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BSC Panel, BSC Parties, National Grid Electricity Transmission Plc (NGET), Elexon Ltd

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Dear colleagues,

Approval of request to extend the implementation date for P297 'Receipt and Publication of New and Revised Dynamic Data Items'

This letter sets out our decision to agree to a request from the Balancing and Settlement Code (BSC) Panel to extend the deadline for BSC modification P297.[1] The deadline will move from 1 November 2018 to the earlier of 31 January 2019 or the implementation date for BSC Modification P373 (if it were to be approved).

During the period between now and the new deadline, we strongly expect the Electricity System Operator (ESO) to progress its plan to perform a full cost benefit analysis of the code requirements linked to its Electricity Balancing System (EBS). The ESO must keep industry regularly updated on its progress with this work and any proposals for delivering the anticipated consumer benefits from the EBS code requirements in a different way.

Background to the proposal

The ESO is responsible for the safe and efficient operation of the electricity transmission system. The Balancing Mechanism (BM) is one of the key tools the ESO uses to balance electricity supply and demand close to real time. As the BM is now several decades old, a new system called the Electricity Balancing System (EBS) was developed to replace it. EBS proposed to include, amongst other things, automated dispatch to provide significant improvement to frequency control as the number of balancing providers increases.[2]

In 2013, National Grid Electricity Transmission plc raised Grid Code Modification GC0068 'New & Revised Unit Data & Instructions'.[3] This would enable market participants to submit new and revised dynamic data to the ESO for it to take advantage of EBS's functionally. GC0068 was approved in March 2014, with an implementation date linked to the 'go-live date' for EBS (at the time anticipated to be Q2 2015). However, the full proposed EBS solution has yet to be implemented and the ESO has been unable to confirm an implementation date for GC0068.

BSC modification P297 was approved in April 2014. This would allow data gathered under GC0068 to be sent to Elexon for publication to industry on the Balancing Mechanism Reporting Service (BMRS). The initial implementation date for P297 was November 2015.

[1] P297: https://www.elexon.co.uk/mod-proposal/p297/
[2] EBS update: https://www.nationalgrid.com/sites/default/files/documents/8589937158-05_EBS%20Update.pdf
[3] GC0068: https://www.nationalgrideso.com/codes/grid-code/modifications/gc0068-grid-code-new-and-revised-unit-data-and-instructions

However, in light of delays to EBS we approved extensions to this deadline in March 2015, August 2016 and then again in June 2017.[4] In June 2017, we approved an extension of the implementation deadline to 1 November 2018.

On 11 September 2018, the ESO wrote to the Panel to request a further extension to the implementation date for P297 and highlighted their intention to seek revisions to the requirements. Following some concerns raised by the BSC Panel, the ESO wrote back to the Panel on 4 October suggesting that an Urgent Modification to remove P297 entirely was the best way forward for industry; but that in the absence of this, an extension was still requested. On the same date the ESO raised Urgent Modification P373 'Reversal of P297'. We wrote to the BSC Panel on 8 October and expressed our concerns about the situation.[5]

On 16 October, we wrote to the BSC Panel to confirm that we did not agree P373 should be treated as urgent.[6] As detailed in our letter, we believe there needs to be a robust process for considering any amendment to the P297 requirements. There also needs to be a clear benefits case which explicitly considers the wider interactions with GC0068 and EBS more generally. Where alternative solutions could better deliver the original benefits, then we need to see commitments from the ESO to take these forward.

Extension request

At its meeting held on 11 October 2018 the BSC Panel agreed to the request to extend P297. The Panel requested that the Authority extended the implementation date to:

i) 31 January 2019; or
ii) The Implementation date for (Approved) Modification P373.

The Panel believed the most appropriate route was to progress P373 on an urgent basis. But that in absence of a decision on P373 before 1 November 2018, the P297 deadline should be extended to cover the progression timescales for P373.

