

# ELEXON REPORT

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| <b>MEETING NAME</b>     | BSC Panel  |
| <b>Date of meeting</b>  | 8 March 2018   |
| <b>Paper number</b>     | 276/01   |
| <b>Owner/author</b>     | Mark Bygraves  |
| <b>Purpose of paper</b> | For information  |
| <b>Classification</b>   | Public   |
| <b>Summary</b>          | This paper provides a summary of recent activities and developments relevant to the BSC and ELEXON since the last Panel meeting. |

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## 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 that have taken place since the last 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:
- National Grid's consultation on the Electricity System Operator (ESO) Forward Plan. Our response included the following points:
    - Where possible within the constraints of the various business models there should be equivalent treatment between code administrators, including the ESO when carrying out comparable tasks.
    - There should be no gaps in the incentives on the ESO, in particular there should be incentives on the ESO to raise and support the process for BSC Modifications where these are in the overall interests of the consumer.
    - The ESO should consider where and how it publishes information, and not be restricted to thinking only of its own publication channels, to avoid fragmentation of data provision. We were thinking particularly that the BMRS should continue its role as a 'one-stop shop' for the publication of electricity-related information.
    - The ESO should be incentivised to ensure sufficient resource and attention is paid to operational issues, such as the provision of accurate and timely data for BSC processes and the early identification and resolution of any errors or issues.
    - Some of the ESO performance metrics need to be made more precise to allow a clearer identification of ESO over- or under-performance at year end; and the questions proposed for inclusion in the ESO's stakeholder surveys, where the answers to which will determine ESO performance, should be independently approved.
  - Ofgem's consultation on its Forward Work Programme 2018-19. ELEXON shared the following observations on several workstreams under two of the four Key Priorities in Ofgem's Forward Work Programme for 2018/19:
    - **Priority 1: Enabling a better functioning retail market**

We support Ofgem's intention to unlock any barriers that may arise from the Supplier Licence, fragmentation of central services and codes or prevailing Supplier practices. At present, there are already two major developments in progress to support innovation and new business models, namely: 1) Designing of Target Operating Models (TOMs) for market wide Half Hourly Settlement; and 2) BSC Modification [P362 'Introducing BSC arrangements to facilitate an electricity market sandbox'](#).

ELEXON is also supportive of the new harmonised electricity and gas switching processes delivered by a new Centralised Switching Service (CSS) and governed by a new Retail Energy Code (REC). When it comes to the REC administration, we believe ELEXON would be the best candidate for the REC administrator role. This is because of the synergies between wholesale and retail, the importance of ensuring accurate Settlement and billing of customers' energy usage, our independence from industry stakeholders, our track record of high customer satisfaction (as evidenced by our independent customer survey results and Ofgem's own code administrator's survey where we came top overall), our record of timely delivery of industry change and our transparent and not-for-profit funding model.

- **Priority 2: Facilitating change in the energy system**

ELEXON fully welcomes the intention for Ofgem to focus on whole system coordination through close cooperation with industry, UK Government, code administrators and other stakeholders. We believe coordination sits at the heart of achieving transformational change envisioned by the Clean Growth Plan, the Industrial Strategy and Smart systems and Flexibility Plan. We have also highlighted our recent responses to Ofgem's consultations where we have outlined our thinking and suggestions in detail.

ELEXON is keen to continue providing support to Ofgem's existing workstreams and to explore new opportunities to share our expertise and detailed knowledge of the GB electricity market arrangements, governance and central systems.

- Energy Networks Association (ENA)'s consultation on its 2018 forward work plan for their Open Networks project. Our response included the following points:
  - ELEXON highlighted that as Distribution System Operators (DSO) projects develop we would like to open discussions on providing governance and market operation services to regional DSO markets. We believe that combining DSO knowledge and experience of distribution networks with our own on developing and operating fair, robust market frameworks would achieve the best outcomes for consumers and industry parties.
  - ELEXON also reiterated the importance of a single set of arrangements for DSOs, particularly where there are significant interactions with the rest of the industry. We believe this will improve competition, ensure the future market arrangements are simple, fair and easy to understand across the whole market, and also reduce the costs of implementation and administration, so benefitting industry and consumers.

