

# QUARTERLY REPORT Q1 2016/17: APRIL TO JUNE 2016

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The ELEXON Quarterly Report for Q1 2016/17 provides information on the operation, implementation and administration of the BSC, in accordance with section [C3.9.1](#) of the BSC.

The Quarterly Report is divided into four sections:

1. BSCCo Review
2. Operation of the Balancing and Settlement Arrangements
3. Governance and Change
4. Review against the Annual Budget

## BSCCO REVIEW

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This report summarises the operation of the Balancing and Settlement Code (BSC) for the first quarter of the financial year 2016/17, and describes the activities of the BSC Panel and its Committees. The report also reviews ELEXON's performance against the BSCCo Business Strategy and Budget for 2016/17.

Our strategy this year is to maintain and build upon our previous achievements to fulfil our mission. Our mission is 'to deliver the BSC effectively, efficiently and economically, to the benefit of our customers', and to support the best strategic outcomes for the evolving industry by pursuing our vision. Our vision is 'to be a leader in the efficient transformation of energy markets – by providing shared solutions to address common industry problems.'

We aim to achieve our strategy by fulfilling four strategic priorities designed to improve our service to our customers and stakeholders. These are to:

- **Delivery:** Actively manage our services to ensure that we deliver in a reliable, economic and efficient way.
- **Engagement:** Improve the customer experience and develop richer customer relationships.
- **Improvement:** Enhance and evolve our services to support industry changes and the development of the energy market.
- **Capability:** Invest in our people for the benefit of the industry.

To pursue our vision, we will develop our services and adapt our business to address industry challenges.

We've highlighted some of the key successes below, but you can get a fuller picture of our business activity from the reports presented at each BSC Panel meeting:

- [ELEXON Report 251](#) – 14 April 2016
- [ELEXON Report 252](#) – 12 May 2016
- [ELEXON Report 253](#) – 9 June 2016
- ELEXON Report 254 – 4 July 2016 (urgent BSC Panel meeting; no report produced)
- [ELEXON Report 255](#) – 14 July 2016

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## Managing and improving BSC services

### Annual BSC Report and ELEXON Limited Report and Financial Statements 2015/16 published

The [Annual BSC Report 2015/16](#) and the [ELEXON Limited Report and Financial Statements](#) for the year ending 31 March 2016 were published on the [Reports, policies and publications](#) page of the ELEXON website.

The Annual BSC Report looks back at the BSC Panel's and ELEXON's activities over the 2015/16 BSC year, and highlights how ELEXON continues to be effective, efficient and economical in delivering the BSC, and how we are engaging with the many changes affecting the energy industry to ensure the BSC arrangements remain robust.

The Financial Statements reports on our activities and financial position for the year ending 31 March 2016.

### BSC Audit Report for the year ending 31 March 2016

At its June meeting, the BSC Panel noted the BSC Auditor's Report for the year ending 31 March 2016. This report details the BSC Auditor's Opinion for the period and is accompanied by their Statement of Significant Matters.

The BSC audit opinion was unqualified, with the volume of error identified falling below the audit materiality threshold of 1.4TWh. However, the Auditor observed deterioration in comparison with the 2014/15 audit period in BSC compliance by Meter Operator Agents, IT system issues causing a drop in settlement performance and an increase in the magnitude of disputes relating to metering issues. The Auditor also reported that certain legacy audit issues have been closed or reduced in severity because of efforts made by ELEXON, market participants and the Performance Assurance Board (PAB).

Key areas of concern remain unchanged from previous years, i.e.:

1. Issues relating to metering
2. Data quality issues in the Non Half Hourly Market

The report is published on the [Performance Assurance Reports](#) page of the ELEXON website.

### June 2015 Release

The June 2016 BSC Systems Release was implemented on Thursday 30 June 2016. The scope of the June 2016 Release comprised three Approved Modifications and seven approved Change Proposals.

Full details of the Release are available from the [June 2016 Release](#) page of our website.

