

P357 'Removal of GC/DC tolerance parameters from BSC Section K'

This Modification proposes to remove the Generation Capacity (GC) and Demand Capacity (DC) tolerance limit parameters from Balancing and Settlement Code (BSC) Section K 'Classification and Registration of Metering Systems and BM Units'. This will allow the tolerances to be reviewed and updated from time to time without the need for a Modification.

This Report Phase Consultation for P357 closes:

5pm on Friday 13 October 2017

The Panel may not be able to consider late responses.



The BSC Panel initially recommends **approval** of P357

This Modification is expected to impact:

- Suppliers
- Generators
- Interconnector Users
- ELEXON



Contents

1	Summary	3
2	Why Change?	4
3	Solution	5
4	Impacts & Costs	6
5	Implementation	8
6	Proposer's Conclusions	9
7	Panel's Initial Discussions	10
8	Recommendations	11
	Appendix 1: Glossary & References	12

Contact

Elliott Harper

020 7380 4302

elliott.harper@elexon.co.uk



About This Document

This is the P357 Draft Modification Report, which ELEXON is issuing for industry consultation on the BSC Panel's behalf. It contains the Panel's provisional recommendations on P357. The Panel will consider all consultation responses at its meeting on 9 November 2017, when it will agree a final recommendation to the Authority on whether or not the change should be made.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits and proposed implementation approach.
- Attachment A contains the draft redlined changes to the BSC for P357.
- Attachment B contains the specific questions on which the Panel seeks your views. Please use this form to provide your responses to these questions, and to record any further views/comments you wish the Panel to consider.

P357
Report Phase Consultation

25 September 2017

Version 1.0

Page 2 of 13

© ELEXON Limited 2017

Why Change?

The Proposer believes that greater flexibility in the governance of the tolerance parameters would be beneficial as the tolerance parameters are currently hard wired within the Code, requiring a BSC Modification should it be desired that the parameters be amended.

Solution

The solution to P357 proposes to remove the Demand Capacity (DC) and Generation Capacity (GC) parameters from [BSC Section K 'Classification and Registration of Metering Systems and BM Units'](#).

This will enable the values to be more easily reviewed from time to time by the Panel or its delegated authority, in accordance with a guidance document that will detail the principles for review and approval. This document will be agreed by the BSC Panel.

Impacts & Costs

The central implementation costs to deliver P357 will be £240, with impacts on ELEXON's processes. Whilst there is no immediate impact on Trading Parties, there will be impacts on Trading Parties should the GC/DC parameters subsequently be amended.

Implementation

The proposed implementation date for P357 is 22 February 2018 as part of the February 2018 BSC Release.

Recommendations

The BSC Panel unanimously believes that the P357 Proposed Modification better facilitates Applicable BSC Objective (d). The Panel's initial unanimous recommendation is that the Proposed Modification should be **approved**.

Background

The Lead Party for each Balancing Mechanism (BM) Unit must declare DC and GC for each BSC Season in accordance with BSC Section K. It is self-declared by Trading Parties in 'good faith and as accurately as it reasonably can'. It is either the expected negative (indicating demand) or positive (indicating generation) Metered Volume with the maximum magnitude for a single Settlement Period falling within the relevant BSC Season. Together, GC and DC values are a part of the calculation of Credit Assessment Energy Indebtedness (CEI) and Credit Cover Percentage (CCP).

Having submitted GC and DC values, a Party must re-declare its GC/DC values in order to remain compliant with the BSC, should its Metered Volumes exceed the tolerance parameters specified in Section K3.4.3.

The GC/DC tolerance parameters are specified in the BSC. Therefore changes to the GC/DC tolerance parameters can only be made by raising a BSC Modification.

What is the issue?

As part of [Issue 68 'Underestimation of Demand Capacity'](#), the Issue Group considered whether greater accuracy in DC and GC submissions could be achieved through tightening the tolerance parameters, and improving the governance around how these tolerance parameters are determined.

The Issue Group agreed that tightening the tolerance parameters would improve the accuracy of the GC/DC parameters.

Currently, the GC and DC tolerance limits are specific values within BSC Section K. As such any changes require a BSC Modification to be raised and the process can take 3 months or more in order for a change to be delivered.

The Proposer, along with the Issue 68 Workgroup, believes that greater flexibility in the governance of the tolerance parameters would be beneficial. This would enable the BSC Panel or a delegated committee to more flexibly review and update the tolerance limits in response to changing circumstances and without the need for a Modification to be raised each time.

The current GC/DC tolerance values have had limited review and have not changed since the introduction of Modification [P186 'Rationalising the criteria for the submission and redeclaration of Demand & Generation Capacities'](#) in September 2005.



