

P361 REVISED TREATMENT OF BSC CHARGES FOR LEAD PARTIES OF INTERCONNECTOR BM UNITS BUSINESS REQUIREMENTS

INTRODUCTION

Purpose of document

This document contains the Business Requirements (BR) for Balancing and Settlement Code (BSC) Modification P361 'Revised treatment of BSC Charges for Lead Parties OF Interconnector BM Units'.

This document specifies the BRs for P361, and will form the basis on which ELEXON:

- i) procures high-level Impact Assessments, with approximate costs and timescales, from its Service Providers;
- ii) identifies the impact on its processes;
- iii) initiates the industry Consultation;
- iv) captures any changes to the BRs;
- v) communicates the Business Requirements of BSC Modification P361 to industry members and service providers; and
- vi) enables an initial impact assessment to be carried out by relevant Service Providers.

Background

For the purposes of calculating BSC Charges (see BSC Section D), Interconnector BM Units in GB are currently treated as either a Production BM Unit (generation) or Consumption BM Unit (demand), equivalent to being treated the same way as generators or Suppliers. The BSC Charges derived from Credited Energy Volumes are paid for by all BSC Parties having Production and Consumption BMUs with non-zero Metered Volumes, including Interconnector Users. Under the EU Third Package (Article 2 of Regulation 714/2009), Interconnector BM Units should be treated as part of the Transmission System and not as Production or Consumption.

The application of given BSC Charges to cross-border flows creates a differential between:-

- those trades that facilitate competition within a national market; and
- pan European trades that facilitate competition across a single European electricity market.

Efficient trading between GB and other Member States is therefore compromised. This has the effect of reducing the number of occasions where potentially beneficial trades could have taken place and therefore conflicts with the EU Third Package objectives.

Furthermore, the flow of energy across these interconnectors is determined by a central algorithm, which takes into account the local areas order book and the available interconnector capacity between two bidding areas. The results of this calculation will determine the area price and direction of flow across the Interconnector.

The BSC Costs of the GB Interconnectors cannot be included as a factor in the calculations. This means that in market coupling optimisations, the shipping paths along Interconnectors connected to GB have add on costs which other European Interconnectors do not normally have.

P361 REVISED TREATMENT OF BSC CHARGES FOR LEAD PARTIES OF INTERCONNECTOR BM UNITS

BUSINESS REQUIREMENTS

Objective

The objective of this change is to ensure that BSC Charges align with the EU Third Package.

This can be achieved by removing charges associated with Interconnector BM Units from Main Funding Share and SVA (Production) Funding Share; as the charges currently being levied have been assessed as sitting outside the principles of the EU Third Package,

BUSINESS REQUIREMENTS

The following table lists the business requirements for a successful solution, which would be formed from a combination of technology, process and education activities. They are prioritised as follows:

'M' = Must have (no point having a solution without this)

'S' = Should have (if not delivered then a workaround must be in place)

'C' = Could have (nice to have)

'W' = Won't have this time

Ref	Requirement	Priority
BR1	Remove Interconnector BM Unit Credit Energy Volumes from the Main Funding Share	M
BR1.1	The Main Funding Share shall be calculated in accordance with the Annex D-1 part 1 legal text in attachment A.	M
BR2	Remove Interconnector BM Unit Credit Energy Volumes from the SVA (Production) Funding Share calculation	M
BR2.1	The SVA (Production) Funding Share shall be calculated in accordance with the Annex D-1 part legal text in attachment A.	M
BR3	Apply BR1 to BR2 retrospectively from 1 April 2018 (inclusively)	S
BR3.1	In relation BR1-2 P361 will calculate Parties Net Main Costs and Production-Charging SVA Costs using the revised Funding Shares. P361 will also re-calculate and re-bill Parties Net Main Costs and Production-Charging SVA Costs from the Implementation Date back to the start of the current financial year. This will be re-billed as one lump sum, with payment due within the normal BSC timescales	S