

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

P354 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level'

This Modification seeks to allow the Transmission Company to provide Applicable Balancing Services Volume Data (ABSVD) for non-BM Balancing Services providers to BSC Central Systems for allocation to the appropriate Supplier BM Unit to correct their Energy Imbalance position.

This second Assessment Procedure Consultation for P354 closes:

5pm on 29 January 2018.

The Workgroup may not be able to consider late responses.



The P354 Workgroup initially recommends **approval** of the P354 Alternative Modification and **rejection** of the P354 Proposed Modification

This Modification is expected to impact:

- Suppliers
- Half Hourly Data Aggregators
- Non-Balancing Mechanism Balancing Services Providers
- Transmission Company
- Supplier Volume Allocation Agent
- Settlement Administration Agent
- Balancing Mechanism Reporting Service
- ELEXON

Contents

1	Summary	3
2	Why Change?	6
3	Solution	8
4	Impacts & Costs	11
5	Implementation	15
6	Workgroup's Discussions	16
7	Workgroup's Initial Conclusions	28
	Appendix 1: Workgroup Details	33
	Appendix 2: Glossary & References	36
	Appendix 3: Workgroup's previous discussions	39

About This Document

The purpose of this second P354 Assessment Procedure Consultation is to invite BSC Parties and other interested parties to provide their views on the merits of P354. In particular, the P354 Workgroup seeks your views on revisions made to the P354 proposed solution and the development of a P354 alternative solution since the first consultation was issued. The P354 Workgroup will then discuss the consultation responses, before making a recommendation to the BSC Panel at its meeting on 8 February 2018 on whether or not to approve P354.

There are six parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach. It also summarises the Workgroup's key views on the areas set by the Panel in its Terms of Reference, and contains details of the Workgroup's membership and full Terms of Reference.
- Attachment A contains the draft redlined changes to the BSC for P354 Proposed Modification.
- Attachment B contains the draft redlined changes to the BSC for P354 Alternative Modification.
- Attachment C contains the P354 Business Requirements.
- Attachment D contains the collated public responses received to the first Assessment Procedure Consultation.
- Attachment E contains the specific questions on which the Workgroup seeks your views. Please use this form to provide your response to these questions, and to record any further views or comments you wish the Workgroup to consider.



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P354
Second Assessment
Procedure Consultation

15 January 2018

Version 1.0

Page 2 of 43

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Why a second Assessment Procedure Consultation?

At its meeting on 9 January 2018, the Workgroup considered the responses received to the first P354 Assessment Procedure Consultation. The Workgroup had asked a number of questions in the consultation to help it develop a solution that was robust for both Balancing Mechanism (BM) and Non-BM Balancing Services providers.

Additionally, one respondent to the first Assessment Procedure Consultation highlighted that aggregating ABSVD to Supplier Account level would create a distortion in Settlement between Suppliers as BM Unit Lead Parties, and Suppliers or Trading Parties as subsidiary parties to Metered Volume Reallocations Notifications (MVRNs). Based on this comment, the Workgroup decided to change the solution to allocate ABSVD at the BM Unit level rather than the Supplier Account level. This is a material change to the solution and as such a second Assessment Procedure Consultation is required.

Why Change?

The Transmission Company (TC) procures Balancing Services¹ to ensure both quality and security of supply of electricity in Great Britain. Often, these Balancing Services can be sourced from Parties active in the BM (with variations in energy instructed by a Bid-Offer Acceptance (BOA)), or via instructions to service providers who do not participate in the BM to vary their production or consumption.

When a Balancing Services provider delivers energy via a BOA, their Energy Account is adjusted for the amount of energy that they are instructed. Provided that they vary their output in accordance with the BOA, the Balancing Services provider's exposure to imbalance cashout is not varied.

When a Balancing Services provider delivers energy via an instruction (other than a BOA), there is a variation in their production and/or consumption of energy which may be adjusted via a process known as Applicable Balancing Services Volume Data (ABSVD). This adjustment is made to the Energy Account of the BSC Party who registered the Settlement meters which, in the case of a customer would usually be their Supplier. However, there are two potential issues with this process:

- The current process requires the TC to allocate the ABSVD volume to the correct BSC Party and BM Unit in order to submit it to Settlement. In the case of non-BM providers the TC does not have a process in place to do this; and
- For many services, having the Energy Account adjusted is optional and a Balancing Services provider (through the BSC Party who registers the Balancing Services provider's Meter) can elect not to have their account adjusted.

This often results in the BSC Party of a Balancing Services provider instructed outside of the BM retaining their exposure to imbalance cashout.



What are Balancing Services?

National Grid procures Balancing Services in order to balance demand and supply and to ensure the security and quality of electricity supply across the GB Transmission System. In accordance with the Transmission Licence, National Grid is required to establish and publish statements and guidelines on Balancing Services. Balancing Services include:

- Frequency Response;
- Reserve power
- System Security;
- Trade Energy;
- Reactive Power; and
- Settlements.

Further information can be found on the [Balancing Services](#) page of the National Grid website.

¹ Please refer to the corresponding [C16 ABSVD informal consultation](#) for further information on Balancing Services.

ABSVD methodology

The TC has carried out an informal consultation on modifications to the ABSVD methodology statement with changes that would:

- Remove the ability for a Balancing Services provider to opt-out of having their Energy Account adjusted following the volume of service delivery; and
- For non-BM services, allow the TC to submit the adjustment data by Meter (MSID Pair) rather than by BM Unit (removing the TC's need to know who the BSC Party responsible for the Balancing Services provider's energy production and/or consumption).

P354 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level' is designed to accommodate the above changes to the ABSVD methodology. The reasons for the potential change were set out in the C16 ABSVD informal consultation, and may be summarised as follows:

- The European Electricity Balancing Guidelines (EB GL) will require the adjustment of the Energy Account of a Balancing Services provider from 18 December 2018; and
- Currently similar balancing services are treated differently in Settlement, depending upon the mechanism used to dispatch and settle them.
 - Where the balancing service is dispatched using a BOA, an adjustment will always be made to imbalance.
 - Where the balancing service is not dispatched using a BOA, and the TC is able to allocate the volume to a BM Unit, an adjustment may be made to imbalance depending upon whether the Lead Party opts out of having ABSVD allocated to their account.
 - Where the balancing service is not dispatched using a BOA and the TC is not able to allocate the volume to a BM Unit, no adjustment can currently be made to imbalance.

Proposed solution

P354 will require the TC to provide Delivered Volumes for each Metering System Identifier (MSID) Pair (always one Import Meter and in most cases one Export Meter²) to BSC systems.

The BSC Systems will allocate ABSVD to each MSID in MSID Pairs using the MSID Pair Delivered Volumes and the Half Hourly (HH) metered data for the MSID, which would be provided by Half Hourly Data Aggregators (HHDA's). The BSC Systems will then aggregate MSID ABSVD to Supplier BM Unit level and use this to correct the Supplier's Energy Imbalance position. Suppliers will receive MSID ABSVD data for their MSIDs only. The ABSVD BM Unit data will be published on the BMRS.

Additionally, the opt-out provision under BSC Section Q6.4.5 will be removed. BSC Section Q6.4.8 will also be amended to add in optionality for the TC to provide data when it is available based on the contractual terms of the non-BM Balancing Services contracts.



What are MPANs and MSIDs?

Each point of entry and exit onto a Distribution System Operator's Distribution System has an associated Metering Point, and each Metering Point has an associated Administration Number (MPAN) and Metering System Identifier (MSID). MPAN is the term used in the Master Registration Agreement (MRA), while the BSC uses the term MSID, but they are one and the same.

² In some circumstances, the MSID Pair will only contain an Import MSID e.g. for Demand Side Response (DSR).

Alternative solution

The P354 Alternative Modification is identical to the P354 Proposed Modification except that the MSID Pair data provided by the TC must specify for each Eligible MSID whether the non-BM Balancing Services provider has consented to the Supplier receiving the MSID ABSVD. No ABSVD data will be published on BMRS.

Impacts & Costs

P354 will directly impact **Suppliers, HHDAs, TC and non-BM Balancing Services providers**. The TC will be required to send MSID Pair Delivered Volumes and HHDAs will be required to send metered data for all requested MSIDs to the Supplier Volume Allocation Agent (SVAA) to allow the SVAA to allocate non-BM ABSVD to each MSID. Suppliers will have their position corrected to remove the effect of non-BM ABSVD, and so will no longer receive the imbalance cash flow resulting from non-BM ABSVD.

The TC will be required to amend its ABSVD Methodology, which forms part of its C16 Statements, to add provisions relating to non-BM ABSVD to enable the P354 solution.

P354 Proposed and Alternative Modifications will require changes to the SVAA, Settlement Administration Agent (SAA) and Balancing Mechanism Reporting Service (BMRS) BSC Systems, with BSCCo's service provider costs of approximately **£300k**.

Implementation

The recommended Implementation Date of both the P354 Proposed Modification and Alternative Modification is:

- **1 April 2019** as a Standalone Release.

Recommendation

The majority of the Workgroup initially believes that the P354 Alternative solution **would** better facilitate Applicable BSC Objectives (a), (b), (c), (d) and (e) compared to the current baseline and the P354 Proposed solution, and should therefore be **approved**.



How is Energy Imbalance calculated for Balancing Services delivered to the Transmission Company?

[BSC Section T 'Settlement and Trading Charges'](#) 4.6 defines the determination of Energy Imbalance for each Energy Account. This is designed to take into account Balancing Services delivered to the TC by ensuring that these actions do not create Energy Imbalance.

In the case of Balancing Services instructed through the BM, the energy volumes are entered into Settlement through accepted:

- Bids (proposals to reduce generation or increase consumption); and
- Offers (proposals to increase generation or reduce consumption).

Suppliers' Energy Imbalance positions are "corrected" as a result.

BM Unit level ABSVD is specified in [BSC Section Q 'Balancing Mechanism Activities'](#) 6.4 and is determined in accordance with [Special Condition C16 of the Statements of the Transmission Licence](#).

In the case of Balancing Services instructed outside the BM, Suppliers' Energy Imbalance positions are influenced (without the Suppliers' knowledge) by the provision of Balancing Services and the resulting "incorrect" Energy Imbalance positions are settled. These Balancing Services would usually make a Supplier's position longer, which would result in an increased amount, or "spill" payment which is paid to the Supplier.

What are the Transmission Licence C16 Statements?

National Grid is required to establish statements and methodologies under Special Condition C16 of the Statements of the Transmission Licence. One of these is the ABSVD Methodology Statement. This Statement sets out the information on Applicable Balancing Services that will be taken into account under the BSC for the purposes of determining Imbalance Volumes.

The Statement may only be modified in accordance with the processes set out in Standard Condition 16 of the Transmission Licence. This includes a 28-day Consultation period on any proposed changes with the industry. On an annual basis, National Grid undertakes this Consultation in respect of the C16 Statements. National Grid is then required to submit final proposals to the Authority seven calendar days later.

What is the issue?

The Proposer identified a defect in the current arrangements for notifying ABSVD from the TC to ELEXON. BSC Parties are not obliged to specify a BM Unit for the provision of Balancing Services and, if they do, they can opt out of receiving ABSVD by notifying the TC. Where the Balancing Services provider is not a BSC Party, it will not be able to specify a BM Unit as currently it is unable to register BM Units, so no ABSVD can be notified against BM Units.