Credit Guidance notes

Detail on **Credit Cover** and **Credit Default** can be found in the respective Guidance Notes available on our [Credit webpage](#).

Proposed solution

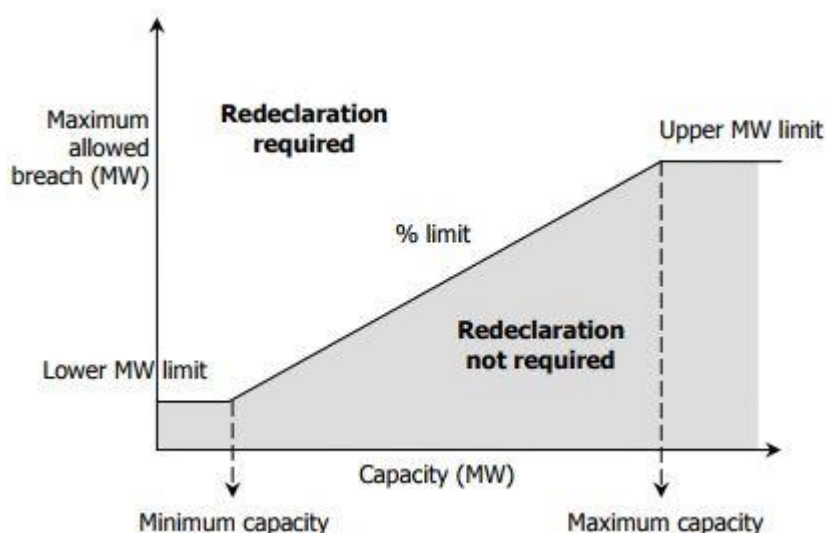
This Modification seeks to remove the tolerance parameters from the Code, in order to provide greater flexibility for the values to be determined by the BSC Panel. Having been determined by the Panel, the Balancing and Settlement Code Company (BSCCo) will publish the parameters on the BSC website.

The Panel or, if delegated, the Imbalance Settlement Group (ISG) would review these parameters from time to time as it sees fit, with an initial review scheduled one year post-implementation of this Modification Proposal.

Further, the Panel should establish guidance so that the governance and principles for setting and reviewing GC and DC Limits are clearly and openly documented. BSCCo will prepare an initial set of guidance for the Panel to agree prior to implementation of this Modification. Please note that this may be following Panel approval of this Modification Proposal, i.e. as part of the implementation project. This document will be included on the BSC Baseline Statement as an uncategorised document, which will ensure it is bound by BSC governance in that it can only be amended via Panel approval, but that it will not be subject to the formal BSC change process i.e. Modifications or Change Proposals.

Overall, this solution will avoid the need for a Modification to be raised each time the tolerances need to be updated.

Upon implementation of this Modification, the current GC/DC tolerance parameters within BSC Section K will be used – i.e. a minimum threshold of 2MW, ramped up by 2% to a maximum threshold of 10MW. The diagram below displays the principles of the current GC/DC parameters:



Further, there are two housekeeping changes that will be included in BSC Section K as part of the redlining for P357. Section 1.8.1 (a) (ii) contains a typographical error that should read BSCP25, and section 5.4.4 contains a typographical error whereby Interconnector is spelt incorrectly.

Legal text

The proposed legal text to deliver the P357 solution can be viewed in Attachment A.

Estimated central implementation costs of P357

The central implementation cost to deliver the solution to P357 is £240. This is derived from one working day of implementation effort to deliver the document only changes as a result of the P357 solution.

Indicative industry costs of P357

We are not anticipating any industry costs for the implementation of this Modification. There may be minor costs to BSC Parties following the scheduled one year review of GC/DC parameters, should Parties need to update processes as a result of any parameter amendments.

P357 impacts

The tables below detail the identified impacts that arise from the solution to this Modification Proposal:

Impact on BSC Parties and Party Agents

Party/Party Agent	Potential Impact
No immediate impact identified. Implementation of this Modification will not change GC/DC parameters. Following implementation GC/DC parameters could be changed by Panel approval, which would impact Trading Parties.	

Impact on Transmission Company

None identified

Impact on BSCCo

Area of ELEXON	Potential Impact
ELEXON Operations	<ul style="list-style-type: none">Conducting reviews from time to time as requested by the BSC Panel or its delegated body.Producing guidance on the GC/DC process for the BSC Panel to agree.

Impact on BSC Systems and processes

BSC System/Process	Potential Impact
None identified	

Impact on Code

Code Section	Potential Impact
BSC Section K	Redlining amendments as proposed by the solution to this Modification Proposal.

