

270/01 – ELEXON REPORT

MEETING NAME BSC Panel

Date of meeting 14 September 2017

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Purpose of paper For information

Classification Public

Summary This paper provides a summary of recent activities and developments in the period from 11 August to 6 September 2017.

1. Overview

1.1 This paper is provided for the information of the Panel. It presents an overview of activities and developments within ELEXON and the balancing and settlement arrangements that have taken place since the last Panel meeting. Detailed information on operational matters will be provided in other reports, particularly the Trading Operations Report.

2. ELEXON News

Consultation Responses

2.1 We have responded to one consultation since our last update to the Panel: the Project TERRE consultation.

2.2 Project TERRE is creating a European platform for the exchange of Replacement Reserve (RR) and has significant impacts on the BSC, which are being addressed by BSC Modification P344. Our response focussed on the following points:

- The need for close coordination between European Project TERRE and the British projects to implement TERRE in GB.
- The need for a finalised design of the central TERRE arrangements by October 2017 to ensure ELEXON is ready for parallel running with central TERRE in early 2019. But if later changes are contemplated, the need for such changes to be made known publicly in good time; we asked for 18 months' notice in case it requires a BSC Modification with IT changes.
- The right of local transparency platforms such as BMRS to publish TERRE results, needed to enable ELEXON to continue to publish a breakdown of how the GB imbalance price is calculated, amongst other data.
- The need to know when data will be available for BMRS publication and to avoid pushing back the deadline for the publication of indicative imbalance prices on BMRS.
- What the central TERRE parallel run will look like and whether it is intended to include post-event settlement systems, such as ours.

2.3 You can find all our consultation responses in the [Industry Insights](#) section of our website.

ELEXON Board membership

2.4 ELEXON has appointed Anne Heal to the ELEXON Board. Anne, who takes up her post from 1 October 2017, replaces Gillian Wilmot and joins as the second non-executive director who is independent from industry. The BSC requires the ELEXON Board to comprise mainly non-executive directors who have industry experience

and at least two non-executive directors who must be independent from the industry. All of our non-executive directors are considered to be independent under the Corporate Governance Code.

- 2.5 The ELEXON Board will now comprise Michael Gibbons, Chairman; Mark Bygraves, ELEXON CEO; Volker Beckers, Alison Chappell and Clare Duffy, our three industry non-executive directors; and David Rigney and Anne Heal as our two non-executive directors who are independent from the industry.
- 2.6 For more information on Anne and her appointment, please refer to the [ELEXON website](#).

Improvements to the ELEXON website: 5 September 2017

- 2.7 Over the last few months, we have been working on the redesign of our website. While we continue with the redesign, we've identified some enhancements that we think will help in the interim. The changes went live on Tuesday 5 September and are based around renaming the menus and moving content into more logical areas rather than the design of the website. As well as creating a new A-Z index, which can be accessed from the top of the page, we have also made a number of other changes. A list of changes that have been made is available [ELEXON website](#). For further information, contact us at communications@elexon.co.uk.

3. Industry News

European Developments

- 3.1 On 25 August 2017, the Transmission System Operation Guideline was published in the [Official Journal of the European Union](#). It becomes law 20 days later.
- 3.2 This leaves just two more draft Network Codes to reach this point, both of interest for actual and potential BSC impacts: first comes the Network Code on Emergency and Restoration (NC ER); and then the Balancing Guideline (EB GL) – both are planned to become law this year.
- 3.3 NGET is organising industry code-mapping meetings to identify the impacts of the EB GL on, and changes needed to, the various GB codes to comply with the EB GL once it becomes law. These will be held in October and, given the impacts on the BSC, ELEXON will participate in these.
- 3.4 In August, ELEXON responded to the public Project TERRE consultation given the dependency of BSC Modification P344 on the design of TERRE. Our response focussed on the following points:
 - The need for close coordination between European Project TERRE and the British projects to implement TERRE in GB.
 - The need for a finalised design of the central TERRE arrangements by October 2017 to ensure ELEXON is ready for parallel running with central TERRE in early 2019. But if later changes are contemplated, the need for such changes to be made known publicly in good time; we asked for 18 months' notice in case it requires a BSC Modification with IT changes.
 - The right of local transparency platforms such as BMRS to publish TERRE results, needed to enable ELEXON to continue to publish a breakdown of how the GB imbalance price is calculated, amongst other data.
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 - What the central TERRE parallel run will look like and whether it is intended to include post-event settlement systems, such as ours.
- 3.5 The August meeting of the BSC Panel discussed the possibility of derogation (two-year delay) from Article 55 of the EB GL which, in ELEXON's view and without derogation, requires changes to the imbalance price calculation to be in place by December 2018. As this is potentially followed by further imbalance price

changes in 2020 driven by Article 52 (harmonisation of imbalance settlement) derogation would allow these changes to be combined, which would appear to be more efficient.