For Balancing Services provided where no BM Unit has been specified, the Balancing Services provider is paid at the agreed utilisation price, but the Energy Account of the

What is ABSVD?

BM Unit ABSVD is provided by the TC to BSC Systems for use in the calculation of Period BM Unit Balancing Services Volume, which is the volume of all energy associated with Balancing Services used in the determination of imbalance. The BSC allows Parties to opt out of receiving BM Unit ABSVD. The TC does not currently provide non BM Unit ABSVD to BSC Systems which is consequently excluded from the ABSVD Methodology.



What is the full list of Statements and guidelines listed in the Transmission Licence?

In accordance with Special Condition C16 of the Statements of the Transmission Licence, National Grid is required to establish statements and guidelines, which are as follows:

- Procurement Guidelines;
- Balancing Principles Statement;
- System Management Action Flagging;
- Balancing Services Adjustment Data (BSAD);
- ABSVD Methodology; and
- STOR Weighting Factors.

P354

Second Assessment
Procedure Consultation

15 January 2018

Version 1.0

Page 6 of 43

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Supplier responsible for the Energy Imbalances they cause does not have the associated energy removed. The additional imbalance energy created results in an additional payment to the Supplier, which they may share with the Balancing Services provider.

This effectively allows some BM participants and all non-BM participants to take account of a second income stream. In addition to its Balancing Services payment, imbalance revenue then becomes this additional revenue stream when constructing tenders for services. Since this income stream is not taken into account in the procurement of the Applicable Balancing Services set out in the ABSVD Methodology, this subsequently leads to inefficient procurement and also inefficient despatch decisions by the TC. It also places non-BM Balancing Services providers in an advantageous position compared to BM Balancing Services providers.

The Proposer estimates that since November 2015, when non-BM STOR volume data was first published³, the total additional imbalance revenue amounts to around £17 million at an average rate of £103/megawatt-hour (MWh). This gives an indication of the maximum saving per year to consumers that would have been achieved had this Modification been implemented alongside [P305 'Electricity Balancing Significant Code Review Developments'](#). Higher cashout prices would increase these spill payments and therefore the potential savings.

Whilst the focus here is the impact on BM STOR, which is one type of Balancing Service specified in the TC's ABSVD Methodology, this issue needs to be addressed for other types of Balancing Services. This is because all Balancing Services provided to the TC where no BM Unit(s) are specified will result in imbalance payments that are not taken into account in the Settlement calculation.

In 2014, the TC amended the ABSVD Methodology to remove provisions relating to Balancing Services providers that have not specified BM Units for the purposes of ABSVD. For the P354 solution to work, changes to the ABSVD Methodology for non-BM Unit ABSVD will be needed.

Please note that we have not worked out the benefit to BM plant of this same issue where services are not instructed and they have opted out.



What is STOR?

Short Term Operating Reserve (STOR) is a service for the provision of additional active power from generation and/or demand reduction. For more information, please visit the [TC website](#).



What are the Ancillary services?

The TC uses Ancillary and Commercial Services to balance the Transmission System. Ancillary and Commercial Services cover:

- Reactive Power;
 - Frequency Response;
 - Black Start; and
 - Reserve Services.
- ELEXON do not normally consider these services when we calculate the energy imbalance prices as they are 'system balancing' services. However, the TC does send data of the volumes involved to the BSC Systems, so that the Parties that provide these services can have their imbalance volumes suitably adjusted. This is called ABSVD.

³ As part of P305 'Electricity Balancing Significant Code Review Developments'.

Changes to Proposed solution

Following the responses received to the first Assessment Procedure Consultation, the Workgroup agreed that the proposed solution should be amended as follows:

- The BSC Systems will aggregate MSID ABSVD to Supplier BM Unit level and use this to correct the Supplier's Energy Imbalance position;
- Removal of the opt-out provision under BSC Section Q6.4.5;
- Amend BSC Section Q6.4.8 with the intention that Suppliers' positions in all reasonable endeavours be corrected by SF but no later than R1. This adds in optionality for the TC to provide data when it is available based on the contractual terms of the non-BM Balancing Services contracts; and
- All MSID ABSVD will be reported to the affected Supplier.

Proposed solution

P354 proposes that for each Balancing Service provided in accordance with the TC's ABSVD Methodology⁴, except where the Balancing Services provider has specified a BM Unit, the solution will be as follows:

- The TC will provide to the SVAA a Delivered Volume for each MSID Pair (one Import Meter and in most cases one Export Meter⁵) for each relevant Settlement Period for which the Balancing Service was provided.
- SVAA will identify the HHDA responsible for each MSID in the MSID Pairs for which the TC has provided a MSID Pair Delivered Volume and request them to send disaggregated HH metered data for each relevant MSID.
- HHDA's will send HH metered data for each requested MSID to the SVAA system for each Settlement Period.
- The SVAA system will allocate ABSVD to each MSID in a MSID Pair using the MSID Pair Delivered Volume and HH metered data ('MSID ABSVD')⁶.
- The SVAA system will apply Line Losses to the MSID ABSVD and aggregate it to BM Unit level for each Supplier BM Unit ('Supplier BM Unit Non BM ABSVD') and send this to the SAA.
- The SAA will use the Supplier BM Unit Non BM ABSVD to correct each affected Supplier's Energy Imbalance position.
- Supplier BM Unit Non BM ABSVD will be included in the SAA-I014 Settlement Report (sub-flows 1 and 2 only) and will be reported on the BMRS website.

For reference, Attachment C contains the P354 Business Requirements.



What is the Self-Governance Criteria?

A Modification that, if implemented:

- (a) is unlikely to have a material effect on:
- (i) existing or future electricity consumers; and
 - (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
 - (iii) the operation of the national electricity transmission system; and
 - (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
 - (v) the Code's governance procedures or modification procedures; and
- (b) is unlikely to discriminate between different classes of Parties.

⁴ The TC will consult on the necessary changes to the ABSVD Methodology to enable the P354 solution in parallel with this consultation.

⁵ In some circumstances, the MSID Pair will only contain an Import MSID e.g. for DSR.

⁶ For example, if the delivered volume is +6MWh and the HH Metered Volume for the Export Meter is \geq 6MWh for the Export Meter, then 6 MWh will be allocated to the Export Meter and 0MWh will be allocated to the Import Meter. If however, the HH Metered Volume for the Export Meter = 4MWh, then only 4MWh will be allocated to the Export Meter and -2MWh will be allocated to the Import Meter. Please see Appendix B of the P354 Business Requirements for more examples.

BSC Legal text for P354 Proposed solution

The proposed redlined changes to the BSC to deliver the P354 Proposed Modification can be found in Attachment A.

Assessment Consultation Question

Do you agree that the draft legal text in Attachment A delivers the intention of the P354 Proposed solution?

Please provide your rationale.

The Workgroup invites you to give your views using the response form in Attachment E.

Alternative solution

The P354 Workgroup developed an alternative solution which is identical to the proposed solution except that the MSID Pair provided by the TC must specify for each Eligible MSID whether the non-BM Balancing Services Provider has consented to the relevant Supplier receiving MSID ABSVD, and that the SVAA should only send MSID ABSVD to the relevant Supplier where such consent has been granted. No ABSVD data will be published on BMRS.

The Workgroup's discussions in developing the alternative solution are set out in section 6.

BSC Legal text for P354 Alternative solution

The proposed redlined changes to the BSC to deliver the P354 Alternative Modification can be found in Attachment B. Please note that the draft legal text for the Alternative solution is identical to the draft legal text for the Proposed solution, except for the provisions relating to:

- BSC Section Q where the MSID Pair data provided by the TC must specify for each Eligible MSID whether the non-BM Balancing Services Provider has consented to the Supplier receiving MSID ABSVD; and
- Annex S-2, where the SVAA may only send MSID ABSVD to the relevant Supplier, where such consent has been given.

Assessment Consultation Question

Do you agree with the Workgroup that the draft legal text in Attachment B delivers the intention of the P354 Alternative solution?

Please provide your rationale.

The Workgroup invites you to give your views using the response form in Attachment E.

Assessment Consultation Question

Do you agree with the Workgroup that there are no other potential Alternative Modifications within the scope of P354 which would better facilitate the Applicable BSC Objectives compared to the Proposed and Alternative Modifications?

Please provide your rationale and if 'No' please provide full details of your Alternative Modification(s) and your rationale as to why it/they would better facilitate the Applicable BSC Objectives than the Proposed Modification.

The Workgroup invites you to give your views using the response form in Attachment E.

Self-Governance

The Workgroup considered whether P354 could be progressed as a Self-Governance Modification. A Modification Proposal can be progressed as Self-Governance if:

- The Panel believes that it satisfies the Self-Governance Criteria, and the Authority does not issue a contrary direction; and/or
- The Authority believes that it satisfies the Self-Governance Criteria and issues a notice to that effect.

The Workgroup unanimously believes that this Modification does not meet the Self-Governance Criteria due to a potential material impact on competition. 16 of the 17 respondents to the first Assessment Procedure Consultation also agreed with this view.

Assessment Consultation Question

Do you agree that P354 does not meet the Self-Governance Criteria and so should not be progressed as a Self-Governance Modification?

Please provide your rationale with reference to the Self-Governance Criteria.

The Workgroup invites you to give your views using the response form in Attachment E.

Estimated central implementation costs of P354

The estimated implementation costs of P354 are approximately **£300k**. These costs arise from changes to the BMRS, SAA and SVAA as detailed below, and to ELEXON's Trading Operations Market Assurance System (TOMAS) system.

Indicative industry costs of P354

P354 will directly impact **Suppliers, HHDA's, TC and non-BM Balancing Services providers**. 15 of the 17 respondents to the Assessment Procedure Consultation indicated that they would be impacted by implementing P354, for the reasons detailed below.

P354 impacts

Since the first Assessment Procedure Consultation, we have identified the following changes to the P354 impacts:

- In amending the proposed solution so that BSC Systems aggregate MSID ABSVD to Supplier BM Unit level rather than Supplier Account level, HHDA's will now need to provide the BM Units that the MSID is allocated to. This will require an additional data item in the dataflow from the HHDA to SVAA;
- For the Proposed Modification only (not the Alternative Modification), all Supplier BM Unit Non-BM ABSVD will be published on the BMRS;
- Removal of the BM Unit ABSVD opt-out provisions in BSC Section Q6.4.5; and
- Amending BSC Section Q6.4.8 to add in optionality for the TC to provide data when it is available based on the contractual terms of the non-BM Balancing Services contracts.

Impact on BSC Parties and Party Agents	
Party/Party Agent	Potential Impact
Suppliers	Suppliers' Energy Imbalance positions will be corrected using Supplier BM Unit non-BM ABSVD. As a result, Suppliers will no longer receive the spill payments that resulted from their customers providing non-BM Balancing Services.
HHDA's	HHDA's will be required to provide metered data to SVAA for all specified MSIDs.

Impact on Transmission Company

The TC will be required to notify BSC Systems of any MSID that is eligible to be used to provide ABSVD and send MSID Pair Delivered Volumes for each relevant Settlement Period to BSC Systems.

Changes to the ABSVD Methodology will also be required to facilitate this Modification, but this is out of scope for P354.

Impact on BSCCo

ELEXON will be required to implement this Modification. As part of this, ELEXON will need to update the [Beginner's Guide to the Electricity Trading Arrangements](#) on the ELEXON website.

