

QUARTERLY REPORT Q1 2017/18: APRIL TO JUNE 2017

The ELEXON Quarterly Report for Q1 2017/18 provides information on the operation, implementation and administration of the BSC, in accordance with section C3.9.1 of the BSC.

The Quarterly Report is divided into four sections:

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

BSCCO REVIEW

This report summarises the operation of the Balancing and Settlement Code (BSC) for the first quarter of the financial year 2017/18, and describes the activities of the BSC Panel and its Committees. The report also reviews ELEXON's performance against the BSCCo Business Strategy and Budget for 2017/18.

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

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

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

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

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

- [ELEXON Report 265](#) – 13 April 2017
- [ELEXON Report 266](#) – 11 May 2017
- [ELEXON Report 267](#) – 8 June 2017
- [ELEXON Report 268](#) – 13 July 2016

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Improving the customer experience

'Introducing ELEXON' seminars

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

Developing our services

European developments

'Brexit'

The UK referendum vote in June 2016 to leave the European Union (EU) and the Government's subsequent triggering of Article 50, which formally commenced that process, has potentially significant impacts on the electricity sector in Britain.

We will continue to seek clarity on the extent to which the BSC must continue to change to meet European Regulations and projects.

However, in the absence of any further information, we are planning on the basis that European Network Codes and Guidelines will bind us in the short term, particularly given the two-year timeframe to exit the EU.

As previously suggested to the BSC Panel, we anticipate up to 14 EU-driven Modifications could be necessary to implement the EU Network Codes plus a potential Brexit Modification, to address the issue of BSC references to EU legislation, institutions and data flows. However, a more likely total figure is seven.

We had an informal discussion with BEIS regarding whether there are specific BSC considerations that may arise from Brexit. Other than the potential Brexit Modification, we did not identify any changes, noting we would need to understand the potential consequences as these emerged. We noted however that anything that led to system changes would require appropriate timescales to assess and implement.

The result of the UK general election held in June has not so far led to any changes in our plans in respect of European developments.

The European Guideline on Electricity Balancing (EB GL)

After eight years of development and negotiation, and just before the start of the quarter, European Member States voted to approve the text of the EB GL. The EB GL is now likely to become law before the end of 2017.

The EB GL covers, amongst other things, settlement of balancing energy and imbalance settlement, so will have potentially significant, impacts on the BSC after it comes into force.

Harmonisation of Imbalance Settlement

The European Transmission System Operators' (TSOs) organisation, ENTSO-E, set up a subgroup last year to examine the European harmonisation of imbalance settlement. The EB GL requires that TSOs make proposals for harmonisation of the main features of imbalance settlement within one year of the date that the Guideline comes into force. ELEXON is not a TSO so cannot be a voting member of this group, but we continue to attend with NGET, the formal GB member.

ELEXON's Role

During this quarter, and working around the June general election 'purdah' period, we have continued to engage with Government to discuss the assignment option that is available under the EB GL. This is to enable ELEXON to continue in its BSCCo role after the EB GL comes into force.

Project TERRE (Trans European Replacement Reserves Exchange)

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Project TERRE is a project currently involving NGET and a number of other European Transmission System Operators, will meet part of the EB GL requirements for pan-European energy balancing.

National Grid raised [BSC Modification P344](#) in June 2016 to seek to align the BSC with the Project TERRE requirements and the P344 Working Group has continued to meet throughout the quarter.

ELEXON was invited to host the pan-European Project TERRE stakeholder event again this year, which took place just after the end of the quarter. This gave ELEXON, NGET and the British electricity industry a rare opportunity to highlight to the Project TERRE designers what we have been doing to prepare for TERRE (including via BSC Modification P344 and Grid Code Modification GC0097) and our need for early certainty from Project TERRE.

The European Guideline on Capacity Allocation and Congestion Management (CACM)

The European intraday market, and the time at which it closes, are governed by CACM. In June 2017, NGET proposed a Grid Code Modification (GC0099) relating to a relaxation of the current Gate Closure deadline by which Interconnector Scheduled Transfers of electricity must be notified. This is to accommodate the forthcoming European intraday market, scheduled for go-live in 2018.

ELEXON had flagged the need for an accompanying BSC Modification to NGET in June 2016 and so we asked NGET to raise a suitable BSC Modification in time for consideration by the July BSC Panel. NGET raised this just after the end of this quarter as [BSC Modification P356](#) (Interconnector data).

