

Modification proposal:	<b>Balancing and Settlement Code (BSC) P238: Removal of the requirement to Meter Each Boundary Point for Offshore Power Park Modules (P238)</b>		
Decision:	The Authority <sup>1</sup> directs that this proposal be made <sup>2</sup>		
Target audience:	National Grid Electricity Transmission Plc (NGET), Parties to the BSC and other interested parties		
Date of publication:	13 November 2009	Implementation Date:	20 November 2009

## Background to the modification proposal

The Balancing and Settlement Code (BSC) requires that a Party's Exports and/or Imports be determined at each Boundary Point<sup>3</sup> to the transmission system or a distribution system, via Metering<sup>4</sup>. Each meter which records Exports and/or Imports must be registered separately in accordance with the BSC.

On 24 June 2009 (Go Active) the Government introduced a new regulatory regime for offshore electricity transmission. The Government made a number of changes to industry codes using its powers under the Energy Act 2004<sup>5</sup> to facilitate the introduction of the offshore transmission regime. For example, the BSC now extends offshore and places existing BSC obligations on generators (offshore generators) that will be connected to an offshore transmission system when the offshore transmission regime is fully implemented<sup>6</sup>.

Prior to the Go Active date, a BSC Issues Standing Modification Group<sup>7</sup> (Issue 37: Boundary Point Metering and BM Unit Issues in Section K) considered the possible impact of extending the BSC offshore on the BSC obligations regarding, amongst other things, Boundary Point Metering. P238 was raised in response to a recommendation by the Issue 37 Standing Group<sup>8</sup> that offshore generators be allowed to treat exports from and/or imports to all their Offshore Power Park Modules comprising a single Balancing Mechanism Unit (BM Unit) as a single export and/or import and be metered as such.

Depending on the operational configuration of Plant and Apparatus chosen by an offshore generator, that offshore generator would be required to determine Imports and Exports at each Offshore Power Park Module as each Offshore Power Park Module would form a separate Boundary Point. Separate metering would therefore be required at each Boundary Point/Offshore Power Park Module.

## The modification proposal

P238 was raised by Centrica (the proposer) on 26 June 2009. P238 proposes to allow all Exports and Imports at each Offshore Power Park Module to be treated as a single Export

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> A Boundary Point means a point at which any Plant or Apparatus not forming part of a transmission or distribution system connects to a transmission or distribution system.

<sup>4</sup> Section K 1.2.1 of the BSC refers.

<sup>5</sup> Section 90 of the Energy Act 2004 enables the Secretary of State to make changes to the licences and industry codes to introduce the offshore transmission regime.

<sup>6</sup> The proposed start date for offshore 'Go Live' will be in summer 2010.

<sup>7</sup> Issues may be submitted for consideration at a Standing Modification Group for the purposes of understanding whether to propose a modification to the BSC and to obtain guidance in producing the Modification Proposal.

<sup>8</sup> Another BSC modification proposal, P237, was also raised in response to a recommendation by the Issue 37 Standing Group and has been assessed in parallel with P238.

or Import (i.e. at a deemed single Boundary Point) and thereby avoid the need for separate metering for every Boundary Point/Offshore Power Park Module.

One of the changes made by the Government at Go Active was the introduction of the definition of 'Offshore Power Park Module' in the Grid Code. The proposer considers that the amendment to the technical requirement for Offshore Power Park Modules has resulted in the need for Offshore Power Park Modules with multiple points of connection to the transmission system to register more metering than Onshore Power Park Modules. Onshore Power Park Modules will still be limited to a single Boundary Point. The proposer considers that P238 would remove the inefficiencies this creates, including for:

- Offshore intermittent generators who would require to install and maintain more metering equipment than onshore intermittent generators, resulting in additional associated costs.
- Registrants of offshore metering systems who would require to:
  - register more metering systems, and
  - submit more technical data information and more complex aggregation rules for those metering systems.
- ELEXON and BSC agents who would require to:
  - record the Metering Systems and Technical Details, validate Aggregation Rules, and
  - collect and aggregate more metered data from metered outstations resulting in additional associated costs.

The proposer considers that it was not the intention of the change in the Grid Code to create these inefficiencies.

### **BSC Panel<sup>9</sup> recommendation**

The BSC Panel considered the Final Modification Report (FMR) at its meeting on 8 October 2009. The Panel unanimously agreed that P238 would better meet Applicable BSC Objectives c and d and recommended approval of P238. The FMR provides details of the Panel's views.

The Panel noted that there would be some efficiency benefits, in terms of additional cost savings, to Elexon if P237 and P238 are implemented in parallel<sup>10</sup>.

