

BSC Modification Proposal Form		At what stage is this document in the process?
<h1>P358</h1> <h2>'Roll over of BSC Seasonal GC/DC'</h2>		<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="border: 1px solid green; border-radius: 5px; padding: 5px; margin-bottom: 5px; background-color: #008000; color: white;">01 Modification</div> <div style="border: 1px solid blue; border-radius: 5px; padding: 5px; margin-bottom: 5px; background-color: #e6f2ff;">02 Workgroup Report</div> <div style="border: 1px solid purple; border-radius: 5px; padding: 5px; margin-bottom: 5px; background-color: #e6e6ff;">03 Draft Modification Report</div> <div style="border: 1px solid orange; border-radius: 5px; padding: 5px; background-color: #ffe4c4;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>The Modification proposes to amend BSC Section K to allow ELEXON to carry over BSC Seasonal GC/DC.</p>		
	<p>The Proposer recommends that this Modification should:</p> <ul style="list-style-type: none"> • be sent directly into the Report Phase <p>This Modification will be presented by the Proposer to the BSC Panel on 14 September 2017. The Panel will consider the Proposer's recommendation and determine how best to progress the Modification.</p>	
	<p>High Impact:</p> <p>N/A</p>	
	<p>Medium Impact:</p> <p>Suppliers Generators Interconnector Users ELEXON</p>	
	<p>Low Impact:</p> <p>N/A</p>	

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Timetable		
The Proposer recommends the following timetable:		
Initial Written Assessment presented to Panel	14 Sept 17	Contact: <i>Cal Lynn</i>
Report Phase Consultation	25 Sept 17 – 13 Oct 17	 <i>Cal.Lynn@elexon.co.uk</i>
Draft Modification Report presented to Panel	9 Nov 17	 <i>020 7380 4206</i>
Final Modification Report submitted to Authority	17 Nov 17	Proposer: <i>Andy Colley</i>
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		Proposer's representative: <i>N/A</i>
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1 Summary

What is the issue?

Demand Capacity (DC) and Generation Capacity (GC) are parameters that are declared for each Balancing and Settlement Code (BSC) Season in accordance with BSC Section K. They are self-declared by a BSC Party in 'good faith and as accurately as it reasonably can' for each Balancing Mechanism (BM) Unit. They are declared as the expected negative (indicating Demand) Metered Volume with the maximum magnitude for a single Settlement Period falling within the BSC Season.

Inaccuracy in the DC/GC parameters results in incorrect Credit Cover Percentage (CCP). This results in either an over-requirement or under-requirement in Credit Cover relative to the BMUs actual (or more likely) production or consumption. The under-requirement of Credit Cover, when combined with a Supplier failure can delay an event of Default and Section H Default. Furthermore, an under-requirement may extend the number of days all other BSC Parties are exposed to the failing Supplier's Trading Charges.

Following declaration of the GC/DC parameters each BSC Season, monitoring is performed by ELEXON against Metered Volume. If a BM Unit exceeds the GC/DC tolerance limits allowed in BSC Section K, the Lead Party must re-declare the GC/DC. Current performance by Parties to declare DC submission is poor with only 34 out of 131 (26%) of Suppliers declaring GC/DC for the BSC Winter 2016/17 Season.

Furthermore, the quality of DC estimations could be improved as following ELEXON's analysis under-statement of the parameter has resulted in circa £6million of CEI error at the start of the Winter 2016/17 BSC Season, creating exposure to higher Default Funding Shares for BSC Parties in the event of payment default. Regulation of the process is challenging due to the current ambiguous BSC rules, such as the use of the term 'good faith'.

Issue 68

As part of [Issue 68 'Underestimation of Demand Capacity'](#), the Issue Group considered whether greater accuracy in DC submissions could be achieved by amending the requirements of the BSC for Seasonal declarations.

Seasonal GC/DC declarations are required 10 Working Days (WD) prior to the start of the next BSC Season. The self-declarations are made in accordance with [BSCP15 'BM Unit Registration'](#) and received by the CRA for input into the registration system. If no GC/DC declaration is made, BSC Section K 3.4.1 states (REF) that the GC/DC values be set to zero. The majority of BSC Parties do not make seasonal GC/DC submissions in practice.

An ELEXON working practice that is in use rolls over GC/DC values from the previous season if no value is declared. The rationale for this practice is driven by pragmatism - were values for a BMU to default to zero as the Party failed to declare a seasonal GC/DC, then the Party would have a greater credit requirement than if values were to instead be rolled over as their existing value. If the rolled over values are not the subject of a 'breach' (i.e. in accordance with Section K3.4.3), it makes sense to use an existing value to ensure a more accurate CEI and CCP calculations; then there is little harm in removing the administrative burden of forcing Parties to comply with the obligation to provide a submission, instead allowing values to rollover.. However, the current levels of failure to declare, coupled with the default value of zero would lead to an unnecessary understatement of required credit if applied in practice.