2.2 These consultation responses are available on the [industry insights](#) page of the ELEXON website.

## **BSCCo Business Plan Approved by Board**

2.3 The BSCCo Business Plan was approved by the Board at its meeting on 28 February 2018, subject to minor amendments. It will be published on the ELEXON website by mid-March 2018.

## **Regulatory Sandboxes**

2.4 As previously advised to the Panel, Ofgem is now coordinating the development of sandboxes across the industry via their Innovation Link team. Pamela Taylor who heads that team was interviewed by New Power

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and praised ELEXON and the Panel for bringing forward the BSC regulatory sandbox Modification and for being the first mover. Mark Bygraves was also interviewed as part of the same feature.

## Market Reports

- 2.5 ELEXON has published three 'Market Reports' to the ELEXON Portal as a proof of concept. The concept takes existing dataflows and converts them into an easy to use CSV file type. The reports contain data that can be used to review charges and performance. Parties can review both their own and peers performance. The service is restricted to BSC Parties only and has been delivered using existing resources at minimal cost to industry. Subject to feedback from industry the reporting suite can be extended and refreshed more frequently.
- Report 1: This report provides a summary of the core components for calculating the Total Cashflow that you pay in the Advice Notes. The data is summed for each Party on each Settlement Date.
  - Report 2: The report provides data that can be used to analyse and view trends of Trading Charges that are paid through the Funds Administration Advice Notes. In the Advice Notes Parties pay the SF Charge first and then pay the 'deltas' or difference when the Trading Charges are recalculated at a later Settlement Run Type.
  - Report 3: The report provides data on the operation of individual Balancing Mechanism (BM) Units for each BSC Party. The data is provided using the latest Settlement Runs (from II) at a monthly granularity. It can be used to view the performance of BM Units and for reviewing the Generation and Demand Capacity.

## 3. Industry news

### European developments

- 3.1 One of the legal requirements of the Electricity Balancing Guideline (EB GL) is that all the EU Transmission System Operators (TSOs) must make a proposal for the harmonisation of imbalance settlement by 18 December 2018.
- 3.2 A first open stakeholder workshop on this subject is to be held in Brussels on Friday 23 March 2018. For further details and to register, the contact person is [ricardo.renedowilliams@entsoe.eu](mailto:ricardo.renedowilliams@entsoe.eu). Registration is open until Friday 16 March 2018 but there are a limited number of places.

## 4. Operational news

### February 2018 Release Successfully Implemented

- 4.1 Four Modifications ([P348 'Provision of gross BM Unit data for TNUoS charging'](#), [P349 'Facilitating Embedded Generation Triad Avoidance Standstill'](#), [P357 'Removal of GC/DC tolerance parameters from BSC Section K'](#) and [P358 'Roll over of BSC Seasonal GCDC'](#)) and eight Change Proposals ([CP1482](#), [CP1483](#), [CP1487](#), [CP1490](#), [CP1491](#), [CP1492](#), [CP1493](#) and [CP1494](#)) were successfully implemented on 22 February 2018.
- 4.2 More information on the complete scope, key dates and the impacted documents is available on the [February 2018 Release](#) page of our website.

### ELEXON's Consultation for Allocation of New Grid Supply Points (GSPs) to a GSP Groups

- 4.3 ELEXON has received three new Grid Supply Point (GSP) registration applications from the Transmission Company. They all relate to the reconfiguration of existing assets.
- There are two proposed new GSPs on the Scottish Western Isles, to be known as Harris GSP (GSP HARG\_P) and Stornoway GSP (GSP STOR\_P). The Transmission Company propose that both GSP HARG\_P and GSP STOR\_P are allocated to the North of Scotland (\_P) GSP Group.

- NPG Yorkshire (YEDB) is the current Registrant of an existing Distribution System Connection Point (DSCP) (FERRB9) at Ferrybridge B 132kV substation. NPG Yorkshire intends to de-register the DSCP and instead register these circuits as a new GSP FERRB\_M to feed the Yorkshire (\_M) GSP Group. The Transmission Company propose that GSP FERRB\_M is allocated to the Yorkshire (\_M) GSP Group.
- 4.4 This consultation has been published on the [Operations and Settlement Consultations](#) section of our website. If you have any views on the allocation of the above GSPs to GSP Groups, ELEXON invites Parties to respond using the consultation response form available on the Industry Consultations page of our website, and send to [bm.unit@elexon.co.uk](mailto:bm.unit@elexon.co.uk) by 17:00 on 12 March 2018.