### **The Authority's decision**

The Authority has considered the issues raised by the modification proposal and the FMR dated 8 October 2009. The Authority has considered and taken into account the responses to Elexon's<sup>11</sup> consultation which are attached to the FMR<sup>12</sup>. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the BSC<sup>13</sup>; and

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<sup>9</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC.

<sup>10</sup> Although assessed in parallel, P237 and P238 are standalone modification proposals.

<sup>11</sup> The role and powers, functions and responsibilities of Elexon are set out in Section C of the BSC.

<sup>12</sup> BSC modification proposals, modification reports and representations can be viewed on the Elexon website at [www.elexon.com](http://www.elexon.com)

<sup>13</sup> As set out in Standard Condition C3(3) of NGET's Transmission Licence, see: [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=4151](http://epr.ofgem.gov.uk/document_fetch.php?documentid=4151)

2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties<sup>14</sup>.

### **Reasons for the Authority's decision**

On 24 June 2009 (Go Active) the Government introduced a new regulatory regime for offshore electricity transmission, using powers under the Energy Act 2004<sup>15</sup>. At this time, the BSC and the System Operator's responsibilities were extended to include Offshore Waters. The powers under the Energy Act were limited in their effect to offshore only.

One of the changes made at Go Active was the introduction of the definition of 'Offshore Power Park Module' in the Grid Code. The requirement for such a new definition was identified with the assistance of an industry working group and reflected the uncertainty in respect of the ownership boundary arrangements that may be sought by offshore generators. We consider that this new definition of Offshore Power Park Module did not introduce additional generator choice as to the number of Boundary Points it can connect at but more clearly explained the basis on which the existing Grid Code obligations would apply in cases where a generator had agreed a non-standard ownership boundary with NGET. We note that choice in respect of ownership boundary arrangements continues to be available to onshore generators. However, we recognise that this choice to connect to the NETS at multiple Boundary Points is being utilised by Offshore Power Park Modules more frequently than Onshore Power Park Modules.

Our view is that the change made to the Grid Code at Go-Active did not change the default principles of ownership that are defined in the Connection and Use of System Code (CUSC), but provided additional clarity about treatment of non standard boundary arrangements. In anticipation of multiple transmission owners offshore, it was considered that additional clarity within the Grid Code was needed to ensure that offshore generators were able to assess likely consequences of choosing a non standard option.

We note the comments made by NGET in its analysis and impact assessment that the changes proposed by P238 will not have any impact on security of supply or its ability to operate the transmission system. We agree with the Panel and respondents that the changes proposed by P238 will resolve inefficiencies for some offshore intermittent generators, by removing the need for offshore generators to install and maintain multiple meters, reduce the number of meters to be registered and thus reduce the amount of technical data required for offshore and BSC Metering Systems.

We also note the cost saving estimates provided by respondents and recognise the cost savings that will result from reducing the number of meters required on an offshore platform, including costs related to meter maintenance and accommodation on an offshore platform.

#### *Applicable BSC Objective c (promoting effective competition in the generation and supply of electricity)*

We consider that P238 facilitates competition in the generation and supply of electricity by reducing the number of meters that offshore intermittent generators are required to install and maintain. We recognise the different treatment being applied to offshore intermittent generators compared to onshore intermittent generators. We have taken into account the cost associated with the installation and maintenance of metering

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<sup>14</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

<sup>15</sup> See footnote 7.

systems on an offshore platform and consider that the cost savings for offshore intermittent generators outweigh the inefficiencies and costs should P238 be rejected.

*Applicable BSC Objective d (promoting efficiency in the implementation of the balancing and settlement arrangements)*

We consider that P238 promotes efficiency in the implementation of the BSC by reducing the number of meter readings BSC Agents will have to accommodate, reducing the number of Meter Advance Reconciliations Technical Assurance Agents would need to audit and reducing the number of audits of offshore metering systems.

We note the Panel's opinion that there would be benefits to P237 and P238 being implemented in parallel. We recognise that P237 will reduce the number of BM Units that offshore intermittent generators are required to register and the cost savings this would bring alongside P238<sup>16</sup>.

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority, hereby directs that modification proposal BSC P238: 'Removal of the requirement to Meter each Boundary Point for Offshore Power Park Modules' be made.

**Robert Hull**

**Acting Managing Director - Commercial**

Signed on behalf of the Authority and authorised for that purpose.

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<sup>16</sup> Please refer to our decision on P237 for further information on the efficiencies and costs savings that can be recognised from reducing the number of BM Units an offshore generator needs to register in the BSC systems.