

Report Phase Consultation Responses

P354 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level'

This Report Phase Consultation was issued on 9 February 2018, with responses invited by 23 February 2018.



Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

Consultation Respondents

Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
The Association for Decentralised Energy	0/1	Trade Association
Centrica	9/0	Generator, Supplier, Interconnector User
Conrad Energy Limited	0/1	Non-BM Embedded Generator
EDF Energy	6/0	Generator, Supplier, ECVNA, MVRNA
First Hydro Company and Engie companies	1/0	Generator, Supplier
Flexible Generators Group	0/1	Embedded generator companies
Flexitricity Limited	0/1	Non-BM balancing services provider
IMServ	0/1	HHDA
National Grid	N/A	Transmission Company
Npower Ltd	1/1	Supplier, Supplier Agent, aggregator
ScottishPower	1/1	Generator, Supplier, ECVNA, MVRNA
SmartestEnergy	1/1	Supplier
TMA Data Management Ltd	0/1	Supplier Agent - HHDC, HHDA, NHHDC and NHHDA

P354
Report Phase Consultation
Responses

26 February 2018

Version 1.0

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Question 1: Do you agree with the Panel's initial majority view that the P354 Proposed Modification better facilitates the Applicable BSC Objectives than the current baseline?

Summary

Yes	No	Neutral/No Comment	Other
10	4	0	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	Yes	<p>The ADE agrees that the P354 Proposed Modification better facilitates the Applicable BSC Objectives compared with the current baseline. The ADE agrees with the principle that the defect in current arrangements for notifying ABSVD should be corrected for all users and welcomes the decision to remove the opt-out for BM providers in BSC Section Q.6.4.5.</p> <p>The Proposed Modification better facilitates Applicable BSC Objective C by facilitating competition between different types of provider by removing spill revenue. In order to level the playing field between BM and non-BM providers, however, it is essential that the P354 Proposed Modification is advanced alongside provision of full market access through P344 (Project TERRE). The implementation of the P354 Proposed Modification is likely to cause financial harm to a number of non-BM Balancing Services providers. It is therefore crucial that this short-term removal of revenues is aligned with a process that allows full market access for these parties.</p> <p>While the 'customer opt-in' approach to provision of MSID ABSVD to Suppliers is less likely to damage competition than the approach of the Proposed solution, it is important that Regulatory Authorities monitor the situation closely for behaviour that impacts upon Competition Law requirements.</p> <p>The ADE has reservations about the decision to aggregate MSID ABSVD at BM Unit level, rather than at Supplier Account level. While we acknowledge that this approach will rectify the issue highlighted by a respondent in the first Assessment Procedure Consultation, it may, in some cases, make possible identification of individual customers providing balancing services. This would have a</p>

Respondent	Response	Rationale
		deleterious effect upon competition. While this is unlikely to be the case when hundreds of small sites are aggregated within a BM Unit, it becomes a potential problem when a BM Unit contains a small number of large sites. We therefore would recommend that this issue be monitored by Regulatory Authorities.
Centrica	Yes	We believe that P354 helps to create a level playing field in the expectation that other live Modifications such as P344 and P355 will widen access to the Balancing Mechanism. We agree with the Workgroup majority view for each of the Applicable BSC Objectives as described in section 7 of the consultation.
Conrad Energy Limited	No	<p>We are concerned that the standalone costs of implementing this Modification outweigh any potential benefits. Any change in how Balancing Services revenues are calculated are likely to simply be shifted into utilisation prices for those services and as such the benefits to consumers are likely to be minimal. On the cost side, the stated implementation costs are extremely high and such costs for a piecemeal change are contrary to BSC Objective C – Competition; and clearly contrary to BSC Objective D as they do not promote overall efficiency.</p> <p>Other changes are likely to be made to balancing services provision via National Grid's ongoing review; and we would suggest that any appetite for change is satisfied by a holistic review of the arrangements which will benefit NG, services providers and ultimately the consumer.</p>
EDF Energy	Yes	<p>P354 should better meet BSC Objective (b) concerning efficient system operation, by helping to remove a potential distortion in payment for non-BM balancing services under which customers as a whole could be paying more than once for the same upward balancing service (or receiving payment more than once for the same downward balancing service).</p> <p>The proposal might better meet BSC Objective (c) concerning competition, by reducing the potential incidence of advantageous payments to non-BM balancing providers from suppliers, effectively funded by other customers, over and above payments available to BM providers, so removing a potential distortion in competition between BM and</p>

Respondent	Response	Rationale
		<p>non-BM participants. However, it would be less effective in this than the alternative proposal.</p> <p>There would be additional central administrative costs which act against BSC objective (d) concerning efficient operation of the balancing and settlement arrangements.</p> <p>It should better meet BSC objective (e), by adjusting suppliers' imbalances as Balance Responsible Parties, as required by the European Electricity Balancing Guideline.</p> <p>There would be small consequential impacts on BSC objectives (f) (EMR) and (g) (Transmission Losses Principle), but these are probably not material to a decision on P354 (small consequential impacts on BSUoS; supplier consideration of non-BM volumes according to location).</p>
First Hydro Company and Engie companies	Yes	<p>We believe that this modification improves competition by ensuring that imbalance energy created following an instruction to non-BM providers of balancing services is removed from the associated energy imbalance account. In doing so, it will also ensure that the current procurement of non-BM services fully takes account of all the costs of the use of these non-BM services. This will place BM and non-BM on an identical basis when competing for SO services. It will also improve competition between these classes of providers ultimately leading to a lower cost to consumers.</p> <p>We believe the modifications meets the objectives in the following way:-</p> <p>Objective (a): Transmission Licence C16 Statements require the Transmission Company (TC) to procure and use Balancing Services without discriminating between classes of users. The current procurement of non-BM services does not fully take account of all the costs of the use of these non-BM services and creates discrimination between BM and non-BM classes to the detriment of BM providers</p> <p>Objectives (b) and (c): The TC does not consider the cost of the spill payment when contracting with non-BM services. When the full customer cost is considered (i.e. including the spill payment in non-BM energy cost) the TC is potentially allocating contracts and despatching volume in an inefficient manner, as such damaging competition between BM and non-BM providers, resulting in additional</p>

