

# ELEXON REPORT

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<b>MEETING NAME</b>	BSC Panel
<b>Date of meeting</b>	11 January 2018
<b>Paper number</b>	274/01
<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 five consultations since our last update to the Panel:
- 2.1.1 ACER's consultation on revisions to REMIT reporting formats: In this response we provided ELEXON's views on the proposed changes to the electronic (XML) formats that are currently used for the reporting of transaction data, fundamental data and inside information.
- 2.1.2 BEIS's targeted consultation on assignment of certain tasks to ELEXON: In this response we expressed our support for BEIS's preferred approach of maintaining the status quo with relevant balancing and settlement tasks (as set out in the BSC) being assigned to ELEXON. The rationale for our response was that this will minimise the disruption and cost to ELEXON, the industry and so ultimately the consumer. Subsequent to this consultation ELEXON received formal assignment from BEIS (see paragraph 3.2 below).
- 2.1.3 The European Commission's consultation on the priority list for network codes in 2018 and beyond: In this response we strongly agreed with the Commission's proposal that focus should remain on the correct implementation of the existing electricity network codes and guidelines and not to include new items in the priority list for 2018. We agreed that no new legislation should be brought into force in 2018 while we are focussed on implementing the existing legislation. We also suggested that some focus be given to the process for amending existing network codes and guidelines.
- 2.1.4 ENTSO-E's first consultation on Project MARI: In this response we noted that as Project MARI is very similar to Project TERRE, it is likely to have significant impacts on at least the BSC and Grid Code. Based on our experience to date with designing local arrangements to fit with Project TERRE (the EU Replacement Reserve project), we expect that the MARI project working packages will also include MARI TSO-BSP/BRP settlement and MARI data publication. Subject to our National Regulating Authority's approval, ELEXON will be incorporating these MARI aspects into our existing GB arrangements, as we are doing with TERRE. We will also rely on MARI settlement data to calculate the GB imbalance price. We noted that, in our view it is imperative that Project MARI and ELEXON closely engage and coordinate at all times on all changes that MARI is considering making to the TSO-BSP/BRP settlement and data publication aspects.

# ELEXON REPORT

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2.1.5 Ofgem's call for evidence on future supply market arrangements: In this response we stated our support for Ofgem questioning how the regulatory approach, code governance regime and the energy codes need to change to unlock the benefits of innovation and technology to our customers and the end consumer. We noted that the potential contractual relationships the consumer will have in future with both existing/new energy supplier(s), new service/technology providers, will require radical and strategic change to the energy market arrangements and agreed that it is right for Ofgem to call for evidence to gain better understanding of these complex issues and work out a way to unlock these benefits. We agreed with the theme of the consultation and that there is a need for a top down revolution in the regulation of the energy industry and noted our support for Ofgem in driving this revolution.

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

## Draft BSCCo Business Plan – seeking industry comment

- 2.3 The draft BSCCo Business Plan for 2018/19 is now available and we are looking for feedback from BSC Parties on the aims, initiatives and budget set out in the plan. We will be holding a webinar at 13:00 on 16 January 2018 where Mark Bygraves, ELEXON's CEO and Alina Bakhareva, Strategy and Market Advisor will run through the highlights of the strategy. This will also be an opportunity to ask any questions on the proposed strategy and business plan. You can register to attend the webinar [here](#).
- 2.4 If you have any comments or questions on the draft 2018/19 BSCCO Business Plan please email [communications@elexon.co.uk](mailto:communications@elexon.co.uk) by 29 January 2018 indicating whether any part of your response is confidential. All comments received will be presented to the ELEXON Board and taken into account when it approves the final version of the BSCCo Business Strategy and Budget.

## 3. Industry news

### European Developments

- 3.1 The European Electricity Balancing Guideline (EB GL) and the Network Code on Emergency and Restoration both came into force on 18 December 2017.
- 3.2 The text of the EB GL requires that balancing and settlement is the responsibility of the System Operator. However, it also allows certain tasks to be assigned to other suitable bodies. On the same day as the EB GL came into force, ELEXON received the [formal assignment letter](#) from BEIS, so ELEXON is now directly responsible for balancing settlement, imbalance settlement and data publication as set out in the BSC. Ofgem now has the Electricity Act 1989 enforcement powers with respect to these tasks.
- 3.3 Also on 18 December, we were able to formally apply to Ofgem for [a derogation](#) (two year delay) from the EB GL requirements to implement changes to our imbalance prices (currently being progressed through BSC Modification P360).
- 3.4 One of the legal requirements of the EB GL is for European Transmission System Operators (TSOs) to design and build arrangements for sharing balancing energy. National Grid, and hence GB industry more widely, is involved in two of these initiatives: Project TERRE for Replacement Reserve (RR); and Project MARI for manually-activated Frequency Restoration Reserve (mFRR). European Project MARI ran a public consultation in December, to which ELEXON responded. ELEXON observed that the various EU projects needed to be better coordinated to ensure consistency and that these projects should not assume that other projects are picking up certain aspects without checking.
- 3.5 We also responded to an ACER public consultation on changing REMIT data. As their proposals have the potential to require changes to BMRS again, we responded.

