

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

Stage 01: Initial Written Assessment

P271: NETSO Consultation in relation to any potential changes to the BSC which takes place in forums other than the BSC Panel

P271 proposes that National Grid is obligated to report any potential or likely BSC impacts as a result of developments of the European Network Codes to the BSC Panel. It is suggested that the Panel establish a European Issues Group for this purpose.



ELEXON recommends
A **2 month** Assessment Procedure



High Impact:
Transmission Company, BSC Panel

181/06

P271

NETSO consultation on potential BSC changes

04 March 2011

Version 1.0

Page 1 of 9

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Contents

1	Why Change?	3
2	Solution	4
3	Things to consider	5
4	Proposed Progression	7
5	Likely Impacts	9
6	Recommendations	9
7	Further Information	9

About this document:

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 10 March 2011. The Panel will consider the recommendations and agree how to progress P271.

Further information is available in the P271 Modification Proposal which is **Attachment A** to this document.



Any questions?

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181/06

P271
NETSO consultation on
potential BSC changes

04 March 2011

Version 1.0

Page 2 of 9

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1 Why Change?



EU 3rd Package and ENTSO-E

In July 2009, the 3rd Package was adopted by the European Union. The 3rd Package aims at introducing consistency in rules and regulation across Europe. It plans to do this via the establishment and adoption of European network codes.

The preparation of the European network codes will be a two-step process. The Agency for the Cooperation of Energy Regulators (ACER) will develop framework guidelines on specific topics which will be translated into codes by the European Network of Transmission System Operators for Electricity (ENTSO-E).

ENTSO-E consists of 41 Transmission System Operators (TSOs) from 34 countries across Europe. The Group was established to increase cooperation and coordination of TSOs across European borders and to play an active role in the development of the European network codes.

The European network codes will cover a wide range of topics and will have a significant impact on the BSC. These network codes will have priority provision over the BSC, Consequently changes to the BSC will be required to accommodate the European Network Codes. The regulations in the European network codes will impact both embedded and directly connected generation and will apply retrospectively to existing users.

What is the Issue?

National Grid, as operator of the GB electricity transmission system (NETSO), participate in the ENTSO-E meetings and are actively involved in the drafting process for the European Network Codes.

It is likely that the European network codes will have a significant impact on the BSC and other Core Industry Documents. The Proposer believes that since National Grid are actively involved in these changes at European level, it is appropriate that they are required to consult with GB stakeholders during the process. They feel that National Grid, as NETSO, should be obliged to consult with and engage with those stakeholders who effectively fund their participation in ENTSO-E.

What is a TSO?

Transmission System Operators are responsible for the transmission of electric power on the main high voltage networks. TSOs provide grid access to the electricity market players (i.e. generating companies, traders, suppliers, distributors and directly connected customers) according to non-discriminatory and transparent rules. In order to ensure the security of supply, they also guarantee the safe operation and maintenance of the system.

181/06

P271

NETSO consultation on potential BSC changes

04 March 2011

Version 1.0

Page 3 of 9

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2 Solution

Proposed Solution

P271 proposes that National Grid, under their remit of NETSO, should be obligated to report any potential or likely BSC impacts as a result of developments of the European Network Codes to the BSC Panel. This includes:

- Providing details of any draft proposals, in particular those concerning European Network Codes, ahead of their submission to the relevant body (e.g. ENTSO-e), including draft text and impact assessments as appropriate;
- Seeking and taking into consideration views of the Panel on such proposals ahead of their submission to the relevant body; and,
- Providing prior notification of, and subsequent feedback from, meetings and workshops at which National Grid have attended as NETSO, particularly with regard to development of the European Network Codes.

European Issues Group

This Proposal suggests that the most efficient way to deliver these obligations would be for the Panel to establish a 'European Issues Group'.

National Grid, as NETSO, could meet its obligation by reporting to this Issue Group rather than at the regular BSC Panel meetings. This would have the advantage of allowing the European Issues Group to look at greater detail the matters presented by National Grid than would be possible during a BSC Panel meeting. It would also provide a forum to allow the consideration of other European issues that may be raised from time to time.

The Terms of Reference for the European Issues Group should allow for consultation of BSC signatories and other interested parties for their views on matters arising. It should also provide for the BSC Panel, as appropriate, to coordinate the meeting of the European Issues Group with other similar groups discussing the impact of the European Network Codes on the Core Industry Documents e.g. a CUSC of Grid Code working group.

