

ELEXON REPORT

MEETING NAME	BSC Panel
Date of meeting	11 September 2014
Paper number	228/01
Owner/author	Peter Haigh
Purpose of paper	For information
Classification	Public
Summary	This paper provides a summary of recent issues and developments in the period 15 August to 3 September 2014.

1. Overview

1.1 This paper is provided for the information of the Panel. It presents an overview of activities and developments within ELEXON and the balancing and settlement arrangements and summarises the business of the Panel meeting. Detailed information on operational matters will be provided in other reports, particularly the Trading Operations Report.

2. ELEXON News

Consultation responses

- 2.1 We have responded to three consultations:
- Ofgem's consultation on reliable next day switching
 - The Competition and Markets Authority Statement of Issues (see below)
 - ACER's consultation on REMIT Registered Reporting Mechanisms
- 2.2 These consultation responses, and all our previous responses, can be found on the [Industry Insights](#) section of ELEXON website.

Board Headline Reports

2.3 ELEXON Board Meetings are held monthly. Board headline reports are available on the ELEXON website: [Board Headline Reports](#).

BSC Central Services Agent Re-procurement

2.4 As previously reported to the Panel, we have been evaluating how best to deliver and transform the central settlement services¹. ELEXON plans to present a Tender Framework statement for the re-procurement of these services later this year. It is likely that this will include a restructuring of the contracts to align with current industry practice and support transformation of the systems.

¹ Settlement Administrator Agent; Funds Administration Agent; Balancing Mechanism Reporting Agent; Energy Contract Volume Aggregation Agent; Central Data Collection Agent; Central Registration Agent; Supplier Volume Allocation Agent

New BMRS Platform

- 2.5 Following the third user group meeting for the new BMRS Platform project on 29 July 2014 we have, at the behest of the BSC users, looked at some potential changes to the interfaces being developed in support of P291, including the addition of Rich Site Summary (RSS) feeds, which were not envisaged by the original solution.
- 2.6 Acer guidance on the application of REMIT has been published since P291 was approved. It recommends that, as a minimum requirement, inside information should be made available via web feeds and specifically mentions RSS feeds; some users have therefore proposed that RSS feeds are required for P291. Furthermore, Article 10(1) of Implementing Acts, currently in comitology² process, has a requirement for inside information platform to provide a web feed, as follows: *"Market participants disclosing inside information on their website or service providers disclosing such information on market participants' behalf shall provide web feeds to enable the Agency to collect these data efficiently"*.
- 2.7 The provision of data via the planned Application Programme Interface (API) exceeds the minimum requirement to provide web feeds and provides more secure web feed functionality than RSS feeds; we therefore believe it fully complies with the Acer guidance and draft Article 10(1).
- 2.8 We are seeking confirmation from Acer that the API solution satisfies this aspect of the regulation, in order to ensure that no further changes will be required once the regulation is in force. Should a change be required it will be managed through the BSC change process.
- 2.9 Development of the new platform remains on track to deliver Phase 1 in time to meet the P291 and P295 implementation dates in December 2014.
- 2.10 We have been assured by National Grid that its solution design is unlikely to change and its planned testing dates are now aligned ours. NG has agreed to provide data to support the testing of our systems and the end to end process. Both the interface design and the test data are critical to successful delivery of these Modifications. We continue to liaise with NG's project team to ensure plans and specifications remain aligned and that adequate testing and assurance is completed in time for implementation. Updates are provided regularly to ISG, who also have a representative on the user group.
- 2.11 We are also liaising with Ofgem and ENTSO-e over the ongoing governance for subsequent ENTSO-E changes relating to European Transparency data, to ensure industry are given reasonable notice to implement such changes.
- 2.12 If you would like to discuss the new BMRS platform project further, we would be delighted to hear from you. Contact alex.grieve@elexon.co.uk.

Business Process Reporting

- 2.13 We continue to work with Hitachi to deliver the initial pilot phase of the business process and reporting solution. The pilot phase will enable ELEXON to deliver the Large EAC/AA and Operational Support Manager (OSM) performance reports more quickly and to do additional analysis on request from individual participants. Subject to a review of benefits after this phase, we will then progress to Phase 2 and the delivery of functionality that will give users direct access to their data.

² Comitology in the European Union refers to a process by which EU law is modified or adjusted and takes place within "comitology committees" chaired by the European Commission.

Improved process for publishing confidential Panel and Panel Committee papers

2.14 ELEXON has implemented a new internal process for circulating Panel and Panel Committee papers to increase the controls around confidential papers. This is in response to two instances in the last six months of confidential information being erroneously published with public PAB papers, the most recent of which was drawn to our attention by a BSC Party. The confidential information was removed from the website as soon as we became aware of the error, and we are confident that we now have sufficient checks in place to prevent a reoccurrence.

