Highlights: Q214/15 (Jul-Sep)

Annual Strategic Review Activities

Annual Performance Assurance Report: The APAR notes that the cost of delivering the assurance service in 2013/14 was 32% lower than forecast. The report draws together the findings from across the PAF for 2013/14.

Settlement Risk Review: The PAB has completed its annual review of Settlement Risks in consultation with the industry and concluded that no major changes are required at this time. It has, however, indicated that future considerations might include a review of the way CVA risks are documented and the risk profile may change with the move to HH Settlement under Modifications P272 and P300.

P1: Delivery of Core BSC Services

Trading Disputes Review: Recommendations from the DA618 Lessons Learned exercise have proposed changes to the Trading Disputes process, the MVRN/ECVN processes and the delivery of customer support services.

P5: Drivers for Change - Future Settlement Design & Development

Electricity Balancing SCR: Modification P305 will have major ramifications on the BSC from November 2015, including a move to a single cash-out price.

Competition and Markets Authority (CMA) investigation: The CMA has received 35 responses to its Statement of Issues. ELEXON's response offers 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'. The Panel has authorised the release of BSC data to the CMA.

Settlement Timescales: A consultation has been issued 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.

Settlement Reform: The electricity settlement expert group met twice in July to continue the work on half hourly settlement. There was support for ELEXON's options for reducing settlement timescales which build on the PSRG proposals for reducing the settlement timetable to 7 then 4 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).

Smart Programme: 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.

P3: Efficiency & Committee Communications

BPO Re-design and Procurement (BMRS): 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. Development remains on track to deliver Phase 1 in time to meet the P291 and P295 implementation dates in December 2014. We continue to liaise with National Grid'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.

Governance: The BSC Panel held a joint workshop with the ELEXON Board to consider BSCCo Board Governance. A subsequent workshop has been proposed and the Panel has endorsed separate consideration of its own governance. The outcome of this work will be reflected in the strategic programme when it is next reviewed (~November 2014).

Key Matters in Next Quarter: Q314/15 (Oct-Dec)

Annual Strategic Review Activities

Risk Operating Plan: The forthcoming Risk Operating Plan (ROP) provides an opportunity to establish appropriate priorities and activities with the Panel and PAB in consultation with industry. The ROP sets out how the PAB will manage Settlement Risks by establishing which Performance Assurance Technique(s) to use in consultation with industry. The ROP sets out how the PAB will manage Settlement Risks by establishing which Performance Assurance Technique(s) to use in consultation with industry.

P1: Delivery of Core BSC Services

Code Administration Code of Practice Review: Recommendations arising from the current review will be presented to the Panel for approval.

P2: Addressing Known Settlement Issues

Review of Metering Dispensations: Initial options for ensuring dispensations processes operate smoothly and effectively and are appropriately focused on material issues to be considered by the SVG/ISG.

P3: Efficiency & Committee Communications

Risk Management Plans: It is anticipated that the PAB will recommend to the Panel that a Modification should be raised to remove the requirement to produce individual Risk Management Plans.

P5: Drivers for Change - Future Settlement Design & Development

Electricity Balancing SCR: P304/P314 Final Modification Report Recommendation to Ofgem. Implementation expected in November '14 or January '15 if approved.

Profiling Enhancements: PSRG report on options process and system changes to ensure accurate Settlement of any loads (and/or time of use registers) that are dynamically switched by means of smart or advanced Meters.

Dynamic Switching: PSRG to report in October '14 on options for process and system changes to ensure accurate Settlement of any loads (and/or time of use registers) that are dynamically switched by means of smart or advanced Meters.

Smart - Change of Supplier: Ofgem’s Change of Supplier Expert Group will publish its response to the recent consultation along with its plans for the next phase. A decision is also expected on P302 (Smart Change of Supplier).

Data Quality and Change of Supplier: Aising from its Smart Programme, Ofgem has requested a review of the data quality arrangements that support the consumer switching process by the end of 2014. As Ofgem has asked for a single report for electricity, we are working with Gemserv in order to produce a combined report. We will also need to work with xoserve to ensure consistency across the gas and electricity reports.

BPO Re-design and Procurement (BMRS): Implementation of the P291 (REMIT Inside Information Reporting Platform for GB Electricity) and P295 (Submission and publication of Transparency regulation data) provisions in December '14.
Overview of Strategic Work Streams and Deliverables

P1: Delivery of Core BSC Services

RISK MITIGATION

- Code Administration Code of Practice Review (ELEXON Lead – Adam Lattimore) Review of the Code of Practice by Code Administrators. Changes may arise from Ofgem's recent concerns regarding co-ordination of change across Codes; this will require a clear view of the role that Code Administrators play in ensuring an appropriate progression of changes.