Respondent	Response	Rationale
		<p>customer costs</p> <p>Objective (d): P354 proposal allows the efficient implementation of the EU Balancing Guidelines ensuring that imbalance adjustment happen to the correct parties.</p> <p>Objectives (e): EU Balancing Guideline requires imbalance adjustment to be performed for all by the end of 2020 at the latest. P354 facilities implementation of this requirement.</p>
Flexible Generators Group	No	-
Flexitricity Limited	Yes	<p>Yes, the P354 Proposed Modification would better facilitate BSC objective (c) as it closes the BSC section Q6.4.5 opt out in the BSC for BM providers, while also removing spill payments from balancing services providers, without identifying flexible customers to their supplier without the customer's consent. That said, true parity would only be achieved if the modification were to be implemented at the same time that non-BM providers are given access to the BM, which is expected to be December 2019, making the earliest implementation date April 2020.</p>
IMServ	Yes	-
National Grid	Yes	<p>Our primary driver in supporting this modification is in relation to applicable objective E. We believe that this modification would enable implementation of Article 49 of the European Balancing Guideline in relation to performing imbalance adjustment for all Balancing Services providers.</p> <p>In terms of objective C we recognise the potential benefits of P354 outlined by the proposer in relation to market efficiency and competition. However, we also recognise that equal treatment should be around equal access and we have some concerns that there is currently not a level playing field between Balancing Services providers. We believe that this modification will only improve competition if there are sufficient routes to market for non-BM providers. This is why we are working to develop solutions for wider access to TERRE and the Balancing Mechanism through BSC modification P344.</p> <p>In terms of objectives A and B, Condition C16 of National Grid's Transmission Licence requires it to</p>

Respondent	Response	Rationale
		<p>"co-ordinate and direct the flow of electricity onto and over the National Electricity Transmission System in an efficient, economic and co-ordinated manner." National Grid believes that neutralising imbalances relating to non-BM Balancing Services providers will ensure that the tendered costs for services will better reflect the costs of service provision. This should in term lead to more efficient procurement of Balancing Services which should be more economic for the end consumer. However, as stated above there is a need to ensure that sufficient routes to market are created for providers outside the BM to avoid a reduction in liquidity in the balancing services markets.</p>
Npower Ltd	Yes	Yes, the proposed modification helps ensure compliance with objective e) following the approval of changes to the European Balancing Guidelines, which require the imbalance adjustment.
ScottishPower	Yes	<p>We believe that the P354 Proposed Modification will overall better meet the Applicable BSC Objectives than the current baseline.</p> <p>We agree that P354 Proposed Modification will better facilitate the non-discriminatory procurement of Balancing Services (Objective (a)).</p> <p>By removing spill payment from non-BM Balancing Service providers, the P354 Proposed Modification will level the playing field in the provision of Balancing Services better facilitating competition, Objective (c).</p> <p>The P354 Proposed Modification will enable imbalance adjustment to be performed for all Balancing Service providers in accordance with the Electricity Balancing Guideline, thus better facilitating Objective (e).</p> <p>The P354 Proposed Modification is neutral against the remaining BSC Objectives.</p>
SmartestEnergy	No	-
TMA Data Management Ltd	Yes	-
UK Power Reserve Ltd	No	<p>UKPR does not agree with the Panel's view that the P354 Proposed Modification better facilitates the Applicable BSC Objectives as it fails to achieve a more favourable cost/benefit to the consumer.</p> <p>P354 does not level the playing field between BM</p>

Respondent	Response	Rationale
		<p>and Non-BM Units (NBM), and commercial ancillary services. The Proposed Modification does, instead, tip the playing field against NBM generation because NBM will be subject to a less favourable treatment.</p> <p>For instance, the current mechanisms for measuring and settling BM units have created discrepancies between NBM and BM, and these inequities will not be dealt with by P354. The switch to mandatory BM participation for all is the optimal way forward for level and equitable treatment across all parties.</p> <p>The proposal does not reflect how BM units are currently settled: they are paid their Offer price, even if they shortfall (i.e. they are paid for not delivering the service). BM units are also paid more for their availability than NBM, leading NBM to also increase their availability price.</p> <p>NBM will also increase their utilisation price to match - as much as possible - the utilisation price of BM units. Such equalisation would net out any claimed consumer savings by redistributing revenues from NBM to BM.</p> <p>This will mean that the cost of STOR will increase significantly: currently, average STOR availability fees payable to BM are more than double those paid to NBM.</p> <p>Overall, the current proposals will cost the end consumer more due to risk premia being increased across the industry, as both suppliers and generators will pay more for imbalance and BSUoS. In addition, there will be further costs during the implementation phase as National Grid will need to provide new systems. These will eventually feed into consumer prices resulting in unnecessary costs.</p> <p>Further, consideration must also be made for FFR that is able to opt for NBM treatment of ABSVD volumes. It is vital that such provision is brought within this scope, as one size should fit all if a level playing field is to be created.</p>

Question 2: Do you agree with the Panel's initial majority view that the P354 Alternative Modification better facilitates the Applicable BSC Objectives than the current baseline?

