

264/04 - EUROPEAN NETWORK CODE IMPLEMENTATION PLAN

MEETING NAME	BSC Panel
Date of meeting	9 March 2017
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Purpose of paper	For Information
Classification	Public
Summary	This paper provides the BSC Panel an overview of the European Network Code Implementation Plan that will be presented to Ofgem on 14 March 2017

1. Background

- 1.1 Ofgem has asked ELEXON and other code administrators to include consequential GB code changes arising from the implementation of legally-binding European Network Codes and Guidelines (ENCs) in their forward work plans. This would then lead to a single joint project plan with a risk log and critical path to be made publicly available.
- 1.2 After discussions with National Grid (NGET), ELEXON has now completed its draft plan for the BSC, which we will share at a Code Administrator/Ofgem meeting on 14 March 2017. Prior to this we have sought Ofgem's comments on the draft plan and we now wanted to share the main features with the BSC Panel.
- 1.3 Formally under the ENCs, Transmission System Operators (TSOs) take on many of the responsibilities. As the UK has many TSOs, the ENCs also allow for the UK (and other Member States in a similar position) to assign responsibilities between their TSOs. In this paper, we have assumed that all the national TSO responsibilities relevant to the BSC Modifications set out in this paper will be assigned to NGET, but it should be recognised that formally this decision (to be made by BEIS/Ofgem) has yet to be taken.

2. Impact of Brexit

- 2.1 It is still prudent to continue to plan on the basis that we will be bound by ENCs in the short term, particularly given the two year time to exit. Many of the ENC obligations come into force before this two year period ends.

3. The ENCs that will impact the BSC

- 3.1 A full list of the ENCs is set out in Appendix 1. As can be seen from this, our current view is that BSC Modifications may be required to comply with three out of the eight ENCs.
- 3.2 We have taken a risk adverse approach at this stage of planning by assuming that where there is the possibility of a BSC Modification we will identify it in the plan. However, we expect that many of these Modifications will not in practice be required. This is because, in many cases, whether a BSC Modification is actually required will be critically dependent on the way that proposals (the ENCs require a number of proposals from the TSOs) are drafted. (See Risks, Dependencies and Uncertainties on page 2.)
- 3.3 However, by far the biggest potential impact comes from the Electricity Balancing Guideline (EB GL) which we currently think may generate up to 12 BSC Modifications, including P344 (TERRE), which is already in progress.

4. Risks, Dependencies and Uncertainties

- 4.1 Both the EB GL and the Network Code on Emergency and Restoration (NC ER), the other main potential impactor on the BSC, are frameworks setting out deadlines by which TSOs collectively or NGET (assuming NGET is allocated this responsibility at GB level) must make proposals. This means that for these two ENCs, our current plan essentially relies on the following standard process:
- NC ER and EG GL come into force (we have estimated the dates for the EB GL and NC ER as neither is in force yet). Once the 'entry into force' date is known this sets all the subsequent deadlines in those respective Network Codes/Guidelines.
 - TSO(s) must make a proposal within 'x' months/years of 'entry into force', the deadline depending on the precise requirement/subject matter.
 - In one case we will ask NGET to seek a derogation which would allow us to meet the timeline, i.e. a change to imbalance price has to be implemented within one year, which is too short and will potentially need to be undone within the following two years when imbalance pricing is harmonised. So we will ask NGET to seek a two-year derogation from this requirement so that we only have to make one (as yet unknown change) to the imbalance price within three years.
 - After receipt of the proposal from TSO(s), National Regulators (NRAs) have six months (typically) to decide on the proposal.
 - BSC Modifications, if needed, can be raised any time between the proposal being made and approved but in sufficient time to implement. Typically the legal deadline is 12 months after NRA approval which is very short for any BSC Modification involving system changes (typically 18 months), hence the need to consider raising Modifications as soon as the proposals are known. In general, there will not be sufficient knowledge to raise a Modification until the proposal is known. For example, under the NC ER, NGET might propose the existing BSC rules for market suspension, or something very different, so we have strong dependencies on what is in the NGET/TSOs' proposals.
- 4.2 As can be seen from above, the uncertainties in the plan are driven by the following main factors:
- What the EB GL will require (the text is still in draft, but we expect a final version by mid-March)
 - What the TSO(s) proposal will be
 - Whether NGET will seek a delay (a one-off derogation of up to two years is permitted in some cases)
 - Whether NGET will seek an exemption (in the case of 15 minute imbalance settlement, and we think this is likely)

