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| Issue Form - BSCP40/04 | Issue Number: 60 <i>(mandatory by BSCCo)</i> |
| <p>Issue Title <i>(Mandatory by originator)</i></p> <p>Interfaces between the European Balancing Project TERRE and the current GB market arrangements</p> | |
| <p>Issue Description <i>(Mandatory by originator)</i></p> <p>Project Trans-European Replacement Reserves Exchange (TERRE) is an advance implementation project that forms part of the implementation of the European Network Code on Electricity Balancing.</p> <p>TERRE harmonises the Transmission System Operator (TSO) dispatch of Replacement Reserve (RR) across (currently) seven TSO areas from Great Britain (GB) to Greece by introducing common TERRE Products (akin to products such as Balancing and Settlement Code (BSC) Bid-Offers or Short Term Operating Reserve (STOR) submissions). These are shared in a central common merit order between the seven TSOs, and chosen for dispatch by a central TERRE algorithm.</p> <p>National Grid is expected to utilise TERRE Products for energy balancing in GB from TERRE go-live, which is currently scheduled for summer 2017. As all current GB balancing products feed into the BSC calculations of imbalance prices and volumes, so should relevant TERRE Products too, as soon as they start to be used as part of GB balancing. This will require changes to the GB market arrangements (BSC and/or Balancing Services arrangements).</p> <p>This issue is being raised to address the following questions:</p> <ul style="list-style-type: none"> • What is the scope of changes needed to the current GB arrangements? • Should BSC directly interface with TERRE or should TERRE Product acceptance data become part of Balancing Services Adjustment Data (BSAD)? • What use should be made of the existing Balancing Mechanism Reporting Service (BMRS) for reporting on TERRE Products/acceptances? • Should the settlement of TERRE Product acceptances made with BSC Trading Parties be under the BSC, in a similar fashion to the current settlement of Bid-Offer Acceptances (BOAs)? • How should the conversion of TERRE clearing prices in €/MWh into £/MWh for use in the Imbalance Price calculation be made? • Are any data requirements needed to be flagged to the TERRE designers, e.g. flagging for energy/system balancing; identification of TERRE Product Acceptances that are relevant for inclusion in the GB imbalance price; how we link TERRE Product Acceptances with GB Parties and/or BM Units? • Whether the availability (timing or non-receipt) of TERRE Product Acceptance data requires any changes to the BSC arrangements? • Whether run-up/run-down periods which are not settled by TERRE are to be paid locally or subject to imbalance? • Whether there may be any consequential wider impacts on the market as a result of | |

implementing TERRE that require consideration? For example, whether BOAs should still be settled as 'pay as bid' if TERRE is settled as 'pay as clear'?

- When should any associated BSC Modification be raised?

Justification for Examining Issue (*Mandatory by originator*)

The implementation of Project TERRE is expected to, or could, impact a number of BSC areas including (but not limited to):

- The calculation of Imbalance Prices;
- The calculation of Trading Parties' Imbalance Volumes;
- The calculation of Trading Parties' Information Imbalance Volumes;
- The rules regarding Interconnectors under the BSC;
- The timing of BMRS data publication and/or BSC Settlement Runs;
- Default rules for missing or late TERRE data;
- The publication of information on the BMRS relating to Imbalance Price calculations and GB-related TERRE Product Acceptances; and
- Non-delivery charges.

There may also be BSC changes that are not directly necessary to support the TERRE arrangements, but which are desirable for other reasons. For example, TERRE Product acceptances are likely to be paid at a common clearing price, rather than 'pay as bid'. This therefore poses the question as to whether this should have an impact on BOA Settlement.

In addition, there is the potential for new processes that may need to be implemented within the BSC as noted in the Issue Description.

The Issue Group should consider each of these areas and determine how they may impact the current BSC arrangements and what solution(s) could be progressed to implement any necessary changes. Further BSC Changes could then be raised to progress the Issue Group's preferred solution.

Potential Solution(s) (*Optional by originator*)

Any potential solution should be implemented to align with the go-live of TERRE itself. As this is currently planned for summer 2017, this suggests that any BSC Modification may need to be raised by the end of 2015.

There are two high-level solution areas that could be developed in relation to implementing Project TERRE – via the BSC or via the C16 processes (e.g. the BSAD methodology and associated system interface between NGET and ELEXON). The advantages of the former are that it makes use of established governance processes and any solution would arguably be better defined and more robust as well as being fully-integrated with the rest of the GB market arrangements. However, the C16 route may offer more flexibility as a solution and will potentially require fewer changes to existing arrangements. Whilst this is an important question to consider as part of the Issue process, it seems apparent that BSC system changes will be required whichever route is chosen.

In addition, it is worth noting that a key difference between the two approaches concerns how the TERRE product will be settled (i.e. rather than just how it is treated in cash-out). Adopting

a C16 approach would mean that provision of the TERRE Product would be settled by NGET as an ancillary service whereas adopting a BSC approach would mean that TERRE settlement would be more akin to that of BOAs.

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