Summary

Yes	No	Neutral/No Comment	Other
6	6	2	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	No	<p>The ADE does not agree that the Alternative Modification solution better facilitates the Applicable BSC Objectives than the current baseline. The Alternative Modification, which would send MSID ABSVD data to Suppliers and publish ABSVD BM Unit data on the BMRS, would undermine commercial confidentiality and have a damaging effect upon competition. There is a significant risk that Suppliers could either require customers to provide balancing services through the Supplier or prevent them from providing balancing services through changes to their supply agreements. While Suppliers would be unlikely to break Competition Law requirements, it would be possible to heavily incentivise customers to provide Balancing Services through the Supplier, rather than other parties, by offering differentiated prices for the supply of energy.</p> <p>The Alternative Modification is therefore detrimental against BSC Objective C, which concerns the promotion of effective competition. Providing non-BM MSID ABSVD data to Suppliers without customer consent would be detrimental against this objective, providing privileged information to Suppliers.</p>
Centrica	Yes	We agree with the Workgroup majority view for each of the Applicable BSC Objectives as described in section 7 of the consultation.
Conrad Energy Limited	No	See Question 1.
EDF Energy	Yes	<p>For the same reasons as the proposal.</p> <p>The P354 Alternative solution would, by allowing the Supplier to identify which individual meter volumes are contributing to its imbalance and which are not, better meet BSC objective (c) concerning competition, by mitigating the possibility that a</p>

Respondent	Response	Rationale
		<p>supplier could continue to share apparent imbalance with customers providing non-BM volumes to NGET at the expense of other customers, even though those particular volumes no longer contribute to imbalance, and mitigating the possibility that a supplier could inappropriately share imbalance caused by other customers with non-BM customers.</p> <p>We are uncertain of the benefit in publishing BM Unit ABSVD data on BMRS a long time after the event. We think effort might be better spent speeding up the publication of BSAD data on BMRS, which for non-BM services might use instructed or expected volumes and costs in the interest of prompt reporting and market information.</p>
First Hydro Company and Engie companies	Yes/No	<p>We believe that this Alternate modification improves competition by ensuring that imbalance energy created following an instruction to non-BM providers of balancing services is removed from the associated energy imbalance account. In doing so, it will also ensure that the current procurement of non-BM services fully takes account of all the costs of the use of these non-BM services. This will place BM and non-BM on an identical basis when competing for SO services. It will also improve competition between these classes of providers ultimately leading to a lower cost to consumers.</p> <p>We believe the modifications meets the objectives in the following way:-</p> <p>Objective (a): Transmission Licence C16 Statements require the Transmission Company (TC) to procure and use Balancing Services without discriminating between classes of users. The current procurement of non-BM services does not fully take account of all the costs of the use of these non-BM services and creates discrimination between BM and non-BM classes to the detriment of BM providers.</p> <p>Objectives (b) and (c): The TC does not consider the cost of the spill payment when contracting with non-BM services. When the full customer cost is considered (i.e. including the spill payment in non-BM energy cost) the TC is potentially allocating contracts and despatching volume in an inefficient manner, as such damaging competition between BM and non-BM providers, resulting in additional customer costs</p> <p>Objective (d): P354 proposal allows the efficient implementation of the EU Balancing Guidelines</p>

Respondent	Response	Rationale
		<p>ensuring that imbalance adjustment happen to the correct parties.</p> <p>Objectives (e): EU Balancing Guideline requires imbalance adjustment to be performed for all by the end of 2020 at the latest. P354 facilities implementation of this requirement.</p>
Flexible Generators Group	Yes/No	<p>This modification has nothing to do with the BSC, being an enabling modification which still requires a change to the ABSVD methodology used by NG. It is therefore difficult to see how it fulfils any BSC objectives.</p> <p>The mod also needs to be seen as part of a wider package that could level the playing field between all parties offering energy or energy services into the wholesale markets. We do not believe that this modification should be approved until modifications P344 and P355 are implemented. Those changes would then ensure that the parties losing revenues under this proposal can enter other parts of the market and compete with other generators more equitably.</p> <p>In fact, if P344 and P355 were approved this modification would not be needed as all smaller parties could join the BM and be despatched as BM service providers. Not only would this be a more robust solution, but would be transparent and good for competition in both wholesale energy markets and ancillary services markets.</p> <p>Given that P344 is a required under EU law (is this true) and solves the problem anyway, what is the point of P354 other than costing BSC parties monies and suppliers as they will have to change their systems if P354 is meant to level the playing field.</p>
Flexitricity Limited	No	<p>No, the P354 Alternative Modification goes against BSC objective (c) as it would negatively affect competition in the Non-BM Balancing services market as it would give suppliers the ability to identify flexible customers through the work of independent aggregators and other market participants, and then use their 'soft power' to either prevent the customer from providing balancing services, or to only provide those services through the supplier.</p>
IMServ	Yes	-
National Grid	Yes	Please see rationale above, as our view is that