Impact on Code Subsidiary Documents

CSD	Potential Impact
None identified	

Impact on other Configurable Items

Configurable Item	Potential Impact
Panel Guidance	The Panel Guidance document to be created as a result of the solution to this Modification Proposal will be included on the BSC Baseline Statement.

Impact on a Significant Code Review (SCR) or other significant industry change projects

This Modification is not linked to any live SCRs. At the time of raising P357, the following SCRs were in the SCR Phase:

- [Electricity Settlement Reform](#)
- [Targeted Charging Review](#)

The Proposer requested that this Modification be exempt from the Significant Code Review process. Ofgem confirmed that P357 would be exempt from the SCR process during BSC Panel meeting 270.

Impact on Consumers

ELEXON agrees with the Proposer's view that the solution to this Modification does not have any direct impacts on consumers.

Impact on the Environment

ELEXON does not believe that the solution to this Modification has any direct impacts on the environment.

Recommended Implementation Date

The Proposer recommends an Implementation Date for P357 of:

- **22 February 2018** as part of the February 2018 BSC Release if an Authority decision is received on or before 22 December 2017.

Applicable BSC Objectives

The impact of the P357 solution on the relevant BSC Objectives is displayed in the table below:

Impact of the Modification on the Relevant BSC Objectives	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(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	Neutral
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Positive
(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]	Neutral
(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	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

In the view of the Proposer and as agreed by ELEXON, this Modification will better facilitate BSC Objective (d). The solution to the Modification Proposal seeks to improve the current governance arrangements and make them more efficient by enabling more flexible review and amendment of tolerance limits in line with market changes. This avoids the need for a Modification to be raised each time the tolerances need to be updated.

Self-Governance

ELEXON agrees with the Proposer's view that this Modification Proposal should not be treated as Self-Governance, on the basis that implementing the solution to this change will amend the scenarios for which a Modification Proposal under the Code is required as per Self-Governance criterion (a)(v).



What are the Self-Governance criteria?

A proposal 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

7 Panel's Initial Discussions

The BSC Panel did not pose any questions or hold any discussions during the presentation of the P357 Initial Written Assessment at the September 2017 Panel meeting ([Panel 270/05](#)). The Panel unanimously agreed with all recommendations as set out in Section 8 of this paper.

The BSC Panel did not request that any further non-standard questions be added to the Report Phase Consultation for P357.

During the Panel meeting, Ofgem confirmed that P357 is not implicated in the two ongoing SCR's (Electricity Settlement Reform and Targeted Charging Review) and as such should be exempt from the SCR process.

Report Phase Consultation Questions

Do you agree with the Panel's initial unanimous recommendation that P357 better facilitates Applicable BSC Objective (d)?

Do you agree with the Panel's initial unanimous recommendation that P357 should be approved?

Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P357?

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

Do you agree with the Panel's initial view that P357 should not be treated as a Self-Governance Modification?

Do you have any further comments on P357?

The Panel invites you to give your views using the response form in Attachment B.

8 Recommendations

The BSC Panel initially recommends to the Authority:

- That P357 **DOES** better facilitate Applicable BSC Objective (d);
- That the P357 Proposed Modification should be **APPROVED**;
- The draft BSC legal text for the P357 Proposed Modification;
- An Implementation Date for the P357 Proposed Modification of:
 - 22 February 2018 if an Authority decision is received on or before 22 December 2018; and
- That P357 should not be treated as a Self-Governance Modification.

Appendix 1: Glossary & References

Acronyms

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

Acronym	
Acronym	Definition
BM	Balancing Mechanism
BM Unit	Balancing Mechanism Unit
BSC	Balancing and Settlement Code
BSCCo	Balancing and Settlement Code Company
CCP	Credit Cover Percentage
CEI	Credit Assessment Energy Indebtedness
CSD	Code Subsidiary Document
DC	Demand Capacity
GC	Generation Capacity
ISG	Imbalance Settlement Group
SCR	Significant Code Review

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	BSC Sections (BSC Section K embedded in page)	https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/
4	P186 'Rationalising the criteria for the submission and redeclaration of Demand & Generation Capacities'	https://www.elexon.co.uk/mod-proposal/p186-rationalising-the-criteria-for-the-submission-and-redeclaration-of-demand-generation-capacities/
8	Electricity Settlement Reform SCR	https://www.ofgem.gov.uk/publications-and-updates/electricity-settlement-reform-significant-code-review-launch-statement-revised-timetable-and-request-applications-membership-target-operating-model-design-working-group
8	Targeted Charging Review SCR	https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-significant-code-review-launch

External Links

Page(s)	Description	URL
10	Panel 270 page of ELEXON website	https://www.elexon.co.uk/meeting/bsc-panel-268/?from_url=https://www.elexon.co.uk/events-calendar-item/bsc-panel-268/