- BSC Modification Processes Review (ELEXON Lead – Adam Lattimore) Review of the existing Modification Procedures and Modification Working group Terms of Reference to ensure that the BSC defines and ELEXON continues to deliver good working practice.

- Review BSC Document Architecture (Sponsor – tb; ELEXON Lead – Adam Lattimore) Work arising from DA618 Lessons Learned encompassing a review of relevant Code Sections and the Architecture Principles document to make clear the purpose of each CSD and eliminate overly complex and conflicting terminology; a review of the Baseline Statement to ensure that the documents it contains should be on the list; and consideration of methods for clarifying the interactions between documents.

- DA618 Review (Sponsor – Stuart Cotten; ELEXON Lead – Adam Richardson) Lessons Learned exercise looking at the Trading Disputes process and associated matters arising in light of Trading Dispute DA618.


- BSC Website Review and Improvements (ELEXON Lead – Sonia Sharma-Mishra): Improving the search facility and review the home page content and structure to make navigation more intuitive.

P2: Addressing Known Settlement Issues

- Credit Rules Amendments (Sponsor – n/a; ELEXON Lead – Adam Lattimore)
  
o P306 proposes to expand the definition of a Letter of Credit to include other financial institutions, increasing the range of providers capable of meeting the BSC requirements (Panel unanimously approved as a Self-Governance Modification in Oct ’14).

- Dispensations (Sponsor – Bob Brown/Barbara Vest; ELEXON Lead – Roger Harris/Keith Campion)
  
Review the processes in place relating to dispensations in order to ensure these operate smoothly and effectively and are fail-safe wherever possible.

P3: Efficiency & Committee Communications

- Standard BM Unit Configuration (Sponsor – Barbara Vest; ELEXON Lead – Oliver Meggitt) Review whether the current configuration of BM Units remains fit for purpose. An issues group may be raised to consider current operating practice and examples of recurring non-standard configurations.

- BSC Panel Governance (ELEXON Lead – Adam Richardson) BSC Panel is considering improvements to BSC Panel governance. The aim is to agree a view and for any improvements to be then progressed in consultation with industry.

- Streamline Risk Processes (Sponsor – Andy Colley; ELEXON Lead – Douglas Alexander) Consider removing the requirement to produce individual Risk Management Plans for communicating the deployment of PAF techniques.

- Review DTN Data as a Source for PARRMs (Sponsor – Andy Colley; ELEXON Lead – Douglas Alexander) Using DTN data as a source of information may lead to a reduced reporting burden on Parties and result in more consistent information if proven to be effective. Reporting will encompass areas associated with Meter Technical Details, Change of Meters, Change of Agent and Change of Supply including provision of Meter Technical Details (NHH/HH); Agent Appointments, Meter Installation flows and Meter Readings.

- Quantifying Error by Party Agent (Sponsor – Andy Colley; ELEXON Lead – Douglas Alexander) This work is linked to the analysis of DTN data in identifying poor agent performance. The work will review the Top Settlement Risks with a view to quantifying the impact of agent's actions as recognition that there is a concern that there are an increasing number of agents operating in the market without robust commercial links with the relevant Supplier.

- Transformation of data and reporting (Business Process and Reporting (BPR) Project) Improvement Programme (ELEXON Lead – Alex Grieve) Employing Data Warehouse/Business Intelligence tools we will deliver a coherent and secure reporting suite that will allow BSC Parties and the Panel and its committees (from Phase 2 on the project) to have direct and timely access to their own and market-wide public data, with services such as trend based reporting and an easy to use secure online interface. It will transform the way that ELEXON provides data and reports to industry and how we support the Performance Assurance Framework and operational reporting. It comprises 3 Phases:
  
o The initial phase will only be accessed directly by ELEXON operations staff and will put in place the new platform and will be focused on a set of the key business
processes (EAC/AA reporting and OSM performance reports). This phase is planned to complete in 2014.

- The second phase will deliver a suite of reports and data views that can be directly accessed by BSC Parties utilising data from Central Systems and data received directly from customers. The suite will provide secure access to this data, and allow easier analysis.
- The third phase will transform the remaining suite of reports and will add in functionality to support complex "what if analysis" around the Trading Arrangements.

