

278/01 – ELEXON REPORT

MEETING NAME	BSC Panel
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Paper number	278/01
Owner/author	Mark Bygraves
Purpose of paper	For information
Classification	Public
Summary	This paper provides a summary of recent issues and developments relevant to the BSC and ELEXON since the last Panel meeting.

1. Overview

- 1.1 This paper is provided for the information of the Panel. It presents an overview of activities and developments within ELEXON and the balancing and settlement arrangements and summarises the business of the Panel meeting. Detailed information on operational matters will be provided in other reports, particularly the Trading Operations Report.

2. ELEXON News

Consultation Responses

- 2.1 We have responded to three consultations since our last update to the Panel as follows:
- Energy UK's consultation on developing standards for electric vehicle smart charging. Our response included the following points:
 - We are accommodating existing innovative charging solutions within the BSC but they are having to be incorporated as unmetered supplies (UMS) using a measured Central Management System (CMS) for recording; and
 - There is ongoing confusion and uncertainty around the regulatory arrangements for electric vehicle (EV) charging.
 - SSE Networks/EA Technologies' consultation on Smart EVs. Our response included the following points:
 - Solutions to local constraint issues from EV charging should be market based; and
 - We are keen to support emerging technologies where appropriate.
 - Ofgem's consultation on the RIIO (Revenues = Incentives + Innovation + Outputs)-2 Framework. Our response included the following points:
 - Open customer engagement groups could adopt a similar model to the BSC Panel, being open by default until confidential matters need to be discussed; and
 - The Electricity System Operator (ESO) could become a not for profit organisation, and/or the ESO code administration function could be merged within ELEXON to deliver rapid improvements at low cost.
- 2.2 These consultation responses are available on the [industry insights](#) page of the ELEXON website.

ELEXON white paper

- 2.3 On 16 April 2018 we published (via Newscast and more generally) our white paper titled [Enabling customers to buy power from multiple providers](#). This paper proposes relatively straightforward changes to the BSC (building upon the Data Platform delivered by the Foundation Programme in support of Modification [P344 'Project TERRE implementation into GB market arrangements'](#)) which could allow customers to buy electricity from more than one supplier (under the current retail arrangements, an individual consumer may only buy their power from a single Supplier. However, the market is changing and there is a growing belief, from Ofgem and others, that customers should be given more choice in how they buy (and sell) their energy).
- 2.4 This would facilitate a variety of innovative business models, including community energy schemes; the provision of EVs or appliances (including the electricity they consume) as a service; rapid switching platforms (allowing customers to change supplier multiple times within a day); and peer-to-peer trading. We will be discussing the proposal with BSC Parties and other stakeholders, with a view to finding a party to raise the required Modification Proposal. We have received a lot of positive reaction from industry and sector commentators.
- 2.5 If any Party has any thoughts on this matter or would like to discuss its views on the content of the white paper, please email jon.spence@elexon.co.uk or call 020 7380 4313.

Consultation on skeleton Target Operating Models

- 2.6 Ofgem has accepted ELEXON's report on Target Operating Models (TOMs) for Stage 1 of the Ofgem Significant Code Review (SCR). This was following the sixth Design Working Group (DWG) meeting on 14 March 2018 and ELEXON's presentation to Ofgem's Design Advisory Board on 27 March 2018, who agreed to take the TOMs through to the next stage of development.
- 2.7 Planning for Stage 2 (detailed design) of the SCR is now being undertaken in conjunction with Ofgem. We invite industry to respond to a four-week [industry consultation](#) on the skeleton TOMs for Market-wide Half-Hourly (HH) Settlement by 29 May 2018. This consultation document has been prepared by the DWG to inform stakeholders about the five skeleton TOMs and seeks input on the design and evaluation work to date.
- 2.8 Market-wide HH Settlement is a fundamental market reform which will impact both existing and future participants in the energy market. It is important that stakeholders who have not yet been directly involved in the TOM design work are provided with the opportunity to review and give input at key stages. For this reason, ELEXON and Ofgem encourage all stakeholders to take the opportunity to look at and respond to the consultation document. The responses will help shape the next stage of the design work.

HH Settlement design consultation stakeholder event on 15 May 2018

- 2.9 We will be hosting a stakeholder event on the HH Settlement design consultation on 15 May 2018 to help organisations respond to the consultation. The aim of the event is to inform a wider audience of the skeleton TOMs designs and principles. ELEXON will present the work of the DWG, an evaluation of the TOMs against Ofgem's design principles and an initial assessment of the individual TOMs. Our intent is to provide any additional detail that stakeholders may require before responding to the DWG consultation.
- 2.10 Ofgem will also provide an update on its policy work on Data Privacy, Agent Functions and the Business Case for HH Settlement. We will also be presenting our white paper and there will be an opportunity for questions and comments from the audience.
- 2.11 To register, please complete the form on the [Half Hourly Settlement consultation stakeholder event](#) page of our website.