Respondent	Response	Rationale
		<p>either the Proposed or Alternative better meets the Applicable objectives.</p> <p>Our primary driver in supporting this modification is in relation to applicable objective E. We believe that both the Proposed and Alternative modifications would enable implementation of Article 49 of the European Balancing Guideline in relation to performing imbalance adjustment for all Balancing Services providers.</p>
Npower Ltd	Yes	<p>Yes, we agree with the Panel that the alternative better facilitates the applicable BSC objectives than current baseline.</p> <p>The alternative proposal supports BSC objectives:</p> <p>c) ensures competition in the sale of electricity, given that the provision of the MSID data will ensure that the costs of any imbalance adjustment are not smeared across the wider customer base and paid for by those customers who have not been involved in the provision of balancing services. The proposed removal of the opt out for BM ABSVD will also help facilitate effective competition between BM and nonBM participants</p> <p>d) by improving efficiency of balancing and settlement arrangements by removing both the spill payment – the proposed automatic provision of the MSID ABSVD will ensure that the efficiency gained is then not smeared (and subsidised) by other customers - we believe it is essential that the supplier receives customer-specific (at MSID level) ABSVD data.</p> <p>The provision of the MSID data will also remove the risk of additional trading disputes being raised by suppliers to verify ABSVD data and adjustments being made to their imbalance accounts.</p> <p>e) it would also help ensure compliance following the approval of changes to the European Balancing Guidelines, which require the imbalance adjustment relating to balancing services provided</p>
ScottishPower	Yes	<p>We believe that the P354 Alternative Modification will overall better meet the Applicable BSC Objectives than the current baseline.</p> <p>We agree that P354 Alternative Modification will better facilitate the non-discriminatory procurement of Balancing Services (Objective (a)).</p>

Respondent	Response	Rationale
		<p>By removing spill payment from non-BM Balancing Service providers, the P354 Alternative Modification will level the playing field in the provision of Balancing Services better facilitating competition, Objective (c).</p> <p>The P354 Alternative Modification will enable imbalance adjustment to be performed for all Balancing Service providers in accordance with the Electricity Balancing Guideline, thus better facilitating Objective (e).</p> <p>The P354 Alternative Modification is neutral against the remaining BSC Objectives.</p>
SmartestEnergy	No	-
TMA Data Management Ltd	No	-
UK Power Reserve Ltd	No	Same reasons as per Question 1.

Question 3: Do you agree with the Panel's initial majority view that the P354 Alternative Modification better facilitates the Applicable BSC Objectives than the P354 Proposed Modification and should therefore be approved?

Summary

Yes	No	Neutral/No Comment	Other
6	7	1	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	No	<p>The ADE disagrees with the Panel's view that the P354 Alternative Modification better facilitates the Applicable BSC Objectives than the P354 Proposed Modification. As outlined above, the Alternative Modification has the potential to be detrimental against Applicable BSC Objective C.</p> <p>The ADE is disappointed that the BSC Panel has recommended the approval of the Alternative Modification without providing a response to concerns expressed in relation to commercial confidentiality and negative effects upon competition.</p>
Centrica	Yes	<p>Whilst we have been sympathetic to the intent of the customer-opt-in approach to the provision of MSID ABSVD based on supporting consumer-choice, we now believe the Alternative Modification is a far more efficient solution. Suppliers will need timely access to MSID ABSVD data to bill customers accurately. The Alternative Modification will make it easier for suppliers to manage their own and customers' accounts and will be less costly for parties to implement. The Alternative Modification will require fewer contractual changes to be made. The Alternative Modification therefore better facilitates the BSC Objective (b), (c) and (d).</p>
Conrad Energy Limited	Yes/No	<p>We do not believe it is appropriate for mandatory inclusion, as it would be possible for some Suppliers to take advantage of this information to the detriment of the service provider.</p>
EDF Energy	Yes	<p>See our response to question 3 of the second assessment consultation (noting that proposal and alternative have now been swapped), and to question 2 above.</p> <p>To emphasise the point, consider an extreme case</p>

Respondent	Response	Rationale
		<p>of a supplier with two customers, each with a typical consumption at any given time of 1 unit. The supplier buys 2 units in advance to avoid imbalance on that consumption. For a particular period, customer 1 sells non-BM balancing energy to NGET, reducing its volume to 0, while customer 2 reduces its volume to 0 in response to a time of use price signal, or some other reason. Currently, the supplier would have a spill receipt of 2 units which can be allocated between the two customers or simply shared. Customer 1 who has sold energy to NGET may get additional unearned benefit from its supplier.</p> <p>If the supplier's imbalance is adjusted for the non-BM balancing energy as under P354, it only has a spill receipt of 1 unit.</p> <p>If the supplier doesn't know which customer provided non-BM balancing energy, it is likely to share the benefit of the spill receipt between the customers. This implicitly gives an additional unearned benefit to the customer who sold energy to NGET. Less than previously, but still an additional benefit. If the supplier pays spill to both customers, it would have to recover the overpayment from both, with no net effect.</p> <p>If the supplier knows which customer created spill, it can allocate the benefit accordingly, and the potential for the non-BM provider to obtain additional unearned benefit at the expense of other customers is reduced.</p> <p>Extending this simple situation to larger portfolios, the effects may be diluted, but if volumes of non-BM balancing increases as anticipated, the ability of a supplier to know which of its customers are creating imbalance, and which are not, is important. If there were many customers not providing balancing to NGET, there is a risk that they could effectively be charged to pay spill to the one that is, which the supplier can't distinguish.</p> <p>The full benefits of the proposal in removing cross-subsidies to non-BM balancing providers from other customers can only be delivered if suppliers know the balancing volume delivery from individual meters.</p>
First Hydro Company and	No	<p>Whilst we believe the arguments are finely balanced we believe that the benefits of transparency outweighs the concerns expressed over "soft power"</p>