The longer term vision is to provide a reporting template that can be extended to address reporting from the central BSC systems.

- BSC Process Transformation (BPO Re-design) (ELEXON Lead – Alex Grieve): Current systems’ architecture is rooted in the last century; difficult and expensive to maintain and develop, and the risk of failure is increasing. Transformation is required, given the high level of change forecast in light of the rapidly evolving industry arrangements.
  - Priority 1 – BMRs: Implementing new platform with existing service provider in 14/15
  - Priority 2 – Funds Transfer and Payments: investigate the systems and operating model in 14/15
  - We will be involving the Industry in consultations around subsequent phases of the transformation programme over the next 12 months and expect to meet with the Panel and Panel committees periodically to get their views and where necessary approvals for further developments

- BSC Agent Services Re-procurement (ELEXON Lead – Alex Grieve): The BSC Agent contract covering BMRA, CDCA, CRA, ECVAA, FAA, SAA and SVA will be re-procured in financial year (2015-16). The BSC Panel must approve the tender framework statement as part of this re-procurement.

- Profile Administration: Data Collection and Metering Service (DCMS) Re-Procurement (ELEXON Lead – Matt Wood): The end date of the Data Collection and Metering Service contract approaching; unless the contract is extended it will need to be re-procured in financial year (2015-16). The BSC Panel must approve the tender framework statement as part of this re-procurement.

P4: Addressing Evolving Settlement Risks

- Impacts on the PAF from EMR and Smart (Sponsor – Andy Colley; ELEXON Lead – Douglas Alexander) Changes will be made to the BSC to accommodate Smart Meters and the introduction of EMR. The PAB will need to consider how this affects Settlement Risks and whether any changes to the PAF are required in terms of mechanics and deployment of assurance activities.
- Supplier Charges in a Smart World (Sponsor – Andy Colley; ELEXON Lead – Douglas Alexander) A review of the Supplier Charges provisions to address any changes required to reflect that the introduction of Smart Metering is likely to change the impacts of underperformance in the collection of Meter Readings and the rationale underpinning the collection of Liquidated Damages via Supplier Charges.
- Increased Focus on Control Frameworks in the BSC Audit (Sponsor – Andy Colley; ELEXON Lead – Douglas Alexander) Establish the requirements for Parties and Party Agents to have a control framework in place and increase the focus of the BSC Audit on the constituent elements of such frameworks. This includes, in particular, controls relating to Meter Technical Details, Meter Readings , EACs and AAs.

P5: Drivers for Change

CASHOUT AND BALANCING

- EBSCR - P304, P314 (ELEXON Lead – Adam Lattimore) Reduce the Price Average Reference volume following the Electricity Balanceing Significant Code Review from 500MWh to 250MWh ahead of winter 2014/15.
- EBSCR - P305 (ELEXON Lead – Adam Lattimore) Implement the conclusions to the Electricity Balancing Significant Code Review, which will put in place a single, marginal imbalance price, introduce Reserve Scarcity Pricing and introduce pricing for Demand Control actions.

P6: Trading Arrangements

- Support to Ofgem’s Future Trading Arrangements Work (ELEXON Lead – Mark Coulndrick) ELEXON to provide support to the FTA forum, contributing to industry-wide discussions, providing support during the development of solutions and implementing subsequent changes.

There are 3 potential work streams that could impact ELEXON and the BSC: Locational Pricing; Managing intermitency; and Ancillary services.

SMART

- Coordination with Smart Metering Roll-Out (Sponsor – Andy Colley; ELEXON Lead – David Jones) Liaison with DECC and Ofgem to ensure ELEXON remains appropriately co-ordinated with the Smart Metering roll-out and the work being progressed by the Data Communications Company and the Smart Energy Code Administration Service.
- New Measurement Classes – P300 (ELEXON Lead – Adam Lattimore) Introduction of new Measurement Classes for aggregated Half Hourly-settled customers (for current transformer and whole current metered domestic; and whole current non-domestic markets).
- PSRG – Improving Settlement in view of Smart roll-out: (Sponsor - Andy Colley; ELEXON Lead – Justin Andrews) This work is looking at short-to-medium term reform of the Supplier Volume Allocation arrangements, looking at three areas: Profile enhancements; Reducing Settlement Timescales; and Settlement of Dynamically Switched Registers.