New ELEXON website live

- 2.12 Our new-look website went live on Tuesday 24 April 2018. We have introduced improved navigation, a wider page layout, better headings that help describe the change numbering system, and improved content focus.
- 2.13 The website is now fully responsive so will work well on both desktop and mobile. Both will function in slightly different ways according to the screen size individuals are viewing the site from.
- 2.14 Our customers will be able to have shortcuts to their favourites pages by creating their own 'My ELEXON' area so they will be able to have easy and quick access to the ones they use the most often.
- 2.15 In relation to the site's search function, we have introduced a new approach, based on content lifecycle, and this will help site search prioritise current content and web pages ahead of older content and document types. By this, we are aiming to reduce the excess of search results by promoting key web pages where the documents reside. However, if Parties are looking for older content or specific documents, we have also included a filter option which will enable you to expand your search criteria.
- 2.16 If you have any feedback or are unable to find what you are looking for, please email us at communications@elexon.co.uk.

3. Industry News

European Developments

- 3.1 The implementation of the European Electricity Balancing Guideline (EB GL) continues to drive much of ELEXON's European work.
- 3.2 Article 18 of the EB GL requires National Grid to propose national terms and conditions for imbalance settlement and balancing by 18 June 2018. National Grid has suggested that its proposal will comprise the existing industry framework (including the BSC). ELEXON attended the NGET webinar on 19 April 2018 that related Article 18 and will respond to the EB GL mandated public consultation on the proposal planned for May/June 2018.
- 3.3 There is a separate paper being presented to the May BSC Panel meeting (Panel 278/08) relating to BSC Modification [P360 'Making the BSC's imbalance price compliant with the European Balancing Guideline'](#) and EB GL Article 55 (imbalance pricing).
- 3.4 The European Commission has recently re-affirmed its commitment to adopt the Clean Energy Package of European legislation by end of 2018, well before Brexit. This means that ELEXON will continue to monitor developments, particularly the possible requirement for mandatory 15 minute settlement, which the European Parliament currently favours, although this is not the position of European Member States.
- 3.5 At the end of April 2018, the European Commission published a stakeholder notice on Brexit and the internal EU energy market. This is one of a series of papers looking at each sector in turn based on the Commission's interpretation of the legal position in a 'no deal' scenario.
- 3.6 This notice covers a number of different aspects such as the Regulation on Wholesale Energy Markets Integrity and Transparency (REMIT), market coupling, etc. and includes a statement that 'UK based operators will cease to participate in...the European balancing platforms....' While this would clearly impact our participation in Trans European Replacement Reserves Exchange (TERRE), for example if this scenario came to pass, our view is that the current position is unchanged as this scenario is not guaranteed to happen, and we are still currently bound by European legislation and National Grid's plans to participate in TERRE.

Message from ENTSO-E on REMIT Reporting

- 3.7 The European Network of Transmission System Operators for Electricity (ENTSO-E) has asked National Grid and ELEXON to circulate the following message as a reminder for market participants to use the correct identification codes for the purpose of submitting REMIT data on the Balancing Mechanism Reporting Service (BMRS).

- *Dear Partners/Market Participants,*

ENTSO-E is involved in discussions with the Agency for the Cooperation of Energy Regulators (ACER) about the data quality of REMIT reporting. Part of it relates to the possibility of identification of market participants whose transactions are reported to ACER.

ACER asked ENTSO-E as well as NRAs to help to communicate to market participants a reminder that, based on REMIT, every market participant is obliged to register itself with all codes used for identification – especially all EIC codes that are used for reporting to ACER.

Please can you check whether you have registered all codes that are used for such purposes.

Thanks very much for your collaboration.

- 3.8 If Parties have any questions, they should contact [ACER](#) directly.

4. Operational News

EMR Update

- 4.1 The following EMR Circulars have been issued since the last Panel meeting:
- EMRC155: Summer 2018 Baseload Market Reference Price published; and
 - EMRC156: Supplier Capacity Market Demand forecast due 1 June for 2018/19 Delivery Year.
- 4.2 All EMR circulars are all available to download from the [EMR Circulars page](#) of the EMRS website.
- 4.3 Payments are being received in accordance with the agreed payment schedule, via the contract with LCCC and funded by its levy on industry, and we continue to maintain a positive cash-flow. 'Actual' resource utilisation is not materially different to 'budget' and 'forecast'.

Smart Meter Technical Details launched

- 4.4 We have launched the [Smart Meter Technical Details report](#), an assurance report that monitors performance for the key BSC process associated with the rollout of smart Meters. This report will be presented to the Performance Assurance Board (PAB) on a monthly basis and published on the [key data reports](#) section of our website.
- 4.5 With support of an industry workgroup, we identified the BSC process at the highest risk over the rollout was the production and submission of key technical details related to the Smart Meter following its installation (known as Meter Technical Details (MTDs)). Providing these technical details in a timely and correct manner is crucial for Data Collectors (DCs) to interpret and validate Meter reads. Failures in this process can result in Meter reads being misinterpreted or unnecessary estimation of consumption, both of which have an impact on the accuracy of Settlement under the BSC.
- 4.6 The report provides key indicators into the operation of MTD processes at a market level and will support the activities of the PAB, who has determined that assuring BSC Settlement Risks associated with rollout of smart

Meters is one of its key strategic priorities in the coming years. We are already seeing benefits from this reporting, as we have identified performance issues related to the transfer of technical details during the ramp up in SMETS v1.0 Meter installs. Working with participants to ensure compliance with these processes will be one of our key activities in the coming months. If Parties are interested in our on-going smart assurance activities, they should keep an eye out for the findings from the Smart Meter Rollout industry days which we will be publishing in the coming weeks.