Impact on BSC Systems and processes

BSC System/Process	Potential Impact
SVAA	A new automated process will be required as set out in Section 3. New processes will be required to establish (automated) and maintain (manual) details of the Supplier, HHDA and GSP Group for each affected MSID.
SAA	A new automated process will be required as set out in Section 3. The SAA-I014 Settlement Reports will be amended to include Period Account ABSVD.
BMRA	The BMRA will publish Supplier BM Unit Non-BM ABSVD for each Supplier BM Unit.

Impact on Code

Code Section	Potential Impact
Section J	Changes will be required to implement this Modification.
Section Q	
Section S	
Section S-2	
Section T	
Section V	
Section X-1	
Section X-2	

Impact on Code Subsidiary Documents

CSD	Impact
BSCP01	Changes will be required to implement this Modification.
BSCP11	
BSCP503	

Impact on Code Subsidiary Documents	
CSD	Impact
BSCP507	
BSCP508	
BSCP537 Appendix 1, Self-Assessment Document	
BMRA Service Description	
BMRA User Requirements Specification (URS)	
Central Volume Allocation (CVA) Data Catalogue	
New Electricity Trading Arrangements (NETA) Interface Definition Document (IDD) Part 1	
NETA IDD Part 2	
SAA Service Description	
SAA URS	
SVA Data Catalogue Volume 1	
SVA Data Catalogue Volume 2	
SVAA Service Description	
SVAA URS	

Impact on Core Industry Documents and other documents	
Document	Impact
MRASCo's Data Transfer Catalogue (DTC)	<p>Four new and/or amended DTC dataflows will be required for:</p> <ul style="list-style-type: none"> SVAA to send the request to HHDA's for HH metered volumes for specified MSIDs; HHDA's to accept the request if they are the correct HHDA for the requested MSID; HHDA's to reject the request if they are not the correct HHDA for the requested MSID; and HHDA's to return HH metered volumes for specified MSIDs to SVAA (and to each Supplier where the Balancing Services provider has consented).

Impact on Core Industry Documents and other documents

Document	Potential Impact
ABSVD Methodology Statement	Changes will be required to include provisions relating to Balancing Services providers that do not specify a BM Unit for the purposes of ABSVD to facilitate the P354 Proposed and Alternative solutions.

Other Impacts

Item impacted	Potential Impact
Non-BM Balancing Services providers	P354 aims to remove the imbalance cash flow resulting from non-BM ABSVD, which is paid to Suppliers but passed on to the non-BM Balancing Services provider, who will be impacted if this flow is removed.

Views of respondents to the first Assessment Procedure Consultation

15 of the 17 respondents to the first Assessment Procedure Consultation indicated that they would be impacted by implementing P354. This is in line with the potential impacts identified above.

13 of the 17 respondents also indicated that there would be costs associated with implementing P354. Wide ranging costs were detailed from respondents from £50k to £1.2million. The TC identified the highest cost which included mandating provider backing data to BSC Systems through an automated process; this is currently a manual process. On-going costs were also indicated by six respondents although these would be minimal.

Assessment Consultation Question

Will P354 impact your organisation?

If 'Yes', please provide a description of the impact(s) and any activities which you will need to undertake between the Authority's approval of P354 and the P354 Implementation Date (including any necessary changes to your systems, documents and processes).

The Workgroup invites you to give your views using the response form in Attachment E.

Assessment Consultation Question

Will your organisation incur any costs in implementing P354?

If 'Yes', please provide details of these costs, how they arise, an indication of magnitude, and whether they are one-off or on-going costs.

The Workgroup invites you to give your views using the response form in Attachment E.

5 Implementation

Recommended Implementation Date

The Workgroup recommends an Implementation Date for P354 Proposed Modification and Alternative Modification of:

- **1 April 2019** as a Standalone BSC Systems Release.

This Implementation Date is subject to internal consideration being given to the impact on BSC Central Systems and the interaction with [P344 'Project TERRE implementation into GB market arrangements'](#) and [P355 'Introduction of a BM Lite Balancing Mechanism'](#)⁷.

Additionally, we need to be mindful of the time required by the TC to implement the contractual and software changes to deliver the amended ABSVD Methodology.

The Workgroup's discussions regarding the proposed Implementation Date can be found in Section 6.

Assessment Consultation Question

Do you agree with the Workgroup's recommended Implementation Date?

If 'No', please provide your rationale.

The Workgroup invites you to give your views using the response form in Attachment E.

Assessment Consultation Question

How long (from the point of Authority approval) would you need to implement P354?

Please provide an explanation of your required lead time.

The Workgroup invites you to give your views using the response form in Attachment E.

⁷ The P355 Proposer recently contacted ELEXON to confirm that he believed that the Virtual BM Unit element of the P344 solution covers much of what was intended by P355. The Proposer therefore requested that any further work for P355 is put on hold until June 2018, when the Draft Modification Report for P344 is presented to the BSC Panel. At its meeting on 14 December 2017, the BSC Panel approved a three-month extension to the P355 timetable until June 2018. P355 is now on hold, meaning that no further Workgroup meetings will be held before this time.

The aim of assessment under the BSC Modification process is to consider whether the Modification would better facilitate the Applicable BSC Objectives compared with the existing baseline.

As part of the first Assessment Procedure Consultation, the Workgroup sought industry's views on a number of considerations to help it develop the P354 proposed solution. The Workgroup's discussions relating to the changes that have been made following the first Assessment Consultation are detailed in this section. For all further discussions relating to P354, please see Appendix 3.

How will P354 impact the Transmission Licence C16 Statements and ABSVD Methodology?

The Workgroup agreed that it would be necessary to amend the ABSVD Methodology Statement to include provisions for the allocation of ABSVD where the TC does not have access to the information needed to allocate the ABSVD to a BM Unit. This is to enable the proposed changes to the BSC under P354.

Revised progression plan

The Workgroup acknowledged the importance of aligning the changes proposed under P354 with the C16 changes and considered four potential options:

1. Aligning the P354 consultation with an informal C16 ABSVD consultation;
2. Aligning the P354 consultation with the formal C16 consultation;
3. Issuing the P354 consultation following Ofgem's decision on C16; or
4. Continuing with the current P354 timetable.

The Workgroup agreed by majority that the P354 Assessment Procedure Consultation should be issued at the same time as the TC's [C16 ABSVD informal consultation](#) (option 1). This option will help the TC to obtain industry's views on the ABSVD Methodology changes before including them in the formal C16 consultation, which will be issued in early 2018. Additionally, the Workgroup highlighted that this approach will allow the industry and BSC Panel to have a view on what the TC proposes to implement and should not cause any significant delay to the progression of P354. The majority of the Workgroup also agreed that the P354 Final Modification Report and the C16 changes should therefore be sent to the Authority at the same time.

For the avoidance of doubt, this timeline remains unchanged with the addition of the second Assessment Procedure Consultation.

Development of the proposed solution following the first Assessment Procedure Consultation

The original solution, as set out in the P354 Modification Proposal sought to allow the TC to provide ABSVD at the MPAN level (the proposal used "MPAN", which is a [Master Registration Agreement \(MRA\)](#) term; "MSID" is the equivalent BSC term) to the SAA, which would allocate this to the appropriate Supplier BM Unit. The Workgroup then developed

this solution so that the TC would provide a Delivered Volume for each MSID Pair to the SVAA system. This would then be aggregated to Supplier Account level ABSVD rather than to the Supplier BM Unit. The Workgroup consulted on this proposed solution when it was issued for Assessment Procedure Consultation on 16 November 2017.

Allocate non-BM ABSVD at BM Unit level

Ten of the 17 respondents to the first Assessment Procedure Consultation agreed that the proposed solution did better facilitate the Applicable BSC Objectives compared to the current baseline. However, one respondent to this first Assessment Procedure Consultation highlighted that aggregating ABSVD to Supplier Account level would create a distortion in Settlement between Suppliers as BM Unit Lead Parties, and Suppliers or Trading Parties as subsidiary parties to MVRNs. Based on this comment, the Workgroup decided to change the solution to allocate ABSVD at the BM Unit level rather than the Supplier Account level.

An MVRN transfers Metered Volume (minus balancing volume) from a Lead Party BM Unit to a Subsidiary Party. The respondent noted that the proposed solution did not associate a non-BM ABSVD balancing volume with a Lead Party at BM Unit level, so would transfer out-turn Metered Volumes to the Subsidiary Party regardless. This would include volumes resulting from non-BM ABSVD delivery. Additionally, the respondent noted that the proposed solution creates a non-BM ABSVD volume at Party Account level and adds it to Lead Party balancing volume (regardless of MVRNs). The respondent provided an example where taking 100% MVRN and upward positive non-BM ABSVD energy, the net result would be non-BM ABSVD volume causing an imbalance shortfall on the Energy Account of the Lead Party, and corresponding spill on the Energy Account of the Subsidiary Party. This leads to a single price for imbalance. The respondent noted that it may be possible to resolve this anomaly bilaterally between Lead and Subsidiary parties. Furthermore, Parties should not have to re-open existing wholesale commercial arrangements to accommodate a clear anomaly that would exist in the BSC.

The respondent suggested that if non-ABSVD volumes were allocated at BM Unit level, rather than Supplier Account level, this anomaly would not arise as the associated ABSVD volumes would be retained with the Lead party in the MVRN process without giving rise to imbalance for Lead and Subsidiary parties (provided volumes are delivered), as for BM ABSVD and Bid-Offer volumes, giving the desired effect.

Taking this into consideration, the Workgroup agreed that to maintain the integrity of Settlement, the proposed solution should be amended such that BSC Systems aggregate MSID ABSVD to Supplier BM Unit level rather than to Supplier Account level. Subsequently, HHDA's will now be required to provide the BM units that the MSID is allocated to. This will require an additional data item in the dataflow from the HHDA to SVAA. As this is a material change to the proposed solution, the Workgroup agreed that a second Assessment Procedure Consultation would be necessary.

Removing the opt-out provision in BSC Section Q6.4.5

In accordance with BSC Section Q6.4.5, the lead Party for a BM Unit can opt out of having BM Unit ABSVD applied to their Energy Account by instructing the TC not to send it. P354 proposes that this right should not be extended to Non-BM Unit ABSVD.

The Workgroup considered whether Suppliers should be able to opt out of having Non-BM Unit ABSVD applied to their Energy Account. The Workgroup initially unanimously agreed



Why 'Supplier BM Unit Non BM ABSVD'?

The term 'Non-BM ABSVD' in 'Supplier BM Unit Non-BM ABSVD' refers to the TC being unable to assign the ABSVD to a BM Unit at the point of delivery.

P354

Second Assessment
Procedure Consultation

15 January 2018

Version 1.0

Page 17 of 43

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that Suppliers should not be allowed to opt out. They agreed that this Modification will only work if Non-BM Unit ABSVD applies to all relevant Suppliers.

However, the Workgroup also discussed whether Suppliers should lose their right to opt out of all ABSVD (regardless of which mechanism the TC was using to notify the ABSVD). The Proposer suggested that Suppliers should not be allowed to opt out of ABSVD submitted for delivery sites (using the new P354 mechanism), but retain an opt-out for BM Unit ABSVD.

Some members of the Workgroup were concerned that BM Balancing Services providers would have an advantage over those non-BM Balancing Services providers under the P354 proposal. Under the P354 solution for the first consultation, a Supplier's ability to opt-out of receiving BM Unit ABSVD, as detailed in BSC Section Q6.4.5, would be unchanged. Members of the Workgroup believed that this will distort competition between BM and non-BM Balancing Services providers unless the BM optionality is removed at the same time.