Respondent	Response	Rationale
Engie companies		and any issues relating to competition should be addressed through the regulatory regime.
Flexible Generators Group	No	<p>As noted above we do not think the alternate or original are BSC issues, implementation of either creates expense with no benefit and more robust longer term solution should be found.</p> <p>As we are not suppliers, we are indifferent as to which parties can see who is providing ancillary services.</p>
Flexitricity Limited	No	For the reasons outline in the response to Question 2, the Alternative Modification goes against the BSC objective (c) while the Proposed Modification better facilitates BSC objective (c).
IMServ	Yes	-
National Grid	No	We believe the P354 Proposed Modification better facilitates the Applicable BSC objectives against objective C (facilitating competition). This is because the Proposed Modification reduces the risk of potential competition issues between Aggregators and Suppliers as a result of the modification. We believe this aligns with the Ofgem open letter of 24th July 2017 where it is stated that a "balance may need to be struck between enabling information flows to support efficient contractual arrangements, and the potential impact on competition in the market for flexibility".
Npower Ltd	Yes	<p>Yes, we agree with the Panel that the alternative better facilitates the applicable BSC objectives than the proposed modification.</p> <p>This is primarily because the automatic provision of the MSID data relating to non-BM ABSVD will ensure that suppliers can accurately bill (or pay invoices if relating to a Power Purchase Agreement) for services provided and facilitate the accurate flow through of the any actual imbalance costs (or benefits) without the need to set up administratively complex and burdensome arrangements. It also ensures competition in the sale of electricity, given that the provision of the MSID data will ensure that the costs of any imbalance adjustment are not smeared across the wider customer base and paid for by those customers who have not been involved in the provision of balancing services.</p> <p>It will ensure the most efficient settlement system and remove the need for additional complex (and</p>

Respondent	Response	Rationale
		burdensome) reporting mechanisms having to be set up outside of the BSC to manage the flow of information between a supplier and their demand / generation customers.
ScottishPower	Yes	By ensuring that Suppliers are able to fully reconcile their demand, through providing full disclosure of the Non-BM ABSVD at MSID level, the Alternative Modification provides a higher level of transparency than the Proposed Modification and enables Suppliers to better understand why actual demand profiles have varied from forecast. This in turn will enable suppliers to price customer contracts more accurately and prevent cross-subsidy between customers within their portfolio, improving competition.
SmartestEnergy	Yes	-
TMA Data Management Ltd	No	-
UK Power Reserve Ltd	No	Neither of the two options better facilitate the BSC Objectives.

Question 4: Do you agree with the Panel's initial unanimous view that the redlined changes to the BSC deliver the intention of the P354 Proposed and Alternative solutions?

Summary

Yes	No	Neutral/No Comment	Other
10	2	2	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	Yes	The ADE agrees that the redlined changes to the BSC deliver the intention of the P354 Proposed and Alternative solutions.
Centrica	Yes	We believe that the redlined changes deliver the intent of both solutions.
Conrad Energy Limited	Yes	-
EDF Energy	Yes/No	<p>We have not checked the legal text in detail.</p> <p>Proposed Q6.4.9(b) says "prior to that date [P354 Anniversary Date], only to the extent that the data described in paragraph 6.4.8 is available to the Transmission Company pursuant to the terms of its bilateral Balancing Services contracts which are in force prior to the P354 Anniversary Date."</p> <p>Surely this should say 'in force prior to the P354 implementation date'? NGET ought to be able to incorporate the necessary requirements into contracts from that date.</p>
First Hydro Company and Engie companies	Yes	It gives effect to the modification.
Flexible Generators Group	Yes	-
Flexitricity Limited	Yes	The redlined changes deliver the intentions of the solutions.
IMServ	No	<p>Given this is a third consultation, it is particularly disappointing that a full set of redline Code Subsidiary Documents are not available to review. BSCP503 is a key document that describes the responsibilities of HHDAs, so until this is reviewed, HHDAs can only speculate on their exact requirements and whether they are able to fulfil</p>

Respondent	Response	Rationale
		<p>these in the way this Proposal intends.</p> <p>This must therefore introduce an element of risk into this Proposal.</p> <p>This is now one of many consultations where the CSDs have not been available at the time of the consultation. This will surely discourage Parties, such as HHDAs, to respond to such consultations. It should be recognised that whilst agents play a key and pivotal role in the proposed process, and therefore their opinions are required, the consultation process does not support or encourage this. Agents struggle to identify or recognise their part in such proposals at the outset and even when they do, they cannot commit to workshops where the main focus for discussion is those parts of the process in which they have no involvement or interest. This is then exacerbated by the absence of any definitive reference information in the subsequent consultation process which agents could review to easily understand and consider the impact. Agents are left literally to undertake word searches to identify their part in such a complex proposal which is a poor reflection on the change process.</p> <p>Much benefit would be gained for all parties, and the effectiveness and success of the resulting new process, if the manner of consultation with such parties was more targeted, appropriate and user friendly.</p>
National Grid	Yes	-
Npower Ltd	Yes	-
ScottishPower	Yes	-
SmartestEnergy	No comment	-
TMA Data Management Ltd	Yes	-
UK Power Reserve Ltd	No	-

Question 5: Do you agree with the Panel's recommended Implementation Date?

