

## Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

## P340 'Removal of References and Requirements Relating to the LCPD'

Changes in legislation mean that references and reporting requirements in the BSC relating to the Large Combustion Plant Directive have been rendered obsolete. This Modification seeks to remove the relevant provisions from the BSC and subsidiary documentation.

The consultation also seeks participants' views on the visibility of information following the legislation changes and P340.



The BSC Panel initially recommends **approval** of P340

This Modification is not expected to impact any participants

253/09

P340  
Draft Modification Report

2 June 2016

Version 1.0

Page 1 of 11

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## Contents

<b>1</b>	<b>Summary</b>	<b>3</b>
<b>2</b>	<b>Why Change?</b>	<b>4</b>
<b>3</b>	<b>Solution</b>	<b>5</b>
<b>4</b>	<b>Impacts &amp; Costs</b>	<b>6</b>
<b>5</b>	<b>Implementation</b>	<b>6</b>
<b>6</b>	<b>Panel's Initial Discussions</b>	<b>7</b>
<b>7</b>	<b>Report Phase Consultation Responses</b>	<b>8</b>
<b>8</b>	<b>Recommendations</b>	<b>10</b>
	<b>Appendix 1: Glossary &amp; References</b>	<b>11</b>

## About This Document

This is the P340 Draft Modification Report, which ELEXON will present to the Panel at its meeting on 9 June 2016. One consultation responses were received. The Panel will make a final decision on this change as a Self-Governance Modification.

There are two parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach.
- Attachment A contains the draft redlined changes to the BSC for P340.
- Attachment B contains the responses received to the Report Phase consultation.

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253/09

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P340  
Draft Modification Report

---

2 June 2016

---

Version 1.0

---

Page 2 of 11

---

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### Why Change?

Changes in legislation mean that references and reporting requirements in the BSC relating to Large Combustion Plant Directive are obsolete. The inclusion of these provisions in the BSC adds unnecessary complexity to the arrangements and is misleading, and there is a risk that Parties could potentially be in default for non-compliance with the BSC.

### Solution

Remove from the BSC all references and requirements relating to Large Combustion Plants, the Large Combustion Plant Directive, and the submission and subsequent processing of LCP Data, and remove BSCP33 'Large Combustion Plant Directive Data Submission'.

### Visibility of information

The Panel believes this change is necessary to reflect the change to legislation and the impact of this on the relevant BSC arrangements. However, the Panel also discussed whether price sensitive information is sufficiently visible and whether any further change should be made to improve reporting. It is ELEXON's understanding that the Environment Agency publishes relevant data quarterly, with an annual reconciliation.

### Impacts & Costs

This is a document only change with minimal implementation impact on ELEXON. There are no impacts on central systems or on BSC parties or other participants.

### Implementation

The Panel recommends an Implementation Date for P340 of five Working Days following approval.

### Recommendation

The Panel unanimously agreed an initial recommendation that P340 would better facilitate Applicable BSC Objective (d) and should therefore be approved. The Panel also unanimously agreed that P340 should be progressed as a Self-Governance Modification.



### Background

Modification [P226 'Improving Large Combustion Plant Directive Information Disclosure'](#) was implemented on 25 June 2009. P226 introduced BSC provisions to enhance the visibility of key Large Combustion Plant Directive (LCPD) emission limit/allocations and operating hours data, which affects how BSC Parties make such plants available to the market.

This was accomplished by implementing the publication of such data on the Balancing Mechanism Reporting System (BMRS) in a readily understandable form, and by introducing requirements that relevant BSC Parties promptly notify the market (via the BMRS) whenever they request changes to emission limits/allocations or subsequently have such changes granted under the relevant Emission Limit Value (ELV) or National Emission Reduction Plan (NERP).

However, the Large Combustion Plant (National Emission Reduction Plan) Regulations 2007, enacting the LCPD, has now been revoked. It has been replaced by The Large Combustion Plants (Transitional National Plan) Regulations 2015 enacting the Industrial Emissions Directive (IED).

### What is the issue?

The legislative change has led to a change in the reporting procedures. As of 1 January 2016, the BSC parties operating large combustion plants are no longer required by the LCPD to submit data to BSCCo. Instead the IED requires them to report the same data to the Environment Agency, which will collate and publish the data annually.

However, even though the underlying LCPD obligation no longer exists, obligations for BSC Parties operating Large Combustion Plants remain in the BSC and the relevant BSC Procedure (BSCP). These obligations require the Parties to make both regular and ad hoc reports to BSCCo, which is then required to submit the data to the Balancing Mechanism Reporting Agent (BMRA) within two Working Days.

