

## 239/09 – LOCATION OF EMR REQUIREMENTS IN BSCPS

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**MEETING NAME** BSC Panel Meeting

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**Date of meeting** 14 May 2015

**Paper number** 239/09

**Owner/author** Talia Addy

**Purpose of paper** Decision

**Classification** Public

**Summary** The SVG has discussed a Party Agent's view that all EMR requirements in existing BSCPs should be in a single EMR BSCP. Due to the areas of concern raised by members, the SVG agreed that a paper should be presented to the Panel recommending that an Issue Group be established to discuss these areas.

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### 1. Why are EMR requirements in existing BSC documents?

- 1.1 The Department of Energy and Climate Change's (DECC's) Electricity Market Reform (EMR) policy requires supporting provisions in the Balancing and Settlement Code (BSC) legal framework.
- 1.2 The EMR processes were developed by DECC to mirror existing industry procedures to ensure the introduction of the new arrangements was as smooth as possible. ELEXON decided to include the required supporting provisions in existing BSC Sections and BSC Procedures (BSCPs) as we believed this approach to be more efficient than duplicating and developing a new set of EMR documents under BSC Governance. In addition, such duplication could make future changes more complex and increase the risk of inconsistencies between documents.
- 1.3 The Secretary of State directed the first set of BSC and BSCP changes on 1 August 2014 ([ORD005](#)). Before and during DECC's EMR [consultation](#) process (which took place in April 2014), we highlighted the drafted changes to BSC participants and welcomed their comments.<sup>1</sup> We also updated the Panel and the relevant Panel Committees throughout 2013 and 2014, as the owners of the affected documents.
- 1.4 In November 2014, DECC [consulted](#) on further consequential changes to support its Energy Intensive Industries (EII) policy ([ORD006](#)). These follow the same approach of adding requirements into existing BSC Sections and BSCPs.
- 1.5 The Secretary of State has directed these changes to become effective on 25 June 2015. As before, we have highlighted these changes to BSC participants as well as the Panel and Panel Committees. We also expect the Secretary of State to direct further changes in due course, to become effective on 5 November 2015. These will remove some requirements introduced by ORD005 that are no longer needed for DECC's latest EMR policy.
- 1.6 Appendix 1 lists the BSC Configurable Items affected by ORD005 and ORD006.

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<sup>1</sup> We highlighted the changes in a variety of ways including Newscast, the BSC change distribution list, EMR Circulars, an ELEXON [education day](#) for BSC Parties on 25 November 2013 and a DECC [workshop](#) in March 2014.

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## 2. What is the issue?

A Party Agent (IMServ Europe Ltd) has raised a number of concerns with ELEXON, as detailed in Appendix 2 of this document, regarding the location of EMR Requirements in existing BSC documentation. In summary these concerns are:

- existing BSCPs were established for BSC Settlement purposes and as such it is not appropriate for the EMR obligations to be included in them;
  - IMServ has suggested that all EMR obligations be moved into a single new BSCP;
- the suitability of location for EMR obligations should not have been based on convenience; and
- other recent changes such as [P299](#), which obligates HHDCs to send MSID level data to the Transmission Company for DSBR and SBR, have also introduced non-BSC Settlement obligations under BSC documents and as such needs to be considered.

## 3. SVG discussions and recommendations to the Panel

- 3.1 The SVG considered the concerns raised by IMServ at its January 2015 ([SVG167](#)) meeting. SVG Members noted that BSC participants had been consulted on the original BSCP changes at the time. They noted that BSCP provisions were needed to give effect to DECC's EMR policy and were unconvinced that placing these in a single new BSCP would deliver any material benefit to Parties given the effort involved to move them. The SVG agreed that the case for a change in approach was unproven.
- 3.2 IMServ asked ELEXON to raise this with the SVG again as it believed that further facts had come to light. At the 31 March 2015 SVG meeting ([SVG170](#)) ELEXON invited members to consider these additional facts and determine if we should progress things further.
- 3.3 SVG members noted IMServ's views and highlighted the following areas of concern:
- (a) overall industry design and DECC's decision to put EMR requirements under BSC governance;
  - (b) DECC's consultation process for EMR;
  - (c) how EMR processes dovetail with existing BSC processes (e.g. PAF, Audit, Qualification, Change Process);
  - (d) how DECC's requirements have been implemented in BSCP503; and
  - (e) BSC Settlement Risk associated with the impact on HHDAs' systems and processes.
- 3.4 SVG members agreed that there was a linking theme across all five areas. This was the perceived need for clarity of which BSC requirements support BSC Settlement and which support EMR settlement, with potential associated implications for cost allocation. The SVG Chairman noted that the group would need to identify a BSC issue and suggested that it was not obvious what it could do to address areas (a) and (b). The SVG agreed that these concerns fell outside the BSC.
- 3.5 An SVG member asked if it would be useful for an Issue Group to discuss areas (c), (d) and (e). Another member commented that, having heard the discussion, they are now more comfortable with considering a change in approach. The SVG agreed that an Issue Group should be established to consider areas (c), (d) and (e) listed above.
- 3.6 The Chairman noted that the questions raised went beyond the location of EMR requirements. They added that these questions also relate to the location of other BSC requirements that support wider industry developments (such as the [Warm Home Discount Scheme](#)). The SVG agreed that it would therefore be useful for the Issue Group to consider this more broadly, and that the first step should be for ELEXON to take a paper to the Panel given the questions this raises about BSC Architecture Principles.