Views of respondents to the first Assessment Procedure Consultation

The Workgroup sought industry's views on whether the opt-out provisions under BSC Section Q6.4.5 for BM Unit ABSVD should be retained and whether this would distort competition between BM and non-BM Balancing Services providers.

11 respondents to the first Assessment Procedure Consultation agreed that the opt-out provisions under BSC Section Q6.4.5 for BM Unit ABSVD should be removed. Six respondents provided a neutral or n/a view. There was a significant view from respondents that maintaining this provision would distort competition between BM and non-BM Balancing Services providers. This is contrary to the intention of P354, which aims to level the playing field. Therefore removing the provision would be in the interests of equality and transparency. Respondents also highlighted that removing this opt-out is also required for compliance with Article 49 of the EB GL which dictates that imbalance adjustment should be performed for all Balancing Services

The Workgroup unanimously agreed that the opt-out provision under BSC Section Q6.4.5 should be removed. The Workgroup also agreed that removing this opt-out better facilitates Applicable BSC Objective (e) noting that this would apply to prospective new Balancing Services contracts as the TC's Standard Terms and Conditions would have to change when EB GL becomes law.

Provision of Non-BM ABSVD to BSC Central Systems by SF but no later than R1

The Workgroup discussed how to determine the timescales for the provision of non-BM ABSVD to the BSC Central Systems and how the BSC Central Systems should allocate the volume to the Supplier account.

The TC confirmed that it will endeavour to submit data to BSC Systems by the 45th calendar day after the date on which the Balancing Service was provided in order to allow adjustments to be made by R1. This is because the TC is unlikely to have the data to send through to BSC Systems for SF for the majority of non-BM ABSVD, due to existing commercial arrangements with non-BM Balancing Services providers. At the C16/ABSVD Workgroup on 13 October 2017, the Workgroup agreed to add a consultation question to determine whether this would be an issue for Suppliers.

Views of respondents to the first Assessment Procedure Consultation

Eight respondents to the Assessment Procedure Consultation indicated that it would be an issue for Suppliers if their position was not corrected until R1. Respondents commented that the majority of customer invoicing is undertaken at SF. If the Supplier position is not corrected until R1, this will lead to the need for persistent billing corrections. Suppliers also commented that they need to understand their imbalance and should be provided with the most accurate information as soon as possible. Another respondent added that large customers are billed on a monthly basis, which is broadly in line with the SF Run. Any volume adjustment after the SF Run will mean a retrospective change to customers' bills.

Two respondents did not consider it to be an issue for Suppliers if their position was not corrected until R1 commenting that corrections should not be issued until backing data is received by non-BM Balancing Services providers from the TC.

The Workgroup considered whether Suppliers' positions should be corrected at SF or R1. There was a strong preference amongst the Workgroup for the data to be provided by SF. Workgroup members commented that the TC should provide the required data in a timely manner and for the integrity of Settlement, Suppliers should be able to bill their customers accurately. A minority of the Workgroup noted that non-BM Balancing Services providers receive small numbers of data at SF as in most cases, data is not available from the TC in time for SF so R1 would be preferable.

One Workgroup member believed the TC should be working towards provision of data close to real time, but recognised that significant contractual, system and process changes would be needed to reach that point. The BSC legal text should enable this future vision by requesting data for SF.

Overall the Workgroup agreed that the TC should provide non-BM ABSVD as soon as practically possible. Therefore this should be provided at SF where available but by R1 at the latest. Normal reconciliation rules would apply subsequently.

The Workgroup therefore agreed that the wording in BSC Section Q6.4.8 should not be as explicit as currently drafted. However, the intention would be for the TC to send through the first provision of data to BSC Systems in all reasonable endeavours by SF but no later than R1. The Workgroup noted that amending the BSC legal text adds in optionality for the TC to provide data when it is available based on the contractual terms of the non-BM Balancing Services contracts.

The updated legal text can be found in both Attachments A and B.

Should Suppliers be provided with MSID ABSVD volumes?

As detailed in the proposed solution, the Workgroup noted that Suppliers would receive Supplier BM Unit ABSVD from BSC Systems. However, the Workgroup discussed whether Suppliers should also be provided with MSID ABSVD volumes determined by BSC Systems. Some Workgroup members were concerned that that if appropriate information was not passed on to Suppliers then they would make commercial decisions to protect themselves from this unseen risk.

There was also a concern that not providing Suppliers with MSID ABSVD volumes that they may require for customer billing would be inefficient, in that Suppliers would have to put in place other (less efficient) processes for receiving this data, such as requiring customers to provide it to them through their contractual terms. Other Workgroup members were strongly opposed to Suppliers being provided with this level of data as they highlighted

that this information is commercially confidential, and therefore they had concerns regarding competition. This is because it would give those Suppliers privileged knowledge of who provides non-BM Balancing Services, which would not be available to other Suppliers. These Workgroup members believed that any required provision of this data to Suppliers should be agreed between Suppliers and their customers, rather than being imposed upon customers by the provisions of the BSC (to which they are not party).

The Workgroup therefore noted that there were three possible options for reporting the data:

- 1) MSID ABSVD should not be reported to affected Suppliers;
- 2) MSID ABSVD should be reported to all Suppliers; or
- 3) MSID ABSVD should only be reported to affected Suppliers where the TC has indicated that the non-BM Balancing Services provider has (on behalf of the customer) given consent.

The Proposer indicated that their current thinking was for the Proposed Modification to reflect option (i) i.e. that MSID ABSVD should not be reported to Suppliers, in order to avoid any competition issues that might arise from giving Suppliers access to this level of data. However, the Proposer also acknowledged that it might be more efficient to allow reporting (and hence avoid any need for Suppliers and customers to agree their own mechanisms, outside the BSC, for sharing this data). The Workgroup therefore included three consultation questions (10,11 and 12) in order to help assess any potential impact.

First Assessment Consultation respondents' views

The Workgroup sought views on whether Suppliers should be provided with MSID ABSVD volumes and if so, whether this information should be HH or aggregated up (to week, month etc.). Ten respondents believed that Suppliers should be provided with MSID ABSVD volumes and that this data should be HH. Two respondents disagreed for the following reasons:

- Suppliers should not be provided with information on ABSVD volumes at any greater granularity than at Supplier Account level, as this could damage competition and release commercially sensitive information to competitors; and
- Suppliers should not be able to identify the customer providing the Balancing Service without the customer's consent. This is anti-competitive as Suppliers may prefer the customer to provide Balancing Services through the Supplier rather than by themselves or through another party.

The remaining five respondents provided a neutral or N/A view.

The Workgroup also sought views on whether industry believed that the provision of MSID ABSVD volumes to Suppliers should be subject to customer (i.e. non-BM Balancing Services provider) consent. Six respondents to the Assessment Procedure Consultation agreed that the provision of MSID ABSVD volumes to Suppliers should be subject to customer (i.e. non-BM Balancing Services provider) consent and six respondents disagreed. The remaining five respondents provided a neutral or N/A view.

Respondents who agreed that Suppliers should be subject to customer consent believed that it would be potentially damaging to competition without it ("soft power" problem). However, respondents who disagreed were of the view that there would be a clear



What is "soft power"?

Soft power is the ability to persuade others to do what it wants without force or coercion.

P354

Second Assessment
Procedure Consultation

15 January 2018

Version 1.0

Page 20 of 43

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commercial benefit for the customer of not disclosing information. One respondent commented that customers should not expect to transact wholesale energy with other market participants without their Supplier, who has ultimate responsibility for balancing their energy requirements and paying industry charges.

The Workgroup identified that this is a 'transparency' versus 'commercial confidentiality' issue. Some Workgroup members were of the view that as Suppliers' imbalances are being adjusted, then they should have visibility of this for competition reasons and so they can accurately bill their customers and better forecast their trading positions. One Workgroup member was concerned that where energy is bought in advance and results in imbalance, this cost may be socialised i.e. changes the side it is smeared from generation to retail.

The Workgroup also sought views on whether industry believed there are competition issues associated with reporting options detailed in this consultation document, for example, whether Suppliers would alter their terms of supply if this proposal is implemented.

A number of respondents had concerns that the proposed reporting options gives Suppliers the option to effectively shut down the entire non-BM Balancing Services market by changing their supply agreements with customers to exclude them from providing Balancing Services through anyone but the Supplier, or at all. However one respondent highlighted that in practice, it seems highly improbable that Suppliers would risk this behaviour given wider Competition Law requirements and potential remedies available to Regulatory Authorities.

The majority of the Workgroup also agreed that Suppliers would not risk their reputations given the wider legal implications.

Alternative Modification

Taking into account the responses received to the above Assessment Consultation questions, the P354 Proposer was of the view that where the MSID Pair data is provided by the TC, this should be provided to Suppliers regardless of whether the non-BM Balancing Services provider has consented. The Proposer therefore agreed to include this as part of the Proposed Modification.

However, the majority of the Workgroup agreed that the fairest solution would be for affected Suppliers to be provided with the MSID ABSVD subject to customer consent. This would present a compromise for BM and non-BM Balancing Services providers rather than Suppliers automatically being provided with the MSID ABSVD or not being provided with the MSID ABSVD at all.

The Workgroup therefore agreed to raise an Alternative Modification for P354. This would be identical to the P354 Proposed Modification except that the MSID ABSVD for a Metering System should only be provided to the Supplier for that Metering System where the non-BM Balancing Services Provider has consented to it via an "opt in" approach. No ABSVD data will be published on BMRS.

Are there any other alternative solutions that the Workgroup should consider?

As part of the first Assessment Procedure Consultation, question five asked whether there are any potential Alternative Modifications within the scope of P354 which would better

facilitate the Applicable BSC Objectives compared to the Proposed Modification. One respondent suggested the creation of a register of MSIDs associated with Balancing Services, mapped to BM Units. Suppliers and HHDA's, with BM Unit mapping accessible to Suppliers for meters registered to them. The respondent suggested that this would support transparency and allow verification and transfer of relevant MSIDs and could also be used for P344 and P355.

The Workgroup gave careful consideration to this suggestion with some members noting that it may be a useful way to facilitate competition in the future. The Workgroup highlighted that under both the P354 Proposed Modification and Alternative Modification, Suppliers will already be able to obtain MSID ABSVD (subject to customer consent under the P354 Alternative Modification). ELEXON noted that a version of this register is already being created behind the scenes although it is not visible to Parties. Some Workgroup members were concerned that the creation of this register is not a good idea for the 'soft power' argument as competitors could essentially see what customers are doing. Overall the Workgroup agreed that this is an interesting concept although out of scope for P354.

How should the Non-BM Unit ABSVD be reported?

The Workgroup discussed whether the related non-BM Unit ABSVD information should be reported. The Workgroup agreed that ABSVD aggregated to Supplier level could be reported as it would not cause any commercial issues for aggregators (as the data would be suitably anonymised). However, some members of the Workgroup expressed concern about Suppliers receiving ABSVD at the MSID level, as it could allow a Supplier to identify which of its Metering Systems were being used to provide Balancing Services.

The current BM Unit ABSVD is published on the BMRS and reported in the SAA Settlement Reports (SAA-IO14 sub-flows 1 and 2). The Workgroup considered whether non-BM data supplied at the MSID level should be reported in the same way that BMU-level ABSVD is currently reported. The Workgroup agreed that the total level of 'non-BM' ABSVD allocated to each Supplier should be made public and reported to:

- the relevant BSC Parties (in the SAA-IO14 sub-flow 1 Settlement Report); and
- the TC and other parties who licence the data (in the SAA-IO14 sub-flow 2 Settlement Report).