All the relevant BSC Parties have ceased to report the data to BSCCo, in breach of the BSC obligations. BSC Parties which were previously reporting data and no longer do so will risk being potentially in default for persistent breach after six months.

### Proposed solution

The Panel raised Modification [P340 'Removal of References and Requirements Relating to the LCPD'](#) on 12 May 2016 on the recommendation of ELEXON.

P340 would remove from the BSC and subsidiary documentation all references and requirements relating to:

- Large Combustion Plants (LCPs);
- The Large Combustion Plant Directive; and
- The submission and subsequent processing of LCP Data.

This is a document only change, reflecting the removal of references to processes that have already ceased in practice, with no associated system changes.

The document impacts are summarised in Section 4, and are detailed in full in Attachment A.

## 4 Impacts & Costs

This Modification will be a document-only change to amend the BSC and remove a BSCP.

Its implementation will have no impact on BSC Parties, the Transmission Company, BSCCo or BSC systems. There are no system impacts and no impact on BSC Agents; though the current arrangements involve reporting via the BMRS there will be no change to the BMRS, the relevant functionality will not be used.

The central implementation impact for ELEXON is estimated to be one ELEXON man day of effort to implement the document changes (equating to approximately £240).

Impact on Code	
Code Section	Potential Impact
Section Q: Balancing Mechanism Activities	Changes required to implement the Modification (set out in full in Attachment B).  Removal of requirements relating to LCP Data and its submission (and associated definitions and references) and consequential BMRS obligations.
Section V: Reporting	
Annex X-1: General Glossary	

Impact on Code Subsidiary Documents	
CSD	Potential Impact
BSCP33 'Large Combustion Plant Directive Data Submission'	Deleted entirely and removed from the BSC Baseline Statement.

## 5 Implementation

### Recommended Implementation Date

The Panel recommends an Implementation Date for P340 of five Working Days following approval.

Changes are required only to the BSC and subsidiary documentation to recognise the legislation changes and consequent change to reporting. As such they do not require significant time to implement.

The changes should be made as soon as reasonably practicable in order to remove the obsolete requirements from the BSC, and therefore also remove any risk that Parties could be potentially in default for non-compliance with them.

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253/09

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P340  
Draft Modification Report

---

2 June 2016

---

Version 1.0

---

Page 6 of 11

---

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### Initial discussions

A Panel Member noted that Modification P226 concerned submission and reporting of price sensitive information relating to the LCPD for the benefit of industry participants. The Member believed that consideration should be given to whether the legislation changes and the changes proposed by P340 meant that useful information would no longer be reported in a central and transparent manner.

The Panel considered that it would be useful to clarify how the IED relates to LCPs and the nature of the IED obligations and any associated reporting. A Panel Member commented that if reporting under the IED was infrequent, e.g. at the end of each year, it would not be very useful; therefore, even if the existing BSC provisions need to be removed, consideration should be given to whether alternative reporting should be undertaken to maintain reporting of useful information.

Overall the Panel unanimously agreed that the existing provisions should be removed because the removal of the underlying legislation had rendered them obsolete. However, the Panel believed that the Report Phase Consultation should seek industry participants' views on the availability of information relating to LCPs at present and after implementation of P340, and whether the IED arrangements provide satisfactory reporting.

The Panel also requested that, to facilitate its final discussions following consultation, the P340 Draft Modification Report include an assessment of the IED arrangements for LCP information and whether alternate reporting arrangements under the BSC should be considered.

### Initial views

The Panel unanimously agreed to raise P340 and considered that it meets the criteria for a self-governance Modification.

The Panel unanimously agreed the draft legal text would deliver P340 and an Implementation Date for P340 of five Working Days following approval.

### Applicable BSC Objectives

The Panel unanimously agreed an initial recommendation that P340 would better facilitate Applicable BSC Objective (d). The Panel considered that the removal of references and requirements relating to LCPs and the LCPD from the BSC would promote efficiency in the implementation of the balancing and settlement arrangements because:

- The removal of references and requirements relating to obsolete legislation would simplify and clarify the BSC arrangements; and
- The risk of Parties being potentially in default for non-compliance with obsolete BSC requirements would be removed.



#### What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(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

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(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]

(f) Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

253/09

P340  
Draft Modification Report

2 June 2016

Version 1.0

Page 7 of 11

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### Consultation responses

Only one response was received to the P340 Report Phase consultation. In addition to the standard questions on whether the Modification should be approved, Self Governance, etc. we also asked the following specific questions about the availability of information:

- Do you believe information relating to LCPs is sufficiently visible?

*e.g. via the reporting of information by the Environment Agency under the IED.  
Please specify any deficiency you believe exists in the information or reporting.*

- Do you believe any further change is needed, separate to P340 and taking into account the IED, to facilitate reporting of potentially price sensitive information relating to LCPs?