## **ELEXON Webinar: P350 and the introduction of Seasonal Zonal Transmission Losses**

- 4.5 ELEXON hosted a 30-minute webinar to support industry's understanding of BSC Modification [P350 'Introduction of a seasonal Zonal Transmission Losses scheme'](#). As mandated by the Competition and Markets Authority (CMA), P350 will introduce, on 1 April 2018, a Transmission Loss Factor (TLF) for each TLF Zone, for each BSC Season, in order to allocate transmission losses on a geographical basis. The webinar:
- gave background on transmission losses, and describe what will change post 1 April 2018
  - explained how TLF values are estimated, and where information on them can be found
  - stepped through some worked examples, for both generators and suppliers; and
  - gave a timeline for consultations and decisions on values for BSC Year 2019/2020.
- 4.6 The webinar was a success, with 127 people dialling in. There were a number of questions which we are currently collating and using as the basis for a Q&A document. A recording of the webinar with the Q&A will be made available on our website and YouTube channel.

## **EMR update**

- 4.7 The following EMR Circulars have been issued since the last Panel meeting:
- EMRC147: Introducing gross demand to calculate Suppliers Capacity Market payments from 1 April 2018;
  - EMRC148: Introduction of seasonal Zonal Transmission Losses from 1 April 2018;
  - EMRC149: Government response on LCCC and ESC Operational Cost budget 2018/19 – 2020/21; and
  - EMRC150: Adjusted Interim Levy Rate Notice issued to Suppliers.
- 4.8 All EMR circulars are all available to download from the [EMR Circulars page](#) of the EMRS website.
- 4.9 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'.

## **5. Settlement reform and support for Ofgem projects**

### **Market wide Half Hourly Settlement**

- 5.1 The Design Working Group (DWG) met on the 14 February 2018. The DWG agreed that the TOMs met the design principles and as such ELEXON is now working on a focused evaluation of the relative merits/disadvantages of each TOM.
- 5.2 ELEXON held a Half Hourly Settlement design stakeholder event on 28 February 2018 which was the first opportunity for ELEXON to present its work to a wider audience and get feedback on the TOMs. Following this ELEXON is drafting a final report (TOMs and their evaluation for Stage 1) to present to Ofgem in April. Ofgem will agree on the TOMs to be taken forward in the next stage of detailed design and we will then undertake a consultation on these in April/May.

## Ofgem Faster and More Reliable Switching

- 5.3 We have discussed with Ofgem the level of support it will require in the next phase of its work, so that we can plan resourcing accordingly. We understand the focus of work will be on changes to the existing regulatory codes as well as the development of the requirements that fall under the new Retail Energy Code (REC).
- 5.4 Ofgem published its formal decision on the design, delivery and regulation of the new switching arrangements on 12 February 2018. This included an Outline Business Case and a revised impact assessment, taking into account the effect of the proposed cap on retail tariffs on the cost-benefit analysis.
- 5.5 Ofgem has also concluded that Xoserve can tender for the CSS using a modified version of its gas UK Link (as updated by Project Nexus) as well the existing electricity registration data service providers (MPRS). Ofgem has set out its decisions on the procurement of various services, including the CSS, REC administrator and systems integrator.

## Demand Side Flexibility (DSF) and Smart Grids

- 5.6 We continue to engage with and influence industry/regulatory developments relating to DSF, smart grids, technology and the future role of the System Operator, in order to promote the benefits of joined-up thinking across industry codes (such as ensuring emerging markets in local balancing are integrated appropriately with the arrangements of calculating Suppliers' energy imbalances). In particular we are engaging with the ENA's Open Networks project, the Power Responsive campaign, and the work of InnovateUK and the Energy Systems Catapult on the Future Power Systems Architecture (FPSA).

## 6. Summaries of Panel Committee 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

Appendix E – Report from the TDC

## For more information, please contact:

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