3. Industry News

European Developments

3.1 At the time of writing, we are expecting that the next draft of the Electricity Balancing Network Code will be published by ENTSO-E in September. The previous public draft was issued in December 2013, so we await to see what changes have been made with interest given this Code's potentially significant impact on the BSC and its governance.

Competition and Markets Authority (CMA) investigation

3.2 ELEXON has responded to the CMA Statement of Issues, providing background to the way that electricity imbalance prices were developed over time such that the CMA can reflect on how it describes them within its 'Theories of harm'. In addition, we highlighted our original response to Ofgem and the areas where the wider regulatory burden could be reduced.

3.3 The CMA has contacted ELEXON requesting data. The BSC Panel has approved the request for data and we issued the information to the CMA on 3 September.

3.4 The CMA has received 35 responses to its Statement of Issues. All responses are published [here](#). The responses show a diverse range of views with regards to the validity of the theories of harm and issues affecting the market. A number of respondents also suggest the CMA should consider additional areas in its investigation. The following suggestions relate to areas associated with the wider balancing and settlement arrangements:

- Review 'the burden of the credit and collateral arrangements (as administered by ELEXON, amongst others)';
- Review the market design (NETA arrangements) 'as the Balancing mechanism drives vertical integration and kills liquidity';
- Review of Codes and Licenses, as 'there is a significant burden of participation, e.g. understanding and adhering to the Balancing Mechanism and BSC and need to understand a 1000 page of industry Code';
- Review the balancing cash out arrangements 'as they are punitive and dual cashout is the seed that leads to vertical integration'; and
- Consider 'the impact of Ofgem's Electricity Balancing Significant Code Review reducing PAR volume'.

4. Operational News

Consultation on the Market Index Definition Statement (MIDS) annual review

4.1 The Market Index Definition Statement (MIDS) defines the way the Market Index Price – used to determine the 'reverse' Energy Imbalance Price – is calculated. The BSC requires us to review the MIDS annually. This year, our analysis shows that the current Individual Liquidity Threshold (ILT), timeband weightings and product weightings are suitable. However, the calculation could better reflect trades close to Gate Closure.

Therefore, as a result of the review we recommend excluding trades more than eight hours ahead of Gate Closure rather than the current 12 hours by removing timeband 6 from the calculation.

- 4.2 We have issued a [consultation](#) seeking views on the outcome of the review. The consultation closes on 11 September 2014. All responses will be presented to the Imbalance Settlement Group (ISG) at its September meeting, following which the ISG will make a recommendation to the BSC Panel.
- 4.3 For more information, please contact [Thomas Routier](#) on 020 7380 4378.

Consultation on the benefits and impacts of reducing Settlement timescales

- 4.4 On behalf of the Profiling and Settlement Review Group (PSRG), ELEXON has issued a [consultation](#) seeking views from interested and impacted parties on the benefits, savings, costs and impacts of two options for reducing Settlement timescales. The purpose of the consultation is to confirm the PSRG's initial views on potential benefits of reduced Settlement timescales. It also seeks to assess the impacts (beneficial or otherwise) for industry parties, and to identify consumer benefits.
- 4.5 The consultation closes on 22 September 2014, and any queries should be directed to Kevin Spencer on 020 7380 4115 or market.operations@elexon.co.uk.

Credit Assessment Load Factor (CALF) appeal deadline

- 4.6 The CALF values for the Winter 2014 BSC Season (1 December 2014 – 28 February 2015) are available to download from the ELEXON Portal. Any Lead Party of a non-Credit Qualifying BM Unit who believes the assigned value does not accurately represent the expected Balancing Mechanism Unit activity can appeal its assigned CALF value. Appeals should be submitted by 3 November 2014. Information on CALF appeals and the CALF Appeals proforma (which should be submitted to bscservicedesk@cgi.com by the deadline) can be found in Appendix 5 of the [CALF Guidance document](#). Contact [Jordi Brown](#) for more information.

Assurance documents published

- 4.7 The PAB has approved the Annual Performance Assurance Report (APAR) and the Risk Evaluation Register (RER). The [APAR](#) summarises the outcome of the application of Performance Assurance Techniques during 2013/14. The [RER](#) sets out the Settlement Risks identified and evaluated by the Performance Assurance Board (PAB) in accordance with the Risk Evaluation Methodology (REM). For further information on either document, please contact [Melinda Anderson](#) on 020 7380 4019.

5. Summaries of Panel Business – Tabled

Report from the Imbalance Settlement Group (ISG)

- 5.1 At its meeting on 26 August 2014, the ISG considered 11 decision papers. Key decisions included six Metering Dispensations, a Data Review for the Market Index Definition Statement 2014 and two Trading Unit Applications.
- 5.2 Further information can be found in the ISG Panel report 228/01a.

