

## 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.



ELEXON recommends P357 is progressed directly to the Report Phase with an initial recommendation to approve

This Modification is expected to impact:

- Suppliers
- Generators
- Interconnector Users
- ELEXON

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## About This Document

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 14 September 2017. The Panel will consider the recommendations and agree how to progress P357.

There are two parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress.
- Attachment A contains the P357 Proposal Form.
- Attachment B contains an extract of the proposed redlining for this Modification Proposal.



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# 1 Why Change?

## Background

The Lead Party for each Balancing Mechanism (BM) Unit must declare Demand Capacity (DC) and Generation Capacity (GC) 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 negative (indicating demand) or positive (indicating generation) Metered Volume with the maximum magnitude for a single Settlement Period falling within the relevant BSC Season. Together, GC and DC values are a 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 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 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 parameters.

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 upwards 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 limit parameters would be beneficial. This would enable the BSC Panel or a delegated committee to more flexibly review and update the tolerance limits in response to changing circumstances and without the need for a Modification to be raised each time.

The current GC/DC tolerance values have had limited review and have not changed since the introduction of Modification P186A in September 2005.

### Proposed solution

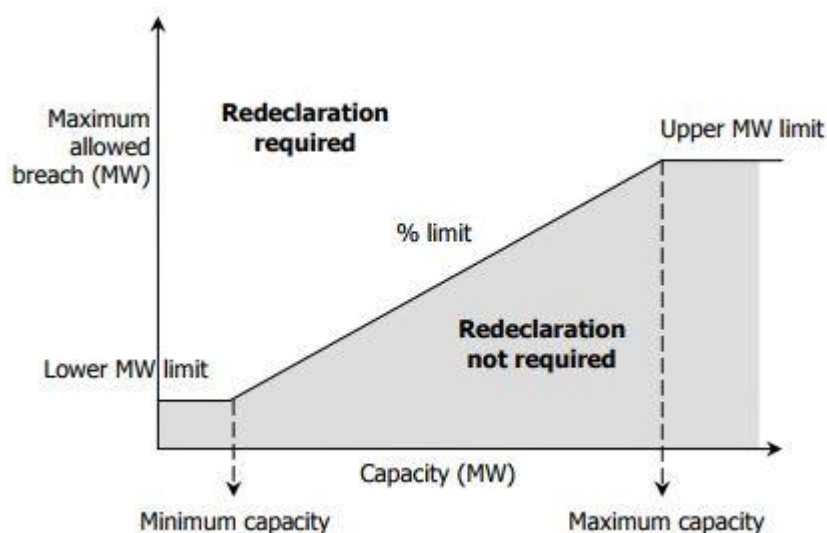
This Modification seeks to remove the tolerance parameters from the Code, in order to provide greater flexibility for the values to be determined by the BSC Panel. Having been determined by the Panel, the Balancing and Settlement Code Company (BSCCo) will publish the parameters on the BSC website.

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 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 be used – 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.



### 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

(g) Compliance with the Transmission Losses Principle

## Applicable BSC Objectives

The impact of the solution to this Modification Proposal 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.

## Implementation approach

The Proposer suggests that the solution to this Modification Proposal be implemented on 22 February 2018, as part of the February 2018 BSC Release.

ELEXON has confirmed that it can deliver the solution to this Modification Proposal on 22 February 2018.

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### 3 Proposed Progression

#### Next steps

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).

Currently, a Modification is required to amend the GC and DC tolerance parameters. Under the new proposed process, no Modification will be required. The tolerance parameters will be reviewed and potentially updated from time to time by the BSC Panel or a delegated committee.

Furthermore, ELEXON agrees with the Proposer's recommendation that this Modification Proposal should be sent directly to the Report Phase and hence be subject to the Report Phase Consultation. That is, the Proposer believes it is likely that the Panel's recommendation to the Authority is self-evident, i.e. that it would recommend implementation because the proposed solution reflects a conclusion of the Issue 68 Workgroup.

#### Timetable

The table below displays the proposed progression of Modification P357:

| Proposed Progression Timetable for P357      |                       |
|--|-----------------------|
| Event  | Date                  |
| Present Initial Written Assessment to Panel  | 14 Sep 17             |
| Report Phase Consultation                    | 25 Sep 17 – 13 Oct 17 |
| Present Draft Modification Report to Panel   | 9 Nov 17              |
| Issue Final Modification Report to Authority | 17 Nov 17             |



#### What is the Self-Governance Criteria?

A Modification 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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## 4 Likely Impacts

The tables below detail the likely 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"><li>• Conducting reviews from time to time as requested by the BSC Panel or its delegated body.</li><li>• Producing guidance on the GC/DC process for the BSC Panel to agree.</li></ul> |

### 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 Modification Proposal. |

### 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 a new uncategorised Configurable Item on the BSC Baseline Statement. |

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#### 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 writing the following SCRs were in the SCR Phase:

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

The Proposer requests that this Modification be exempt from the Significant Code Review process.

#### 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.



## 5 Recommendations

We invite the Panel to:

**AGREE** that P357 progresses directly to the Report Phase;

- **AGREE** that P357:
  - **DOES** better facilitate Applicable BSC Objective (d);
- **AGREE** an initial recommendation that P357 should be **approved**;
- **AGREE** an initial Implementation Date of:
  - 22 February 2018 if an Authority decision is received on or before 22 December 2017;
- **AGREE** the draft legal text;
- **AGREE** that P357 should not be treated as a Self-Governance Modification; and
- **NOTE** 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.

## Appendix 1: Glossary & References

### Acronyms

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

| Acronym |                                       |
|---------|---------------------------------------|
| Acronym | Definition                            |
| 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   |
| 8              | Electricity Settlement Reform SCR | <a href="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">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</a> |
| 8              | Targeted Charging Review SCR      | <a href="https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-significant-code-review-launch">https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-significant-code-review-launch</a>   |