The European Network Code on Emergency and Restoration (NC ER)

Chapter 4 of the NC ER is of direct relevance to the BSC as it covers market suspension and restoration; and also imbalance settlement in respect of market suspension periods. We have started to consider whether the NC ER will require changes to the BSC. Our current tentative view is that it will not, subject to the eventual NGET proposals, required by the NC ER, on this point. The NC ER is expected to become law later in 2017.

REMIT and BSC Modification P329

On 29 June, [BSC Modification P329](#) went live as part of the June 2017 Release. P329 delivers the change required by the European energy regulatory body, ACER, to the REMIT inside information platform (part of BMRS). Specifically it allows ACER to poll directly our platform for inside information data posted by market participants.

The Clean Energy Package

In November 2016, the European Commission published its 'Clean Energy Package' of new energy legislation. ELEXON has continued to work with both trade associations of which it is a member (Energy UK and Europex), on their detailed responses to this.

Electricity Market Reform (EMR)

EMR Settlement Services

The EMR Settlement Service continues to operate and meet its obligations. EMRS successfully issued its first Billing Statement for a Contracts for Difference (CFD) Generator in July 2016. Consequently, from July 2016 Suppliers started paying the Interim Ley rate. Refunds for excess CFD Operational Costs Levy and CM Settlement Costs Levy were issued in July 2016.

It was a busy period for credit cover processes, with Suppliers for the Capacity Market (CM) and CFD schemes as well as Applicants for the upcoming CM Auctions needing to lodge credit cover.

From 1 September 2016, EMRS started providing metering assurance for the Low Carbon Contracts Company (LCCC) and Electricity Settlements Company (ESC) for the CFD and CM schemes respectively. EMRS will ensure that the metering installed by CFD Generators and Capacity Providers meets the appropriate standards. The first

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significant piece of work, supporting the Metering Tests and DSR Reports for Capacity Providers under this new contract, has concluded for the upcoming Delivery Year.

The first Delivery Year for the Capacity Market started on 1 October 2016. In preparation for this, EMRS held a webinar for Supplier CM payments on 7 September, which was attended 93 participants. EMRS continues to engage with and support EMR Parties in other areas, for example by publishing new guidance documents and hosting Supplier introduction events in collaboration with LCCC and ESC. From 31 August 2016, EMRS started publishing CFD Generator Market Reference Prices on the EMRS website.

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

Settlement Reform and support for Ofgem projects

Settlement Reform

ELEXON delivered the remaining improvements to elective Half Hourly Settlement (HHS) process in April 2017. We have also been working with Ofgem on the preparation for the launch of the Significant Code Review (SCR) on mandatory HHS. ELEXON has offered to lead and Ofgem accepted the settlement design aspects of HHS with the delivery of a Target Operating Model (TOM) through an expert group approach. The launch of the SCR was delayed by the general election in June until July. Ofgem are currently consulting on the SCR approach with ELEXON's design leadership. The main element of work will begin in October 2017.

Faster and More Reliable Switching

ELEXON is providing support to Ofgem during the Detailed Level Specification (DLS) phase of the switching programme, having previously done so during the 'Blueprint' phase. This includes providing subject matter expertise to the Design and Delivery Teams and supporting three industry stakeholder groups – the External Design Advisory Group (EDAG), the Delivery Forum and the Regulatory Design Forum.

Ofgem has reached an initial view on its preferred reform package following analysis of the Request For Information (RFI) responses. This will include a Central Switching Service (CSS), but exclude a cross-fuel Market Intelligence Service (MIS). Ofgem will consult on its preferred reform package and its preference for a dual fuel Retail Energy Code in September.

Demand Side Flexibility (DSF) and Smart Grids

ELEXON has continued to explore the implications of Demand Side Flexibility (DSF) for future market scenarios. We have been supporting the National Grid led Power Responsive work on both Flexibility and Storage. We have also contributed to the first special advisory board for the Electricity Networks Association's (ENA's) work programme on developing the role of Distribution System Operator.

ELEXON has spoken to a number of parties looking to innovate in areas such as storage, community energy and electric vehicle infrastructure. We participated in the private seminar, run by the Westminster Energy Forum on Smarter Energy Systems (Integrating Renewables, Demand Side Support, Smart Cities, Networks & Distribution). Additionally, we presented at the Decarbonised Energy and Water Conference on the Balancing mechanism and ELEXON's work in trying to remove barriers to small-scale participation.