Report from the Supplier Volume Allocation Group (SVG)

- 5.3 At its meeting on 2 September 2014, the SVG considered seven decision papers. Key decisions included MDD Change Requests, four CPs and a Line Loss Factor methodology audit report.
- 5.4 Further information can be found in the SVG Panel report 228/01b.

Report from the Performance Assurance Board (PAB)

- 5.5 At its meeting on 28 August 2014, the PAB considered ten decision papers. In addition to its usual business, it considered one Settlement Risk Report, PARMS TAPAP Findings and Supplier Charges for May 2014.

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5.6 Further information can be found in the PAB Panel report 228/01c.

Report from the Trading Disputes Committee (TDC)

5.7 At its meeting on 4 September 2014, the TDC considered three decision papers. In addition to its usual business, it also considered three Trading Disputes.

5.8 Further information can be found in the TDC Panel report 228/01d.

Report from the Profiling and Settlement Group (PSRG)

5.9 At its meeting on 6 August 2014, the PSRG was updated on the Settlement of Dynamically Switched Registers and New Measurement Classes: P300 Modification.

5.10 Further information can be found in the PSRG Panel report 228/01e.

Information Relating to Other Industry Codes

5.11 Table 1 includes the dates of most recent previous and future meetings of the electricity code panels.

Table 1 – Previous and forthcoming code panel meetings

Panel/committee	Previous meeting date	Next meeting date
DCUSA (Distribution Connection and Use of System Agreement) Panel	20 August 2014	17 September 2014
CUSC (Connection and Use of System Code) Modifications Panel	29 August 2014	26 September 2014
STC (System Operator-Transmission Owner Code) Committee	27 August 2014	24 September 2014
GCRP (Grid Code Review Panel)	16 July 2014	17 September 2014
MDB (Master Registration Agreement (MRA) Development Board)	29 August 2014	26 September 2014
SEC (Smart Energy Code) Panel	15 August 2014	12 September 2014

6. Smart Metering, Smarter Markets, Smart Grids

Smarter Markets

6.1 **Settlement Reform:** The electricity settlement expert group met twice in July to continue the work on half hourly settlement. The meetings were a success with support for ELEXON's options for reducing settlement timescales. This builds upon the work of the PSRG for reducing the settlement timetable to 7 then 4 months (from the current 14 months). The expert group also considered options for data estimation and options for centralised data processing and data aggregation (one option being ELEXON undertaking this role). The next meeting is scheduled for 3 September.

- 6.2 **Change of Supplier (CoS):** ELEXON has responded to Ofgem's consultation on improving the switching process. Entitled 'Moving to reliable next day switching', the consultation sets out the process that Ofgem intends to follow to deliver next day switching by 2018. ELEXON is supportive of changes to deliver benefits to the market and the end consumer and is keen to assist in the definition and delivery of these changes and lend our expertise in these matters to ensure that the design is right and improvements are made to simplify a complex process and make the market simpler and better.
- 6.3 **Data Quality:** ELEXON is working on Ofgem's request for a report on how data quality can be improved to support a more efficient CoS (for both Gas and electricity). ELEXON met with Gemserv in August to discuss next steps. ELEXON will support the delivery of the report for Ofgem by December 2014.

Profiling and Settlement Review

- 6.4 The PSRG met on 16 July to consider the responses to the consultation on the 'Settlement of Dynamically Switched Registers'. The PSRG agreed two options for assessment on the settlement of dynamically switched smart meters (manage within the existing framework) and mandate HH Settlement). ELEXON is progressing the assessment of these options.
- 6.5 The PSRG also met on 6 August to review the results of ELEXON's impact assessment on 2 options for reducing settlement timescales (reduce to 7 months by 2017 and then further reduce to 4 months by 2020). The PSRG noted the minimal internal impacts both from a cost and process perspective. It agreed its initial view that the proposed options of reducing settlement timescales would be beneficial to the market and thus the end consumer. The next stage will be to obtain (via a consultation – see above) participant benefits, savings, impacts and costs.