## Improving the customer experience

### 'Introducing ELEXON' seminars

We held two 'Introducing ELEXON' seminars in April and June. Both seminars were fully booked and well attended, and the feedback received was excellent.

### Trans European Replacement Reserves Exchange (TERRE) Stakeholder Forum

On Monday 4 July 2016, we hosted, on behalf of the TERRE TSOs, a Trans European Replacement Reserves Exchange (TERRE) Stakeholder Forum. The event aimed to address the key topics raised during Project TERRE's public consultation process, giving participants the opportunity to hear about how Stakeholders' comments have been taken into account and to learn further details about positions on the project's design.

### Annual BSC meeting and ELEXON seminar

On Thursday 14 July, we held our [Annual BSC meeting and ELEXON seminar](#). Over 80 BSC Parties, representatives from the industry, and members of the ELEXON Board and BSC Panel, attended the meeting.

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Just weeks after the publication of the final report on the CMA's energy market investigation on 24 June 2016, participants had the opportunity to hear first-hand from Roger Witcomb, Chair of the CMA's Energy Market Investigation and David Gray, Ofgem's Chairman on their views about the outcome of the investigation and the next steps to take.

### **P272 industry day**

ELEXON hosted an industry day on 19 July 2016 to explain the latest updates on P272 and related Modification P322). P272 introduces Half Hourly (HH) Settlement for Profile Classes (PC) 5-8 from 1 April 2017. P322 requires all Suppliers to migrate their PC 5-8 from November 2015 to April 2017, submit Migration Plans (SMPs) to the Performance Assurance Board (PAB), and provide monthly Supplier Migration Plan Updates (SMUs).

The event was fully booked with excellent feedback being received.

### **Switched On: ELEXON customer survey**

In June, we launched our 2016 annual customer survey. The [2015 customer survey results](#) were our best ever and demonstrated a very high level of overall satisfaction and value for money.

## **Developing our services**

### **European developments**

#### **The 'Brexit' referendum vote**

The UK referendum vote in June to leave the European Union (EU) clearly has significant impacts on the electricity sector in Britain. However, many of the details are, yet, unclear. Indeed the two immediate impacts are likely to be a period of uncertainty (including whether we seek to sign up to the European internal energy market or not) and potentially a loss of influence on the development of the legally-binding (if we sign up) European Network Codes and Guidelines.

We are seeking clarity from government, Ofgem and NGET on the extent to which the BSC must continue to change to meet European Regulations and projects. These include: the Guideline on Electricity Balancing; the Network Code on Emergency and Restoration, which are both still in draft; the Regulation on Energy Market Integrity and Transparency (REMIT); and Project TERRE of which GB is a member via NGET. This is important because decisions on implementation may need to be undertaken soon, e.g. on TERRE.

In the interim, we are currently assuming that UK will still be part of the European internal energy market even if it is not within the EU. The rest of this European report is based on that assumption.

Regarding the loss of influence, UK industry has noted that Norway, currently outside the EU, invests a lot of resource into influencing via the various European trade associations. Therefore, ELEXON's relatively recent accession to memberships of both Energy UK and Europex is clearly of increased value. We have continued to participate in various European-focussed working groups and committees during this quarter and Steve Wilkin, our European Coordination Manager, continues to sit on the Markets European Stakeholder Committee as a representative of Europex.

#### **The European Guideline on Electricity Balancing (GL EB)**

The first new draft of the GL EB (formerly named the Network Code on Electricity Balancing), for almost a year, was released by the European Commission to Member States in June. The GL EB covers, amongst other things, settlement of balancing energy and imbalance settlement, so will have potentially significant impacts on the BSC after it comes into force.

Analysis of the new GL EB text is ongoing, but we have already noted that the new draft is silent on any move to 15-minute settlement. We will seek to obtain information on what this silence signifies.

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In the first quarter of 2016, ELEXON had sent our forecast costs to a Europe-wide data gathering exercise on the costs and benefits of moving to 15-minute or 5-minute settlement. Then in April, ENTSO-E sent the final Imbalance Settlement Period duration Cost-Benefit Analysis to the European Commission.

