

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

P357 'Removal of GC/DC tolerance parameters from BSC Section K'

This Modification proposes to remove the Generation Capacity (GC) and Demand Capacity (DC) tolerance limit parameters from Balancing and Settlement Code (BSC) Section K 'Classification and Registration of Metering Systems and BM Units'. This will allow the tolerances to be reviewed and updated from time to time without the need for a Modification.



The BSC Panel initially recommended **approval** of P357

This Modification is expected to impact:

- Suppliers
- Generators
- Interconnector Users
- ELEXON

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About This Document

This is the P357 Draft Modification Report, which ELEXON will present to the Panel at its meeting 9 November 2017. It includes the responses received to the Report Phase Consultation on the Panel's initial recommendations. The Panel will consider all responses, and will agree a final recommendation to the Authority on whether the change should be made.

There are three parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach. It also summarises key views from the Report Phase Consultation.
- Attachment A contains the draft redlined changes to the BSC for P357.
- Attachment B contains the full responses received to the Panel's Report Phase Consultation.

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Why Change?

The Proposer, SSE, believes that greater flexibility in the governance of the tolerance parameters would be beneficial as the tolerance parameters are currently hard wired within the Code, requiring a BSC Modification should it be desired that the parameters be amended.

Solution

The solution to P357 proposes to remove the Demand Capacity (DC) and Generation Capacity (GC) parameters from [BSC Section K 'Classification and Registration of Metering Systems and BM Units'](#). The parameters would then be published on the BSC website.

This will enable the values to be more easily reviewed from time to time by the Panel or its delegated committee, in accordance with a guidance document that will detail the principles for review and approval. This document will be agreed by the BSC Panel.

Impacts & Costs

The central implementation costs to deliver P357 will be £240, with impacts on ELEXON's processes. Whilst there is no immediate impact on Trading Parties, there will be impacts on Trading Parties should the GC/DC parameters subsequently be amended.

Implementation

The proposed implementation date for P357 is 22 February 2018 as part of the February 2018 BSC Release.

Recommendations

The BSC Panel unanimously believes that the P357 Proposed Modification better facilitates Applicable BSC Objective (d). The Panel's initial unanimous recommendation was that the Proposed Modification should be **approved**.

2 Why Change?

Background

The Lead Party for each Balancing Mechanism (BM) Unit must declare GC and DC for each BSC Season in accordance with BSC Section K. It is self-declared by Trading Parties in 'good faith and as accurately as it reasonably can'. It is either the expected positive (indicating generation) or negative (indicating demand) Metered Volume with the maximum magnitude for a single Settlement Period falling within the relevant BSC Season. Together, GC and DC values form part of the calculation of Credit Assessment Energy Indebtedness (CEI) and Credit Cover Percentage (CCP).

Having submitted GC and DC values, a Party must re-declare its GC/DC values in order to remain compliant with the BSC, should its Metered Volumes exceed the tolerance parameters specified in Section K3.4.3.

The GC/DC tolerance parameters are specified in the BSC. Therefore changes to the GC/DC tolerance parameters can only be made by raising a BSC Modification.

What is the issue?

As part of [Issue 68 'Underestimation of Demand Capacity'](#), the Issue Group considered whether greater accuracy in GC and DC submissions could be achieved through tightening the tolerance parameters, and improving the governance around how these tolerance parameters are determined.

The Issue Group agreed that tightening the tolerance parameters would improve the accuracy of the GC/DC declarations.

Currently, the GC and DC tolerance limits are specific values within BSC Section K. As such any changes require a BSC Modification to be raised and the process can take 3 months or more in order for a change to be delivered.

The Proposer, along with the Issue 68 Workgroup, believes that greater flexibility in the governance of the tolerance parameters would be beneficial. This would allow the BSC Panel or a delegated committee more flexibility to review and update the tolerance limits in response to changing circumstances without the need for a Modification to be raised each time.

The current GC/DC tolerance parameter values have had limited review and have not changed since the introduction of Modification [P186 'Rationalising the criteria for the submission and redeclaration of Demand & Generation Capacities'](#) in September 2005.



Credit Guidance notes

Detail on **Credit Cover** and **Credit Default** can be found in the respective Guidance Notes available on our [Credit webpage](#).

