

270/09 – PROJECT TERRE IMPLEMENTATION RISKS AND MITIGATION

MEETING NAME BSC Panel Meeting

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Purpose of paper For decision

Classification Public

Summary This paper details the progression, along with current risks and mitigation, of the Balancing and Settlement Code (BSC) Modification responsible for implementing the Settlement solution to the Trans European Replacement Reserves Exchange (TERRE) product.

1. Background

- 1.1 BSC Modification [P344 'Project TERRE Implementation into GB market arrangements'](#) is a complex regulatory change that will implement the Settlement aspects of the TERRE product in the Great British (GB) electricity market.
- 1.2 The TERRE product will allow Generators and aggregators to submit bids to provide Replacement Reserve (RR) that will either be used to balance the European market, or the domestic system, depending on National Grid's balancing requirements.
- 1.3 P344 will align the BSC with the European Balancing Project TERRE requirements. The Modification is necessary in order that the GB market can be compliant with the obligations set out within the European Balancing Guideline (EB GL), which is part of the European Network Codes (ENCs). It is currently expected that these obligations will become European law during quarter four of the 2019 calendar year.
- 1.4 P344 is one of the most intensive individual changes to the BSC, covering 14 BSC sections, 10 Balancing and Settlement Code Procedures (BSCPs) and creating two new BSCPs. Further, ELEXON expects that six out of seven Central Systems will be impacted by the implementation of P344. Given the scale of this change, and in order to deliver a solution by the expected date of February – April 2019, it is expected that ELEXON will be required to instruct its Service Providers to commence development of the solution in advance of BSC Panel and Ofgem approval, as subsequently detailed in this paper.
- 1.5 It is currently expected that ELEXON's Service Provider will then be required to support the parallel running phase that the Central TERRE team is planning to commence during the February – April 2019 period.
- 1.6 This paper provides a briefing to the BSC Panel on the potential risks arising from the implementation of the P344 project with challenging timescales within the GB market. We will also highlight the work that ELEXON is conducting to ensure these risks and costs for the project are kept to a reasonable level.

2. Current progression of P344

- 2.1 P344 is currently in the Assessment Phase of the BSC Modifications process, where the solution is being developed by an industry Workgroup, with overall guidance from the Proposer, National Grid. To date, the group has held 21 meetings.
- 2.2 Given that Project TERRE is a GB wide implementation project, there are cross-code impacts of which National Grid's Grid Code (GC) is devising its solution under GC Modification [GC0097 'Grid Code Processes Supporting TERRE'](#). Since July 2017, there have been three joint workgroup meetings with GC0097 to

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establish a solution. These joint meetings have been addressing the crossover points between the two codes, such as dispatch principles and payments.

3. Risks of P344 implementation

- 3.1 The BSC solution is dependent on, and partially interlinked with, the technical detail of both the Central TERRE Project and National Grid's solution via the Grid Code.
- 3.2 Should the technical design of the Central TERRE platform (termed LIBRA) change once development on the platform has commenced, there is a risk of subsequent changes being required to align the P344 proposed solution. At present, it is not clear when the technical design of the LIBRA platform will become firm. Should this scenario be realised, ELEXON anticipates that further Modifications would be required to amend the solution.
- 3.3 Whilst this risk is not within ELEXON's control, ELEXON is working to minimise the impacts, should it be realised, by:
 - having regular catch-ups with National Grid colleagues working on Project TERRE implementation; and
 - requesting that National Grid, as the Proposer of P344, informs us at the earliest opportunity of Central TERRE platform design changes that may impact the P344 solution.
- 3.4 The LIBRA platform was previously scheduled to go-live no earlier than September 2019 as previously noted to the Panel. However, Ofgem, along with other European National Regulatory Authorities (NRAs) has recently determined that implementation of the TERRE product within local markets should be targeted before the legal backstop of the European Electricity Balancing Guidelines. At the TERRE Stakeholder Workshop on 17 July 2017, delegates were informed that there would be a parallel running phase, commencing between February and April 2019, and running for a period of three to six months. It is ELEXON's working assumption that the Settlements solution to implement the TERRE product in the GB market will be required to be implemented, and operationally supported during this phase.

4. Solution development and associated risks

- 4.1 ELEXON's external Service Provider has indicated that the lead times and costs for development of the Central Systems to implement the P344 solution will be significant. ELEXON is working with its Service Provider to devise the most efficient delivery program for the TERRE Settlements solution. The detailed impact assessment that will provide a greater level of understanding of the costs, lead times and impacts on the current BSC Release delivery model and schedule. This assessment is scheduled to take place at the same time as the detailed industry consultation over the period 25 October 2017 to 14 November 2017.
- 4.2 Given the risk of the solution requiring amendment following Panel or Ofgem approval, as detailed in section 3.2, there is potential that costs could increase should such amendments materialise. ELEXON aims to better understand the risk of these costs following the detailed impact assessment stage with our Service Providers.
- 4.3 ELEXON currently anticipates that it will deliver the solution to P344 as a standalone BSC Release. As the dates for parallel running and go-live are not fixed, and due to the risks and dependencies of delivering the solution, ELEXON believes this implementation approach will be the most efficient and risk limiting approach.
- 4.4 In order that a solution can be implemented under these challenging timescales, ELEXON is currently investigating the opportunity to commence development with its Service Providers prior to Ofgem and potentially the BSC Panel approval of the Modification. Should ELEXON determine this to be the best approach to deliver the TERRE product to the market, we will return to the Panel to request approval in advance of such work commencing. Should this development strategy be required, ELEXON is working to

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identify the solution items least at risk of amendment as per section 3.2 in order that the risk of duplication and increased costs to industry are minimised.

- 4.5 ELEXON is communicating with its Service Provider to further understand the challenges that may be faced during the development of the project and will continue to work closely with them both before and during development, through to delivery of the Settlements aspects of the TERRE product.

5. Regulatory approval

- 5.1 Ofgem has had an active role in the P344 Workgroup meetings and has also been involved with engagement with ELEXON and National Grid outside of these meetings.
- 5.2 Ofgem has verbally indicated to ELEXON and the P344 Workgroup that it is aware of the risks faced by P344 given the challenging implementation timescales. As such, Ofgem has noted that it understands that the Modification report it will be presented with and asked to approve may be subject to amendment through further Modifications, if the potential risk for such amendment is realised.
- 5.3 In light of the potential to commence development prior to Ofgem approval in order to minimise overall delivery risk, ELEXON believes it would be beneficial to request Ofgem's provisional thinking on the Modification solution. This will provide confidence to ELEXON and the BSC Panel that Ofgem's view is aligned with the solution that has been developed by the Proposer and Workgroup.
- 5.4 As per BSC Section F 'Modification Procedures' section 2.6.10, the Panel may request that the Workgroup prepares an interim report on the progress of the Modification. As a result of this interim report, the Panel may seek the views of the Authority as to whether the content of the report is consistent with the Authority's provisional thinking on the Modification.

6. Recommendations

- 6.1 We invite you to:
- a) **NOTE** the risks borne by the implementation of the TERRE product into the GB market arrangements;
 - b) **NOTE** the steps that ELEXON is taking to ensure that P344 is successfully implemented in the most efficient manner; and
 - c) **DETERMINE** whether ELEXON and the P344 Workgroup should prepare an interim report, from which the Panel may request Ofgem's provisional thinking.

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