ELEXON noted that the proposal to publish aggregated data is consistent with current BSC reporting practices. Details of BSC Parties' imbalance calculations (aggregated to the level of BSC Party and/or BM Unit) are currently published in the Settlement Reports, and BM Unit level ABSVD is currently reported publicly on BMRS. For the avoidance of doubt, no ABSVD data will be published on BMRS for the 354 Alternative Modification.

Assessment Consultation Question

Do you agree with the Workgroup that all Supplier BM Unit Non-BM ABSVD is published on the BMRS for the Proposed Modification but that we do not publish anything on BMRS for the Alternative Modification?

Please provide your rationale.

The Workgroup invites you to give your views using the response form in Attachment E.

How is the correction to a Suppliers' imbalance due to Supplier BM Unit Non-BM communicated?

The Workgroup considered that under the scope of this Modification, it will be necessary to define how the correction to Suppliers' Energy Imbalance due to MSID-level ABSVD is communicated to Suppliers and the timings for this. The Proposer noted that currently, BM Unit ABSVD is published no later than the second Business Day after the ABSVD has been delivered as set out in BSC Section Q6.4.1. Suppliers will then receive the information in the SAA-I014 sub-flow 1 Settlement Report for the II Run.

The Workgroup noted that different types of delivery site would provide data at different timescales. The Workgroup also agreed that the TC should send MSID-level ABSVD to BSC Systems "when available" so that Supplier's imbalance positions could be corrected as early as possible.

For the avoidance of doubt, Suppliers will receive notification of Supplier BM Unit Non-BM ABSVD in the First Settlement Run after the MSID Pair data relating to their MSIDs has been received by SVAA.

Implementation Date

The Workgroup initially recommended an Implementation Date for P354 of 1 April 2019 as a Standalone Release.

Views of respondents to first Assessment Procedure Consultation

Ten of the 17 respondents to the Assessment Procedure Consultation agreed with the proposed Implementation Date. Two respondents provided a neutral view.

The remaining five respondents disagreed commenting that the TC has invited Balancing Services providers to tender for STOR contracts up to two years ahead in January 2018. Therefore if P354 was implemented in April 2019, the TC would be left with a number of contracts that Balancing Services providers could not fulfil. These respondents recommended an Implementation Date of 1 April 2020 to align with the TC's changes to the Standard Terms and Conditions of affected Balancing Services contracts. One respondent also highlighted the importance of considering the P344 and P355 Implementation Dates.

The Workgroup had a lengthy discussion regarding the P354 Implementation Date. The P354 Proposer was strongly of the view that the intention of P354 is to be an enabling Modification and so it should be implemented as soon as practically possible. He did not want to delay another year, which he believed would be a frustration to the process and disproportionate given that he has been trying to make this change for 18 months already. Therefore the BSC changes should be implemented on 1 April 2019 and the TC can then start using the P354 mechanism once it has its contracts in place.

Some members of the Workgroup expressed the view that as P354 would result in a significant change to the STOR market, it should be implemented as a 'big bang approach' i.e. BSC and TC changes implemented all at once on 1 April 2020. Some Workgroup members commented that they would not want STOR contracts to be retrospectively applied as they would not want their existing Standard Terms and Conditions to be amended. A Workgroup member expressed the view that Parties do not want to carry out a tender round in doubt and are only able to tender on existing Standard Terms and

Conditions available at that particular time; this should be honoured going forwards until the contract expires.

Some Workgroup members therefore expressed the view that there should be a parallel running of STOR contracts i.e. those that will have Standard Terms and Conditions based on pre-P354 conditions, which should all expire by March 2020, and those that will be based on Standard Terms and Conditions that will cater for P354. Other Workgroup members believed this would be complicated and create further distortion in the market with Parties participating on two separate contracts. A member pointed out that Standard Terms and Conditions could only be amended in accordance with any existing conditions. He believed that existing contracts must not be amended following P354 implementation, and should run to the end of their tenure on existing Standard Terms and Conditions.

The TC highlighted that Parties are able to tender for STOR for one month rather than the full two years should they wish to mitigate risk of potential implementation impacts of P354. The TC noted a [letter dated 15 December 2017](#) that it had issued in relation to STOR contracts and the implementation of P354. The TC highlighted that there were some outstanding issues in relation to the implementation of the modification with regards to STOR contracts that straddled the P354 Implementation Date. The TC noted that it would need 12 months from the date of the Authority's approval to implement the proposed changes for P354. The TC confirmed that it would only be able to meet an Implementation Date for P354 of 1 April 2019, if the BSC legal text added in the optionality for the TC to provide data when it is available based on contractual terms as discussed earlier in this document.

For the avoidance of doubt, those parties that have tendered and received STOR contracts based on spill payments but prior to implementation of P354 can continue to receive spill payments for the term of their agreement (i.e. after the modification has been implemented). This will allow for the orderly run off of existing contracts, while recognising the increased administrative complexity.

Overall the P354 Workgroup acknowledged that the Standard Terms and Conditions for STOR contracts are outside the scope of the BSC although they have a related impact. However, the majority of the Workgroup agreed that the BSC changes for P354 should be implemented as soon as possible. The Workgroup therefore recommended an Implementation Date of 1 April 2019 for both the Proposed Modification and Alternative Modification.

BSC Legal text

Views of respondents to first Assessment Procedure Consultation

11 respondents to the Assessment Procedure Consultation agreed with the proposed redlined changes to the BSC. Respondents commented that the draft legal text accurately and cohesively delivers the intention of P354. Three respondents were neutral or provided no comment. Three respondents who disagreed with the Proposed Modification also disagreed with the draft legal text on that basis.

Respondents were concerned that BSC Section Q6.4.5 allows BM providers to benefit from the payments that P354 seeks to withdraw from non-BM Balancing Services providers. Instead of removing an advantage which one part of the industry has over others it instead creates market distortion. As detailed earlier in this section, the Workgroup unanimously agreed that the opt-out provision under BSC Section Q6.4.5 should be removed. The updated draft legal text can be found in Attachments A and B.

Trading Disputes

Settlement Errors occur when the rules of Settlement have not been followed and this failure affects Trading Charges. Under the BSC, Suppliers have an obligation to ensure that Settlement is accurate. In an event when an inaccuracy is caused by directly breaching the BSC, a Trading Dispute is one of the methods in ensuring rectification. A valid Trading Dispute must meet the following three criteria:

- Dispute raised within the applicable Dispute Deadline;
- Settlement Error has occurred; and
- Materiality meets the £3,000 threshold.

Members of the Workgroup asked how the Trading Disputes process would address potential Settlement Errors relating to non-BM Unit ABSVD and asked ELEXON to develop redlined changes to [BSCP11 'Trading Disputes'](#) for inclusion in the P354 Assessment Consultation. These proposed changes can be found in Attachment B.

Following the implementation of P354 (if approved), if a BSC Party is allowed to receive HH metered MSID data and so can assess the materiality of the potential Settlement Error, they would be able to raise a Trading Dispute under the existing BSCP11 process. However, it is possible that BSC Parties would not receive all HH metered MSID data, and so would not be able to fully assess the materiality of the potential Settlement Error. Under the current wording in BSCP11, they would not be able to raise a Trading Dispute. Therefore the proposed changes to BSCP11 allow BSC Parties to submit partially completed Trading Disputes relating to ABSVD. ELEXON will then investigate the claim further to assess whether there is a Settlement Error and, if there is, assess the materiality and (where applicable) complete the Trading Disputes form and submit it on behalf of the BSC Party.

Members of the Workgroup queried whether non-BSC Parties can raise Trading Disputes. ELEXON noted that they are unable to raise Trading Disputes themselves. However, if they believed there was an error, then they should contact ELEXON directly either via email or through the BSC Service Desk. ELEXON then has an obligation to investigate and assess the error against the above criteria. If ELEXON deems the Trading Dispute to be valid, then it will be referred to the Trading Disputes Committee (TDC).

Views of respondents to the first Assessment Procedure Consultation

12 of the 17 respondents to the Assessment Procedure Consultation agreed with the Workgroup that the draft redlined changes to BSCP11 deliver the intention of P354. Four respondents provided a neutral view.

One respondent disagreed, commenting that it was concerned at the lack of detail in terms of how they should notify BSCCo, timescales for doing so and the likely Service Level Agreement (SLA) on behalf of BSCCo to confirm that either a Trading Dispute has been issued or that there is no Settlement error to resolve. They also commented how BSCCo is able to make any determination regarding whether the issue may give rise to a Trading Dispute without explicit detail.

ELEXON advised that it was not including any additional obligations to the existing Trading Disputes process. For consistency purposes, it had aligned the proposed redlined text with current wording used in BSCP11. There is a trust in ELEXON by Parties to assess the materiality of a potential Settlement Error if a BSC Party believes there is a Trading



What is the Disputes process?

The Trading Disputes process is used to facilitate the correction of errors in Settlement that have affected Trading Charges. The sole purpose of the process is to correct errors in Settlement and is not designed to assign culpability on any Parties involved. All Trading Disputes are assessed against three criteria, which must be met for the Trading Dispute to be upheld. All Trading Disputes are confidential. Further information can be found in the [Trading Disputes guidance note](#) on the ELEXON website.

P354
Second Assessment
Procedure Consultation

15 January 2018

Version 1.0

Page 25 of 43

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Dispute relating to ABSVD and (where applicable) complete the Trading Disputes form and submit it on behalf of the BSC Party. ELEXON will request relevant data from relevant participants to make an assessment in accordance with BSCP11.

The Workgroup agreed that minimal change to BSCP11 was the favoured approach. Members of the Workgroup also agreed that under the P354 Proposed and Alternative Modifications (if a customer provides consent), MSID ABSVD will be reported to the affected Suppliers. This provides a step forward in comparison to the previous proposed solution where Suppliers may not have been provided with MSID ABSVD.

A member of the Workgroup had a concern around monitoring the performance of the non-BM Balancing Services providers in relation to accuracy of data in Settlement. In particular, the quality of the data submitted at SF and the subsequent adjustments that take place at RF. They therefore suggested that it would be useful for a monthly report to be produced in order for ELEXON to be able to take any necessary action to address issues associated with the integrity of Settlement. ELEXON agreed to add this to the P354 business requirements (BR10) which are detailed in Attachment C.

Allocation Rules⁸

Through its discussions, the Workgroup agreed that the TC no longer needs to send Allocation Rules as non-BM Balancing Services providers will notify which MSID Pairs the Delivered Volumes should be allocated to. For the avoidance of doubt, BSC Systems will not need to have knowledge of the Allocation Rules in order to convert MSID Pair Delivered Volumes into MSID level ABSVD (please see Attachment C for further examples). However, the Workgroup queried whether there are any scenarios where this would not work and agreed to seek views on this as part of the first Assessment Procedure Consultation.

Views of respondents to the first Assessment Procedure Consultation

14 respondents to the first Assessment Procedure Consultation agreed with the proposed approach (described in Attachment C) to allocating Delivered Volumes at a Boundary Point between the associated Import and Export MSID (the 'MSID Pair').

One respondent commented that when a site has more than one importing MSID, without knowing the switching arrangement on site or having access to the Boundary Point Meter data it would be impossible to identify which MSID Pair should be assigned the instruction. As part of the proposed solution, each importing MSID should be allocated to a separate MSID Pair noting that an MSID Pair does not have to have an Export MSID. The Workgroup agreed that this is related to the ABSVD methodology and as such is not a BSC issue.