Proposed solution

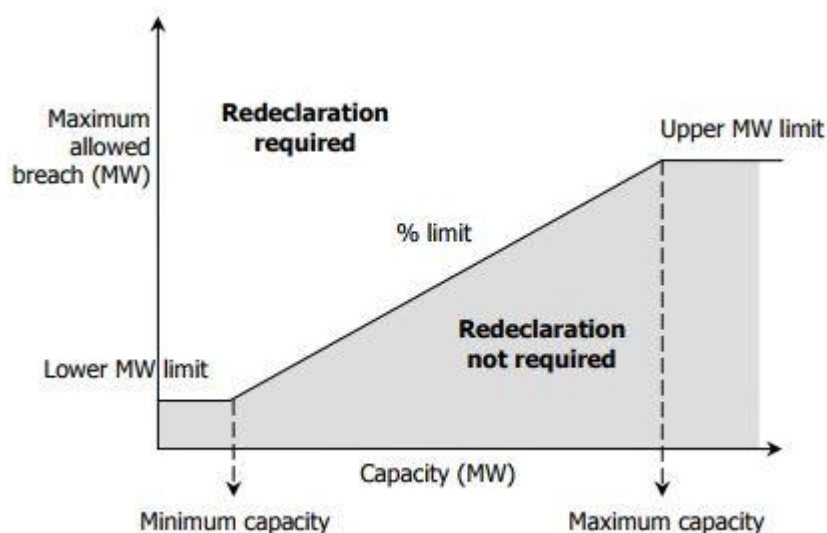
This Modification seeks to remove the tolerance parameters from the Code, in order to provide greater flexibility for the values to be determined by the BSC Panel or delegated committee. Having been determined by the Panel or its delegated committee, the Balancing and Settlement Code Company (BSCCo) will publish the parameters on the BSC website.

The Panel or, if delegated, the Imbalance Settlement Group (ISG) would review these parameters from time to time as it sees fit, with an initial review scheduled one year post-implementation of this Modification Proposal.

Further, the Panel should establish guidance so that the governance and principles for setting and reviewing GC and DC Limits are clearly and openly documented. BSCCo will prepare an initial set of guidance for the Panel to agree prior to implementation of this Modification. Please note that this may be following Panel approval of this Modification Proposal, i.e. as part of the implementation project. This guidance document will be included on the BSC Baseline Statement as an uncategorised document, which will ensure it is bound by BSC governance in that it can only be amended via Panel approval, but that it will not be subject to the formal BSC change process i.e. Modifications or Change Proposals.

Overall, this solution will avoid the need for a Modification to be raised each time the tolerances need to be updated.

Upon implementation of this Modification, the current GC/DC tolerance parameters within BSC Section K will continue to be used and will be published on the BSC website – i.e. a minimum threshold of 2MW, ramped up by 2% to a maximum threshold of 10MW. The diagram below displays the principles of the current GC/DC parameters:



Further, there are two housekeeping changes that will be included in BSC Section K as part of the redlining for P357. Section 1.8.1 (a) (ii) contains a typographical error that should read BSCP25, and section 5.4.4 contains a typographical error whereby Interconnector is spelt incorrectly.

Legal text

The proposed legal text to deliver the P357 solution can be viewed in Attachment A.

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Estimated central implementation costs of P357

The central implementation cost to deliver the solution to P357 is £240. This is derived from one working day of implementation effort to deliver the document only changes as a result of the P357 solution.

Indicative industry costs of P357

We are not anticipating any industry costs for the implementation of this Modification. There may be minor costs to BSC Parties following the scheduled one year review of GC/DC parameters, should Parties need to update processes as a result of any parameter amendments.

P357 impacts

The tables below detail the identified impacts that arise from the solution to this Modification Proposal:

Impact on BSC Parties and Party Agents

| Party/Party Agent | Potential Impact |
|---|------------------|
| No immediate impact identified. Implementation of this Modification will not change GC/DC parameters. Following implementation GC/DC parameters could be changed by Panel approval, which would impact Trading Parties. | |

Impact on Transmission Company

None identified

Impact on BSCCo

| Area of ELEXON | Potential Impact |
|-------------------|--|
| ELEXON Operations | <ul style="list-style-type: none"> Conducting reviews from time to time as requested by the BSC Panel or its delegated body. Producing guidance on the GC/DC process for the BSC Panel to agree. |

Impact on BSC Systems and processes

| BSC System/Process | Potential Impact |
|--------------------|------------------|
| None identified | |

Impact on Code

| Code Section | Potential Impact |
|---------------|--|
| BSC Section K | Redlining amendments as proposed by the solution to this |

Impact on Code

| Code Section | Potential Impact |
|--------------------------|------------------------|
| BSC Section X: Annex X-1 | Modification Proposal. |
| BSC Section X: Annex X-2 | |

Impact on Code Subsidiary Documents

| CSD | Potential Impact |
|-----------------|------------------|
| None identified | |

Impact on other Configurable Items

| Configurable Item | Potential Impact |
|-------------------|---|
| Panel Guidance | The Panel Guidance document to be created as a result of the solution to this Modification Proposal will be included on the BSC Baseline Statement. |

Impact on a Significant Code Review (SCR) or other significant industry change projects

This Modification is not linked to any live SCRs. At the time of raising P357, the following SCRs were in the SCR Phase:

- [Electricity Settlement Reform](#)
- [Targeted Charging Review](#)

The Proposer requested that this Modification be exempt from the Significant Code Review process. Ofgem confirmed that P357 would be exempt from the SCR process during BSC Panel meeting 270.