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Industry consultations

We responded to six industry consultations over the quarter:

- [ELEXON's response to the ENTSO-E survey on standard balancing products](#)
- [ELEXON's response to Ofgem's Targeted Charging Review consultation](#)
- [ELEXON's response to BEIS's consultation on building its industrial strategy](#)
- [ELEXON's response to Ofgem's 'minded to' decision on CUSC Modification Proposals 264 & 265](#)
- [ELEXON's response to Ofgem's consultation on future arrangements for the electricity system operator: its role and structure and the regulatory and incentives framework](#)
- [ELEXON's response to the second consultation on DCUSA Change Proposal 268 – 'DUoS Charging Using HH Settlement Data'](#)

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

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OPERATION OF THE BALANCING AND SETTLEMENT CODE ARRANGEMENTS

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

- [ELEXON Report 265](#) – 13 April 2017
- [ELEXON Report 266](#) – 11 May 2017
- [ELEXON Report 267](#) – 8 June 2017
- [ELEXON Report 268](#) – 13 July 2016

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

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GOVERNANCE AND CHANGE

Modifications

One new Modification Proposal was raised:

- [P355 Introduction of a BM Lite Balancing Mechanism](#)

One Modification Proposal was withdrawn.

- [P325 Improving the accountability of BSCCo to stakeholders and better aligning BSCCo governance with best practice](#)

Two Modification Proposals were submitted to the Authority for decision:

- [P348 Provision of gross BM Unit data for TNUoS charging](#)
- [P349 Facilitating Embedded Generation Triad Avoidance Standstill](#)

Two Modification Proposals were approved or rejected by the Authority:

- [P348 Provision of gross BM Unit data for TNUoS charging](#)
- [P349 Facilitating Embedded Generation Triad Avoidance Standstill](#)

No Modification Proposals were pending Authority decision at 30 June 2017.

No Modification Proposals were approved by the BSC Panel as a Self-Governance.

Nine Modification Proposals were implemented:

- [P272 Mandatory Half Hourly Settlement for Profile Classes 5-8](#)
- [P320 Reporting on Profile Classes 5 – 8 Metering Systems after the implementation of P272](#)
- [P321 Publication of Trading Unit Delivery Mode](#)
- [P329 Changes to REMIT inside information reporting](#)
- [P338 Consequential changes to P272 legal text](#)
- [P339 Introduction of new Consumption Component Classes for Measurement Classes E-G](#)
- [P346 Changes to the BSC Specified Charges to facilitate Elective HH Settlement](#)
- [P347 Reduction in R1 Read Requirement for Half Hourly Sites](#)
- [P351 Align the BSC with changes to the SCR requirements](#)

Change Proposals:

Six Change Proposals were raised:

- [CP1487 Remove the exclusion of Change of Measurement Classes in BSCP533 Appendix B](#)
- [CP1488 Align the NETA IDD spreadsheets with the live implementation of the SAA-I014 flow](#)
- [CP1489 Amendments to BSCP128 to align with BSCP68 timescales for LLF submissions for BM Units transferring from SMRS to CMRS and vice versa](#)
- [CP1490 Changes to BSCP27 and Technical Assurance Agent Service Descriptions to remove constraints to service improvement](#)

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- [CP1491 Lack of clarification surrounding the timeliness of Proving Tests and documentation for CVA MOA in BSCP02](#)
- [CP1492 Causes and treatment of large Line Loss Factors](#)

Seven Change Proposals were implemented:

- [CP1469 Changes to support the implementation of the SRAG's recommendations](#)
- [CP1474 Updating the CoMC processes to facilitate the elective HH Settlement of SMETS Meters](#)
- [CP1475 Remove obligation to re-date final NHH Meter readings on CoMC](#)
- [CP1476 Facilitation of Incremental LLFs](#)
- [CP1477 Updates to BSCP537 Appendix 1 as a result of P283](#)
- [CP1481 Housekeeping Change to BSCP536 following approval of P339](#)
- [CP1486 Removing example Advice Notes, Backing Sheets and Confirmation Notices from BSCP301](#)

BSCP40 issues:

- Two BSCP40 issues were raised or remain open during this period.
 - [Issue 68 Underestimation of Demand Capacity and Credit Cover Percentage](#)
 - [Issue 69 Performance Assurance Framework Review](#)