Smart Grids

- 6.6 ELEXON has published a series of perspectives on the future electricity market and how decentralised energy and smart grids may impact on balancing and settlement. They can be found in the [smart grids reference](#) section of the ELEXON website:
- *Getting the most from distributed energy resources* – a framework to understand the different types of value distributed energy resources can bring to the electricity market. A longer report describes what local energy market trials could be undertaken.
 - *Encouraging local energy supply through a local balancing unit* – discussion of the concept of a local balancing unit to support local tariffs and how this could work within the Balancing and Settlement arrangements.
 - *Maximising the value from Demand Side Response (DSR)* – modelling of the cross-party impacts that could occur from increased use of demand side response amongst suppliers, system operator and distribution networks. A longer report and modelling shows how a central market for DSR could optimize value for the GB electricity system.
 - *Electricity storage in the GB market* – assessment of the range of business models that could be enabled through electricity storage and the implications for balancing and settlement.
 - *Active management of distributed generation* – Distribution Networks are starting to make use of active network management technologies to locally manage constraints. Five potential new market models are discussed in order to understand how distribution level balancing may work in the future.
- 6.7 For further information please contact [Chris Allen](#).

For more information, please contact:

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Peter Haigh, Chief Executive

peter.haigh@elexon.co.uk

020 7380 4004

Appendices:

Appendix 1 – ELEXON Monthly KPIs

Attachments:

Attachment A – 228/01a: Report from the ISG

Attachment B – 228/01b: Report from the SVG

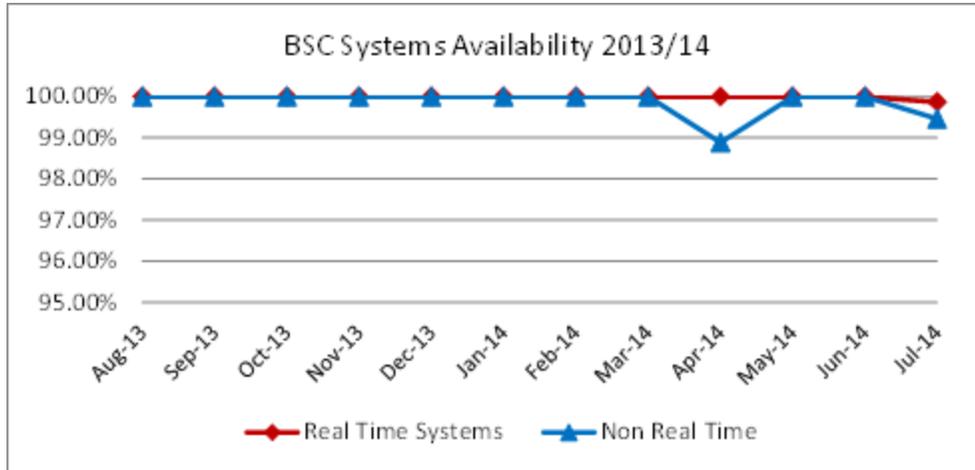
Attachment C – 228/01c: Report from the PAB

Attachment D – 228/01d: Report from the TDC

Attachment E – 228/01e: Report from the PSRG

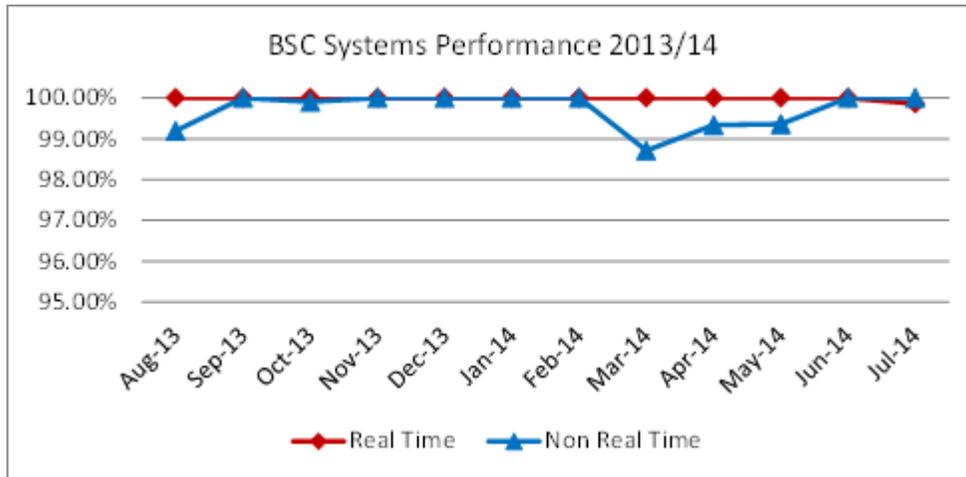
ELEXON Key Performance Indicators

July 2014



BSC Systems Availability

ECVAA and SVAA SLA breaches affected BSC Systems Availability in July.