Another respondent commented that the non-BM Balancing Services provider is responsible for pairing the import and export MSIDs together, which becomes impossible to do without access to meters or the technical data from the meters. On some occasions, the non-BM Balancing Services provider would be forced to request information from the Supplier's MOA which would result in a Supplier being notified of a customer's participation in Balancing Services without the customer's consent.

⁸ Prior to the TC's C16 ABSVD Workgroup meetings in September 2017, the P354 Workgroup had assumed that the TC would send delivered volumes per delivery site and Allocation Rules to the SVAA. The TC will now send delivered volumes per MSID Pair to the SVAA.

Some Workgroup members noted that things on site are not always labelled well, which results in the aggregator having to go to the MOA for information. This is not an issue if the MOA has the site information but if they do not have the site information, the only party who would have this information is the Registrant for the Metering System, which could be the Supplier ('Supplier Hub Principle'). The Workgroup noted that this would not be an issue for the P354 Proposed solution but may be for the P354 Alternative solution where the customer has not consented. It acknowledged that Ofgem is currently looking into the Supplier Hub arrangements for reasons such as this.

Further comments from respondents to the first Assessment Procedure Consultation

One respondent commented that it is likely that Supplier Agents will wish to charge for supporting the provision of disaggregated data to SVAA. Suppliers will pick up this charge in the first instance, thereby creating a cross-subsidy. The respondent therefore queried whether provisions should exist to recover a fixed proportion of these costs from service providers registered to the service and reallocate to Suppliers to compensate for (at least some) of the costs.

The Workgroup noted that this issue disappears if Suppliers are able to see the MSID ABSVD data. However, it recognised that the approach causes costs for HHDA that will be socialised as the only way a Supplier is able to receive data is via the HHDA.

The same respondent also queried whether additional performance assurance standards (beyond those already established by the Performance Assurance Framework (PAF)) will exist to underpin the quality and timeliness of data provided by Supplier Agents and whether any liquidated damages will be applied to Suppliers for failure to meet standards.

ELEXON advised that there are no plans for liquidated damages at present. If any additional risks are identified, the PAF has various techniques that can be applied to it. Some Workgroup members highlighted that Suppliers are currently paying incremental costs and queried whether there is a way of understanding what these are and charging them to the relevant beneficiary. ELEXON acknowledged the respondent's concern and noted that BSCP503 will detail what the HHDA will send to SVAA and when. However, under the current BSC arrangements, the performance of HHDA is the responsibility of the Supplier.

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

Electricity Balancing Guidelines

The EB GL became law on 18 December 2017, which requires each Balancing Service to have a consequential imbalance adjustment. This opened up the question as to when and how to progress the balancing adjustments. The Workgroup agreed that removing the opt-out in BSC Section Q6.4.5 ensures that P354 is compliant with the EB GL.

Workgroup's initial recommendation

The Workgroup provided its views on both the P354 Proposed and Alternative Modifications against the Applicable BSC Objectives. At this stage, the majority of the Workgroup believes that P354 Alternative Modification **would** overall better facilitate the Applicable BSC Objectives compared with both the existing baseline and Proposed Modification and so should be **approved**.

This is largely in relation to Applicable BSC Objective (c) as the majority of the Workgroup believes that providing the non-BM MSID ABSVD data to Suppliers without the customer's consent will be detrimental to competition as it will provide privileged information to Suppliers. However, the Proposer and the minority of the Workgroup believes that providing the non-BM MSID ABSVD data to relevant Suppliers will provide greater transparency, protecting the integrity of Settlement and facilitating Supplier processes.

However some members of the Workgroup agreed that without the relevant changes to the ABSVD methodology statement, P354 would have no impact. The Proposer recognised that the Alternative Modification is better than the current baseline but believed that the P354 Proposed Modification is better than the Alternative Modification. Members' views against each of the Applicable BSC Objectives are summarised below.

Applicable BSC Objective (a)

The Proposer and the majority of Workgroup members agree that P354 Proposed and Alternative Modifications would better facilitate Applicable BSC Objective (a) as the Transmission Licence C16 Statements require the TC to procure and use Balancing Services without discriminating between classes of users. They believe that the current procurement of non-BM services does not fully take account of all the costs of the use of these non-BM services. This creates discrimination between BM and non-BM classes to the detriment of BM providers.

Applicable BSC Objective (b)

The Proposer and the majority of Workgroup members agree that P354 Proposed and Alternative Modifications would better facilitate Applicable BSC Objective (b). They contend that the TC does not consider the cost of the spill payment when contracting with non-BM services. When the full customer cost is considered (i.e. including the spill payment in non-BM energy cost) the TC is potentially allocating contracts and despatch volume in an inefficient manner.

The Proposer and the majority of Workgroup members agree that the P354 Proposed and Alternative Modifications will remove the spill revenue from non-BM Balancing Services providers by allowing all providers to compete for the provision of these services on an equal basis. This will provide a better deal for the end consumer, resulting in an overall more economic system.

The minority of Workgroup members believe that P354 Alternative Solution is detrimental to Applicable BSC Objective (b) if the customer does not provide consent and consequently MSID ABSVD is not reported to Suppliers. Although P354 will remove the spill revenue, it smears the cost and so Suppliers need the MSID ABSVD data to ensure that it is not subsidising other Balancing Services providers.



What are the Applicable BSC Objectives?

(a) The efficient discharge by the TC of the obligations imposed upon it by the Transmission Licence

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

(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

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(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]

(f) Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

(g) Compliance with the Transmission Losses Principle

P354
Second Assessment
Procedure Consultation

15 January 2018

Version 1.0

Page 28 of 43

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Applicable BSC Objective (c)

The Proposer and the majority of Workgroup members agree that P354 Proposed and Alternative Modifications would better facilitate Applicable BSC Objective (c). They believe that when the full customer cost is considered (as detailed above), this damages competition between BM and non-BM Balancing Services providers as it results in additional customer costs.

They agree that the P354 Proposed and Alternative Modifications will remove the spill revenue from non-BM Balancing Services providers by allowing all providers to compete for the provision of these services on an equal basis. This will facilitate competition between different types of provider.

The majority of Workgroup members also agreed that the P354 Alternative Modification better facilitates Applicable BSC Objective (c) compared to the existing baseline as it addresses the 'soft power' issues.

The minority of Workgroup members do not agree that the P354 Alternative Modification is needed. They believe that for the integrity of Settlement, the P354 Proposed Modification will facilitate competition between different types of provider and cover any Competition Law concerns.

The minority of Workgroup members believes that P354 Proposed Modification would be detrimental against Applicable BSC Objective (c). Members were concerned that there is the potential for Suppliers to block participation as many non-BM Balancing Services providers do not have knowledge of the BM processes and potential for Suppliers to opt-out. Additionally they do not believe that the ABSVD methodology is fair. These Workgroup members are therefore of the view that these two factors cause a detriment to competition.

Applicable BSC Objective (d)

The Proposer and the majority of Workgroup members agree that P354 Proposed and Alternative Modifications would better facilitate Applicable BSC Objective (d). They note that the Settlement process was carefully designed so as to isolate the accurate delivery of Balancing Services from any changes to a parties' energy imbalance. They believe that this process has been side-stepped by the growth of non-BM Balancing Services without the application of ABSVD. Putting it back into ABSVD will correct this inefficiency.

Additionally, both the Proposed and Alternative Modifications allow the efficient implementation of the EB GL, ensuring that imbalance adjustment happens to the correct parties.

The minority of Workgroup members believe that P354 Alternative Solution is detrimental to Applicable BSC Objective (d) if the customer does not provide consent and consequently MSID ABSVD is not reported to Suppliers. Although P354 will remove the spill revenue, it smears the cost and so Suppliers need the MSID ABSVD data to ensure that it is not subsidising other Balancing Services providers.

Applicable BSC Objective (e)

The Proposer and the majority of Workgroup members agree that P354 Proposed and Alternative Modifications would better facilitate Applicable BSC Objective (e). They highlight that the EB GL requires imbalance adjustment to be performed for all by the end

of 2020 at the latest. This Modification therefore facilitates the implementation of this requirement.

The TC also provided the view that they agree that P354 would better facilitate Applicable BSC Objective (e) as it is compliant with EB GL.

Applicable BSC Objective (f)

The Proposer and all Workgroup members believe that P354 is neutral against Applicable BSC Objective (f).

Applicable BSC Objective (g)

The Proposer and all Workgroup members believe that P354 is neutral against Applicable BSC Objective (g).

Summary of Workgroup's views against the Applicable BSC Objectives

Does P354 better facilitate the Applicable BSC Objectives?		
Obj	Proposed Modification	Potential Alternative Modification ⁹
(a)	<ul style="list-style-type: none">• Yes (Proposer) – P354 removes discrimination between BM and non-BM classes.• Yes (minority) – agree with Proposer.	<ul style="list-style-type: none">• Yes (majority) – agree with Proposer.
(b)	<ul style="list-style-type: none">• Yes (Proposer) - will remove the spill revenue from non-BM Balancing Services providers by allowing all providers to compete for the provision of these services on an equal basis. This will provide a better deal for the end consumer, resulting in an overall more economic system.• Yes (minority) – agree with Proposer.	<ul style="list-style-type: none">• Yes (majority) – agree with Proposer.• No (minority):<ul style="list-style-type: none">- detrimental if the customer does not provide consent and consequently MSID ABSVD is not reported to Suppliers
(c)	<ul style="list-style-type: none">• Yes (Proposer) – P354 will facilitate competition between different types of provider.• Yes (minority) – agree with Proposer.• Yes (minority) – no need for P354 Alternative Modification as Proposed will facilitate competition between different types of provider and cover any Competition Law	<ul style="list-style-type: none">• Yes (majority) – agree with Proposer.• Yes (majority) – addresses soft power issues so better than the Proposed Modification.

P354
Second Assessment
Procedure Consultation
15 January 2018

Version 1.0

Page 30 of 43

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⁹ Shows the different views expressed by the other Workgroup members – not all members necessarily agree with all of these views.

Does P354 better facilitate the Applicable BSC Objectives?		
Obj	Proposed Modification	Potential Alternative Modification ⁹
	<p>concerns</p> <ul style="list-style-type: none"> • No (minority) – concerned that there is the potential for Suppliers to block participation and they do not believe that the ABSVD methodology is fair. 	
(d)	<ul style="list-style-type: none"> • Yes (Proposer) – P354 allows the efficient implementation of the EB GL, ensuring that imbalance adjustment happens to the correct parties. • Yes (minority) – agree with Proposer. 	<ul style="list-style-type: none"> • Yes (majority) – agree with Proposer. • No (minority): <ul style="list-style-type: none"> - detrimental if the customer does not provide consent and consequently MSID ABSVD is not reported to Suppliers
(e)	<ul style="list-style-type: none"> • Yes (Proposer) – P354 will facilitate the implementation of the EB GL requirement for the imbalance adjustment to be performed for all by the end of 2020 at the latest. • Yes (minority) – agree with Proposer. 	<ul style="list-style-type: none"> • Yes (majority) – agree with Proposer.
(f)	<ul style="list-style-type: none"> • Neutral (Proposer) – no impact. • Neutral (majority) – no impact. 	<ul style="list-style-type: none"> • Neutral (majority) – no impact
(g)	<ul style="list-style-type: none"> • Neutral (Proposer) – no impact. • Neutral (majority) – no impact. 	<ul style="list-style-type: none"> • Neutral (majority) – no impact

Assessment Consultation respondents' views against the Applicable BSC Objectives

Ten of the 17 respondents to the Assessment Procedure Consultation believed that P354 would better facilitate the Applicable BSC Objectives compared with the current arrangements. Not all of the ten respondents expressed a clear view on specific Objectives, but of those who did:

- **7** believed that P354 better facilitates Applicable BSC Objective (a);
- **7** believed that P354 better facilitates Applicable BSC Objective (b);
- **8** believed that P354 better facilitates Applicable BSC Objective (c);
- **5** believed that P354 better facilitates Applicable BSC Objective (d); and
- **6** believed that P354 better facilitates Applicable BSC Objective (e).

