

Request to Raise a Modification Proposal

Request to Raise: 'Required Housekeeping Changes to Implement P298 and EMR'

This Modification proposes minor changes to BSC Section F to correct a discrepancy between the P298 Legal text implemented on 18 July 2014 and the EMR legal text changes directed and implemented on 1 August 2014.

This Modification also proposes minor housekeeping changes to BSC Sections F, K, V and Annex X-1 to correct typographical errors introduced under the EMR implementation.



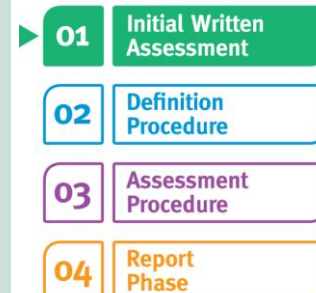
ELEXON recommends that a Modification is raised and progressed as a Fast Track Self-Governance Modification, with a recommendation to approve.

This Modification is expected to impact:

- ELEXON

ELEXON

What stage is this document in the process?



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About This Document

This document is a Request to Raise a Modification which ELEXON will present to the Panel on 14 August 2014. The Panel will consider whether to raise the Modification and agree how to progress it.

There are three parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, and proposed implementation approach.
- Attachment A contains the Modification Proposal Form.
- Attachment B contains the draft redlined changes to the BSC for this Modification.



Any questions?

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1 Why Change?

Background

P298

Approved Modification [P298 'Consequential amendments to the BSC Modification process following the implementation of Third package and other miscellaneous changes'](#) was implemented on 18 July 2014. The P298 solution modified BSC Section F 'Modification Procedures' to align it with Transmission Licence requirements and to reflect that:

- The Authority can raise, or instruct National Grid to raise, a Modification to implement electricity regulations;
- The BSC Panel is required to accept and progress such Modifications in accordance with any timetable(s) directed by the Authority; and
- Where the Authority directs National Grid to raise such Modifications, National Grid is only allowed to withdraw the Modification or amend the proposed solution with prior consent from the Authority.

Further information on P298 can be found on the [P298 page](#) of the ELEXON website.

Electricity Market Reform

As part of the [Electricity Market Reform](#) (EMR) program the Government introduced two new mechanisms, Contracts for Difference (CFD) and the Capacity Market (CM). CFDs are designed as an incentive for investment in new low-carbon electricity generation. The CM is designed to ensure sufficient and reliable capacity when there is not enough electricity available on the Transmission System.

Consequential changes were required to the BSC and its Code Subsidiary Documents (CSDs) to support the EMR arrangements. Details of all the required changes directed on 1 August 2014 can be found on the Other Regulatory Decision (ORD) [5 'Electricity Market Reform' page](#) of the ELEXON website.

What is the issue?

Conflict between P298 and EMR legal text changes

The P298 solution was implemented on 18 July 2014 and introduced a new bullet point (e) into BSC Section F 2.1.1. The EMR legal text changes for BSC Section F were directed and implemented on 1 August 2014 and introduced new bullet points (e) and (f) into the same BSC Section F2.1.1.

Since P298 was progressed and implemented before EMR was directed by the Secretary of State, it was not possible to consider the P298 solution when drafting the required BSC changes for EMR. This in effect means that when EMR was implemented on 1 August 2014 the P298 bullet point (e) in BSC Section F 2.1.1 was overwritten by the EMR bullet point (e).

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EMR housekeeping changes

A number of consequential changes were required to the BSC to support the implementation of the EMR arrangements. Whilst insuring that we implemented the required changes in good time, a number of minor inaccuracies were introduced that we are now seeking to rectify. All of the changes proposed under this Modification are immaterial housekeeping changes, for example:

- Section F 1.9.3 should refer to 'a CFD Counterparty' rather than just 'CFD Counterparty'.

Further details of the required housekeeping changes can be found in Section 3 and Attachment B.

Proposed solution

This Modification proposes changes to rectify inaccuracies introduced by EMR and resolve conflicts between the EMR legal text and the P298 legal text. The following amendments will be made to the legal text changes introduced by EMR:

- Section F 1.9.3 – this should refer to ‘a CFD Counterparty’ not just ‘CFD Counterparty’;
- Section K 3.3.12 (b) – remove ‘; or’ and replace with full stop;
- Section V 5.2.2 (b) – should refer to ‘the CFD Settlement Data’ rather than ‘a CFD Settlement data’; and
- Section X Annex X-1
 - The definition of CM Settlement Serviced Provider should refer to ‘the CM Settlement Body’ rather than ‘a CM Settlement Body’; and
 - The definition of a Contract for Difference should refer to ‘a CFD Counterparty’ rather than ‘the CFD Counterparty’.

For the avoidance of doubt, ELEXON has discussed the above changes with the Department of Energy and Climate Change (DECC) and they agree that these changes should be progressed as housekeeping.