## 4. Operational news

# ELEXON REPORT

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## New System Price Analysis Dashboard

- 4.1 The way in which System Prices are calculated will be changing on 1 November 2018. To help the industry to prepare, ELEXON has introduced a new System Price Analysis Dashboard. The Dashboard can help you understand the impact of this change by modelling System Prices under the November 2018 scenario. The dashboard is refreshed daily, so you will always have the latest pricing view.
- 4.2 This change is a result of BSC Modification P305 which was implemented on 5 November 2015. It was raised to progress the conclusions to Ofgem's Electricity Balancing Significant Code Review (EBSCR).

## Project TERRE Industry Day

- 4.3 On 16 January 2018 ELEXON and National Grid are hosting a Project TERRE Industry Day. The event will take place from 10:00 to 16:00 at ELEXON's offices. The day will cover an introduction to Project TERRE including implementation timescales and the detail of the GB solution – from bids to dispatch to Settlement. There will also be a Q&A session with the GB Project Terre teams.
- 4.4 For more information, or to register to attend the day, please refer to the [Project TERRE page](#) of the ELEXON website.

## Implementation of CP1484 'Introduction of Additional SVAA Validation at SVAA runtime'

- 4.5 The software deployment for [Change Proposal 1484 'Introduction of Additional SVAA Validation at SVAA runtime'](#) was implemented on 13 December 2017. CP1484 introduces additional validation measures into the Supplier Volume Allocation Agent (SVAA) system to identify large consumption values and prevent them from entering Settlement if they are erroneous.
- 4.6 Half Hourly Data Aggregators (HHDAs) or Non Half Hourly Data Aggregators (NHHDAs) may be contacted and asked to check the validity of data submitted to the Supplier Volume Allocation Agent (SVAA), and may be asked to submit corrected data where necessary. If you are a Supplier you will benefit from more accurate data produced in the Supplier Volume Allocation (SVA) runs. CP1484 is part of the November 2017 BSC Systems Release. For further details please see the [Releases](#) section of the ELEXON website.

## Reporting Non-BM STOR costs in Balancing Services Adjustment Data

- 4.7 National Grid had an issue in applying the correct price to Non-BM STOR Balancing Services from March 2016 to December 2017. As a result, there could be incorrect System Prices and therefore incorrect BSC Trading Charges settled by ELEXON. ELEXON notified the industry of the issue through ELEXON Circular [EL02729](#).
- 4.8 National Grid implemented a fix on 4 December 2017 and updates were communicated to industry via ELEXON Circulars [EL02731](#) and [EL02736](#). ELEXON is awaiting data from National Grid to determine the impact to System Prices and BSC Trading Charges. ELEXON will use the data to assess the materiality of the issue and inform BSC Parties of their individual impact.
- 4.9 National Grid is able to replace data for the most recent 14 months through standard processes. Data beyond 14 months can only be corrected through the Trading Disputes process. ELEXON has raised a Trading Dispute and is currently assessing its validity and materiality.

## Warm Home Discount Reconciliation – Handover to Ofgem

- 4.10 As the Panel will be aware, ELEXON's contract for the operation of the Warm Home Discount (WHD) reconciliation mechanism has not been renewed and the reconciliation mechanism is now operated by Ofgem. The handover of historic reconciliation run reports to Ofgem was concluded in early December 2017. Our offer to hand over the IT system was declined by Ofgem, despite it being owned by BEIS.
- 4.11 One of the WHD scheme Suppliers shared with us Ofgem's letter dated 15 December 2017, indicating a number of challenges regarding the Yr7 Interim Reconciliation run as a result of the need to 'mutualise'

# ELEXON REPORT

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arising from Supplier non-payments. We are keen to ensure that Suppliers continue to receive the robust and reliable services that ELEXON provided and have offered to BEIS our further assistance if it is required.

## **EMR update**

- 4.12 The following EMR Circular has been issued since the last Panel meeting:
  - EMRC145: Updates from LCCC on the Interim Levy Rate and Total Reserve Amount
- 4.13 All EMR circulars are all available to download from the [EMR Circulars page](#) of the EMRS website.
- 4.14 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**

### **Faster and more reliable switching**

- 5.1 ELEXON attended a meeting of the External Design Advisory Group (EDAG), at which Ofgem presented an overview of the responses to its consultation on the proposed way forward for the Central Switching Service (CSS) and Retail Energy Code (REC). We also contributed to a Regulatory Design Forum workshop to capture ideas on what the functions of the RECCo should be, both on an enduring basis and while the switching programme is still running.
- 5.2 The Design and Delivery Strategy Teams have been meeting less frequently as they near completion of their deliverables for the Detailed Level Specification (DLS) phase of the Programme.
- 5.3 We have reviewed the Operational Choreography Specification and Non-Functional Requirements (for the Design Team), and the plans/strategic approach documents for Transition, Data Migration, Data Improvement, 'In-flight' switches, Design and Build and Post-Implementation (for the Delivery Strategy Team).

### **Demand Side Flexibility (DSF) and Smart Grids**

- 5.4 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).
- 5.5 In addition, in December we held the first Workgroup for Modification Proposal P362 'Introducing BSC arrangements to facilitate an electricity market sandbox', covering much of the process and generating significant discussion around how a sandbox would operate. The rest of the process will be covered in the second workgroup at the end of January. We also met with Ofgem to discuss how best to approach cross-code coordination of sandboxes, and continue to engage with them on this matter.

## **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.

# ELEXON REPORT

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## 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:**

Mark Bygraves, Chief Executive

[mark.bygraves@elexon.co.uk](mailto:mark.bygraves@elexon.co.uk)

020 7380 4137