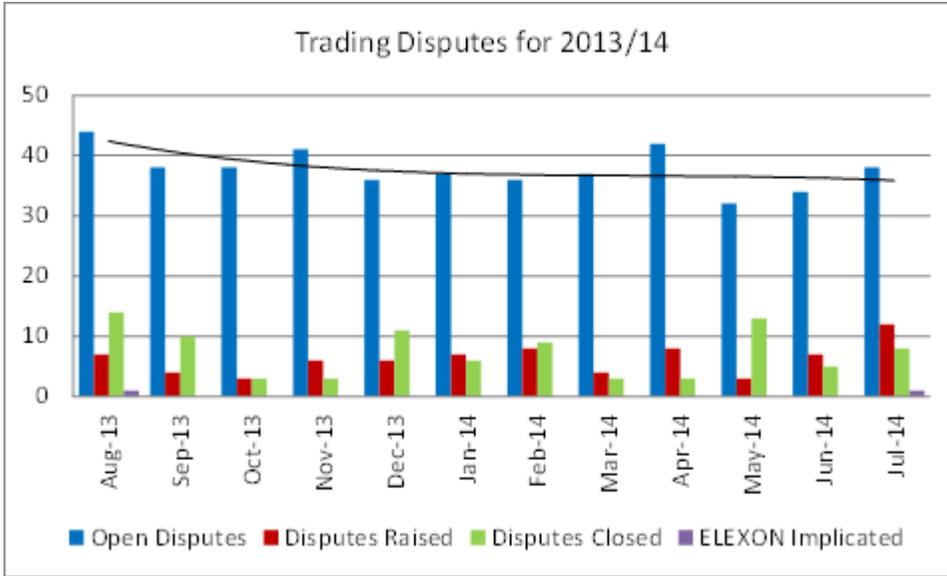
BSC Systems Performance

ECVAA and Service Desk breaches affected BSC Systems Performance in July.

Service Quality/Processes

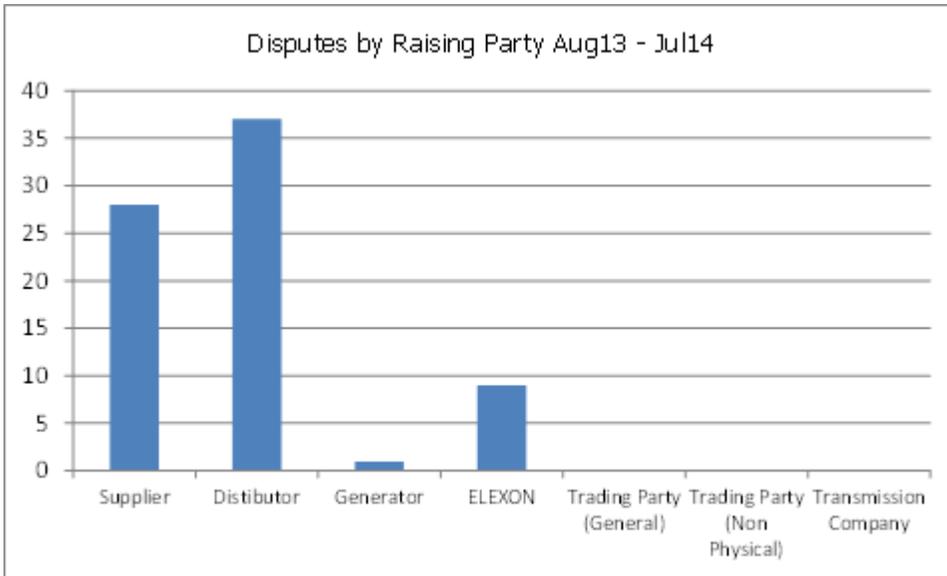
ELEXON Key Performance Indicators

July 2014



Trading Disputes

Trading Disputes can be raised by any BSC Party, including ELEXON, and are assessed by the Trading Disputes Committee (TDC). Twelve new disputes were opened and 8 were closed in July.