Impact on Consumers

ELEXON agrees with the Proposer's view that the solution to this Modification does not have any direct impacts on consumers.

Impact on the Environment

ELEXON does not believe that the solution to this Modification has any direct impacts on the environment.

Recommended Implementation Date

The Proposer recommends an Implementation Date for P357 of:

- **22 February 2018** as part of the February 2018 BSC Release if an Authority decision is received on or before 22 December 2017.

Applicable BSC Objectives

The impact of the P357 solution on the relevant BSC Objectives is displayed in the table below:

| Impact of the Modification on the Relevant BSC Objectives | |
|---|-------------------|
| Relevant Objective | Identified impact |
| a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence | Neutral |
| (b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System | Neutral |
| (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 | Neutral |
| (d) Promoting efficiency in the implementation of the balancing and settlement arrangements | Positive |
| (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] | Neutral |
| (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 | Neutral |
| (g) Compliance with the Transmission Losses Principle | Neutral |

In the view of the Proposer and as agreed by ELEXON, this Modification will better facilitate BSC Objective (d). The solution to the Modification Proposal seeks to improve the current governance arrangements and make them more efficient by enabling more flexible review and amendment of tolerance limits in line with market changes. This avoids the need for a Modification to be raised each time the tolerances need to be updated.

Self-Governance

ELEXON agrees with the Proposer's view that this Modification Proposal should not be treated as Self-Governance, on the basis that implementing the solution to this change will amend the scenarios for which a Modification Proposal under the Code is required as per Self-Governance criterion (a)(v).



What are the Self-Governance criteria?

A proposal that, if implemented:

- a) is unlikely to have a material effect on:
 - i. existing or future electricity consumers; and
 - ii. competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
- iii. the operation of the national electricity transmission system; and
- iv. matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
- v. the Code's governance procedures or modification procedures; and
- b) is unlikely to discriminate between different classes of Parties

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7 Panel's Initial Discussions

The BSC Panel did not pose any questions or hold any discussions during the presentation of the P357 Initial Written Assessment at the September 2017 Panel meeting ([Panel 270/05](#)). The Panel unanimously:

- a) **AGREED** that P357 be progressed directly to the Report Phase;
- b) **AGREED** that P357 DOES better facilitate Applicable BSC Objective (d);
- c) **AGREED** an initial recommendation that P357 should be APPROVED;
- d) **AGREED** an initial Implementation Date 22 February 2017 if an Authority decision is received on or before 22 December 2017;
- e) **AGREED** the draft legal text;
- f) **AGREED** that P357 should not be treated as a Self-Governance Modification; and
- g) **NOTED** that ELEXON will issue the P357 draft Modification Report (including the draft BSC legal text) for a 15 Working Day consultation and will present the results to the Panel at its meeting on 9 November 2017.

The BSC Panel did not request that any further non-standard questions be added to the Report Phase Consultation for P357. The questions posed to industry as part of the Report Phase Consultation are displayed in the table below:

During the Panel meeting, Ofgem confirmed that P357 is not implicated in the two ongoing SCR's (Electricity Settlement Reform and Targeted Charging Review) and as such should be exempt from the SCR process.

Report Phase Consultation Questions

Do you agree with the Panel's initial unanimous recommendation that P357 better facilitates Applicable BSC Objective (d)?

Do you agree with the Panel's initial unanimous recommendation that P357 should be approved?

Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P357?

Do you agree with the Panel's recommended Implementation Date?

Do you agree with the Panel's initial view that P357 should not be treated as a Self-Governance Modification?

Do you have any further comments on P357?

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8 Report Phase Consultation Responses

This section summarises the responses to the Panel's Report Phase Consultation on its initial recommendations. You can find the full responses in Attachment B.

Summary of P357 Report Phase Consultation Responses

| Question | Yes | No | Neutral/ No Comment | Other |
|---|-----|----|---------------------------|-------|
| Do you agree with the Panel's initial unanimous recommendation that P357 better facilitates Applicable BSC Objective (d)? | 5 | 0 | 0 | 0 |
| Do you agree with the Panel's initial unanimous recommendation that P357 should be approved? | 5 | 0 | 0 | 0 |
| Do you agree with the Panel that the redlined changes to the BSC deliver the intent of P357? | 3 | 1 | 1 | 0 |
| Do you agree with the Panel's recommended Implementation Date? | 5 | 0 | 0 | 0 |
| Do you agree with the Panel's initial view that P357 should not be treated as a Self-Governance Modification? | 5 | 0 | 0 | 0 |
| Do you have any further comments on P357? | 0 | 5 | - | - |

Do you agree with the Panel's initial unanimous recommendation that P357 better facilitates Applicable BSC Objective (d)?

