

Modification proposal:	Balancing and Settlement Code (BSC) P295: Submission and publication of Transparency Regulation data via the BMRS (P295)		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	National Grid Electricity Transmission Plc (NGET), Parties to the BSC and other interested parties		
Date of publication:	22 January 2014	Implementation Date:	16 December 2014

Background to the modification proposal

EU Regulation 543/2013 on submission and publication of data in electricity markets and amending Annex I to Regulation (EC) No 714/2009 of the European Parliament and of the Council (the "Transparency Regulation")³ came into force on 4 July 2013. Under the Transparency Regulation, the Transmission System Operators (TSOs) will be required to submit 'fundamental information'⁴ from primary data owners such as electricity generators and large electricity consumers, as well as on its own operations, to the European Network of Transmission System Operators for Electricity (ENTSO-E) for its publication on a central information transparency platform. This requirement on the TSO will be effective from 5 January 2015.

An Issue Group was established under the Balancing and Settlement Code (BSC) by National Grid Electricity Transmission (NGET) to facilitate discussion between industry participants about the implementation of the Transparency Regulation in Great Britain – Issue 47⁵. The Issue Group considered a number of potential solutions and concluded that a BSC modification should be raised "to put in place arrangements to facilitate compliance with the Transparency Regulation and, potentially, reporting of some or all of the GB Transparency data on the [Balancing Mechanism Reporting Service (BMRS)]".

The modification proposal

NGET, the Proposer, raised P295 ("the modification") on 1 July 2013. The modification proposes: (i) that Elexon⁶ submits the required information to the ENTSO-E on behalf of NGET; and (ii) that the same information is published on the BMRS. The proposer considers that the modification would have a number of benefits, including the provision of further transparency in the market.

The proposer considers that the modification better facilitates applicable BSC objectives (b) and (c), and is neutral with respect to applicable objectives (a), (d) and (e). A majority of the modification workgroup ("the workgroup") members and respondents to the consultations agreed, except for applicable objective (e), which the majority of the workgroup considered was better facilitated by the modification.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:163:0001:0012:EN:PDF>

⁴ Herein the term 'fundamental information' refers to data on the availability of networks, capacities of cross-border interconnectors and generation, load and network capacity and changes to those capacities.

⁵ <http://www.elexon.co.uk/smq-issue/issue-47-gb-implementation-of-the-european-transparency-regulation/>

⁶ The role and powers, functions and responsibilities of Elexon are set out in Section C of the BSC

The central implementation cost of the modification is approximately £645k, comprising £520k in Balancing Mechanism Reporting Agent (BMRA) costs, £25k in Elexon costs and £100k in NGET costs. Annual costs will be approximately £5k to the Balancing Mechanism Reporting Agent (BMRA).

BSC Panel⁷ recommendation

At its meeting of 12 December 2013, the BSC Panel voted unanimously to recommend that the modification should be approved. The views of Panel members can be found in the Final Modification Report (FMR) for the modification.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the FMR dated 13 December 2013. The Authority has considered and taken into account the responses to Elexon's⁸ consultation which are attached to the FMR⁹. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC¹⁰; and
2. directing that the modification to be made is consistent with the Authority's principal objective and statutory duties¹¹.

Reasons for the Authority's decision

We set out below our views against those Applicable BSC Objectives which we consider are impacted by the modification proposal.

BSC Objective (b): "the efficient, economic and co-ordinated operation of the national electricity transmission system"

The Proposer and the majority of the workgroup members considered the modification better facilitates applicable objective (b). The Proposer considers that objective (b) is better met due to the use of an existing data channel between NGET and Elexon, "[negating] the need for creating a second data channel between [NGET] and the ENTSO-E for the same data". The Proposer also considers that using the BMRS would result in greater information transparency and thus promote more efficient operation of the Transmission System.

We understand that the modification, by facilitating the publication of transparency information on the BMRS, is considered by market participants to be a pragmatic measure for GB industry. It is noted in the FMR that the BMRS has been in operation for 12 years, whereas the central transparency information platform is untested. Workgroup members have concerns about how user-friendly the central transparency information platform will be; it was noted in the FMR that the BMRS, in contrast, is very familiar to market participants. Additionally, workgroup members were concerned as to whether the central transparency information platform will be reliably available in time. And at least

⁷ The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC.

⁸ The role and powers, functions and responsibilities of Elexon are set out in Section C of the BSC.

⁹ BSC modification proposals, modification reports and representations can be viewed on the Elexon website at www.elexon.com.

¹⁰ As set out in Standard Condition C3(3) of NGET's Transmission Licence, see: <http://epr.ofgem.gov.uk/index.php?pk=folder380751>

¹¹ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

one workgroup member was concerned about the possibility of it being unavailable for periods of time (the supporting IT system 'going down').