Profile Enhancements: Identifying improvements to the existing profiling and Settlement processes, so as to maintain Settlement accuracy in a smart metered world with increasing amounts of micro-generation. This work is investigating short/medium term improvements to the profile construction process. This work is being conducted through the Profiling Expert Group with recommendations to the PSRG and SVG. PEG expected to report to PSRG in Oct ’14.

Reducing settlement timescales: Starting in February 2014, this 12 month project will investigate reductions in the Settlement processes to allocate energy in a more timely and accurate manner. The approach includes identification of the potential options for reducing Settlement timescales, two consultations with the industry, impact assessment and a cost-benefit analysis. The PSRG will make recommendations to the SVG, who will in turn make recommendations to the BSC Panel on the way forward for industry. Panel report January/February 2015.

Dynamic switching for smart Meters: Starting in February 2014, this eight month project will identify options for process and system changes to ensure accurate Settlement of any loads (and/or time of use registers) that are dynamically switched by means of smart or advanced Meters. The project will include the identification of options, a consultation and a report to the SVG and Panel. Panel report November 2014.

- Smarter Markets (Sponsor – Andy Colley; ELEXON Lead – Justin Andrews)
Electricity Settlement Reform is focused mainly on activities associated with the retail arrangements and Supplier energy volume allocation. The review is unconstrained by the existing systems, processes and applicable BSC Objectives and aims to deliver a vision for Settlement in 2020 that utilises the introduction of smart metering and the data and infrastructure that supports it. Work to identify options expected to complete in Dec 2014. ELEXON is leading on reducing settlement timescales for Ofgem and will support industry assessment of proposal during 2015.

Demand Side Response aims to minimise stress on Distribution Networks in peak periods by moving or reducing demand. Demand Side Response has many different interested parties from Suppliers to the Grid Operator and looks to encourage customers to use energy during off-peak period rather than high demand period of time. The goal is to avoid very high demand peaks forcing increased transmission costs and requiring new power plants to be built. Ofgem intend to report at the end of 2014 and a consultation on options starts Jan 2015. We are supporting this work through Ofgem’s Smarter Markets work.

The Change of Supplier expert group is looking at the benefits that Smart will bring for a swift change of Supplier process. Change is already underway with Modification P302 (a new CoS process for smart meters). P302 completes assessment in Jan ’15. However Ofgem is looking at further options and a decision on reforms and a plan for the next phase is due around November ‘14.

- **Data Quality and Change of Supplier**
  (Sponsor - tbc; ELEXON Lead – Jon Spence)
  Ofgem has requested that Code Panels and Code Administrators work together to review the data quality arrangements that support the consumer switching process and report findings to Ofgem by the end of 2014.

- **Smart Grids**
  (Sponsor – David Lane; ELEXON Lead – Chris Allen)
  Smart Grids are looking at measures to tackle the near future physical constraints of the capacity and production of electricity in GB encompassing different ways to distribute electricity more effectively to customers throughout the Distribution Network. It also looks at the future low carbon technologies, changes in loads and generation on the networks. ELEXON is supporting this work through Ofgem’s Work stream 6 (Smart Grid Forum).

### EU Developments

- **EU Developments**
  (Sponsor – Barbara Vest/Bob Brown; ELEXON Lead – Steve Wilkin)
  European Network Codes (especially the CACM and EBNC Codes) will be further developed and the GB market will need to assess what their implementation will mean for our arrangements, as these European Codes take precedence over our national codes and arrangements. Balancing network Code may be live as early as 2015 with implementation phased over six years.

  The potential for balancing resources to be effectively shared between European countries can enhance security of supply and reduce cost; hence there is a strong rationale for developing cross border balancing markets. The European Balancing Network Code will ensure that the correct framework will be put in place for this to happen. This Code will probably have a significant impact on the BSC.

- **ENTSO-E consulted on a draft Network Code for Capacity Allocation and Congestion Management (CACM).**
  Once approved, this will require Transmission System Operators and power exchanges to implement market coupling through implicit auctions of Interconnector capacity at day ahead and intraday timescales. In addition to relatively minor changes, the Network Code does include provisions for reviewing and amending the geographical boundaries of Bidding Zones. If such a review led to Great Britain being split into multiple Bidding Zones (‘market splitting’) there would be a bigger impact on the BSC and BSC Systems.

### Other Considerations

- **BSCCo Governance**
  (ELEXON Lead – Victoria Moxham)
  BSC Panel and BSCCo Board considering improvements to BSCCo governance in light of the Knight Report. The aim is to agree a joint view and for any improvements to be then progressed in consultation with industry.