

Modification Proposal – BSCP40/03	MP No: P344 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by originator):</i> Project TERRE implementation into GB market arrangements.	
Submission Date <i>(mandatory by originator):</i> 1 June 2016	
Description of Proposed Modification <i>(mandatory by originator)</i> <p>This Modification proposes to align the Balancing and Settlement Code (BSC) with the European Balancing Project TERRE (Trans European Replacement Reserves Exchange) requirements. This is in order to allow the implementation of the project at national level and be compliant with the first tranche of obligations in the European Network Codes (ENCs).</p> <p>Recent developments in the work on reflecting and implementing the changes required by Project TERRE in Great Britain (GB) has included the BSC Issue 60 'Interfaces between the European Balancing Project TERRE and the current GB market arrangements'. The Issue 60 Report was presented to the BSC Panel at its meeting on 14 April 2016, where the Issue was formally closed. This was so this Modification could be raised as soon as possible to drive the timely resolution of the issues identified.</p> <p>As outcome of the Issue Group a straw-man has been developed, which describes the high level business process within GB. As the straw-man highlights key areas of current processes which will need to change, it forms the basis for this Modification Proposal.</p> <p><u>Detailed requirements</u></p> <p>Detailed requirements can be found in the attached documents:</p> <ul style="list-style-type: none"> ▪ APPENDIX 1 - NG Straw-man summary workshop rev 2 0 ▪ APPENDIX 2 – High Level TERRE Process. 	

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<p>Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by originator)</i></p> <p>The Third Energy Package, adopted in July 2009 by the European Union (EU) provided a key step forward in developing a more harmonised European energy market. This legislation included a requirement to develop and implement European Network Codes (ENCs) to cover areas of cross-border impact.</p> <p>The ENCs are set to become European Regulations, meaning that they will hold the force of European Law. Therefore, the ENCs will take precedence over any existing GB law or arrangements, including any existing licences and codes that impact National Grid and other industry participants at domestic level. Consequently, GB will need to ensure compliance with the requirements of the ENCs. Failure to do so would mean GB risking infraction proceedings and the potential for fines to be levied against Market Participants.</p> <p>Project TERRE is a key implementation initiative for the European Electricity Balancing Guideline (EB GL), which aims to establish a pan-European market for Balancing Energy.</p> <p>The project is seeking to design and develop a central platform to facilitate the close to real-time (<1 hour) exchange of Replacement Reserves (balancing energy products with a >15min lead time) between Transmission System Operators (TSOs) in Europe.</p> <p>The project currently consists of six member states (GB, France, Switzerland, Spain, Portugal and Italy). Ireland and Greece are currently observers. It is due to go live in the second quarter of 2018.</p> <p>The high level design phase of the project was completed in March 2016. A public consultation was conducted in April 2016, with National Regulatory Authority (NRA) approval targeted for July 2016. Preparation is now under way for the implementation phase of the project, which will involve IS projects at a central EU level and a national GB level including, but not limited to, via a BSC Modification.</p> <p>The straw-man developed by the Issue 60 Group will form the basis for this BSC Modification Proposal (see “APPENDIX 1 - NG Straw-man summary workshop rev 2 0” for more details). This is important to ensure that the necessary changes can be made whilst remaining within the regulation of the BSC.</p> <p>The project is strategically important as it will enable GB to be compliant with EU legislation and will also form the basis for subsequent phases to meet other legal obligations stretching out until 2023.</p>	

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Impact on Code <i>(optional by originator)</i> It is envisaged that this Modification will require changes to at least the following sections of the BSC: <ul style="list-style-type: none">• Q ‘Balancing Mechanism Activities’• T ‘Settlement and Trading Charges’• V ‘Reporting’• Section X Annex X-1 ‘General Glossary’• Section X Annex X-2 ‘Technical Glossary’. It is also probable that it will impact the following sections: <ul style="list-style-type: none">• A ‘Parties and Participation’• D ‘BSC Cost Recovery and Participation Charges’• G ‘Contingencies’• H ‘General’• K ‘Classification and Registration of Metering Systems and BM Units’• M ‘Credit Cover and Credit Arrangements’• N ‘Clearing, Invoicing & Payments’• U ‘Provisions Relation to Settlement’.	