The results suggested that there was no net benefit to Britain of moving to 15-minute settlement under any scenario.

During this quarter we have continued to meet with Ofgem, National Grid and DECC to discuss the various assignment and delegation options that are available under the GL EB. This is to enable ELEXON to continue in its BSCCo role after the GL EB comes into force. We are also seeking to understand why assignment has been removed from the latest draft GL EB, and to have it re-instated.

The next steps for the GL EB are that Member States will have the summer to review this draft before meeting again in September. ELEXON and GB Parties will jointly brief Department of Business, Innovation and Energy Strategy (DBIES), formally DECC on the major issues with this draft as they see them before the meeting.

### **Project TERRE (Trans European Replacement Reserves Exchange)**

Project TERRE is a project currently involving NGET and seven other European Transmission System Operators, which is intended to meet part of the GL EB requirements for pan-European energy balancing. During the quarter, the [BSC Issue 60 Group](#) continued to consider how the BSC electricity market arrangements should interface with TERRE and made its final report to the May BSC Panel meeting.

National Grid then raised [BSC Modification P344](#) on 1 June. P344 seeks to align the BSC with the Project TERRE requirements. The BSC Panel considered the initial written assessment at its meeting in June where it agreed to an initial three-month assessment with an interim assessment report to be brought to it at its meeting in September.

### **The Network Code on Emergency and Restoration (NC ER)**

A year after the previous public version, a new draft of the Network Code on Emergency and Restoration (NC ER) was released in April for discussion between Member States and the European Commission. A DECC/Ofgem stakeholder workshop was held in late April to consider this. Chapter 4 of the NC ER is of direct relevance to the BSC as it covers market suspension and restoration. So, as with the GL EB, we are following its progress towards legal force closely, and commenting on the draft text when appropriate.

### **Other Network Codes and Guidelines**

European Member States approved the text of the European Transmission System Operation Guideline (TSOG), the equivalent of our GB Grid Code, in May. This milestone means it is now certain to come into force in its current form, probably towards the end of this year.

The European Requirements for Generator (RfG) Network Code became law in May.

### **REMIT and P329**

[BSC Modification P329](#) proposes to align the BSC and Balancing Mechanism Reporting Service (BMRS) with the European Regulation on Wholesale Energy Markets Integrity and Transparency (REMIT) common schemas for inside information web feeds, required by the Agency for the Cooperation of Energy Regulators (ACER).

In April, the Authority approved P329 Alternative for implementation in June 2017.

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## Electricity Market Reform (EMR)

### EMR Settlement Services

The EMR Settlement Service continues to operate successfully. EMRS service desk handled 642 queries and requests for services from EMR stakeholders during this quarter. These mainly related to Credit Cover, registering with EMRS, invoicing and payments.

In June, the Low Carbon Contracts Company (LCCC) announced they had set an Interim Levy rate of £0.005/MWh and a Total Reserve Amount of £135,457.37 for the 1 July to 30 September 2016 quarter, indicating they are expecting CFD Generator payments to start. Due to this, Suppliers were required to lodge Credit Cover for the CFD arrangements by 30 June 2016. In addition, the Interim Levy Rate and Total Reserve Amount for the 1 October to 31 December 2016 quarter was published on 28 June 2016. Suppliers were also required to submit a forecast of their demand for between 16:00 to 19:00 on working days from November to February, for the first time.

The LCCC also set the Operational Levy Rate for the 2016/17 financial year to £0.0509/MWh. The Electricity Settlements Company (ESC) set the equivalent Capacity Market Settlement Costs Levy to £4,283,000 for the 2016/17 financial year. These costs recover the operational costs for the LCCC and the ESC from Suppliers.

EMRS issued a number of communications, which were shared in Newscast, where appropriate, covering other business as usual activities, such as document updates, DTC changes (for EMR backing data) and EMR Supplier Events. More information is available on the publications section of the [EMRS website](#).