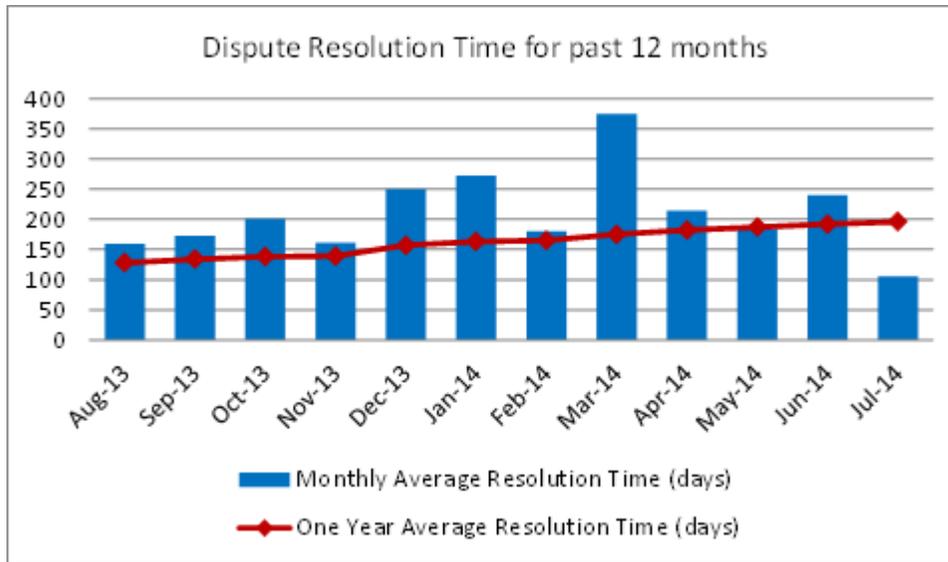
Disputes by Raising Party Type

This KPI shows all Disputes raised over the last 12 months by the type of participant who raised the Dispute.

Service Quality/Processes

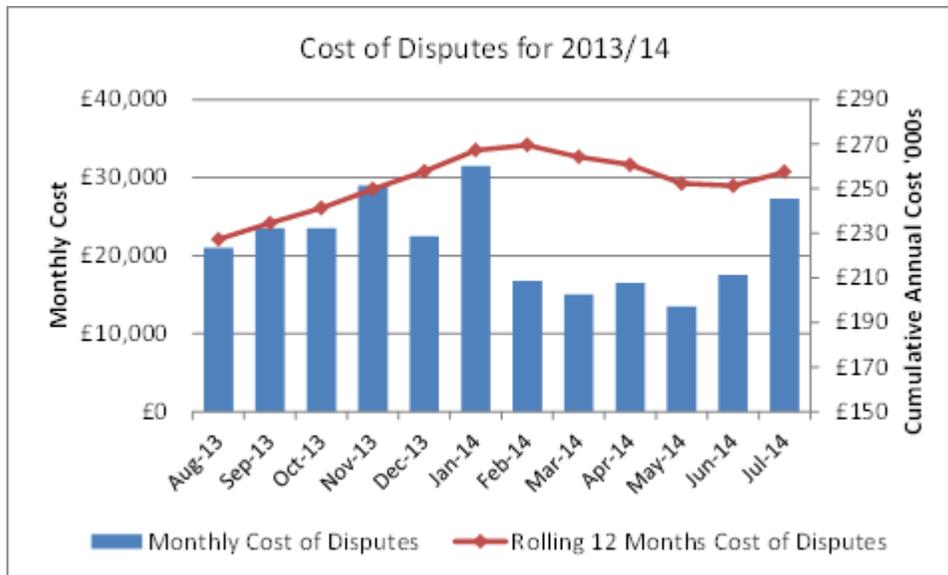
ELEXON Key Performance Indicators

July 2014



Dispute Resolution Time

Eight disputes were closed in July. The annual average resolution time to July is 196 days (+4).



Cost of Processing Disputes

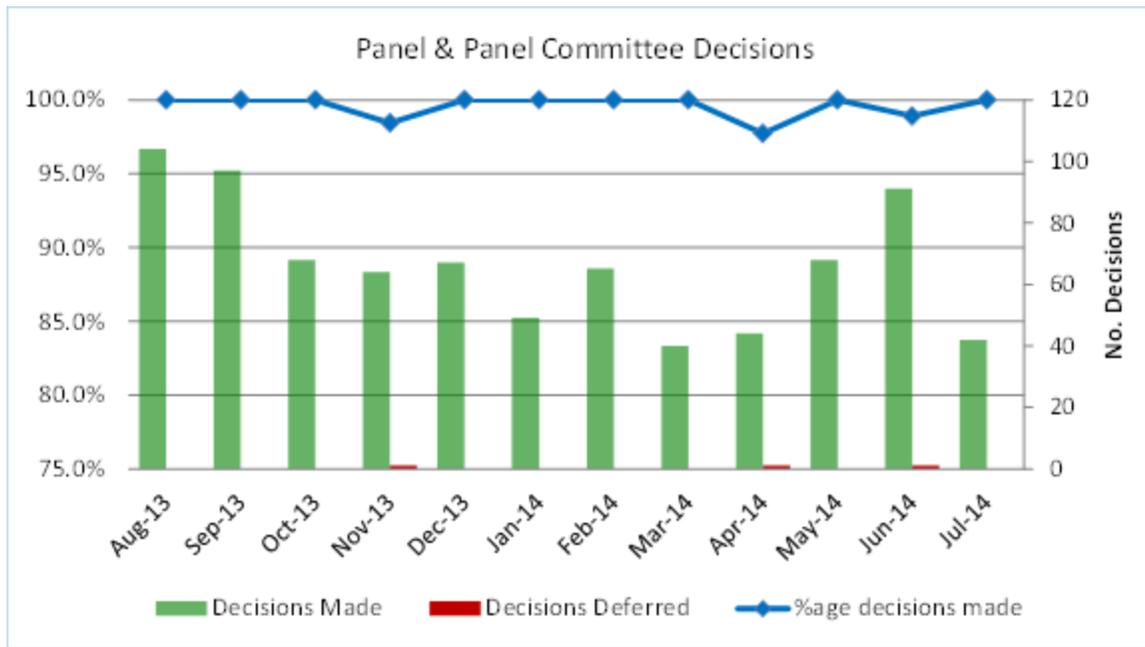
Within the Metering and Disputes team there are two dedicated resources dealing with Trading Disputes with, going forward, some flexibility for others to help out.