It should be noted that the Panel can establish the European Issues Group, and set its Terms of Reference, without a Modification Proposal. However, P271 is required to place the obligation on National Grid to report to the Panel the potential impacts on the BSC of the European network codes.

Applicable Objectives

The Proposer believes that P271 will better facilitate the achievement of

- **Applicable BSC Objective (a)**, by ensuring that the Transmission Company better satisfies its obligation under condition C3 of their Electricity Transmission Licence; and
- **Applicable BSC Objective (c)**:
 - by ensuring the Transmission Company maintains the existing high standards of openness and transparency; and
 - by providing greater certainty over the impact and development of the European network codes, thereby removing a potential barrier to entry.

181/06

P271
NETSO consultation on
potential BSC changes

04 March 2011

Version 1.0

Page 4 of 9

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Terms of Reference

We recommend that the Panel includes these areas in the P271 Workgroup's Terms of Reference.

In this section we highlight areas which we believe the Panel should consider when making its decision on how to progress this Modification Proposal.

If P271 goes into the Assessment Procedure, then we recommend that the areas below form the basis of the Workgroup's Terms of Reference.

Other Industry Changes?

Similar Modification Proposals to P271 have recently been raised under the Grid Code and the CUSC. The P271 Work Group should consider the solutions to these Proposals alongside P271 to ensure consistency, where possible, across the Core Industry Documents.

Are the obligations suitable on National Grid

Other ENTSO-E members?

ENTSO-E consists of 41 different System Operators from across Europe. Some countries, like the United Kingdom, have more than one member. The members for the UK are:

- National Grid Electricity Transmission plc;
- System Operation Northern Ireland Ltd;
- Scottish and Southern Energy plc; and
- Scottish Power Transmission

P271 proposes to place the obligation to report to the Panel on National Grid alone. However, the Group should consider if that obligation should be extended to the other GB ENSTO-E members as well.

What is the role of the TSO as an ENTSO-E member

The Group should investigate the role National Grid plays at the ENTSO-E meetings and establish their purpose/remit. They should consider if placing such an obligation on NETSO is legally permissible if it is not within the remit of NETSO to consider wider stakeholder feedback.

How practical is the proposed reporting to the Panel

The Group should consider if having National Grid reporting in this way is indeed practical and how best this would operate. For example, should updates be regular or ad hoc? what is required to be discussed and consulted upon? What implications does this have with other European driven timescales?

Is P271 required?

Licence requirements

As part of the justification for P271, the Proposer has referenced an obligation on National Grid *"for bringing changes to the BSC to the attention of BSC Parties and such other persons as may have an appropriate interest in it. The relevant section from the Electricity Transmission Licence is Condition 3 including, for example, paragraph 4..."* The P271 Group should consider if this Licence requirement mitigates the need for P271.

181/06

P271

NETSO consultation on potential BSC changes

04 March 2011

Version 1.0

Page 5 of 9

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It is ELEXON's opinion that the obligations in section C3 of the Transmission Licence does not mitigate this Modification. The Transmission Licence states (section C3, page 139) there is an obligation on National Grid:

where a proposal is made in accordance with paragraphs 4(a), 4(aa) and, unless otherwise directed by the Authority, 4(ab), (i) for bringing the proposal to the attention of BSC parties and such other persons as may have an appropriate interest in it (including consumer representatives);

This obligation is referring to where a Modification has been raised to the BSC through the Modification Procedures.

P271 is not seeking to address Modifications that have been raised to the BSC, but the potential impact of the development of the European network codes. This section of the Transmission Licence therefore has no bearing on P271.

Are there other ways to get involved?

The Group should consider if there are other ways they can get involved in having an input into the European network codes. This might involve an agreed process on how to deal with any consultations coming from ACER or ENTSO-E. It might also involve the BSC Panel writing to ENTSO-E directly with any feedback or concerns.

ACER have already issued their first consultation and they appear to be asking for feedback from "relevant Stakeholders" as well as ENTSO-E members.

Further information on this ACER consultation can be found [here](#).



What are the recommended next steps?

ELEXON recommends that P271 undergo a **2 month Assessment Procedure** using a Workgroup formed from members of the Governance Standing Modification Group.