BSC Panel and Committee Activity

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

- Approved the questions included in the consultation proforma regarding the proposed changes to the Credit Assessment Price (CAP) Review Process and approved the amended version of the CAP Review Guidance Document for implementation from 1 June 2017.
- Approved four changes to the SVG membership.
- Approved one change to the TDC membership.
- Approved three changes to the PAB membership.
- Approved the Tender Framework Statement to allow re-procurement activity for the Technical Assurance Agent to commence and appointed Stuart Cotten as the Panel Project Observer to oversee the procurement process.
- Approved the Terms of Reference for the Load Flow Model (LFM) Reviewer service, as required by the P350 'Introduction of a seasonal Zonal Transmission Losses scheme' solution and approved the award of the Model Reviewer contract.
- Endorsed the award of the Transmission Loss Factor Agent (TLFA) services contract.
- Approved the TLFA Service Description and LFM Specification with the effective date of 12 May 2017
- Agreed to delegate ownership of the TLFA Service Description and LFM Reviewer Specification to the ISG and agreed the circulation of the proposed methodology for setting Load Periods (LPs) and Sample Settlement Periods (SSPs) to be used in the derivation of Zonal Transmission Loss Factors, as required by P350 'Introduction of a seasonal Zonal Transmission Losses scheme' for consultation.
- Approved the proposed scope of the Funding Shares Audit.

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- Noted the update from ELEXON on its bid for the Gas Assurance work and noted the views of the ELEXON Board on the Gas Assurance bid communicated from the Chairman.
- Noted the BM Audit Approach and clean Audit opinion for the period 1st April 2016 to 31st March 2017.
- Noted ELEXON's update on Ofgem's Code Administration Survey and ELEXON's next steps to continue to build on the results.
- Noted TAA Annual Report.
- Noted the BSC Auditor's unqualified Audit opinion for 2016/17 Audit Year.

Imbalance Settlement Group (ISG):

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

- Approved the following non-standard Balancing Mechanism (BM) Units:
 - Approved one non-standard BM Unit configuration for the two remaining Gas Turbine Generating Units associated with Peterborough Power Station
 - Approved two non-standard BM Units for Beatrice Offshore Windfarm Ltd's Plant and Apparatus associated Offshore Transmission Module (OTM)1
 - Approved two non-standard BM Units for Beatrice Offshore Windfarm Ltd's Plant and Apparatus associated OTM2
 - Approved one single non-standard BM Unit for Beatrice Offshore Windfarm Ltd's onshore and offshore LV Apparatus
 - Approved a single non-standard BM Unit for the Brockloch Rig wind farm
 - Approved a single non-standard BM Unit status for the Rampion Offshore Wind Farm operator's Plant and Apparatus associated with T_ RMPNO-1
 - Approved a single non-standard BM Unit status for the Rampion Offshore Wind Farm operator's Plant and Apparatus associated with T_ RMPNO-2
 - Approved a single non-standard BM Unit status for Plymouth Rock Power Station
 - Approved one non-standard BM Unit configuration for the four remaining Gas Turbine Generating Units associated with Brigg Power Station
- Agreed an eleven-month extension to the due date of the condition on D/460 until 31 March 2018
- Approved Metering Dispensation D/475 on a temporary two-year basis
- Approved the proposed new set of generic SECALF values (and corresponding changes to the CALF Guidance document), for use from the Autumn 2017 BSC Season onwards
- Approved the revised Working Day CALF and Non-Working Day CALF value for a specific BM Unit for the period 1 June 2017 to 31 August 2017
- Approved the BSC Configurable Items (CIs) amended for the June 2017 Release with an effective date of 29 June 2017
- Approved the following Change Proposals (CPs):
 - Approved CP1486 for implementation on 29 June 2017 as part of the June 2017 Release
 - Approved CP1485 'Validation of power transformer and cable/line loss adjustments' for implementation on 2 November 2017 as part of the November 2017 Release

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- Approved CP1488 'Align the NETA IDD spreadsheets with the live implementation of the SAA-I014 flow' for implementation on 2 November 2017 as part of the November 2017 Release'.