The respondents agreed that the solution to P357 improves efficiency in the BSC arrangements as a Modification would no longer be required to amend the GC/DC tolerance parameters.

Do you agree with the Panel's initial unanimous recommendation that P357 should be approved?

One respondent noted that the solution to P357 will align the GC/DC arrangements with the practice for other arrangements such as the Credit Assessment Price, whereby the value can be amended without a Modification.

Do you agree with the Panel that the redlined changes to the BSC deliver the intent of P357?

One respondent considered the proposed Housekeeping change to BSC Section K paragraph 1.8.1 (a)(ii) to be unnecessary. The respondent noted that as part of the introduction of the British Electricity Trading and Transmission Arrangements (BETTA), Scottish Transmission connected assets were registered within BSC arrangements through BETTA Data Take On Procedures (BDTPs). As such, the respondent noted that the reference to BDTP 25 should remain as it refers to the legacy process by which Scottish Transmission assets were registered to the BSC arrangements. The respondent clarified

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that many of these assets remain in operation currently and hence the provisions for which they were included within the BSC should remain.

On the basis of this response, ELEXON and the Proposer agree that the reference to BDTP 25 should remain within BSC Section K and have removed the proposed housekeeping change to paragraph 1.8.1 (a)(ii).

Do you agree with the Panel's recommended Implementation Date?

The respondents agreed that there is no need to delay implementation past the proposed date and that the proposed date is an appropriate balance between timescales of implementation and costs.

Do you agree with the Panel's initial view that P357 should not be treated as a Self-Governance Modification?

The respondents agreed that P357 should not be treated as a Self-Governance Modification as it impacts the use of the Modification procedures and does not meet the Self-Governance criteria.

9 Recommendations

We invite the Panel to:

- **AGREE** that the P357 Proposed Modification:
 - **DOES** better facilitate Applicable BSC Objective (d).
- **AGREE** a recommendation that the P357 Proposed Modification should be **approved**.
- **APPROVE** an Implementation Date for the Proposed Modification of:
 - 22 February 2018 if an Authority decision is received on or before 22 December 2017;
- **APPROVE** the draft legal text for the Proposed Modification; and
- **APPROVE** the P357 Modification Report.

Appendix 1: Estimated Progression Effort

The following tables contain the estimated effort in progressing P357:

| Progression Effort | |
|--------------------|-----------------------|
| Participant | Effort (working days) |
| ELEXON | 6 |
| Total | 6 |

| Consultation Response Effort | |
|------------------------------|------------------|
| Consultation | No. of responses |
| Report Phase Consultation | 5 |
| Total | 5 |

Appendix 2: Glossary & References

Acronyms

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

| Acronym | |
|---------|---|
| Acronym | Definition |
| BDTP | BETTA Data Take On Procedure |
| BETTA | British Electricity Trading and Transmission Arrangements |
| BM | Balancing Mechanism |
| BM Unit | Balancing Mechanism Unit |
| BSC | Balancing and Settlement Code |
| BSCCo | Balancing and Settlement Code Company |
| CCP | Credit Cover Percentage |
| CEI | Credit Assessment Energy Indebtedness |
| CSD | Code Subsidiary Document |
| DC | Demand Capacity |
| GC | Generation Capacity |
| ISG | Imbalance Settlement Group |
| SCR | Significant Code Review |

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 | BSC Sections (BSC Section K embedded in page) | https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/ |
| 4 | P186 'Rationalising the criteria for the submission and redeclaration of Demand & Generation Capacities' | https://www.elexon.co.uk/mod-proposal/p186-rationalising-the-criteria-for-the-submission-and-redeclaration-of-demand-generation-capacities/ |
| 8 | Electricity Settlement Reform SCR | https://www.ofgem.gov.uk/publications-and-updates/electricity-settlement-reform-significant-code-review-launch-statement-revised-timetable-and-request-applications-membership-target-operating-model-design-working-group |
| 8 | Targeted Charging Review SCR | https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-significant-code-review-launch |

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External Links

| Page(s) | Description | URL |
|---------|----------------------------------|---|
| 10 | Panel 270 page of ELEXON website | https://www.elexon.co.uk/meeting/bsc-panel-268/?from_url=https://www.elexon.co.uk/events-calendar-item/bsc-panel-268/ |

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