P305 update LoLP

- 4.7 Approved Modification [P305 'Electricity Balancing Significant Code Review Developments'](#) was implemented on 5 November 2015. One element of P305 was to introduce the calculation and use of Loss of Load Probability (LoLP) in the calculation of System Prices. From 5 November 2015, System Prices are calculated using the ['static' LoLP method](#).
- 4.8 P305 made further changes from 1 May 2018. From this date, National Grid started to produce LoLP values, for information only, using the ['dynamic' LoLP method](#). From 1 November 2018, LoLP values calculated using the 'dynamic' method will be used in the calculation of System Prices.
- 4.9 To allow BSC Parties to compare LoLP calculated using the static and dynamic methods, from 1 May 2018, ELEXON will publish the information-only 'dynamic' LoLP values weekly in a CSV file on the [ELEXON Portal](#). We will publish this data using the 'LoLP' file that National Grid already uses to report LoLP and De-Rated Margin (DRM) data to ELEXON, and which we send to Parties over the TIBCO service. National Grid will also provide LoLP values calculated using the 'dynamic' method for the period 1 November 2017 to 30 April 2018 to allow participants to compare dynamic and static LoLP for winter 2017/18.
- 4.10 From 1 November 2018, all LoLP values published on the [BMRS](#) website and used in the calculation of System Prices will be calculated using the 'dynamic' method only.
- 4.11 ELEXON will continue to monitor the impact of LoLP on the calculation of System Prices. For more information on our monitoring of System Prices, please email our Market Analysis team (market.analysis@elexon.co.uk). For more information on the design and implementation of P305, please email Nicholas Rubin (nicholas.rubin@elexon.co.uk) or Colin Berry (colin.berry@elexon.co.uk).

5. Settlement Reform and support for Ofgem projects

Ofgem Faster and More Reliable Switching

- 5.1 At the Regulatory Design User Group (RDUG) held on 26 March 2018, Ofgem presented high level drafts of a proposed Performance Assurance Framework (PAF) for the Retail Energy Code (REC), and draft schedules on accession and qualification. Ofgem expects to consult only on the high level framework and role of the Performance Assurance Board (PAB) as part of the May 2018 consultation.
- 5.2 The RDUG expressed concern that the draft schedules were potentially adding new requirements for Parties, which would be expanding the scope of the REC beyond the core requirements for go live. The RDUG requested that it is made clear in the consultation where the governance of the switching arrangements in the REC represents a simple 'lift and shift' from the Master Registration Agreement (MRA) or Supply Point Administration Agreement (SPAA), and defer any discussion on expanding the scope to later in the programme. Ofgem can continue to draft these in parallel, but they should form part of REC v2.0 or later to allow industry to assess and comment on any new obligations.
- 5.3 ELEXON and other members also requested that an appropriate engagement channel was made available for organisations interested in participating in the REC administrator tender process, as the focus of the RDUG at this point is restricted to the transposing of existing switching regulations rather than commercial matters. Ofgem recognised that this would be useful and would aid transparency in the way the procurement is run.

Demand Side Flexibility (DSF), Smart Grids and Innovation

- 5.4 We continue to engage with the [Open Networks Project](#) through their Advisory Group and at a working level, on the issues that will arise as Distribution System Operators (DSOs) transition to more active management of their networks. On 13 April 2018 we attended a Smart Grid Architecture Model (SGAM) workshop that was modelling the relationships between different actors in a future 'world' where flexibility instructions from the Transmission System Operators (TSOs) and DSOs are coordinated via an independent third party 'Flexibility Coordinator'. Attendees had differing views on the scope and nature of the Flexibility Coordinator role, but it does potentially include Settlement activities.
- 5.5 We continue to discuss with Parties two potential enhancements to the P344 solution that would make the BM and P344 more accessible to demand side response (DSR) to allow Settlement metering of individual assets (behind the Meter) providing DSR; and a change that would introduce into the BSC a baselining methodology for Settlement of DSR. The first of these will be raised as a BSC Issue shortly, and we hope to progress them both in parallel, with an initial meeting to be held in May 2018.

6. Summaries of Panel Business – Tabled

- 6.1 Summaries of papers considered and decisions made by the Panel Committees since the last Panel meeting can be found in their headline reports, included as attachments to this paper.

7. Recommendations

- 7.1 We invite you to:
- a) **NOTE** the contents of this paper.

Appendices

Appendix A – ELEXON monthly KPIs

Appendix B – Report from the ISG

Appendix C – Report from the SVG

Appendix D – Report from the PAB

For more information, please contact:

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