Summary

Yes	No	Neutral/No Comment	Other
5	7	2	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	No	<p>The ADE does not agree with the recommended Implementation Date, noting several responses to the first Assessment Procedure Consultation that emphasise the need for a 2 year timeframe to implement the changes.</p> <p>If the Implementation Date is set at 1 April 2019, it is essential that those parties that have tendered and received STOR contracts based on spill payments but prior to the implementation of P354 can continue to receive spill payments for the term of their agreement (i.e. after the modification has been implemented. This will allow for the orderly run-off of existing contracts. National Grid have stated that this is likely to be possible, as long as sufficient optionality is built into the wording of the Modification.</p> <p>If National Grid receive legal advice that the above approach is not possible, or if it is overly administratively burdensome, the ADE would recommend that the 1 April 2020 date be chosen in order to align with the TC's changes to the Standard Terms and Conditions of affected Balancing Services contracts. Even if the above approach is possible, it will create a market where contracts are running on two different bases. This will significantly affect the complexity of the market and may negatively impact competition, as different providers seek to price different variables into their bids. This consideration should be taken into account when assessing which Implementation Date is most suitable.</p>
Centrica	Yes	<p>We agree with the recommended Implementation Date. We believe that 12-months should provide sufficient time for us to amend any relevant processes and contracts. Approval of the Alternative Modification would deliver a simpler solution that would make it easier for us to be ready for the recommended Implementation Date.</p>

Respondent	Response	Rationale
Conrad Energy Limited	No	-
EDF Energy	Yes	01 April 2019 is acceptable subject to at least a year's notice of implementation to parties, agents and customers. It would be advisable for contracts for balancing services beyond that date to acknowledge that the registrant might not be subject to imbalance for delivered volumes.
First Hydro Company and Engie companies	Yes	We believe that an implementation date of April 2019 is appropriate with the C16 methodology being switched on for services (STOR and Fast Reserve) as soon as is practical after this date.
Flexible Generators Group	No	April 2019 is too soon given the nature of the ancillary services contracts and the wider market access issues that need to be resolved are addressed. This mod should not come in until P344 and P355 are in place – at which point it should not actually be needed.
Flexitricity Limited	No	<p>The proposed implementation date would be impossible to enforce for STOR without causing issues in that market for providers and National Grid. National Grid has already procured STOR contracts beyond April 2019 in the tender round this January; if this modification is implemented on April 1st 2019 as proposed many of these contracts would be impossible for the providers who tendered them to fulfil. This would leave National Grid and providers having to work out some kind of solution for all the contracts that have already been procured for April 2019 and beyond.</p> <p>STOR allows providers to bid for the same delivery period more than once, which means that the proposal that was suggested in the work group meeting, that the contracts that are already procured for after the implementation date remain without ABSVD correction, but all new contracts are affected by this modification, would create a two-tier market and unnecessary administrative complexity.</p> <p>Given the Standard Contract Change process, the earliest suitable implementation date is April 2020.</p> <p>In addition to the practical problems with the STOR tender cycles, if this modification is implemented before Non-BM providers are given access to the BM, correcting this defect only shifts the market imbalance further in favour of BM providers who</p>

Respondent	Response	Rationale
		have access to all markets. P344 should facilitate access to the BM for current non-BM providers by December 2019, which further suggests that the only appropriate date is April 2020.
IMServ	No	We cannot agree to any implementation date until the full extent of the requirements on the HHDA is confirmed.
National Grid	Yes/No	<p>From a National Grid systems perspective, the implementation date should be no earlier than 1st April 2019. This avoids the implementation date falling in the middle of a STOR season. It also aligns with C16 implementation dates and the National Grid requirement of 12 months minimum required to implement the modification from any decision date.</p> <p>April 2019 may resolve the defect sooner, and we understand the Proposer's argument for this date. However, implementing in April 2019 will cause some issues with existing contracts. If April 2019 is approved as the implementation date, we would propose implementing into contracts for Fast Reserve and Demand Turn-Up in April 2019 and for STOR in April 2020 as we believe this minimises the concerns that different parties would be tendering on different terms and conditions for the same services. STOR is also the most complex service in terms of data flows and numbers of providers, and implementing into contracts from 2020 would also allow providers to factor in changes alongside those proposed as part of widening access to the Balancing Mechanism/TERRE under P344/GC0097.</p> <p>However, we are technically able to implement 12months following any decision.</p>
Npower Ltd	No	We have always maintained that given the development times for our system and wider changes (including contracts) would take longer than 12 months to deliver.
ScottishPower	Yes	We agree with the recommended implementation date of 1 April 2019. We believe that as P354 addresses competition issues it should be implemented as soon as practicable consistent with the need to develop robust processes and systems.
SmartestEnergy	No comment	-
TMA Data Management Ltd	Yes	-

Respondent	Response	Rationale
UK Power Reserve Ltd	No	Confidential response received.