The Issue Group agreed that a Modification should be raised to reflect current operational practice and formally allow for ELEXON to carry over GC/DC values from one BSC Season to the next. The BSC currently requires GC/DC values to be set to zero if no submission is required. This would result in less accuracy in the GC/DC values than carrying over.

2 Governance

Justification for proposed progression - not Self-Governance

This Modification proposal should not be treated as Self Governance on the basis that making the change will have a material impact on the Code's governance procedures, through the removal of a barrier to ELEXON.

Requested Next Steps

This Modification should:

- be sent directly to the Report Phase.

The proposer believes that this Modification proposal is suitable to be submitted directly to the Report Phase as it is likely that the Panel's recommendation to the Authority is self-evident, i.e. that it would recommend implementation and that the proposed solution reflects the conclusions of the Issue 68 working group.

For the avoidance of doubt, it is expected that the Panel would usually proceed directly to the Report Phase pursuant to paragraph 2.2.3(b) (iii) where the Modification Proposal is of a minor or inconsequential nature and/or where the recommendation which the Panel should make to the Authority in relation to such Modification Proposal would generally be considered to be self-evident.

3 Why Change?

What is the issue?

Currently, the majority of BSC Parties do not make seasonal GC/DC submissions. In the case of no seasonal declaration the CRA is required to set the GC/DC to zero. The BSC and BSCP15 currently require seasonal declarations 10 WDs prior to the start of the next BSC Season. The declarations are made using a form in BSCP15 or via ELEXON Portal online forms. Both of these are received by the CRA for input into the registration system.

In practice and in the interest of accuracy, the CRA carries over the values from the previous BSC Season if no declaration is made. By rolling over values instead of setting to zero when not declared, Parties will gain greater assurance that credit cover levels are closer to what they would need to be in the event of payment default.

This change is proposed to amend the BSC to reflect current operational practice. Carrying over the values reduces the administrative burden on BSC Parties and the CRA. In most cases the previous BSC Season GC/DC values are more accurate than zero values.

4 Code Specific Matters

Technical Skillsets

Knowledge of BSC systems and GC/DC processes.

Reference Documents

BSC Section K 'Classification and Registration of Metering Systems and BM Units'

5 Solution

Proposed Solution

This Modification seeks to remove the requirement to default values to zero if none is declared, and recognise the existing working practice where ELEXON carries over BSC seasonal GC/DCs where no declaration is received. This Modification is explicitly intended so there is no challenge process to a rolled-over value. Instead, if Parties want to they can re-submit their DC if dissatisfied with the rollover value in accordance with existing mid-Season re-declaration processes (Section K 3.4.2A).

6 Impacts & Other Considerations

Impacts

This Modification will impact Suppliers, Generators, Interconnector Users and ELEXON.

This Modification will require changes to BSC Section K 'Classification and Registration of Metering Systems and BM Units'.

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

No this Modification is not linked to any live SCRs. At the time of writing the following SCRs were in the SCR Phase:

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

The Proposer requests that this Modification be exempt from the Significant Code Review process.

Consumer Impacts

This Modification does not directly impact customers.

Environmental Impacts

N/A

7 Relevant Objectives

Impact of the Modification on the Relevant 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 administrating 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

Rationale

This Modification better facilitates BSC Objective (d), as it will maintain improved accuracy of GC/DC submissions currently achieved through working practice, whilst reducing and minimising the administrative burden. The working practice provides a better outcome for Parties, in the context of the overall objectives of the credit arrangements, compared to the current provisions of the Code.

8 Implementation Approach

This Modification is proposed for implementation on 22 February 2018, as part of the February BSC Release.

9 Legal Text

Suggested redlining

This Modification proposes the following changes to the BSC:

Section K 'Classification and Registration of Metering Systems and BM Units', paragraph 3.4.1

3.4 Demand Capacity and Generation Capacity

3.4.1 The Lead Party of a BM Unit shall estimate and notify to the CRA, in relation to each BSC Season in each year (the "**relevant**" BSC Season), from time to time in accordance with paragraph 3.4.2, in good faith and as accurately as it reasonably can, what will be:

- a) the positive value of QM_{ij} with the maximum magnitude (subject to paragraph 3.4.4) for the BM Unit in the relevant BSC Season; and
- b) the negative value of QM_{ij} with the maximum magnitude (subject to paragraph 3.4.4) for the BM Unit in the relevant BSC Season, provided that (in either case) if there is none, the value to be notified by the Lead Party shall be zero.

provided that (in either case) if there is none, the value shall be ~~notified by the Lead Party shall be zero~~, the most recent declared value of the preceding BSC Season. Where no preceding BSC Season value is available the value shall be zero.

10 Recommendations

Proposer's Recommendation to the BSC Panel

The BSC Panel is invited to:

- Agree that P358 be sent directly into the Report Phase