as paragraph numbering; or
 - (iii) updating out of date references to other documents or paragraphs;
- (b) is unlikely to have a material effect on:
 - (i) existing or future electricity consumers; and
 - (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
 - (iii) the operation of the national electricity transmission system; and
 - (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
 - (v) the Code's governance procedures or modification procedures; and

(b) is unlikely to discriminate between different classes of Parties.

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5 Likely Impacts and costs

Estimated Implementation costs

The costs to implement this Modification will be **low (<£1k)**. These implementation costs are associated with developing the legal drafting for Section S.

| Impact on BSC Parties and Party Agents | | |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Party/Party Agent | Potential Impact | Potential cost |
| Virtual Lead Parties | This Modification will remove an unnecessary burden for VLPs who do not wish to use the Baselining Methodology. If this Modification is not progressed VLPs will be required to specify the 'Inactive' status for MSID pair within non-baseline BM Units | L |

| Impact on the NETSO | |
|----------------------|----------------|
| Potential Impact | Potential cost |
| No impact identified | None |

| Impact on BSCCo | | |
|------------------------|---------------------------------------------------------------------|----------------|
| Area of Exelon | Potential Impact | Potential cost |
| Rules Management/Legal | The cost associated for developing the legal text for BSC Section S | <£1k |

| Impact on BSC Settlement Risks | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| No impacts identified. Whether VLPs are required to specify 'Inactive' status for MSID pair within non-baseline BM Units or not, has no impact on Settlement. | |

| Impact on BSC Systems and processes | |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| BSC System/Process | Potential Impact |
| Variable | If approved, this Modification will avoid additional Exelon system development costs and on-going VLP operational costs. As these costs were never envisaged as part of P376, if this Modification is not progressed it is expected that P376 ongoing and implementation costs would increase. |

| Impact on BSC Agent/service provider contractual arrangements | |
|---------------------------------------------------------------|-----------------------|
| BSC Agent/service provider contract | Potential Impact |
| N/A | No impacts identified |

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| Impact on Code | |
|----------------|-------------------------------------------------------------------------------|
| Code Section | Potential Impact |
| BSC Section S | To be amended as per Attachment B to meet the solution specified in Section 3 |

| Impact on EBGL Article 18 terms and conditions |
|---------------------------------------------------------------|
| No EBGL Article 18 terms and conditions have been identified. |

| Impact on Code Subsidiary Documents | |
|-------------------------------------|-----------------------|
| CSD | Potential Impact |
| N/A | No impacts identified |

| Impact on other Configurable Items | |
|------------------------------------|-----------------------|
| Configurable Item | Potential Impact |
| N/A | No impacts identified |

| Impact on Core Industry Documents and other documents | |
|-------------------------------------------------------|-----------------------|
| Document | Potential Impact |
| Ancillary Services Agreements | No impacts identified |
| Connection and Use of System Code | |
| Data Transfer Services Agreement | |
| Distribution Code | |
| Grid Code | |
| Retail Energy Code | |
| 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 identified. We have requested that Ofgem treat this Modification as a SCR exempt Modification on 4 November 2021

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 |

This Modification has no impact on consumer. It will improve the VLPs registration experience by removing the need to maintain SBMUs statuses, unless they have chosen to use the baselining methodology.



What are the consumer benefit areas?

1) Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?

2) Will this change lower consumers' bills by controlling, reducing, and optimising

spend, for example on balancing and operating the system?

3) Will this proposal support:

i) new providers and technologies?

ii) a move to hydrogen or lower greenhouse gases?

iii) the journey toward statutory net-zero targets?

iv) decarbonisation?

4) Will this change improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.

5) Are there any other identified changes to society, such as jobs or the economy.

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6 Recommendations

We invite the Panel to:

- **RAISE** the Modification Proposal in Attachment A in accordance with F2.1.1(d)(i);
- **AGREE** that this Modification:
 - **DOES** better facilitate Applicable BSC Objective (d);
- **AGREE** that this Modification **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- **AGREE** an initial recommendation that Modification should be **approved**;
- **AGREE** an initial Implementation Date of:
 - 23 February 2023 as part of the February 2023 Release
- **AGREE** the draft legal text;
- **AGREE** an initial view that this Modification should be treated as a Self-Governance Modification; and
- **NOTE** that Elexon will issue the draft Modification Report (including the draft BSC legal text) for a 10 Working Day consultation and will present the results to the Panel at its meeting on 9 December 2021.

Appendix 1: Glossary & References

Acronyms

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

| Acronym | |
|---------|---------------------------------------------------|
| Acronym | Definition |
| ABMU | Additional BM Unit |
| BM | Balancing Mechanism |
| BSC | Balancing and Settlement Code |
| CSD | Code Subsidiary Document |
| EBGL | Electricity Balancing Guidelines |
| FPN | Final Physical Notification |
| IWA | Initial Written Assessment |
| MSID | Metering System Identifier |
| NETSO | National Electricity Transmission System Operator |
| NGESO | National Grid Electricity System Operator |
| SBMU | Secondary BM Unit |
| SCR | Significant Code Review |
| VLP | Virtual Lead Party |

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 |
| 6 | P376 Modification Webpage | https://www.elexon.co.uk/mod-proposal/p376/ |