The views of these respondents generally aligned with those of the Workgroup.

Six respondents did not agree that P354 will better facilitate the Applicable BSC Objectives. Views expressed against generally related to:

- The proposed solution does not associate a non-BM ABSVD balancing volume with a Lead Party at BM Unit level, so would transfer out-turn Metered Volumes to the Subsidiary Party regardless. The proposed solution needs to be amended so that MSID-level ABSVD is aggregated to Supplier BM Unit level rather than Supplier Account level and used to correct the Supplier's Energy Imbalance position;
- Opt-in provision in BSC Section Q6.4.5 - this allows BM providers to benefit from the payments that P354 seeks to withdraw from non-BM providers. Instead of removing an advantage which one part of the industry has over others it instead creates market distortion;
- The provision of MSID ABSVD volumes to Suppliers should be subject to customer consent or P354 is potentially damaging to competition; and
- It would be an issue for Suppliers if their position was not corrected until R1 as they would not be able to bill their customers accurately.

One respondent provided a neutral view.

Workgroup members considered all responses before deciding on their views as captured above.

Assessment Consultation Question

Do you agree with the Workgroup's initial majority view that the P354 Proposed solution **does** better facilitate the Applicable BSC Objectives compared with the current baseline?
Please provide your rationale with reference to the Applicable BSC Objectives.

The Workgroup invites you to give your views using the response form in Attachment E.

Assessment Consultation Question

Do you agree with the Workgroup's initial majority view that the P354 Alternative solution **does** better facilitate the Applicable BSC Objectives compared with the current baseline?
Please provide your rationale with reference to the Applicable BSC Objectives.

The Workgroup invites you to give your views using the response form in Attachment E.

Assessment Consultation Question

Do you agree with the Workgroup's initial majority view that the P354 Alternative solution **does** better facilitate the Applicable BSC Objectives compared with the P354 Proposed solution?
Please provide your rationale with reference to the Applicable BSC Objectives.

The Workgroup invites you to give your views using the response form in Attachment E.

Appendix 1: Workgroup Details

Workgroup's Terms of Reference

Specific areas set by the BSC Panel in the P354 Terms of Reference

How P354 will impact the Transmission Licence C16 Statements and ABSVD Methodology?

When should the TC provide non-BM ABSVD to SAA and how should the SAA allocate the ABSVD volume to the appropriate Supplier BM Unit?

Should Suppliers be allowed to opt out of receiving MPAN-level ABSVD?

If Suppliers will be allowed to refuse, how should they act?

How should the MPAN-level ABSVD be reported?

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

What are the implications for customers of adjustments being made to their Supplier's imbalance positions?

What changes are needed to BSC documents, systems and processes to support P354 and what are the related costs and lead times?

Are there any Alternative Modifications?

Should P354 be progressed as a Self-Governance Modification?

Does P354 better facilitate the Applicable BSC Objectives than the current baseline?

What is the impact of P354 on consumers?

Assessment Procedure timetable

P354 Assessment Timetable

Event	Date
Panel submits P354 to Assessment Procedure	9 Feb 2017
Workgroup Meeting 1	22 Feb 17
Workgroup Meeting 2	26 Apr 17
Workgroup Meeting 3	23 Jun 17
Workgroup Meeting 4	20 Jul 17
Workgroup Meeting 5	18 Oct 17
Workgroup Meeting 6	10 Nov 17
First Assessment Procedure Consultation	16 Nov 17 – 15 Dec 17
Workgroup Meeting 7	9 Jan 18
Second Assessment Procedure Consultation	15 Jan 18 – 29 Jan 18
Workgroup Meeting 8	W/C 29 Jan 18
Panel considers Workgroup's Assessment Report	8 Feb 18

P354
Second Assessment
Procedure Consultation
15 January 2018

Version 1.0

Page 33 of 43

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Workgroup membership and attendance

P354 Workgroup Attendance								
Name	Organisation	22/02 /17	26/04 /17	23/06 /17	20/07 /17	18/10 /17	10/11 /17	09/01 /18
Members								
Lawrence Jones	ELEXON (<i>Chair</i>)	✓	✓	✓	✓	✓	✓	✓
Giulia Barranu	ELEXON (<i>Lead Analyst</i>)	✓	✓	✓	✓	✗	✗	✗
Claire Kerr	ELEXON (<i>Lead Analyst</i>)	✗	✗	✗	✓	✓	✓	✓
Simon Lord	ENGIE (<i>Proposer</i>)	✓	✓	✗	✗	☎	✓	✓
Alastair Martin	Flexitricity	☎	✓	☎	✗	☎	☎	✓
Andrew Colley	SSE	✓	✓	✓	☎	☎	✗	✓
Bill Reed	RWE Supply & Trading GmbH	✓	✓	✓	☎	✓	☎	✓
Christopher Fox	National Grid	✗	✓	✓	✗	✗	✗	✗
Craig Thurling	E.ON	✓	✗	✓	✗	✗	✗	✗
Ed Knox	Energy Supply & Demand Specialist	✗	✗	✓	✗	✗	✗	✗
Esther Sutton	Uniper	✗	✓	✓	✗	☎	☎	✗
Graz Macdonald	Green Frog Power	☎	✓	✗	✗	✗	✗	✗
James Anderson	Scottish Power	✓	✓	☎	✗	✗	☎	✓
Jonathan Graham	The Association for Decentralised Energy	☎	✗	✗	✗	✗	✗	✗
Ian Tanner	UK Power reserve	✓	✓	✗	☎	☎	✗	✗
Lisa Waters	Waters Wye Associates	✓	✓	✓	✗	✗	☎	✗
Marcello Cecchini	Utiligroup	✓	✗	✓	✗	✗	✗	✗
Matthew Tucker	Welsh Power	✓	✗	✓	✗	✗	✗	☎
Nick Sillito	PeakGen Power Ltd	✗	✓	✓	☎	☎	☎	✗
Paul Barnett	manxutilities	✓	✓	✓	☎	☎	✓	☎
Philip Pearson	Energy Pool	✗	✗	✗	✗	✗	✗	✗
Richard Hardy	KiWi Power	✓	✓	✗	✗	✗	✗	✗
Attendees								
Colin Berry	ELEXON (<i>Design Authority</i>)	✓	✓	✓	✗	✓	✓	✓
John Lucas	ELEXON (<i>Design Authority</i>)	✓	✓	✓	✓	✗	✓	✓
Tina Wirth	ELEXON (<i>Lead Lawyer</i>)	✓	✓	☎	✓	✓	✓	✗
Nicholas Brown	ELEXON (<i>Lead Lawyer</i>)	✗	✗	✗	✗	✗	✗	✓
Marcelo Torres	Ofgem	✓	✓	✓	✗	✗	✓	✓
Andrew Russell	ENGIE (<i>Proposer Alternate</i>)	✓	✓	✓	☎	✗	✗	✗

P354 Workgroup Attendance								
Name	Organisation	22/02 /17	26/04 /17	23/06 /17	20/07 /17	18/10 /17	10/11 /17	09/01 /18
David Collins	CGI		x			x	x	x
Greg Heavens	National Grid (Alternate)	✓	x	✓	x	x	x	x
Jeremy Morris	Smartestenergy	✓	✓	x	x	x	x	x
Kate Garth	Npower					x	x	
Lee Priestley	National Grid	✓	x	x	x	x	x	x
Zahir Faraz	National Grid	x	✓	x	x	x	x	x
Richard Hardy	KiWi Power	✓	✓	x	x	x	x	x
Ryan Goddard	Welsh Power	x	✓	x		x	x	
Tariq Hakeem	National Grid	✓	✓	x	x	x	x	x
Raj Saikia	National Grid	x	x	✓	x	x	x	x
Rick Parfett	The Association for Decentralised Energy	x	x	✓			x	✓
Michael Jenner	UK Power Reserve	x	x		x	x	x	x
Adelle Wainwright	National Grid	x	x	✓				✓
Saskia Barker	Flexitricity	x	x	x		x		x
Giulia Barranu	Gazprom	x	x	x	x	✓	✓	✓

Appendix 2: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
ABSVD	Applicable Balancing Services Volume Data
BOA	Bid Offer Acceptance
BM	Balancing Mechanism
BMRA	Balancing Mechanism Reporting Agent
BMRS	Balancing Mechanism Reporting Service
BSC	Balancing and Settlement Code
CM	Capacity Market
CSD	Code Subsidiary Document
CVA	Central Volume Allocation
DA	Data Aggregator
DSR	Demand Side Response
ECOES	Electricity Central Online Enquiry Service
GSP	Grid Supply Point
HH	Half Hourly
IDD	Interface Definition Document
MPAN	Metering Point Administration Number
MRA	Master Registration Agreement
MSID	Metering System Identifier
MWh	megawatt-hour
NETA	New Electricity Trading Arrangements
PAF	Performance Assurance Framework
RCRC	Residual Cashflow Reallocation Charge
R1	First Reconciliation Run
RR	Replacement Reserves
SAA	Settlement Administration Agent
SF	Initial Settlement Run
SLA	Service Level Agreement
SRD	Standing Reserve Despatch
SO	System Operator
STOR	Short Term Operating Reserve
SVA	Supplier Volume Allocation

Acronyms	
Acronym	Definition
SVAA	Supplier Volume Allocation Agent
TC	Transmission Company
TDC	Trading Disputes Committee (<i>Panel Committee</i>)
TERRE	Trans European Replacement Reserves Exchange
TOMAS	Trading Operations Market Assurance System
URS	User Requirements Specification

DTC data flows and data items

DTC data flows and data items referenced in this document are listed in the table below.

DTC Data Flows and Data Items	
Number	Name
SAA-I014	Settlement Reports

External links

A summary of all hyperlinks used in this document are listed in the table below. All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
3	Balancing Services page on the National Grid website	http://www2.nationalgrid.com/uk/services/balancing-services/
3	C16 ABSVD informal consultation on the National Grid website	https://www.nationalgrid.com/uk/electricity/market-and-operational-data/transmission-licence-c16-statements-and-consultations
4	P354 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p354/
6	BSC Sections page on the ELEXON website	https://www.elexon.co.uk/bsc-and-codes/balancing-settlement-code/bsc-sections/
6	Transmission License C16 Statements page on the National Grid website	http://www2.nationalgrid.com/uk/industry-information/electricity-codes/balancing-framework/transmission-license-c16-statements/
7	Short Term Operating Reserve page on the National Grid website	http://www2.nationalgrid.com/uk/services/balancing-services/reserve-services/short-term-operating-reserve/
7	P305 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p305/

External Links		
Page(s)	Description	URL
12	Beginners Guide to the Electricity Trading Arrangements on the ELEXON website	https://www.elexon.co.uk/operations-settlement/trading-settlement/
15	P344 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p344/
15	P355 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p355/
16	MRA page on the MRASCo website	https://www.mrasco.com/mra-products/master-registration-agreement
24	TC letter on industry developments dated 15 December 2017	https://www.nationalgrid.com/sites/default/files/documents/Letter%20on%20Industry%20Developments.pdf
25	Trading Disputes guidance note on the ELEXON website	https://www.elexon.co.uk/operations-settlement/trading-settlement/claims-disputes/
25	BSCPs page on the ELEXON website	https://www.elexon.co.uk/bsc-and-codes/bsc-related-documents/bscps/

Appendix 3: Workgroup's previous discussions

All the Workgroup's previous discussions regarding P354 are detailed below. These discussions have helped shape the proposed solution. However, all discussions related to the changes that have been made since the first Assessment Procedure Consultation can be found in section 6.