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3.7 Extracts from the January and March SVG minutes can be found in Appendix 2. In summary, the SVG recommends to the Panel that:

- an Issue Group be established to consider the following areas of concern:
  - how EMR processes dovetail with existing BSC processes (e.g. PAF, Audit, Qualification, Change Process);
  - how DECC's requirements have been implemented in BSCP503;
  - BSC Settlement Risk associated with the impact on Half Hourly Data Aggregators (HHDAs') systems and processes; and
  - what changes may be required to the BSC Architecture Principles.

### 4. Recommendations

4.1 We invite the Panel to:

- a) **AGREE** that an Issue Group be established to consider the SVG's concerns outlined in this paper.

### Appendices

Appendix 1 – BSC Configurable Items affected by ORD005 and ORD006

Appendix 2 – Extracts from the January and March 2015 SVG minutes

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### APPENDIX 1: BSC CONFIGURABLE ITEMS AFFECTED BY ORD005 AND ORD006

ORD ref.	Date designated	Configurable Item	Responsible Committee	Effective date
ORD005	01/08/14	BSC Section C 'BSCCo and its Subsidiaries'	Panel	01/08/14
		BSC Section D 'BSC Cost Recovery and Participation Charges'		
		BSC Section E ' BSC Agents'		
		BSC Section F 'Modification Procedures'		
		BSC Section G 'Contingencies'		
		BSC Section H 'General'		
		BSC Section K 'Classification and Registration of Metering Systems and BM Units'		
		BSC Section S 'Supplier Volume Allocation'		
		BSC Section V 'Reporting'		
		BSC Section W 'Trading Disputes'		
		BSC Section X, Annex X-1 'General Glossary'		
		BSCP15 'BM Unit Registration'		
		BSCP508 'Supplier Volume Allocation Agent'	SVG	
		BSCP509 'Changes to Market Domain Data'		
		NETA Interface Definition and Design: Part 1 – Interfaces with BSC Parties and their Agents	ISG	
		NETA Interface Definition and Design: Part 2		
		SAA SD 'Service Description for Settlement Administration'	SVG	
		SAA URS 'Settlement Administration Agent User Requirements Specification'	ISG	
		SVA Data Catalogue Volume 1	SVG	
		SVA Data Catalogue Volume 2		
SVAA URS 'Supplier Volume Allocation Agent User				

<sup>2</sup> Imbalance Settlement Group.

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ORD ref.	Date designated	Configurable Item	Responsible Committee	Effective date
		Requirement Specification'		
ORD005	01/08/14	BSC Section L 'Metering'	Panel	26/02/15
		BSC Section S, Annex S-1 'Performance Levels and Supplier Charges'		
		BSC Section W 'Trading Disputes'		
		BSCP11 'Trading Disputes'	TDC <sup>3</sup>	
		BSCP27 'Technical Assurance of Half Hourly Metering Systems for Settlement Purposes'	ISG and SVG	
		BSCP503 'Half Hourly Data Aggregation for SVA Metering Systems Registered in SMRS'	SVG	
ORD006	Expected to be during 04/15	BSC Section F 'Modification Procedures'	Panel	Expected to be 25/06/15
		BSC Section K 'Classification and Registration of Metering Systems and BM Units'		
		BSC Section S 'Supplier Volume Allocation'		
		BSC Section X, Annex X-1 'General Glossary'		
		BSCP503 'Half Hourly Data Aggregation for SVA Metering Systems Registered in SMRS'	SVG	

<sup>3</sup> Trading Disputes Committee.