Our decision

We have considered the extension request for P297, the interactions with modifications GC0068 and P373, and additional information that the ESO has shared recently. This includes the ESO's plan for performing a fuller analysis of the costs and benefits of implementing the GC0068 and P297 requirements through current ESO systems, as well as regular updates on this to both the Grid Code Panel and BSC Panel. The cost benefit analysis will then be published in December, with new modifications raised from January 2019 to take forward any beneficial alternative solutions. We think that extending the deadline until 31 January would be a pragmatic step whilst the ESO progresses this work and we wait to see its conclusions.

For the avoidance of doubt, we do not condone the approach the ESO has taken to manage industry expectations around the P297 and GC0068 requirements. We recognise that EBS is a complex system and that circumstances may have changed since these modifications were originally approved. However, if the ESO considers there to be better alternatives, then the process for considering and progressing these should have started well in advance of the 1 November 2018 deadline.

The deadline for P297 will now be the earlier of 31 January 2019 or the implementation of P373. We want to reiterate that before any decision on P373, we need a full picture of the costs and benefits of delivering P297 and GC0068 through existing ESO systems. If this shows benefits from altering the requirements, we would need to see clear commitments from the ESO to bring forward these solutions. We are unlikely to make a decision on P373

[4] https://www.elexon.co.uk/wp-content/uploads/2013/07/P297-Authority-approval-letter-to-ID-v1.0.pdf
[5] https://www.elexon.co.uk/wp-content/uploads/2013/07/P297-Ofgem-response-to-BSC-Panel-letter-8-Oct-18.pdf
[6] https://www.elexon.co.uk/documents/change/modifications/p351-p400/p373-ofgem-urgency-decision-letter/

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until after these steps are completed. At this point in time, now we have set clear expectations, it also seems unlikely that we would see the merits in approving a further request to extend the P297 deadline beyond 31 January 2019. We therefore stress the importance of the ESO progressing its work in a timely fashion, presenting a clear and balanced evidence base and committing to solutions for replacing the original expected benefits.

General comments on our expectations around the ESO's balancing systems

The ESO's balancing systems have a significant impact on competition and efficiency. EBS is a key deliverable under the RIIO-1 price control that was expected to deliver significant consumer benefits through more efficient system operation. The ESO should see delivering the benefits of EBS as part of its baseline expectations under RIIO-1. We have yet to receive a clear demonstration that the outcomes and consumer benefits associated with the original EBS proposal have been delivered. If EBS cannot be delivered in the way originally anticipated, then alternatives should be introduced by the ESO to replace those anticipated consumer benefits within the RIIO-1 period.

The ESO has begun updating industry on the status of EBS and its future plans in relation to balancing systems.[7] We welcome this step and encourage the ESO to continue this dialogue. We note that the latest update says that some form of EBS has been implemented.[8] In particular:

- "EBS is in use at National Grid ESO where we have a mixed scheduling solution that makes use of both EBS and elements of the existing balancing systems"; and
- "The hybrid balancing solution and new agile delivery capabilities at NG will enable faster response to market change and will enable a lower cost of change."

The update also introduces a new Balancing Programme which aims to "enhance and improve our suite of balancing tools including EBS and existing systems".

We welcome the intention to introduce a more responsive approach to system changes that is more reflective of market changes, and we expect to see more evidence of this going forward. In particular, we would like to see the ESO proactively considering additional system changes which can drive greater competition and efficiency (and which go beyond just complying with incoming European requirements).

We also note that whilst the costs associated with system changes are ultimately borne by consumers, these costs need to be weighed against the consumer savings that can be delivered from greater efficiency and competition in balancing markets. We will be monitoring this area closely as part of our ESO regulatory and incentives framework, which includes the potential for financial rewards and penalties associated with actions in relation to principles on wider competition and efficiency.

Yours sincerely,

Louise van Rensburg,
Interim Deputy Director, SO and Whole System, Systems & Networks
For and on behalf of the Authority

[7] https://www.nationalgrideso.com/codes/balancing-framework-and-balancing-and-settlement-code-bsc/balancing-programme-update
[8] https://www.nationalgrideso.com/sites/eso/files/documents/Electricity%20Balancing%20System%20Update.pdf

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