Amendments are also required to Section F 2.1.1 to ensure that the bullet point (e) introduced by P298 does not remain ‘over written’ by bullet points (e) and (f) introduced by EMR (i.e. P298’s bullet point (e) will be reinstated as point (g) and the current points (e) and (f) will remain as they are). Therefore, under this Modification’s solution these three bullet points will appear as follows:

- (e) a CfD Counterparty to reflect a proposed change to the CFD Arrangements which would, if made, have an impact on the Code;
- (f) the CM Settlement Body to reflect a proposed change to the CM Arrangements which would, if made, have an impact on the Code; and
- (g) the Authority (in relation only to modifications which it reasonably considers are necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency).

Reinstating P298’s bullet point (e) as point (g) will required changes to various cross references in Section F. Details on all the housekeeping changes proposed by this Modification can be found in Attachment B.

Impacts and costs

This Modification will not impact BSC Parties, Party Agents or the Transmission Company. It only ensures the correct implementation of both P298 and EMR. The estimated central implementation costs will equate to £240, or one ELEXON man day.

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Impact on Code	
Code Section	Potential Impact
Section F	Changes will be required to implement the solution.
Section K	
Section V	
Section X Annex X-1	



What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

(f) Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

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Applicable BSC Objectives

ELEXON believes that this Modification would better facilitate the achievement of:

- **Applicable BSC Objective (d)** as making these required housekeeping changes will allow for both P298 and EMR directed changes to be implemented successfully and as intended, promoting efficiency.
- **Applicable BSC Objective (f)** as making these required housekeeping changes will contribute to the implementation and administration of the EMR arrangements.

Implementation approach

It is recommended that this Modification be implemented:

- **One Working Day** after the Fast Track Self Governance Modification objection window closes.



Next steps

We believe that this Modification should be progressed as a Fast Track Self-Governance Modification¹.

The proposed changes to the BSC are housekeeping changes only, which are required to enable both P298 and the EMR directed changes to be implemented successfully and as intended. Therefore, we believe that this Modification meets the Fast Track Self-Governance Modification criteria.

If the Panel **unanimously** agrees² that the Modification should be progressed as a Fast Track Self-Governance Modification, and approve the draft legal text, ELEXON will issue the Fast Track Self-Governance Modification Report (including the approved BSC legal text) to the Authority, the Transmission Company and BSC Parties. There will then be a 15 Working Day appeal window to raise an objection to the implementation of the Modification.

If an objection is received, the implementation of the Modification will be suspended and the objection tabled at the next available Panel meeting; which in the case of this Modification would be on 11 September 2014.

If no objections are received, the Panel will be advised and the Modification will be implemented One Working Day after the 15 Working day objection window closes.

Fast Track Self-Governance Criteria

Means a Modification Proposal which:

- (i) if implemented would satisfy the Self-Governance Criteria; and
- (ii) falls within the scope of Section F2.1.1(d)(iv) (without limiting the right of any person specified in paragraph 2.1.1 to propose a Fast Track Self-Governance Modification proposal) and which is required to correct an error in the Code or as a result of a factual change, including but not limited to:
 - (a) updating names or addresses listed in the Code;
 - (b) correcting minor typographical errors;
 - (c) correcting formatting and consistency errors, such as paragraph numbering; or
 - (d) updating out of date references to other documents or paragraphs;

¹ Further information about the Fast Track Self-Governance Modification process can be found in [BSC Section F, BSCP40](#) and on the [P296](#) page of the ELEXON website.

² If one or more Panel Members believe the Modification does not meet the Fast Track criteria, the Panel can decide to treat the Modification as either a standard Self-Governance Modification or a standard Modification.

4 Recommendations

We invite the Panel to:

- **RAISE** the Modification Proposal in Attachment A;
- **AGREE** that this Modification should be progressed as a Fast Track Self-Governance Modification;
- **AGREE** that this Modification:
 - **DOES** better facilitate Applicable BSC Objective (d);
 - **DOES** better facilitate Applicable BSC Objective (f);
- **AGREE** that this Modification should be **approved**;
- **AGREE** an Implementation Date of:
 - **One Working Day** after the 15 Working Day objection window closes;
- **AGREE** the proposed legal text;
- **NOTE** that this Modification will become P312; and
- **NOTE** that ELEXON will issue the P312 Fast Track Modification Report (including the draft BSC legal text), which will then be subject to a 15 Working Day objection period.

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Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Glossary of Defined Terms	
Acronym	Definition
CFD	Contracts for Difference
CM	Capacity Market
CSD	Code Subsidiary Documents
EMR	Electricity Market Reform
ORD	Other Regulatory Decisions

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
3	P298 webpage	http://www.elexon.co.uk/mod-proposal/p298/
3	ORD005 webpage	http://www.elexon.co.uk/ord/ord005-electricity-market-reform/
3	EMR webpage	https://www.gov.uk/government/policies/maintaining-uk-energy-security--2/supporting-pages/electricity-market-reform