Previously considered solutions

The Workgroup also considered solutions in which the TC would provide Delivered Volumes for a 'delivery site' (i.e. a physical location that delivers part or all of a Balancing Services instruction from the TC), and BSC Systems would then split this volume between the MSID Pairs associated with the delivery site. At the C16/ABSVD Workgroup on 26 September 2017, the Workgroup developed a solution that would involve the TC providing Delivered Volumes for each MSID Pair. This significantly simplifies the P354 solution.

Suppliers would not be allowed to opt out of having Supplier Account level ABSVD applied to their Energy Account. This solution would prevent non-BM Balancing Services providers receiving a second income stream (imbalance revenue).

Which sites should be included within the scope of the solution?¹

The Workgroup recognised that some of the 'sites' providing Balancing Services to the TC are more complex than others, and that it may be more difficult to determine delivered volumes for the more complex sites. A Balancing Services provider site (or "group") is the entity that can be used to deliver a Balancing Services contract. It may contain one or more delivery sites and may be geographically diverse.

A delivery site is a physical location that delivers part or all of a Balancing Services instruction from the TC. It may correspond to a generator, a bank of generators, or one or more elements of load, provided that these are capable of being controlled together. A delivery site may have one or more Boundary Points. At each Boundary Point there will be one MSID Pair (comprised of one Import Meter and in most cases one Export Meter).

The TC highlighted that each delivery site will have one or more SVA MSIDs. A site with generation will always require at least two MSIDs (one for Import, one for Export), but there may be more. For example, if the delivery site has multiple network connections, or multiple tenants with independent access to the supply market. Within a delivery site there will be a number of MSIDs available. However these will not be available at all times.

The Workgroup acknowledged that the TC has difficulties with mapping delivered volumes to MSIDs where the relationship between Aggregator sites, Aggregator delivery sites and MSIDs are complex. For this reason, the Proposer originally suggested that the scope of the solution would be restricted to:

- Aggregator sites where the TC has access to operational metering data for each delivery site (i.e. excluding those where the TC only has aggregated metered data, because they despatch at the site level, and an aggregator instructs the individual delivery sites); and
- Delivery sites where the TC can provide an 'Allocation Rule' specifying how to allocate delivery site volumes to MSIDs.



What is a Boundary Point?

A Boundary point is a point at which a Plant or Apparatus not forming part of the Total System is connected to the Total System.

Some Workgroup members were concerned that limiting the scope of the P354 solution to less complex sites in this way would not resolve the defect; it would just move the point at which the distortion occurred. One member highlighted that non-BM participants will be treated similarly to BM participants as their volume will be removed from their Energy Account but at the same time, they will not be able to access the BM.

Some members noted that the solution should apply to all non-BM participants, not only to the ones that do not have complex sites. The TC added that it is important to avoid introducing additional distortions among non-BM provider types within the same product as this can have a material impact on competition.

The Workgroup agreed that this question of which sites the TC should provide ABSVD for should be progressed by the C16 Workgroup. Following discussion at this Workgroup, the TC now proposes that all relevant sites (complex and non-complex) should fall within scope. For more detail on this please refer to the informal C16 consultation.

Should the Proposal apply to Import as well as Export?

The Proposer was also keen that, as a minimum, the solution should allow ABSVD to be allocated to a single Export MSID (capped by the amount of Export recorded on the Meter). However, the Workgroup disagreed as they believed that this did not include all the delivered volumes in Settlement. They were therefore of the view that this would not fully address the defect. The Workgroup subsequently agreed that it was not appropriate for ABSVD to be allocated to a single Export MSID. As detailed in Section 3, MSID Pair Delivered Volumes will be allocated to one or both MSIDs in the MSID Pair according to the rules set out in Attachment C.

Allocation Rules¹⁰

The Workgroup discussed the process for allocating a total Delivered Volume to individual MSIDs, and agreed that it can be considered a multi-stage process:

1. The total volume delivered by a group of sites may need to be allocated between individual delivery sites (if there is more than one);
2. The volume at each delivery site may need to be allocated between individual Boundary Points (if the delivery site has more than one);
3. The volume at each Boundary Point may need to be allocated between the Import and Export MSID (if the Boundary Point has both).

Step 1 of the process will be carried out by Balancing Services providers, outside the scope of P354. The Workgroup considered whether step 2 should be carried out within the scope of P354, using an 'Allocation Rule'. However, at the C16/ABSVD Workgroup on 26 September 2017, the C16 Workgroup concluded that step 2 should also be performed by Balancing Services providers (outside the scope of P354). This date will then be sent to the TC who will provide Delivered Volumes that have already been disaggregated to the Boundary Point level (using data provided by the Balancing Services provider). Please see the informal C16 consultation for more details.

¹⁰ Prior to the TC's C16 ABSVD Workgroup meetings in September 2017, the P354 Workgroup had assumed that the TC would send delivered volumes per delivery site and Allocation Rules to the SVAA. The TC will now send delivered volumes per MSID Pair to the SVAA.

The only part of the process remaining within the scope of P354 is therefore step 3 i.e. splitting the volume delivered at a Boundary Point between the Import MSID and Export MSID. This step will be carried out by the SVAA, using Settlement metered data to establish whether the volume delivered would have changed the Import recorded on the Import Metering System, the Export recorded on the Export Metering System, or both. For further details see requirement BR6 and Appendix B in the attached Business Requirements (Attachment C).

How should the BSC Systems allocate non-BM Unit ABSVD volumes?

The Workgroup also considered if the BSC Systems should allocate non-BM ABSVD at Supplier or at BM Unit level. ELEXON proposed that it should be allocated at Supplier Account level because BSC Systems will not know which of a Supplier's BM Units to allocate the ABSVD to and the Supplier would be unaware of the provision of Balancing Services that its MSID(s) were being used for and, as it was not necessary for volumes to be allocated to BM Units to adjust a Supplier's Energy position, it would also be a less complex solution. The Workgroup therefore agreed that Supplier Account level ABSVD would be suitable to be used to correct Suppliers' Energy Imbalance positions. However this has since been amended to BM Unit level and as such, we are issuing this second Assessment Procedure Consultation.

What are the implications for customers of adjustments being made to their Supplier's imbalance positions?

The Workgroup considered the implications to customers of adjustments being made to their Supplier's imbalance positions. One Workgroup member commented that currently, Suppliers may share their spill payments with customers. However, if this spill payment is lost, Suppliers and their customers may need to renegotiate their contracts. Another Workgroup member commented that customers might be reluctant to sign up to a contract with Suppliers if there are additional costs. Another Workgroup member noted that this should not be an issue because in their view, P354 was proposing a more efficient cost. This is because at the moment, non-BM participants are receiving a double payment and the proposed solution will eliminate this inefficiency.

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

Ancillary Services Review

The Workgroup discussed the interaction between P354 and the TC's review of the Ancillary Services. Further information can be found in the C16 consultation document. A Workgroup member noted that this review should not make any difference to the scope of P354 as these changes would affect any non-BM services.

Other BSC Modifications

The Workgroup noted that there is a potential relationship with both BSC Modifications [P344](#) and [P355](#). Both these Modifications are placing reliance on a Secondary BM Unit, a unit established and registered (or to be established and registered) by a Virtual Lead Party in accordance with [BSC Section K 'Classification and Registration of Metering Systems and BM Units'](#) 8. The concept of a Secondary BM Unit is that it does not include

all the Metered Volumes for the sites it contains, only the volumes that are delivering Balancing Services (e.g. Trans European Replacement Reserves Exchange (TERRE) Acceptances or Bid Offer Acceptances (BOAs)) to the TC. All other Metered Volumes for those sites remain in the Primary BM Unit.

ELEXON also noted that P344 is also considering the participation of aggregators in delivering Replacement Reserves (RR) but providing a different service. The Workgroup questioned whether there would be a double allocation of volume if P354 was approved. ELEXON noted that, if P354 is approved, there will not be a double allocation because TERRE volumes will be allocated to Secondary BM Units which will not be available for the provision of non-BM Balancing Services under the ABSVD methodology.

The TC was concerned that P354 may not be consistent with the live Modifications (P344 and P355) and suggested avoiding making changes that can become obsolete in the future. Other members noted that these three live Modifications are still being assessed and as such, we should consider the P354 proposed solution against the current baseline. As the defect is recognised, some members believed that we should move forward with the proposed solution. One Workgroup member noted that P354 is designed to address a defect and it should not be used as a vehicle for larger changes.

Modification impacts on non-BSC Parties

The Workgroup highlighted that P344, P354 and P355 all have consequential impacts on non-BSC Parties. One Workgroup member was concerned that these Modifications will introduce rules into the BSC that will impact non-BSC Parties. However they noted that non-BSC Parties are unable to raise Modifications themselves and queried whether this is an issue. ELEXON acknowledged the impacts that changes to the BSC will have on non-BSC Parties. However, under BSC Section F2.1.1(c), there is a route available for non-BSC Parties to apply to the Authority for a designation to raise Modifications. This therefore gives non-BSC Parties the opportunity to use the Modification process if potential changes are going to materially impact them.

Demand Side Response

The Workgroup considered whether Demand Side Response (DSR) should be included in the scope of P354. However, the Workgroup again agreed that this is outside the scope of the BSC and should instead be included as part of the C16 Workgroup discussions.

What effect may P354 have on Firm Frequency Response?

The Workgroup agreed that P354 does not have any effects on Firm Frequency Response (FFR). Firm Frequency Response is a Balancing Service which is not currently included in the TC's ABSVD Methodology. For the avoidance of doubt, P354 does not seek to amend this. The Workgroup therefore agreed that this was outside the scope of P354 and should instead be considered under the C16 consultation.

What is the impact of P354 on consumers?

A Workgroup member noted that there is a risk that the expected volume will not be delivered and if the Party is short, then it may incur a position of imbalance leading to a reduction in income. The Proposer disagreed noting that this was not in relation to trading

but to positive generation, which results in the Party being long and getting paid for it. A Workgroup member asked if the risk of not delivering is being managed through the Supplier portfolio. A Workgroup member noted that Suppliers do not have a way of predicting Balancing Services instructions, as these are reactive based on network requirements.

One Workgroup member asked if non-BM Balancing Services providers have market arrangements with Suppliers for adjusting volume for ABSVD. The Proposer noted that this is out of the scope of the Modification. Suppliers will need to consider what arrangements they put in place with their customers to address the situation in which energy is moved from the Supplier to the TC (through the ABSVD mechanism) as a result of actions taken by the customer.