- 3.6 As requested by the BSC Panel, the Chair has written to the CEO of Ofgem expressing the BSC Panel's concern on the uncertainty surrounding the granting of derogation and to seek a decision in principle.
- 3.7 In parallel, a BSC Modification will be raised at the September BSC Panel meeting to address the possibility of continued uncertainty over whether derogation will be granted.
- 3.8 In August, we were invited, along with the other GB code administrators, to discuss Brexit impacts on our respective codes. We are now analysing the BSC in line with Ofgem guidance: examining the BSC for references to EU law or defined terms reliant on EU law, in preparation for another code administrators meeting in late September.

Future System Operator (SO)

- 3.9 In July, Ofgem published its draft thinking on the regulatory framework required for the future SO. ELEXON is considering the proposals and will assess potential impacts to the BSC (if any). The draft thinking includes the suggestions for a stakeholder panel to assist in the monitoring of the future SO performance.
- 3.10 The draft code changes to facilitate the shift to a more separate SO will commence in Spring 2018; we expect these to include the transfer of the BSC relationship from NGET to the new NG SO licensee.
- 3.11 ELEXON attended a stakeholder event to discuss the regulatory framework proposals on 4 August. The Future SO team will present an update to the BSC Panel at its September meeting.

Future Code Reform

- 3.12 Ofgem issued a response to its Code Reform proposals on 27 July and published all non-confidential responses (including the ELEXON and BSC Panel responses).
- 3.13 In the absence of any certainty for legislation to help drive the wider reforms Ofgem was proposing (including the licensing of code bodies), Ofgem will prioritise the setting of a 'Strategic Direction' and 'Consultative Board', although Ofgem noted it remains of the view that the current role of code administration is insufficient to drive the industry change it feels is needed.
- 3.14 Ofgem will trial solutions with industry for how the Strategic Direction and Consultative Board might work before amending existing licences/framework and urged Panels and the wider industry to work closely with their code administrators, to implement and embed the range of measures, such as individual and cross code forward work plans.
- 3.15 Ofgem will hold a further workshop to discuss the strategic direction and the consultative board in the autumn and the Strategic Direction and the Consultative Board will be in place by 'spring 2018'.
- 3.16 The Code Reform work will now be directly managed under Ofgem's codes and licensing team.

4. Operational News

P350 Implementation

- 4.1 Development of the Load Flow Model (LFM) Software System by the Transmission Loss Factor Agent (TLFA) was completed on 28 July 2017 as planned. The Load Flow Model Reviewer (LFMR) performed its review on 15 August. All tests passed with only one issue identified that is thought to be caused by the LFMR's model and expected to be resolved by 18 August. The LFMR's report will be presented to the BSC Panel on 14 September. The proposed Reference Network Mapping Statement (RNMS) and accompanying methodology was presented to Panel on 10 August and no questions were raised. The RNMS was published for 10 day

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industry consultation on 31 August 2017. National Grid has confirmed HVDC data will not be required this year.

- 4.2 A detailed update on both the LFM Software System and the RNMS consultation will be provided to the BSC Panel at its September meeting.

Credit Assessment Price (CAP) Increase

- 4.3 The Credit Committee met on 5 September 2017 to determine the new CAP. It considered Trading Parties' consultation responses, as well as October and November 2017 forward prices used in the reference price calculation to determine the new value.
- 4.4 On Tuesday 26 September 2017, the Credit Assessment Price (CAP) value will be increased to £55/MWh from the current value of £43/MWh. Parties may notice a change in their Credit Cover Percentage as a result of the new CAP and should review the amount of Credit Cover lodged. The Credit Committee has also agreed that the CAP review trigger level value should be changed from its current value of +/- £5/MWh to a new value of +/- £6/MWh.
- 4.5 For more information, please see our [Credit FAQs](#) or contact credit.committee@elexon.co.uk.