### Smart Metering and Smarter Markets

The Settlement Reform Advisory Group (SRAG) made a number of recommendations to remove barriers to elective Half Hourly (HH) Settlement for domestic and small non-domestic customers in Profile Classes 1 to 4. These recommendations are now being progressed through the BSC change management process (and the Master Registration Agreement (MRA) change process for Data Transfer Catalogue changes). Following the publication of its conclusions paper on elective HH Settlement, Ofgem asked ELEXON to chair a cross-code working group (with MRASCo) to assess the changes needed to deliver the Change of Measurement Class (CoMC) process elective HH Settlement with smart Meters.

ELEXON continues to provide four part-time resources to Ofgem's Faster and More Reliable Switching programme, supporting two teams – Business Process Design and Delivery Strategy – and three user groups – the External Design Advisory Group, the Delivery Strategy User Group and the Regulatory Change Group.

### Industry consultations

We responded to five industry consultations over the quarter:

- [ELEXON's response to DCUSA Change Proposal DCP268 – DUoS Charging Using HH settlement data](#)
- [ELEXON's response to Code Governance Review \(Phase 3\) Final Proposals – statutory consultation on licence modifications](#)
- [Further information for the CMA on ELEXON's governance](#)
- [ELEXON's response to All European TSO consultation on the European Intraday Cross Zonal Gate Closure](#)
- [ELEXON's response to GC0048: Requirements for Generators – GB Banding Thresholds](#)

All our responses are published on the [Industry Insights](#) page of the ELEXON website.

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## OPERATION OF THE BALANCING AND SETTLEMENT CODE ARRANGEMENTS

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You can find further details about our operational performance, including performance against our key performance indicators in the ELEXON reports presented to the BSC Panel every month:

- [ELEXON Report 251](#) – 14 April 2016
- [ELEXON Report 252](#) – 12 May 2016
- [ELEXON Report 253](#) – 9 June 2016
- [ELEXON Report 254](#) – 4 July 2016
- [ELEXON Report 255](#) – 14 July 2016

We report operational issues that affect customers in [ELEXON Circulars](#).

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## GOVERNANCE AND CHANGE

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### Modifications

There were **10** new Modification Proposals raised:

- P338 'Consequential changes to P272 legal text'
- P339 'Introduction of new Consumption Component Classes for Measurement Classes E-G'
- P340 'Removal of References and Requirements Relating to the LCPD''
- P341 'MEL and other data earlier than Gate Closure'
- P342 'Change to Gate Closure for Energy Contract Volume Notifications'
- P343 'Increase to the number of Supplier IDs that can be held by a Supplier'
- P344 'Project TERRE implementation into GB market arrangements'
- P345 'Reducing the CAP change notice and improving its flexibility'
- P346 'Change to Specified Charges for Elective Half Hourly'
- P347 'Reduce R1 read performance from 99% to 90%'

There were **zero** Modification Proposals withdrawn.

**One** Modification Proposal was submitted to the Authority for decision:

- P330 'Allowing ELEXON to tender for the Uniform Network Code Gas Performance Assurance Framework Administrator (PAFA) role'

**Two** Modification Proposals were approved or rejected by the Authority:

- P329 'Changes to REMIT inside information reporting'
- P330 'Allowing ELEXON to tender for the Uniform Network Code Gas Performance Assurance Framework Administrator (PAFA) role'

At the 30 June 2016, there were **zero** Modification Proposals pending Authority decision.

**One** Modification Proposal was approved by the BSC Panel as a Self-Governance:

- P340 'Removal of References and Requirements Relating to the LCPD'

**Four** Modification Proposals were implemented:

- P302 'Improve the Change of Supplier Meter read and Settlement process for smart Meters'
- P315 'Publication of Gross Supplier Market Share Data'
- P330 'Allowing ELEXON to tender for the Uniform Network Code Gas Performance Assurance Framework Administrator (PAFA) role'
- P331 'Extended Dispute Deadline at the Post-Final Settlement Run under exceptional circumstances'

### Change Proposals:

**Seven** Change Proposals were raised:

- CP1461 'Amending BSCP128 to reflect a new simple SVA file format for LDSO LLF submissions'

