

Mr. Callum Galloway Green
Policy Advisor,
Wholesale Electricity & Energy Codes
Department for Business, Energy & Industrial Strategy
1 Victoria Street
London
SW1H 0ET

7 December 2017

Dear Callum,

Implementation of the Electricity Balancing Guideline

Thank you for your letter dated 1 December 2017 consulting on assigning specific tasks to ELEXON. This is ELEXON's response to that consultation.

The views expressed in this response are those of ELEXON Limited alone, and do not seek to represent those of the Parties to the Balancing and Settlement Code (BSC), which we administer.

Proposal for assigning tasks to ELEXON

We support your preferred approach of maintaining the status quo with relevant balancing and settlement tasks (as set out in the BSC) being assigned to ELEXON. This will minimise the disruption and cost to us, the industry and so ultimately the consumer.

Our response to your specific consultation questions

Question 1: Do you agree with our proposed approach of assignment of balancing and settlement tasks to ELEXON?

Yes.

As against the alternatives of transferring the operation of the identified balancing and settlement tasks to National Grid on 18 December 2017; or setting up a contract between National Grid and ELEXON to delegate those tasks to ELEXON by 18 December 2017, the least cost and least disruptive option is the assignment you have proposed. We also support your preferred approach of assignment over delegation because we would appear to lose our independence if National Grid was ultimately responsible for our compliance with the delegated tasks.

Question 2: Does the proposal set out provide effective and proportionate regulation of ELEXON's functions?

We strongly support the inclusion of the wording "in accordance with the BSC, as amended from time to time" as BEIS has proposed for the following three reasons.

Firstly because, in relation to the assigned tasks, ELEXON's detailed actions are also governed by the BSC, but ELEXON does not currently have powers to raise Modifications to, where necessary, amend the BSC to make it consistent with the Electricity Balancing Guideline. For this we rely on National Grid, or another BSC Party who is willing, to raise a suitable BSC Modification on our behalf. Without this additional wording the regulation would not be proportionate.

Secondly, making assignment limited in scope to that set out in the BSC as amended from time to time is also an effective way of future proofing against changes in the BSC.

Thirdly, it is also effective in splitting assignments between ELEXON and National Grid where our respective actions cover different aspects of the same task (for example, Article 49 of the Electricity Balancing Guideline requires the calculation of imbalance adjustments which in GB would mean: for Balancing Mechanism Bid-Offer Acceptances (ELEXON) and Balancing Services (National Grid).)

In terms of enforcement powers, we note that ELEXON is not for profit so proportionate enforcement (if ever needed) should take this into account.

Question 3: To what extent do you agree with the tasks we have identified and are proposing to assign to ELEXON?

We agree with the tasks proposed. But we have the following detailed comments on the proposed wording of the assignments.

18.9 - we suggest adding "in accordance with the requirements of the BSC, as amended from time to time" as has been done with the other assigned tasks.

45.2 and following – we assume the phrase "after publication" in the Timeframe column should be interpreted as "after entry into force of the Electricity Balancing Guideline".

55.3 – to align with wording in the Electricity Balancing Guideline "its imbalance areas..." should be changed to "its imbalance price areas, and each imbalance direction".

Question 4: Would the proposal generate costs to ELEXON and industry? If so please provide details and estimates of costs

The preferred proposal of assignment by letter will not of itself generate costs for us or industry.

Question 5: Would the proposal generate benefits to consumers, ELEXON or market participants? Please provide details and estimates of benefits.

Please see our answer to Question 1. The proposal will avoid the unnecessary costs of alternative means of ensuring GB compliance with the Electricity Balancing Guideline, i.e. in respect of the identified balancing and settlement tasks. The proposed approach seems simple, timely and cost-effective in comparison.

Yours sincerely,



Steve Wilkin

European Coordination Manager