BSC Audit Scope

- 4.6 ELEXON is currently reviewing the BSC Audit Scope Document, which provides the terms of reference for the BSC Audit and directs the BSC Auditor with respect to the subject matter to be included within the BSC Audit. The objective of this review is to address some of the feedback received from the Performance Assurance Board (PAB), BSC Panel, BSC Parties and Party Agents during the Performance Assurance Framework (PAF) review consultation.
- 4.7 We have been actively seeking feedback from BSC Parties on the systems and processes covered by the BSC Audit Scope Document. We are keen to gain parties' expert opinion on any subject matter presently covered by the BSC Audit which may not present a material risk to Settlement, and likewise any subject matter the BSC Audit does not presently cover which may pose material risk to Settlement. Please contact BSCaudit@elexon.co.uk if you'd like to provide any views or input.

EMR Update

- 4.8 The following EMR Circulars have been issued since the last Panel meeting:
- EMR Circular 131: New: Working Practice 48 – Volume Reallocation now published; and
 - EMR Circular 132: Introduction to Electricity Market Reform arrangements event for Suppliers – registration still open.
- 4.9 All EMR circulars are all available to download from the [EMR Circulars page](#) of the EMRS website.
- 4.10 Payments are being received in accordance with the agreed payment schedule, via the contract with LCCC and funded by its levy on industry, and we continue to maintain a positive cash-flow. "Actual" resource utilisation is not materially different to 'budget' and 'forecast'.

5. Settlement Reform and support for Ofgem projects

Mandatory Half Hourly Settlement (HHS)

- 5.1 ELEXON has developed and presented its strawmen Target Operating Models (TOMs) to the Ofgem Team. Initial feedback has been excellent. We have also developed settlement design options for helping Ofgem on its Data Privacy policy thinking. Again feedback has been good. We are working on finalising our initial set of deliverables for our expert group, the Design Working Group's (DWG) review in October. We have also provided our views to Ofgem on membership for DWG and Ofgem' steering group.

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- 5.2 The work we are doing in this area will drive the market scenario work that feeds into the architect strategy and ELEXON strategy development.

Faster and More Reliable Switching

- 5.3 ELEXON is continuing to support the Ofgem Design and Delivery Teams in the Detailed Level Specification (DLS) phase of the Programme. The Design Team is nearing completion of Wave 3 (of four) of the end-to-end detailed design, which includes the objections and cooling-off processes, erroneous transfers, smart meters without working communications and multiple MPxN switches.
- 5.4 The Delivery Team is considering how to address 'in flight' switches as part of the data migration and transition strategy.
- 5.5 Ofgem will issue a consultation in September, following on from its January request for information to industry, and seeking stakeholder views on its preferred reform package.

Demand Side Flexibility (DSF) and Smart Grids

- 5.6 We are continuing our work to develop options for BSC and other code changes to remove any barriers to participation by small-scale distributed providers.
- 5.7 We continue to track industry developments relating to DSF, smart grids, block chain technology and the future role of the System Operator.
- 5.8 We are discussing a proof of concept option with PWC and its Blockchain consultancy, oneUp, for a Blockchain solution. This will improve our understanding of the technology and to test whether legal and regulatory concerns can be solved.
- 5.9 We have also met both InnovateUK and Energy Systems Catapult to provide our expertise on the Future Power Systems Architecture initiative (a programme of work that is taking a holistic and whole-system approach to the evolution of the energy system architecture). We will seek to influence future market design and offer ELEXON design expertise.

6. Summaries of Panel Business – Tabled

Report from the Imbalance Settlement Group (ISG)

- 6.1 At its meeting on 22 August 2017, the ISG considered 6 papers. Further information can be found in the ISG Panel report 270/01c.

Report from the Supplier Volume Allocation Group (SVG)

- 6.2 At its meeting on 5 September 2017, the SVG considered 4 papers. Further information can be found in the SVG Panel report 270/01d.

Report from the Performance Assurance Board (PAB)

- 6.3 At its meetings on 31 August 2017, the PAB considered 15 papers. Further information can be found in the PAB Panel report 270/01e.

Report from the Trading Disputes Committee (TDC)

- 6.4 At its meeting on 7 September 2017, the TDC considered 10 papers. Further information can be found in the TDC Panel report 270/01f.

Attachments

Attachment A - 270/01a: ELEXON Monthly KPIs

Attachment B – 270/01b: Report from the ISG

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Attachment C – 270/01c: Report from the SVG

Attachment D – 270/01d: Report from the PAB

Attachment E – 270/01e: Report from the TDC

For more information, please contact:

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