Question 6: Do you agree with the Panel's initial unanimous view that P354 should not be treated as a Self-Governance Modification?

Summary

Yes	No	Neutral/No Comment	Other
11	1	2	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	Yes	The ADE agrees that P354 does not meet the Self-Governance Criteria and should not be progressed as a Self-Governance Modification due to potential material effects on competition.
Centrica	Yes	We agree with the Panel's view.
Conrad Energy Limited	Yes	-
EDF Energy	Yes	P354 has material and different impacts on competing balancing providers, BSC Parties, agents, non-BM parties and customers, and clearly does not meet the criteria for self-governance.
First Hydro Company and Engie companies	Yes	This is not suitable for self-governance.
Flexible Generators Group	Yes	N/A
Flexitricity Limited	Yes	P354 will have a material effect on competition.
IMServ	N/A	No view
National Grid	Yes	Given this modification proposes a significant amount of change for many Balancing Services providers and the potential for level playing field arguments as a result of this modification, we do not believe that P354 meets the Self-Governance Criteria (i.e. it should not be progressed as a Self-Governance Modification).
Npower Ltd	Yes	The proposed modification has significant impact on competition and should therefore not be progressed as a self-governance modification.
ScottishPower	Yes	We agree that this Modification does not meet the Self-Governance Criteria due to a potentially material impact on competition.

Respondent	Response	Rationale
SmartestEnergy	No	This depends on the favoured outcome. If the Proposed is approved it MUST go to Ofgem because suppliers and their customers will be materially affected. We are slightly more relaxed if the alternative is approved.
TMA Data Management Ltd	No comment	-
UK Power Reserve Ltd	Yes	As UKPR already noted in the November Assessment Procedure Consultation, we envisage significant competition issues, as suppliers would be able to utilise and abuse their knowledge of the market. Suppliers will be able to use the information to target the customers of aggregators, and effectively steal them away using soft power.

Question 7: Do you have any further comments on P354?

Summary

Yes	No
7	7

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	No	-
Centrica	Yes	We cannot stress enough the importance of receiving the MSID ABSVD and the need to get this in a timely manner to enable accurate customer billing. If the Proposed Modification is taken forward, the process for the customer to provide consent must be user-friendly.
Conrad Energy Limited	No	-
EDF Energy	Yes	<p>Without adjustment for GSP Group Correction (S-2 9) the relevant volume may not be fully consistent with the volume allocated to the supplier through normal SVA allocation rules, giving rise to small imbalances. GSPGC is currently non-zero for HH MC F,G import (domestic and below 100kW whole-current metered). Materiality may be small or zero currently, but could become more significant with increased aggregations of smaller sites in future. GSPGC is currently zero for larger HH sites (C,E), but could change in future.</p> <p>The allocation of delivered volumes between export and import MSIDs of an MSID Pair may need refinement in future to accommodate individual delivery models.</p> <p>ABSVD data may not become final until the Final Reconciliation run 14 months after the event. There should be incentives for NGET and non-BM providers to provide accurate data in a timely manner, to better inform balancing decisions closer to real-time.</p>
First Hydro Company and Engie companies	No	-

Respondent	Response	Rationale
Flexible Generators Group	Yes	<p>Having given further consideration to the solution, FGG feels that the use of operational metering, rather than settlement metering (at the boundary) is not a robust solution. The BSC is clear that metering must be suitable for settlement processes and to start to use operational metering mean that the settlement systems could be left with incorrect data flows. There needs to be some check between operational and settlement meters to check delivery and therefore correct settlement.</p> <p>If a DSR site reduces output for say STOR by shutting a piece of equipment, which is measured by operational metering. On the same site the customer has another piece of kit as back-up doing the same job as the STOR plant which it then turns on meaning its boundary meter sees no reduction in demand. While it is NG's job to check that contracted ancillary services deliver to it, it is the BSC rules that should make sure that the correct energy is being settled.</p> <p>For example – A customer's total demand site demand is 7MWh, kit A should normally consume 5MWh. NG instruct kit A off, so site demand should be 2MWh, but backup kit B starts up and it takes the 5MWhs that kit A would have taken. Therefore site meter still says 7MWhs. NG as SO pay for service that didn't deliver at the site boundary, but Elexon adjust the MSID and assume that only 2MWhs of energy is the responsibility of the customer's supplier. BSC settlement is therefore wrong. This to create a fundamental risk to settlement accuracy.</p> <p>All BSC parties will want the settlement process to correctly bill all parties or competition will be impacted. It is therefore necessary for the BSC to check the MSID against the operational metering. Without this check, making sure boundary (settlement) metering is accurate, there must be a concern that the BSC's ability to operate economically and efficiently will be at risk.</p>
Flexitricity Limited	Yes	In the Assessment Report the inaccurate statement of imbalance revenue of £103/MWh, which is easily found to be incorrect from data on BMRS, was reprinted for a second time without caveat.
IMServ	No	-
National Grid	No	-