5. The main potential impacts on the BSC

- 5.1 **Assignment & Delegation** – if ELEXON is not assigned or delegated the balancing and imbalance Settlement tasks required within a year then, under the EB GL, NGET should be undertaking those particular actions instead of BSCCo. Assignment or delegation is likely to require an accompanying BSC Modification.
- 5.2 **Imbalance Price** – the current draft EB GL requires a change to the BSC imbalance price to be implemented within one year unless NGET applies for a derogation. If applied for and granted by Ofgem, then this could be merged with 'harmonisation of imbalance settlement' - see below.
- 5.3 **Market suspension and restoration under the NC ER** – NGET has to propose rules for both this, and Settlement during such suspension periods. If this were to require a change to the BSC, a Modification may be required. There is no specific legal deadline for implementation of any such Modification, but we estimate one could be raised after about a year.

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- 5.4 **TERRE** – P344 is already in train. The legal deadline for implementation is 2 years from the time that the EB GL comes into force.
- 5.5 **Harmonisation of Imbalance Settlement** – potentially a very significant change, depending on what the European TSOs propose, that must be implemented within 3 years from the time that the EB GL comes into force.
- 5.6 **15 minute Settlement** – we can avoid this if NGET applies for an exemption which is granted. However, the baseline position without such an exemption is that 15 minute Settlement has to be implemented within 3 years from the time that the EB GL comes into force.
- 5.7 A new European balancing project very similar to, but separate from, TERRE concerning manually-activated Frequency Restoration Reserve (mFRR) will be required to be implemented within 4 years.

6. Next Steps

- 6.1 We will provide Ofgem with a final copy of the plan.
- 6.2 We will use the plan in discussions at the Code Administrator/Ofgem meeting on 14 March 2017.

7. Recommendations

- 7.1 We invite you to:
 - a) **NOTE** the content of this paper; and
 - b) **NOTE** the BSC Implementation Plan will be presented to Ofgem on 14 March 2017.

Appendices

Appendix 1 – ENC impact assessment on the BSC

Appendix 2 – ENC implementation plan timeline

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APPENDIX 1 – ENC IMPACT ASSESSMENT ON BSC

This appendix provides an overview of the number of BSC Modifications identified in relation to each European Network Code and Guideline.

European Network Codes and Guidelines (ENCs)	ENC Abbreviation	Description of the purpose of the ENC	Status of the ENC	ENC Version used in planning	Current view of potential BSC Impact
Connection Codes					
Requirements for Generators	RfG	To harmonise and update technical connection requirements for all types of generators from 800W upward.	Adopted	14 April 2016	<i>No changes required (initial view)</i>
Demand Connection Code	DCC	Connection of industrial loads and DSOs, and sets out requirements which will apply to the demand side of the power system.	Adopted	17 August 2016	<i>No changes required (initial view)</i>
Network Code on High-Voltage Direct Current Connections	HVDC	Rules for the use of HVDC technology included between synchronous area and embedded systems.	Adopted	26 August 2016	<i>No changes required (initial view)</i>
Market Codes					
Forward Capacity Allocation	FCA	Couples existing European electricity forward markets to create a pan-European internal market by harmonising market rules for calculating and allocating capacity in the forward market.	Adopted	26 September 2016	<i>No changes required (initial view)</i>
Capacity Allocation and Congestion Management	CACM	Rules for allocating capacity in day-ahead and intra-day timeframe, calculating the levels of availability cross border, allocating and recovering costs.	Adopted	24 July 2015	1 Potential Modification

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European Network Codes and Guidelines (ENCs)	ENC Abbreviation	Description of the purpose of the ENC	Status of the ENC	ENC Version used in planning	Current view of potential BSC Impact
Guideline on Electricity Balancing	EB GL	Rules for cross border exchange of reserves and balancing energy	Pending	24 January 2017	1 Live Modification 11 Potential Modifications
System Operator Codes					
Transmission System Operation Guideline	TSOG	Setting minimum system security, operational planning and frequency management standards.	Pending	4 May 2016	<i>No changes required (initial view)</i>
Network Code on Emergency and Restoration	NC ER	Harmonisation of system defence and restoration procedures during severe events. Also includes market suspension and restoration requirements.	Pending	24 October 2016	1 Potential Modification

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APPENDIX 2 – ENC IMPLEMENTATION PLAN TIMELINE

This appendix provides the timeline for implementing the ENC related BSC Modifications.