The costs for July 2014 represent 52.5 man days of dedicated resource. There is an additional 2 man days covering the administration around the monthly TDC meeting. A total of 54.5 man days expended for July. Using a day rate of £500 gives a monthly cost of £27,250.

Service Quality/Processes

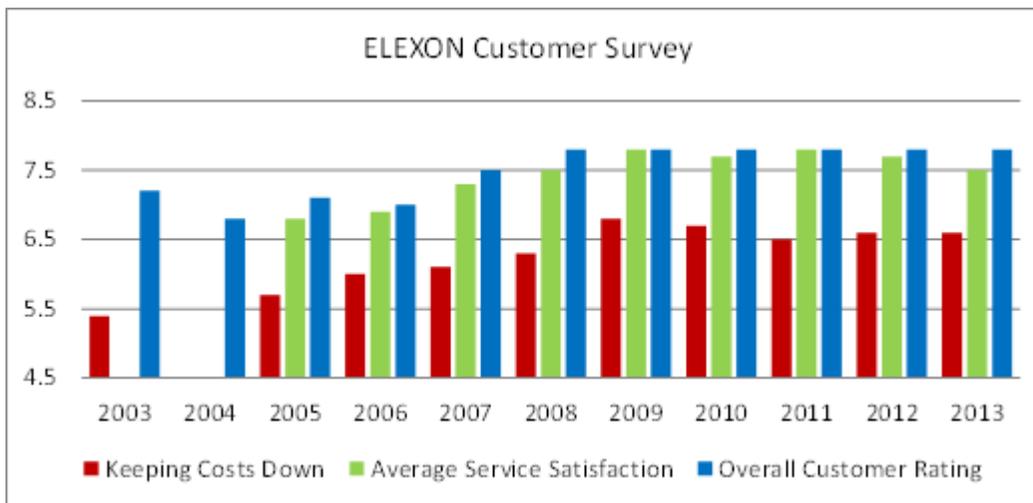
ELEXON Key Performance Indicators

July 2014



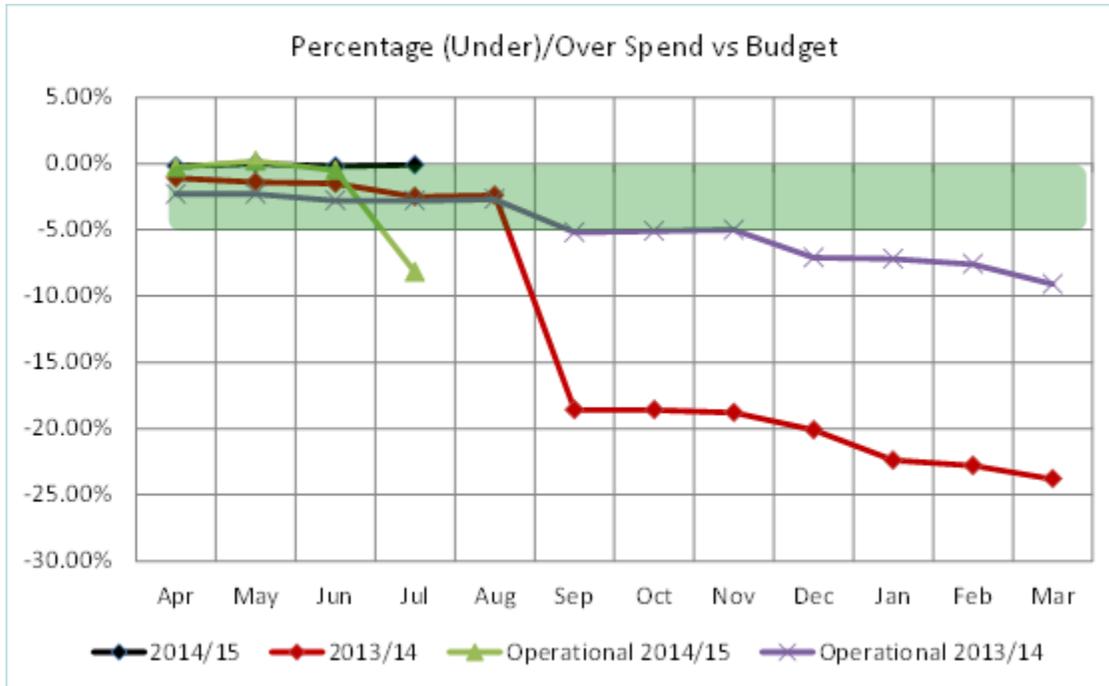
Panel & Panel Committee Decisions

For the month of July all 42 decisions submitted to the Panel and its committees were made.



