

# APPROVAL OF DEMAND CAPACITY AND GENERATION CAPACITY LIMIT REVIEW AND DETERMINATION STATEMENT

**MEETING NAME** BSC Panel

**Date of meeting** 8 February 2018

**Paper number** 275/08

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**Purpose of paper** For decision

**Classification** Public

**Summary** ELEXON has drafted a statement which sets out the principles for reviewing and determining the Generation Capacity and Demand Capacity Limits for Approved Modification P357 'Removal of GC/DC tolerance parameters from BSC Section K'. We invite the BSC Panel to approve this document and to delegate the authority for approval of future versions of this document and the execution of processes therein to the Imbalance Settlement Group (ISG).

## 1. Background

- 1.1 Generation Capacity (GC) and Demand Capacity (DC) respectively are based on the maximum expected positive and minimum expected negative BM Unit Metered Volumes for a single Settlement Period falling within the relevant BSC Season. According to [Balancing and Settlement Code \(BSC\) Section K 'Classification and Registration of Metering Systems and BM Units'](#), the Lead Party of a Balancing Mechanism (BM) Unit is required to declare estimates of the maximum magnitude of positive and/or negative BM Unit Metered Volume for each BSC Season and must re-declare these should the Metered Volumes of one or several BM Units exceed the limits currently defined in the BSC. ELEXON monitors declared Metered Volumes submitted by BSC Parties against actual Metered Volumes for all BM Units and notifies Lead Parties if volumes breach the tolerance limit so they can re-declare more accurate estimates of Metered Volumes.
- 1.2 GC and DC values used in the calculation of Parties' Credit Cover requirements. Therefore, ensuring the values of GC and DC declared by BSC Parties are in line with the metered volumes collected is essential for the accuracy of the Credit calculation.
- 1.3 [Issue 68 'Underestimation of Demand Capacity and Credit Cover Percentage'](#) was raised on 28 March 2017 by ELEXON in order to review the arrangements in place for declaring DC values by small Suppliers. The Issue Group met on two occasions and concluded that issues around the DC submissions existed and affected the accuracy of the BSC Credit Cover calculation, exposing BSC Parties to potential payment defaults.

## 2. Upcoming changes to the GC/DC process

- 2.1 Three BSC Modifications were raised as a result of the findings of the Issue 68 Issue Group:
  - [P357: Removal of GC/DC tolerance parameters from BSC Section K](#);
  - [P358: Roll over of BSC Seasonal GC/DC](#); and
  - [P359: Mechanised process for GC/DC declarations](#).
- 2.2 BSC Modification P357 was raised in order to improve the process for reviewing and amending the tolerance limits used to determine breaches of GC and DC values. Currently, the tolerance limits are set in BSC Section K 3.4 and amending them would require a BSC Modification to be approved. As this lack of flexibility was

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identified as an issue by the Issue 68 workgroup, BSC Modification P357 was raised to remove the GC/DC Limits from the BSC, publish them on the BSC Website, and make them subject to a more flexible change process, i.e. that the Panel would be responsible for their review and changes.

## 3. The Demand Capacity and Generation Capacity Limit Review and Determination statement

- 3.1 One of the requirements set by BSC Modification P357 was for the BSC Panel to put in place a process for reviewing and determining the GC and DC Limits. This process would need to take effect from the implementation date of the Modification. This would ensure a more dynamic process is set up to review and potentially amend GC/DC Limits without the need for a BSC Modification.
- 3.2 The P357 solution also recommended that the principles and process for reviewing and setting GC/DC Limits be clearly documented. ELEXON has drafted a document (Attachment A) that proposes principles and processes that the Panel, or its delegated authority, would use to review and determine the GC/DC Limits.
- 3.3 As specified in the P357 solution, the Panel must approve this new document and add it to the BSC Baseline Statement as an uncategorised document. The P357 solution also stated that the Panel must consult BSC Parties prior to any future change. Adding an uncategorised document to the BSC Baseline Statement would require a bespoke change process to be described in BSCP40 'Change Management'. Since the Modification was approved and whilst drafting the document, ELEXON found that such a change process for this document would be similar to that for a Category 2 document, i.e. the existing defined Change Proposal process (which includes Industry Consultation followed by committee decision). Therefore, ELEXON considers it would be more efficient to include the document on the Baseline Statement as a Category 2 document.
- 3.4 To summarise the approach described in the attached draft :
  - In accordance with P357 solution, the first review will take place one year after the implementation of P357, otherwise the Panel may initiate a review as it sees fit, and at least on an annual basis;
  - To support the initial review of GC/DC Limits, ELEXON will provide the Panel (or its delegated authority) with a quarterly report containing analysis of KPIs (defined in the attached review statement);
  - When a review is initiated, ELEXON will prepare and present a report to the BSC Panel or its delegated authority;
  - Having considered ELEXON's report, should the Panel (or its delegated authority) wish to change the GC/DC Limits it must consult BSC Parties on its recommendations; and
  - Any changes to GC/DC Limits will typically take effect from the beginning of the next BSC Season following the Panel's decision.
- 3.5 Further to the recommendation in the P357 Final Modification Report, we recommend that the Panel delegates authority to the Imbalance Settlement Group for reviewing and determining GC/DC Limits in accordance with the attached draft statement, and for considering any future Change Proposals to the draft statement.

## 4. ISG comments

- 4.1 Further to the recommendation in the P357 solution that the ISG be responsible for reviewing and determining GC/DC Limits, in December 2017, we sent a copy of the draft statement to ISG Members for comments.
- 4.2 We did not receive any comments from the ISG.

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## 5. Industry consultation

- 5.1 Following the ISG's review, the draft statement was issued out for industry review on 8 January 2018 and invited comments by 19 January 2018 via a [Release Circular](#). We also issued a link to the Release Circular in our Newscast communication on 15 January 2018.
- 5.2 We did not receive any comments from the industry review.

## 6. Next step

- 6.1 Should the BSC Panel approve the attached statement, we will publish version 1.0 on the BSC website. The first quarterly report of KPIs will be presented to the ISG at its March 2018 meeting.

## 7. Recommendations

- 7.1 We invite you to:
- a) **NOTE** the content of this paper;
  - b) **APPROVE** the document on the Baseline Statement as a Category 2 document;
  - c) **APPROVE** the draft Demand Capacity and Generation Capacity Limit Review and Determination statement for implementation on 22 February 2018; and
  - d) **AGREE** to delegate the authority for reviewing and determining GC/DC Limits and for making decisions to change the Demand Capacity and Generation Capacity Limit Review and Determination statement to the Imbalance Settlement Group.

## Attachments

Attachment A – Demand Capacity and Generation Capacity Limit Review and Determination statement

### For more information, please contact:

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