Whilst it is not clear to us that there is evidence that such concerns are justified, we separately note the reasoning that a platform that is familiar to market participants would be beneficial to them. Having access to the transparency information in a timely manner is extremely important for the efficient operation of the market. It is important that market participants have a comprehensive picture of the electricity market to enable them to make informed decisions, including on balancing their positions more effectively. This can result in the more efficient, economic and co-ordinated operation of the Transmission System. Publication of transparency information on the BMRS in addition to the central transparency information platform could be beneficial in these regards. We agree with respondents to the modification consultations who note that it is difficult to quantify the impact of the modification on this objective. Nonetheless, overall, we think that this objective is better facilitated.

BSC Objective (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"

The Proposer and all the workgroup members considered the modification to better facilitate applicable objective (c). The view of the Proposer set out in the FMR is that the industry would have access to a wider range of data, which in turn would aid competition. Similarly, a consultation respondent refers to more data being freely available under the modification, better facilitating objective (c). We note that the modification does not propose the publication of a wider range of information than is to be published on the central transparency information platform. However we do acknowledge that the familiarity of the way in which the data is displayed may better facilitate market participants' understanding of the market.

A consultation respondent considered that efficiency in the market results in cost-savings which lead to increased competition and that the modification would better facilitate this. As noted under objective (b), it is very difficult to quantify the impact the publication of the transparency information on the BMRS will have on this objective. However if there are times when there are delays in the publication of the transparency information on the central transparency information platform, we believe that its publication on the BMRS will better facilitate objective (c).

We note the intention that the BMRA would provide subscribers with a personalised data 'feed' of transparency information. Other organisations may also wish to do this. Our view that the modification better facilitates objective (c) is based on this data being freely available to all market participants. There should be no barrier to the timely retrieval by any party of any of the transparency information sent by NGET to the BMRA for sending on to the ENTSO-E for publication on the central transparency information platform. This ensures fair competition in the market and maximises transparency.

BSC Objective (d): "promoting efficiency in the implementation and administration of the balancing and settlement arrangements"

The Proposer and a majority of workgroup members considered the modification to be neutral with regard to applicable objective (d). A minority of the workgroup members and of consultation respondents considered that the modification would have a detrimental impact against applicable objective (d). One reason cited for this minority view was that it would be inefficient to publish on the BMRS the same transparency information that would be published on the central transparency information platform, in particular at a significant cost. However, a modification consultation respondent with this view

considered the difference in cost between implementing the modification and not doing so is not significant. Another reason cited for this minority view was that there would be no direct benefit on the efficiency of the BSC arrangements. Those of the view that applicable objective (d) could be detrimentally impacted by the modification consider that its benefits against the other applicable objectives outweigh this detrimental impact, and support the modification overall.

We note the minority view outlined. We consider that it is difficult to quantify the impact of the modification on this objective, but when this is balanced against the benefits discussed under the other objectives, including the potential for the modification to enable market participants to balance their positions more effectively, and given the small difference in cost between it being implemented and not being implemented, as noted by one consultation respondent, we are neutral with regard to this objective being better facilitated.

BSC Objective (e): "compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency"

The Proposer and the minority of the workgroup members considered the modification to be neutral with regard to applicable objective (e). The majority of the workgroup members considered the modification to better facilitate applicable objective (e) by enabling NGET and Elexon to comply with the Transparency Regulation.

We consider that the modification is neutral in this regard. NGET is already bound to comply with the Transparency Regulation.

Other issues

We have approved the modification because of the evidence, as presented in the modification documentation, that industry believes there is benefit to the provision of transparency information on the BMRS and because we believe that this provision will benefit transparency within the market.

However, as at the date of this decision there continues to be ongoing discussions between industry, the government and the Authority in respect of the implementation of the European Network Codes which includes the Transparency Regulation. Certainty on the definition of some terms in the Transparency Regulation is also to be reached. Additionally, there is uncertainty regarding the requirements that will be set out by ENTSO-E in relation to sending it the transparency information. As these discussions progress and the requirements become clear it may become necessary to amend or update the arrangements put in place by this modification.

We note that as a result of these factors we cannot, at this stage, conclude that the provision in the modification for NGET to send transparency information to the BMRA will be in accordance with the Transparency Regulation and the decisions on its implementation. Nor can we conclude that the provision in the modification for the BMRA to send transparency information to the ENTSO-E on the behalf of NGET will be in accordance with the Transparency Regulation and the decisions on its implementation.

Due to the reasons above, we highlight that further modifications to the BSC and other regulatory changes may be required for the implementation of the Transparency Regulation.

Decision notice

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority hereby directs that modification proposal BSC P295: '*Submission and publication of Transparency Regulation data via the BMRS*' be made.

Emma Kelso
Associate Partner
Wholesale Markets

Signed on behalf of the Authority and authorised for that purpose