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## APPENDIX 2: EXTRACTS FROM SVG MINUTES

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### Extract from SVG167 meeting minutes

ELEXON provided a verbal update on the Department of Energy and Climate Change (DECC)'s Electricity Intensive Industry (EII) [consultation](#). It sought the SVG's views as to whether there was any appetite to progress the idea of moving the Electricity Market Reform (EMR) obligations in the existing BSC Procedures (BSCPs) to a new single EMR BSCP.

ELEXON advised the SVG that DECC had now concluded its consultation on the proposed BSC changes to facilitate its EII regulations. These regulations will come into force in October 2015. ELEXON noted that it and DECC had received comments regarding the approach to the inclusion of EMR requirements into existing BSCPs.

ELEXON noted that the implementation of EMR required consequential changes to the BSC and BSCPs in order to give effect to some of the EMR policy. BSC changes for EMR were directed by the Secretary of State on 1 August 2014, with most becoming effective on the same day and the remaining changes to become effective on 26 February 2015 ([ORD005](#)). These changes have been directed into existing sections of the BSC and BSCPs. ELEXON advised that there will be further BSC and BSCP changes made for DECC's EII policy, most likely to be directed by the Secretary of State during this Spring.

ELEXON noted that, as part of DECC's EII consultation responses, it had been suggested that all EMR requirements are captured in a new single EMR BSCP. The comments made argue that the existing BSCPs were established for BSC Settlement purposes and as such, it is not appropriate for the EMR obligations to be included in the existing BSCPs. They also argue that the suitability of location for EMR obligations should not be based on convenience and that the EMR obligations should be placed in the appropriate and right document, even if it is more convenient to place them in existing BSCPs. ELEXON noted that it has received a comment that a single BSCP would be valuable for Parties and Party Agents, as well as non-BSC organisations, as it would act as a single reference point.

The respondent raised the same concerns with other recent changes such as [P299 'Allow National Grid access to Metering System Metered Consumption data to support the DSB service'](#), which also included non-BSC Settlement obligations into existing BSCPs.

ELEXON confirmed that, while either approach was workable, DECC had built its EMR provisions onto existing BSC processes. ELEXON had therefore adopted the current approach to avoid duplicating existing BSCP processes in a new 'EMR' BSCP. ELEXON noted that such duplication could make future changes to the provisions more complex and could increase the risk of inconsistencies between the BSCPs.

ELEXON offered to explore the possibility of moving the existing EMR BSCP provisions to a single BSCP if the SVG believed this was appropriate. It noted that, while DECC had covered the costs of the original changes under a grant, any further work would ultimately be paid for by BSC Parties. ELEXON noted that the BSC EMR changes refer to the relevant BSCPs, so a housekeeping Modification would also be required to implement the suggested approach.

An SVG Member queried how many BSC Parties had made these comments. ELEXON advised that the comment had been received from a Half Hourly Data Aggregator (HHDA). An SVG Member commented that this may be more of a commercial issue which is outside the scope of the BSC.

SVG Members noted that BSC participants had been consulted on the original BSCP changes at the time. They noted that BSCP provisions were needed to give effect to DECC's EMR policy, and were unconvinced that placing these in a single new BSCP would deliver any material benefit to Parties given the effort of moving them at this stage. The Chairman noted that there would be a question of whether to similarly move the P299 provisions (implemented in June 2014) to their own separate BSCP. The SVG agreed that the case for a change in approach was unproven.

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### Extract from SVG170 meeting minutes

In January 2015, the SVG discussed a Party Agent's view that all Electricity Market Reform (EMR) requirements in existing Balancing and Settlement Code Procedures (BSCPs) should be in a single EMR BSCP. The SVG agreed that the case for a change in approach was unproven. The Party Agent, IMServ Europe Ltd, had asked ELEXON to raise this again as it believed that further facts had come to light. ELEXON invited the SVG to consider these and whether it should progress this further.

IMServ thanked the SVG and ELEXON for allowing its views to be raised at the meeting.

IMServ directly referenced the points made in paragraphs 1.2 and 1.3 of the paper. It questioned whose decision it was to include EMR requirements in existing BSC Sections and BSCPs. It added that the wording used and implemented under EMR was ambiguous and needed to be clearer as it was very much open to interpretation. It believed that, should the EMR requirements be moved from existing BSCPs into their own single BSCP, the lack of detail and information would need to be addressed to remove ambiguity.