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- CP1462 'Allow the CDCA to break and remake Metering Equipment seals to access local interrogation port'
- CP1463 'Process for ELEXON to calculate category 1 non-compliance materiality'
- CP1464 'Requiring HH consumption data to be processed to appropriate precision'
- CP1465 'CP1455 v2.0 - sending revised MTDs following a change of MOA'
- CP1466 'Removing SMETS compliant Meters from the scope of BSCP601 'Metering Protocol Approval and Compliance Testing'
- CP1467 'Include MPAN details in the BSCP11/07 form'

**Eight** Change Proposals were implemented:

- CP1434 'Amend the three digit numeric Line Loss Factor Class (LLFC) Id to an Alphanumeric LLFC Id'
- CP1446 'Allow smart CoS agreed Disputed Reads to be entered into Settlement'
- CP1447 'Amendment to the timescales for sending the D0010 from Supplier to NHHDC on a Smart Change of Supply event'
- CP1452 'Aligning BSCP502 with amendments to the Electricity Supply Licence'
- CP1453 'Changes to SAA Service Description and SAA URS for P269 systems fix'
- CP1454 'Amendment to the Category 1 Materiality Calculation'
- CP1456 'Clarification to BSCP514 regarding the sending of Meter Technical Details on receipt of a D0170 data flow'
- CP1457 'Changes to BSCP520 to support the introduction of Generic LED Charge Codes'

### **BSCP40 issues:**

**Zero** BSCP40 issues were raised or remain open during this period.

### **Standing Issues:**

**Zero** Standing Issues were raised.

**Two** Standing Issues were closed.

- Issue 60 'Interfaces between the European Balancing Project TERRE and the current GB market arrangements'
- Issue 62 'Amending the BSC arrangements to allow ELEXON to tender for the Uniform Network Code Gas Performance Assurance Framework Administrator (PAFA) role'

### **BSC Panel and Committee Activity:**

#### **BSC Panel**

As well as considering the Modifications in the section above, the Panel:

- recommended to the Authority that changes to the CACop Terms of Reference be made
- approved new members to the SVG and PAB
- noted an update on a Section H Default

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- noted an update on a Trading Dispute
- approved the ELEXON Funding Shares Audit Scope
- reviewed and approve changes to the Credit Committees Terms of Reference
- agreed changes to escalate the Breach and Default Process from PAB to the Panel
- approved ELEXON's work on Ofgem's CGR3 findings and appointed Phil Hare as the Panel sponsor for the work
- approved two novations of BSC Parties
- approved the scope of work for ELEXON's review of Qualification arrangements.
- approved the scope of work for ELEXON's review of Metering Dispensations and Non-Standard BMU's
- noted the delay in the implementation of the BMRS and proposed to the Authority the delay of Implementation Dates for P297 and P321
- noted the results of the BSC Audit for 2015/16
- noted the results of the TAA Audit for 2015/16
- approved the reappointment of Michael Gibbons as the Chairman of the BSC Panel and the BSCCo Board.

### **Imbalance Settlement Group (ISG):**

The ISG continues to oversee and contribute to the development of the CVA arrangements. The ISG:

- approved one Metering Dispensation on a temporary basis
- approved four non-standard Balancing Mechanism Units (BMU)
- approved changes to the generic Supplier Export Credit Assessment Load Factor (SECALF) values and to the CALF Guidance document
- provided comments and direction on three new Change Proposals (CP1461, CP1462 and CP1463)
- provided comments and direction on ELEXON's six month post implementation review of P305 'Electricity Balancing Significant Code Review Developments'.