Respondent	Response	Rationale
Npower Ltd	Yes	<p>We were pleased at the outcome at both the last workgroup meeting and within the panel that there was acceptance that on balance it is better for the supplier to have access to the MSID data relating to the non-BM ABSVD adjustments made to the supplier's imbalance account for the efficient billing and management of the settlement system.</p> <p>We continue to believe (and state) that the alleged threat of soft power is overstated and takes no account of the intensely competitive nature of the I&C power market.</p> <p>There are many (ca. 50 licenced non-domestic licenced electricity suppliers), most of whom are not active within the aggregation market, and therefore any customer who was concerned that they would not get a fair price from their existing supplier unless they took additional services from them, would be completely able to source an alternative supply contract elsewhere.</p> <p>In addition, the suggestion or alleged risk of soft power available to the supplier through its supply contract does not take account of the reality of how the majority of supply contracts / procurement are mandated. A large majority 82% of all I&C customers and 75% of the largest I&C customers (accounting for 78% & 75% of the total power volume respectively) use a TPI for negotiate their electricity contract. Data source: Cornwall Energy TPI Annual Report, November 2017.</p> <p>With such a high penetration of third parties involved in the supply procurement process (as well as additional services, such as bill checking etc) we believe any suggestion that a supplier could utilise the threat of soft power via their supply contract to influence a future or potential future balancing services contract is entirely mistaken.</p> <p>Given that these customers are by their nature engaged within the energy market, responsible for the procurement of large quantities of power, we do not believe that the suggestion such companies or organisations would submit to any implicit or explicitly anticompetitive behaviour is realistic or credible. As was noted in the workgroup discussion, particularly at this time of hostility to suppliers in the political and wider environment, no licenced energy supplier would risk their reputation or the legal ramifications of acting in such a way.</p>

Respondent	Response	Rationale
		<p>Furthermore, and in conclusion the suggestion that the provision of the MSID data to the supplier would provide suppliers with commercially sensitive information (not available to other participants) that they didn't already have (i.e. that the customer was interested in and potentially providing balancing services) overlooks the reality that many suppliers, their customers and aggregators all attend the same industry events; such as those organised by National Grid under the Powerresponsive programme or other events hosted by the SO or DNOs in relation to the future opportunities relating to the provision of flexibility.</p> <p>To suggest that the provision of the MSID volume would provide suppliers with new opportunities to target those customers with offers of aggregation service overlooks this reality.</p> <p>The allegation that suppliers would deliberately seek or be seen to act in an anti-competitive manner has coloured this debate and avoids managing the critical issue, the "bulk energy " issue.</p> <p>Where a customer reduces their demand, following a commercially-motivated call from their balancing services provider, the supplier will have already sourced (and paid) for that power. In allowing the imbalance adjustment to be made, this proposal would in effect provide the power to the market at the cost to the supplier; " the bulk energy issue", with ultimately the costs being socialised across the supplier's other customers rather than the individual site that has benefitted financially from the action.</p> <p>The stated aim of this modification is the reduce the assumed customer harm (through the alleged higher costs resulting from the procurement of balancing services based one expectations of payment for both utilisation and spill) – we see the socialised costs as the same issue, but this time impacting suppliers only. We do not consider swapping one socialised cost with another to be an improvement on the status quo.</p> <p>As was made clear during the workgroup, a customer and supplier may have an existing contract in place, whereby any spill payments are passed through, either wholly or in part, to the customer. If there is no direct route through which the supplier can be informed that the expected spill will in fact be adjusted out from the supplier's</p>

Respondent	Response	Rationale
		<p>account, the supplier will liable for paying the spill payment, without having received the benefit of that spilled power.</p> <p>We (and many other suppliers) already request that where a customer is providing balancing services, that we be informed to ensure that we can price up the contractual arrangements in a transparent and accurate fashion. Without knowing whether a customer's site volatility is due to changes in production (that may need to be factored in longer term) or are simply short term changes, will impact any future contractual terms offered.</p> <p>By preventing suppliers from being informed (after the event) of the balancing services provided, the perpetuation of information asymmetry will continue and inefficient pricing strategies delivered.</p> <p>It is also worth noting that the provision of the Supplier BM unit for non BM ABSVD will only provide the information ex post - for an event that has already taken place.</p> <p>We would also highlight that the settlement/billing and contractual pricing functions are distinct from the suppliers' DSR aggregation activity.</p> <p>The provision of the MSID data relating to the ABSVD only provides suppliers with the means to accurately and efficiently bill their customers; to ensure that the costs associated through the bulk energy issue and (through increasing risk premia) are not borne by the majority of customers who do not provide these services.</p>
ScottishPower	No	-
SmartestEnergy	Yes	<p>Article 49 of the European Guideline for Balancing requires TSOs to "calculate an imbalance adjustment to be applied to the concerned balance responsible parties for each ABSVD informal activated balancing energy bid". NGT seem to have decided that "effectively this means that in GB the SO will need to ensure that imbalance is correctly attributed when Balancing Services are delivered. In the case of non-BM Balancing Services providers, this means that delivered balancing energy is neutralised against the relevant Supplier's account."</p> <p>We do not agree that this necessarily means that volumes need to be changed in the Supplier's account. The adjustment could be financial.</p>

Respondent	Response	Rationale
		<p>Suppliers' processes assume that the energy which passes through the meter is that on which they are settled. This is a fundamental feature of the BSC.</p> <p>In our view, a better solution would be to adjust the payments to embedded generators in the NGT sphere i.e. a secondary correcting cash transfer at SSP could be made where the BMU does not have its position corrected through ABSVD. If non-BM Units and their aggregators know that they will have to pay a secondary cashflow they will adjust their bids for STOR accordingly.</p>
TMA Data Management Ltd	No	-
UK Power Reserve Ltd	Yes	Confidential response received.