*Please indicate how any change or further information would impact the market.*

### Respondent's views

The single consultation respondent, SSE, agreed with the Panel's unanimous recommendation that P340 should be approved, noting that it is inefficient to retain an obligation within the BSC that references a legal framework that no longer exists.

The respondent also supported the legal text, Implementation Date and the Panel's initial view that P340 be treated as a Self-Governance Modification.

The respondent believe that information relating to LCPs is sufficiently visible, and did not believe any further change is needed to facilitate reporting of potentially price sensitive information relating to LCPs. They believed LCP information to be sufficiently visible through the IED arrangements. Furthermore, the respondent believed that if it was considered that any additional reporting was needed this should be addressed through the IED governance framework, not under the BSC.

The respondent also commented that any further change that might be considered necessary should be separate to P340 and should not delay the removal of LCPD references.

SSE's full response can be found in Attachment B.

### Low level of response to the consultation

The low level of response to the consultation does not prevent the Panel from making a decision on P340. However, it does mean the consultation did not obtain views from a range of industry participant on the availability of price sensitive information and whether a further BSC change is needed.

As well as the one response that no further BSC change around reporting is needed, the lack of responses advocating further change may be considered as additional indication that there is no need for such further change. To facilitate the Panel's consideration we have summarised our view of the existing reporting below.

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253/09

P340  
Draft Modification Report

---

2 June 2016

Version 1.0

---

Page 8 of 11

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## Environment Agency reporting under the Transitional National Plan

Prior to the legislation change the information received and published on the BMRS was operating hours, emission limits and any derogations in effect.

The EA '[Transitional National Plan \(TNP\) and National Emission Reduction Plan \(NERP\)](#)' [webpage](#) explains that TNP replaced NERP and forms part of the IED. The NERP formed part of the LCPD which closed on 31 March 2016.

The replacement directive sets minimum standards for emissions of SO<sub>2</sub>, NO<sub>x</sub> and dust to the air from LCPs rated equal to or greater than 50 MW. Existing LCPs will be able to trade their annual allowances for sulphur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>) and dust (particulates) with other LCPs within the TNP.

The EA webpage also includes a [TNP quarterly register](#). We understand that participants register every quarter, submitting the data for the previous quarter, and the EA reconcile the information on an annual basis. An updated quarterly register including information for the first quarter of 2016 was published on 27 May 2016.

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253/09

P340  
Draft Modification Report

---

2 June 2016

---

Version 1.0

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Page 9 of 11

---

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## 8 Recommendations

We invite the Panel to:

- **AGREE** that P340 **DOES** better facilitate Applicable BSC Objective (d);
- **DETERMINE** (in the absence of any Authority direction) that P340 is a Self-Governance Modification Proposal;
- **APPROVE** P340;
- **APPROVE** an Implementation Date of five Working Days following approval;
- **APPROVE** the draft legal text; and
- **APPROVE** the P340 Modification Report.

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253/09

P340  
Draft Modification Report

---

2 June 2016

---

Version 1.0

---

Page 10 of 11

---

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## Appendix 1: Glossary & References

### Acronyms

Acronyms used in this document are listed in the table below.

Acronym	
Acronym	Definition
BMRA	Balancing Mechanism Reporting Agent
BMRS	Balancing Mechanism Reporting System
BSC	Balancing and Settlement Code
BSCP	BSC Procedure
ELV	Emission Limit Value
IED	Industrial Emissions Directive
IWA	Initial Written Assessment
NERP	National Emission Reduction Plan
LCP	Large Combustion Plant
LCPD	Large Combustion Plant Directive

### External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
4	P226 page of the ELEXON website	<a href="https://www.elexon.co.uk/mod-proposal/p226-improving-large-combustion-plant-directive-information-disclosure/">https://www.elexon.co.uk/mod-proposal/p226-improving-large-combustion-plant-directive-information-disclosure/</a>
5	P340 page of the ELEXON website	<a href="https://www.elexon.co.uk/mod-proposal/p340/">https://www.elexon.co.uk/mod-proposal/p340/</a>
9	The EA's TNP and NERP page on the GOV.UK website	<a href="https://www.gov.uk/government/collections/national-emissions-reduction-plan-nerp">https://www.gov.uk/government/collections/national-emissions-reduction-plan-nerp</a>
9	The EA's TNP: quarterly register on the GOV.UK website	<a href="https://www.gov.uk/government/statistics/transitional-national-plan-tnp-quarterly-register">https://www.gov.uk/government/statistics/transitional-national-plan-tnp-quarterly-register</a>