### **Supplier Volume Allocation Group (SVG):**

The SVG continues to oversee and contribute to the development of the SVA arrangements. The SVG:

- oversaw the progression of approximately 45 changes to Market Domain Data
- approved the following two Change Proposals (CPs) for implementation in the June 2016 Release:
  - CP1454 'Amendment to the Category 1 materiality calculation'
  - CP1456 'Clarification to BSCP514 regarding the sending of Meter Technical Details on receipt of a D0170 data flow'
- approved post-implementation updates to four of the SVA software documents amended for the November 2015 Release
- approved the SVA Configurable Items for the June 2016 Release

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## Trading Disputes Committee (TDC):

The TDC:

- upheld six Trading Disputes with a total materiality of £5.077m
- held an urgent meeting in May to consider a high materiality Trading Dispute (£2.129m)
- held a further urgent meeting on 9 June to consider DA759 with a materiality of £2.4m

## Performance Assurance Board (PAB):

In addition to normal work, the PAB:

Approved the Qualification of:

- UK Power Distribution Limited as a Supplier Meter Registration Agent and Unmetered Supplies Operator using the 'UKPD' MPID.

Approved the Change of Ownership of:

- Non Half Hourly Meter Operator Agent (NHHMOA) and Half Hourly Meter Operator Agent (HHMOA) role from Accrington Metering Services Limited to GB Metering Services Limited
- NHHMOA and HHMOA from Bury Metering Services Limited to Providor Limited.

Approved the following:

- amendments to PARMS and BUSRR Guidance notes for greater clarity around reporting of genuinely missing Meter Technical Details
- creation of a single Settlement Risk to combine SR0022 and SR0028 and include this in the Risk Register
- risk Evaluation Methodology 2017/18
- ELEXON to undertake a TAPAP check looking at transfer and quality of AMR Meter Details upon Change of Supply and Change of Measurement Class
- ten Supplier Migration Plans for P272
- escalation of two Supplier Migration Plans to the July PAB
- monthly GSP Group liability cap for each GSP Group for the period April 2016 to March 2017
- within Period Revisions to the Risk Evaluation Register 2017/18.

Agreed that ELEXON will:

- produce more guidance on processes around smart metering
- circulate a Newscast to industry to reinforce the importance of commissioning and provide exceptions of the process
- look at including commissioning in the Qualification process for Distribution Network Operators (DNOs) and MOAs
- commission a TAPAP check on an MOA causing Settlement Errors resulting in two Trading Disputes.

Noted the following:

- BSC Systems roadmap – June update.

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## REVIEW AGAINST THE ANNUAL BUDGET

### Summary

The provisional year to date expenditure for the first quarter of 2016/17 is £7.0m, £1.6m (18.9%) below budget.

The full year forecast stands at £35.3m, £1.0m (2.8%) below budget.

The material underspends in the quarter are mainly due to the phasing of the budget, as well as retaining contingencies at this time.

The material underspend forecast for the full year, at such an early stage, is mostly driven by the delay of BMRS Phase 3, and therefore the associated depreciation charge, reduction of Market Index Data rates and an EMR income higher than budget.

### Expenditure by Type

The position against budget is summarised below:

£m	YTD	Var.	Full Year	Var.
Operational	3.4	0.6	17.0	0.5
Demand Led	0.2	0.2	1.8	-
Contracted	3.1	0.5	14.7	0.5
System Strategy	0.1	0.3	1.5	-
Market Development	-	-	0.3	-
<b>Total Elexon</b>	<b>7.0</b>	<b>1.6</b>	<b>35.3</b>	<b>1.0</b>

Unfavourable variances to budget are in brackets

### Operational Expenditure

The full year forecast spend is £527k under budget, and the performance year to date is £650k under budget. The full year budget underspend is driven in the main by a £441k higher EMR contribution than budgeted. £60k savings have also been recognised as well £65k licence income not budgeted.

### Demand Led Expenditure

The full year expenditure is projected to be £1.8m. We have incurred £205k on release projects year to date. Cost is being maintained in line with budget.

### Contracted Expenditure

The full year expenditure is forecast to be £15.0m, £491k under budget mainly as a result of reduced depreciation charges for BMRS due to delay of go-live (£367k) and reductions in Market Index Data costs (£107k).

### System strategy

We have incurred a charge of £109k on BMRS and £22k on BPO and AMD Transition. Cost is being maintained in line with the budget.

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### Market Development

No Market Development costs were incurred year to date and forecast is being maintained in line with budget at £250k.