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<p>Impact on Core Industry Documents or System Operator-Transmission Owner Code <i>(optional by originator)</i></p> <p>Some high-level changes to the current GB arrangements under the Grid Code have been identified as outcome of the Issue 60 Group straw-man and will be explored further, either as a joint Workgroup or separately in parallel, depending upon any interdependencies and efficiencies.</p> <p>Changes to the C16 statements will be required as a result of Project TERRE. There may be specific impacts as a result of this Modification.</p> <p>No impacts on further GB Codes are envisaged at this stage. However, the progression of this Modification will explore this further.</p>	
<p>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by originator)</i></p> <p>Significant IS project at EU and GB level.</p> <p>GB stakeholders (NGET, ELEXON and Market Participants) will be required to make the corresponding adjustments to their systems and process. This will include the following BSC Systems:</p> <ul style="list-style-type: none"> • Balancing Mechanism Reporting Service (BMRS) • Funds Administration Agent (FAA) and • Settlement Administration Agent (SAA). 	
<p>Impact on other Configurable Items <i>(optional by originator)</i></p>	

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Justification for Proposed Modification with Reference to Applicable BSC Objectives *(mandatory by originator)*

This Modification would better facilitate the following Applicable BSC Objectives:

(b) - The efficient, economic and co-ordinated operation of the National Electricity Transmission System

There are likely to be both GB and EU benefits as a result of implementing Project TERRE. Indicative benefits are analysed in Project TERRE's [Public consultation for the design of the TERRE \(Trans European Replacement Reserves Exchange\) document](#). This analysis, using historical data, indicates annual system balancing cost reductions for the TERRE region of ~€150m, with GB seeing ~€12-13m of these benefits, due to increased competition, greater liquidity, and netting of TSO imbalance needs.

Also, Project TERRE is the replacement for System Operator (SO)-SO trades which are unlikely to be available as a balancing option once the EB GL is in force.

(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

Broadening the provision of balancing services from a national level to more of a pan-EU level is likely to promote increased competition between service providers from different countries. The cross border sharing of reserve capacity would increase our access to reserves along with access to cheaper energy on the continent.

(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]

The ENC's are set to become European Regulations, meaning that they will hold the force of European Law. Therefore, these will take precedence over any existing GB law or arrangements. Consequently, GB will need to ensure compliance with the requirements of the ENC's. Failure to do so would mean GB risking infraction proceedings and the potential for fines to be levied against market parties. In the broadest sense, compliance with the ENC's means making changes to the GB regulatory framework to ensure it is consistent with the requirements of the ENC's. This Modification would be our main route to compliance with the RR aspects of the EB GL. The platform developed by this project will form the basis for subsequent phases to meet other legal obligations for different balancing processes closer to real time stretching out until 2023.

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Is there a likely material environmental impact? <i>(optional by originator)</i>	
Urgency Recommended: Yes / No <i>(delete as appropriate) (optional by originator)</i> No.	
Justification for Urgency Recommendation <i>(mandatory by originator if recommending progression as an Urgent Modification Proposal)</i> N/A	
Self-Governance Recommended: Yes / No <i>(delete as appropriate) (optional by originator)</i> No.	
Justification for Self-Governance Recommendation <i>(mandatory by originator if recommending progression as Self-Governance Modification Proposal)</i> N/A	
Fast Track Self-Governance Recommended: No	
Justification for Fast Track Self-Governance Recommendation <i>(mandatory by originator if recommending progression as Fast Track Self-Governance Modification Proposal)</i> N/A	
Should this Modification Proposal be considered exempt from any ongoing Significant Code Reviews? <i>(optional by originator in order to assist the Panel decide whether a Modification Proposal should undergo a SCR Suitability Assessment)</i>	

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Attachments: Yes (delete as appropriate) (mandatory by originator)

Title and No. of Pages of Each Attachment:

1. "APPENDIX 1 - NG Straw-man summary workshop rev 2 0" consists of four spreadsheets.
2. "APPENDIX 2 - High Level TERRE Process" consists of three pages.