Supplier Volume Allocation Group (SVG):

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

- Oversaw the progression of approximately 55 changes to Market Domain Data
- Approved the following Change Proposals (CPs):
 - CP1477 'Updates to BSCP537 Appendix 1 as a result of P283' for implementation on 29 June 2017 as part of the June 2017 Release
 - CP1482 'Upgrade of NHHDA and EAC/AA systems from Oracle 11g to version 12c' for implementation on 22 February 2018 as part of the February 2018 Release
 - CP1485 'Validation of power transformer and cable/line loss adjustments' for implementation on 2 November 2017 as part of the November 2017 Release.
- Deferred its decision on CP1483 'Changes to BSCP550 – Shared Metering Arrangements', pending a second CP Consultation.
- Approved amended BSC Configurable Items for the June 2017 Release
- Approved Version 1.1.10 of the Ubitricity measured Central Management System for use in Settlement
- Approved generic Metering Dispensation D/474 on a lifetime basis, with a condition
- Agreed an 11-month extension to the due date of the condition on Metering Dispensation D/460.
- Provided comments for inclusion in the following CP Consultations:
 - CP1485 'Validation of power transformer and cable/line loss adjustments'
 - CP1487 'Removing the exclusion of CoMCs concurrent with a CoA from PARMS reports NM12 and HM12'.
- Noted the results of ELEXON's audit of Systems Connection Points and Boundary Points at Grid Supply Point sites.
- Recommended that the Panel approve CP1484 'Introduction of Additional SVA Validation at SVA Run time' for implementation on 2 November 2017 as part of the November 2017 Release.

Trading Disputes Committee (TDC):

The TDC:

- upheld eight Trading Disputes
- rejected two Trading Disputes.

Performance Assurance Board (PAB):

In addition to normal work, the PAB:

- Approved the 12 applications for Qualification as HH and NHH Suppliers
- Approved one transfer of Qualification
- Approved the escalation of BSC Parties to PAB for the following non-compliances:
 - P272/322: five Parties

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- SR0081: three Parties
- SR0074: two Parties
- P283: two Parties
- Approved ELEXON to contact MOAs regarding MOCOPA accreditation; MOAs that do not have MOCOPA accreditation or are not active may choose to pursue the Surrender of Qualification process
- Approved the spend to create a BUSRR for sub-100kW Half Hourly (HH) Settlement Performance (Measurement Class E Settlement Performance)
- Approved the monthly Grid Supply Point (GSP) Group liability cap for each GSP Group for the April 2017 to March 2018 reporting periods
- Approved the individual Supplier Serial charge value for each Serial for the April 2017 to March 2018 reporting periods
- Approved ELEXON raise two CPs to make amendments to BSCP537 Appendix 1 'Self-Assessment Document' including questions around Meter Operation Code of Practice Agreement (MOCOPA) accreditation
- Noted the Draft BSC Audit Report 2016/17
- Noted the TAA Draft Annual Report 2016/17
- Noted the updates made to the activity proposed to remedy the Market Issues in PAB194/06 'Proposed activity to remedy Market Issues'
- Endorsed the draft RER for 2018/19
- Agreed to publish the draft RER 2018/19 for industry consultation
- Determined that the remedial activity for 'Market Issue 03: Use and Accuracy of Information within D0215' is prioritised

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REVIEW AGAINST THE ANNUAL BUDGET

Summary

The year to date expenditure for the first quarter of 2017/18 is £7.4m, £1.3m (15.2%) below budget.

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

The full year forecast stands at £41.5m, £0.1m (0.1%) below budget.

Expenditure by Type

The position against budget is summarised below:

£m	YTD	Var.	Full Year	Var.
Operational	3.6	0.7	18.1	-
Demand Led	0.3	0.1	4.0	-
Contracted	3.3	0.4	15.2	0.1
System Strategy	0.2	0.1	3.7	-
Market Development	-	-	0.5	-
Total Elexon	7.4	1.3	41.5	0.1

Unfavourable variances to budget are in brackets

Operational Expenditure

The performance year to date is £0.7m under budget due to the phasing of the central provisions.

Demand Led Expenditure

The full year expenditure is maintained at budget level at £4m. We have incurred £0.3m on release projects year to date.

Contracted Expenditure

The full year expenditure is forecast to be £15.2m, £0.1m under budget mainly as a result of reduced depreciation charges for BMRS due to lower project costs than anticipated last financial year which resulted in a lower capitalisation.

System strategy

We have incurred a charge of £0.2m on the Architecture Strategy and June release. Cost is being maintained in line with the budget.

Market Development

No Market Development costs were incurred year to date and forecast is being maintained in line with budget at £500k.