ELEXON Customer Survey

This graph has been updated to include the 2013 Customer Survey. ELEXON's scores for 2013 are overall 7.8 (unchanged), average service satisfaction 7.5 (-0.2), and keeping costs down 6.6 (unchanged).

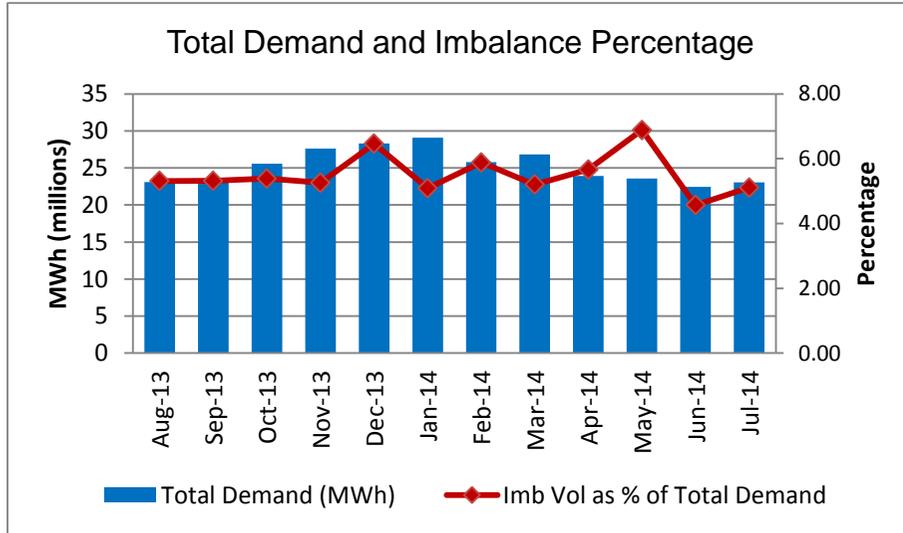


Financial Year 2014/15 Spend against Budget compared with 2013/14

ELEXON overall are 0.1% under budget for the financial year 2014/15. The operational budget is under budget by 8.2%. The contracted costs are 0.1% under-budget and market development is 2.8% under budget. Demand led and system strategy costs are all on budget.

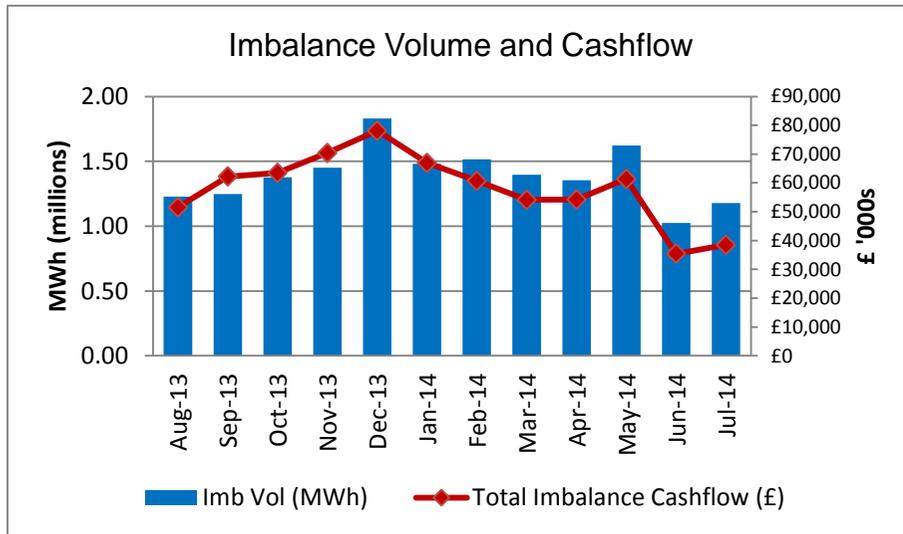
ELEXON Key Performance Indicators

July 2014



Value of Imbalance Settlement

These graphs are for information only to put ELEXON's role in context. The graph below is also reported in the Trading Operations Report.



Service Quality / Processes