Recommendation

2 Months Assessment Procedure

Workgroup Terms of Reference

We recommend that the Workgroup considers the following areas:

P271 Terms of Reference	
1	Consider the impacts of similar industry change running in parallel
2	Decide whether the obligation should apply to other ENTSO-E members
3	Are the obligations placed upon National Grid a) legally permissible and b) reasonably workable
4	With regard to the Licence obligations in C3 and current consultations, is P271 required
5	Are there any alternative solutions that would better resolve the issue.
6	The most appropriate implementation approach for the Modification.
7	The most appropriate legal drafting to deliver the solution.

Timetable

As noted above, both the Grid Code and the CUSC are currently progressing similar Modification Proposals. As such a joint meeting of Grid Code and CUSC working groups has been scheduled on Friday 11th March.

It would be pragmatic if the BSC working group could also attend this meeting. The timetable below is based upon the P271 work group being able to attend the meeting on the Friday 11th March. If it is not possible to have the P271 group attend this meeting (because they are not quorate, or they cannot make the date) then this will impact the progression timetable so that an Assessment report would be presented to the Panel in June rather than May.

Assessment Activity	Date
Modification Group 1	11 March 2011
Draft Consultation Document	14 March – 24 March 2011
Assessment Procedure Consultation	25 March – 08 April 2011
Modification Group 2	13 April 2011
Draft Assessment Report	14 April – 05 May 2011
Submit Assessment Report to Panel	06 May 2011
Present Assessment Report to Panel	12 May 2011

181/06

P271
NETSO consultation on
potential BSC changes
04 March 2011

Version 1.0

Page 7 of 9

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Estimated Progression Costs

The following table highlights the estimated ELEXON cost of progressing this Modification.

Estimated central assessment costs	
ELEXON resource	30 man days, equating to £7,200
Meeting costs	£1,000
Total	£8,200

The ELEXON resource cost is an estimation of how much time and effort it will take to progress a Modification through the Assessment and Report phases. This includes time supporting industry groups, drafting documentation and producing legal text.

Below is estimate of cost incurred by the industry in assessing this Modification:

Estimate of total industry assessment costs					
Modification Group support	Est #mtgs	Est # att	Est effort	Est rate	total
	2	5	1.5	605	£9,075
Consultation response support	Est #con	Est # resp	Est effort	Est rate	total
	2	6	2.5	605	£18,150
Total					£27,225

Meeting costs reflect an estimate of how many Modification group meetings will be held and the industry effort of supporting these meetings. The calculation is based upon an average number of members (5) each putting in 1.5 man days effort per meeting. This effort is multiplied by a standard rate of £605 per day. The result is:

$$2 \text{ working group meetings} \times 5 \text{ attendees} \times 1.5 \text{ WDs effort} \times £605 = \mathbf{£9,075}$$

Consultation costs represent an approximation of industry time and effort in responding to consultations. The calculation is based upon an estimate of how many responses we will receive and assumes each response will take 2.5 man days of effort, again multiplied by a standard rate of £605 per day. The result is:

$$6 \text{ responses} \times 2.5 \text{ WDs effort} \times £605 \times 2 \text{ consultations} = \mathbf{£18,150}$$

5 Likely Impacts

Impact on BSC Systems and process

None identified

Impact on BSC Parties and Party Agents

None identified

Impact on Transmission Company

Obligation on National Grid to report on impacts of European network codes to the BSCP Panel via the European Issues Group

Impact on ELEXON

Supporting the BSC Panel, establishing and supporting a new Panel committee (the EIG) and ensuring correct process.

Impact on Code

Code section	Potential impact
Section F and X	Reflecting new obligations and definitions

Impact on Code Subsidiary Documents

None identified

Impact on Core Industry Documents and other documents

Similar proposals have been raised under Grid Code and CUSC. P271 should work with these Codes to create a consistent and robust solution.

6 Recommendations

On the basis of the Initial Written Assessment, ELEXON invites the Panel to:

- DETERMINE that Modification Proposal P271 progresses to the Assessment Procedure;
- AGREE the Assessment Procedure timetable such that an Assessment Report should be completed and submitted to the Panel at its meeting on 12 May 2011;
- DETERMINE that the P271 Modification Group should be formed from members of the Governance Standing Modification Group; and
- AGREE the Modification Group's Terms of Reference.

7 Further Information

More information is included in the P271 Modification Proposal form which is attachment A of this document.

181/06

P271
NETSO consultation on
potential BSC changes

04 March 2011

Version 1.0

Page 9 of 9

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