ELEXON confirmed that the choice of location for the EMR requirements within BSC documents was its decision. However, the decision to place EMR requirements under BSC governance was made by the Department of Energy and Climate Change (DECC) as was the decision on what these requirements were. ELEXON noted that DECC had designed the EMR arrangements to fit in with current industry processes. ELEXON therefore believed that using existing documents was the most efficient way to implement DECC's requirements, to reduce the need for cross-references between different BSC documents that could get out of step. ELEXON noted that the EMR changes had not just impacted BSC Sections and BSCPs, but also other Configurable Items such as the Interface Definition and Design, Service Descriptions and system documents.

IMServ advised the SVG that, as noted in paragraph 1.3 of the paper, it provided comments to both DECC and ELEXON regarding the location of the EMR requirements. However, it received no feedback from DECC. IMServ felt that the change process followed to implement EMR had been handled badly, with the changes directed by the Secretary of State without sufficient industry communication. IMServ commented that, where DECC did communicate with the industry, it did not always engage with the right people.

IMServ advised that it had since held offline conversations with DECC. As a result it had now built up a good working relationship, such that DECC seemed to understand better the comments and concerns. However, DECC was talking to it about putting further Half Hourly Data Aggregator (HHDA) requirements into BSCP503. IMServ believed that this further strengthened its view that these requirements should be in a separate BSCP.

An SVG Member commented that they agreed with the comments made by IMServ verbally and in the paper. The Member advised the SVG that communication between DECC and the industry was limited and usually last minute. The Member provided an example of this and stated that their organisation once received an email from DECC asking it to attend a meeting regarding potential complex changes to HHDA's. However, the meeting was the following week and they had only just issued the email.

Another SVG Member noted that they shared the concerns over DECC's engagement with the industry on its EMR policy, but commented that they did not believe this to be within ELEXON's or the SVG's control. They questioned if ELEXON's choice of BSCP location for the requirements could make a difference to their appropriateness or clarity, given that they were decided by DECC. The Panel Sponsor noted that ELEXON was DECC's service provider and had limited influence on its policy decisions. Another SVG Member commented that they did not believe it was ELEXON's role to repeat IMServ's comments to DECC if IMServ had already made them to DECC directly. ELEXON noted that it had encouraged DECC to engage with participants. However, even if ELEXON was aware of DECC's intended policy in advance (which was not necessarily the case), confidentiality would prevent it from sharing this before DECC was ready to announce it. An SVG Member commented that this was not about criticising ELEXON. The Panel Sponsor agreed and noted that it was a question of what was appropriate for the BSC going forwards.

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The Chairman asked Members whether they believed that having requirements in existing BSC documents to support EMR posed a risk to BSC Settlement or BSC Parties. Would moving these requirements to a single BSCP benefit the BSC?

An SVG Member believed that there were potential risks to BSC Settlement, but was unsure if these fell within the BSC's Performance Assurance Framework (PAF). The Chairman clarified that the PAF excluded any risks to EMR settlement, but could potentially include any risks that EMR poses to BSC Settlement.

An SVG Member commented that EMR requirements were not originally intended to have a material impact on BSC Parties or Party Agents. However, the EMR changes to BSCP503 have resulted in changes to HHDA's systems and processes. IMServ added that it is DECC's intention to use HHDA's to obtain EMR data. However, instead of using HHDA data as currently produced, DECC decided that it only wanted certain parts of the data. IMServ did not believe that DECC adequately understood the role of an HHDA; DECC's requirements were not simply an add-on to their existing BSC role.

An SVG Member believed that there was a risk to BSC Settlement in that HHDA's were being required to change their systems (which they use for Settlement) to support EMR processes. The Member highlighted that the Performance Assurance Board (PAB) was already discussing this. The Chairman agreed that this sounded like a discussion for the PAB, although she was unclear if the PAB could mitigate this risk. Another SVG Member commented that any risk in this area appeared to be the same regardless of which BSCP DECC's requirements were placed in. Another SVG Member commented that, if there is a risk to BSC Settlement, this suggests that the requirements should be in the existing BSCPs.

An SVG Member believed that there was another potential risk to BSC Settlement if DECC's additional requirements on HHDA's means that they may need to Re-Qualify under the BSC. This could give a risk that BSC agents are no longer Qualified to do core BSC work if they are unable to deliver the additional EMR obligations. The Member believed there was also a broader risk in that the EMR requirements (and/or the need to Re-Qualify) could distract agents from their BSC activities. ELEXON noted that the EMR provisions in the BSC are now effectively BSC requirements regardless of which BSC document they sit in. An SVG Member questioned why, in that case, the BSC Audit did not cover these. The Chairman reiterated that the PAF would only cover BSC requirements relating to BSC Settlement Risks. She suggested that the questions around Qualification fell more within the PAB's remit. The Member disagreed and argued that, if BSCP processes were causing BSC Settlement Risk, the SVG had a duty to address this. The Member believed that the BSC Auditor and Qualification agent needed clarity of what BSC requirements were and were not relevant to their work. They argued that this would be simpler if those which support EMR settlement were in a separate document to normal BSC requirements.

IMServ commented that EMR requirements have been 'splattered' across the BSC and its subsidiary documents. If these requirements were put into their own BSCP the details behind them could be made clearer. The Chairman noted that, while ELEXON could transfer the requirements from one document to another, it would not necessarily be able to fill in gaps or address any lack of clarity in DECC's policy. IMServ agreed but argued that putting the requirements into a single BSCP would highlight the deficiencies and would therefore force DECC to think through and address the implications of its policy more clearly. An SVG Member agreed. Another SVG Member commented that this was a nice aspiration, but ultimately outside ELEXON's control.

IMServ added that EMR requirements have been placed into BSC documents that are of no relevance. The titles and scope sections of the existing BSCPs do not indicate that they also contain EMR requirements. BSC and EMR documents need to be of use to the reader and the current approach does not allow for this. It would be beneficial to have all the EMR requirements in one location so that BSC Parties and Party Agents did not need to pick apart BSC documents to determine what does and does not relate to them. IMServ therefore believed that moving the EMR requirements would be beneficial to the BSC and EMR.

ELEXON noted that BSC Parties would pay the costs of any Modification Proposal to move the requirements to a new BSC document. An SVG Member questioned why BSC Parties would have to pick up the cost of sorting out a

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problem caused by DECC, and asked if it would be possible to invoice DECC. ELEXON advised that any BSC changes directed by DECC under EMR would be paid for by DECC under a grant. However, BSC Parties would pay for any BSC changes raised by the Panel or the industry regarding the location of the EMR requirements.

An SVG Member considered that having EMR requirements and BSC requirements separate would go some way to clarifying whether costs are incurred under the BSC or EMR. A Member asked how the SVG would know when a Change Proposal (CP) impacts EMR requirements. ELEXON noted that it has a list of all the BSC provisions introduced to support EMR (which also generally refer specifically to EMR) and that there is a new EMR-related Applicable BSC Objective. The SVG Member commented that the SVG would be reliant on ELEXON identifying these provisions, and that it would be clearer if they were in a separate document. An SVG Member noted that changes to normal BSC requirements could have inadvertent knock-on impacts on those which support EMR, although they noted that this risk would be the same regardless of which BSC document the EMR-related requirements were in.

An SVG Member advised that, having listened to the discussion, they believed there were four areas of concern:

- (f) Overall industry design and DECC's decision to put EMR requirements under BSC governance;
- (g) DECC's consultation process for EMR;
- (h) How EMR processes dovetail with existing BSC processes (e.g. PAF, Audit, Qualification, Change Process); and
- (i) How DECC's requirements have been implemented in BSCP503.

The SVG Member commented that they believed these were distinct and unrelated, in that you could remove any one of them and the others would remain.

Another SVG Member added a fifth area that they believed the discussion had identified:

- (j) BSC Settlement Risk associated with the impact on HHDAs' systems and processes.

SVG Members agreed that there was a linking theme across the five areas. This was the perceived need for clarity of which BSC requirements support BSC Settlement and which support EMR settlement, with potential associated implications for cost allocation.

An SVG Member asked if it would be useful for an Issue Group to discuss the areas further. Other Members agreed. A Member commented that, having heard the discussion, they were now more comfortable with considering a change in approach. The Chairman noted that the group would need to identify a BSC issue and suggested that it was not obvious what it could do to address areas i) and ii). The SVG agreed that these concerns fell outside the BSC, but that the Issue Group should consider areas iii), iv) and v).

The Chairman noted that the questions raised went beyond EMR and related to any BSC requirements that support wider industry developments. The SVG agreed that it would therefore be useful for the Issue Group to consider this more broadly, and that the first step should be for ELEXON to take a paper to the Panel given the questions it raises about BSC Architecture Principles.

IMServ noted that in the case of EMR, the need to consider the BSC document architecture was still relevant as the Secretary of State has enduring powers and may direct further changes.

An SVG Member commented that there may be a scale of options, within the three areas, that the Issue Group could consider. For example, changing the name/scope of existing BSC documents to reflect their broader content better.