

Modification proposal:	<b>Balancing and Settlement Code (BSC) P299: 'Allow National Grid access to Metering System Metered Consumption data to support DSBR service' (P299)</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:	30 May 2014	Implementation Date:	10 working days from date of decision

## Background to the modification proposal

National Grid Electricity Transmission (NGET) is the system operator (SO) for Great Britain (GB). As SO, NGET plays a fundamental role in the functioning of the GB electricity market as it is responsible for balancing the electricity system on a continuous basis. To do this, NGET buys and sells energy and procures associated balancing services.

Last summer, the Department of Energy and Climate Change (DECC), Ofgem and NGET agreed that it was prudent to consider the case for NGET to have the option to procure additional balancing services given the uncertain security of supply outlook.<sup>3</sup> In December 2013, we decided to approve NGET's request for it to have the power to procure these services.<sup>4</sup> One of these services is the Demand Side Balancing Reserve (DSBR).

DSBR involves NGET, as SO, signing up large energy users who could reduce their demand between 4pm and 8pm during winter weekday evenings in return for a payment. This service would only be used in the unlikely event that there is insufficient generation available in the market to meet demand.

In order to implement this service, NGET has expressed the need to access the Suppliers' Metering System Metered Consumption<sup>5</sup> data for businesses and embedded generators that tender for DSBR. NGET also expressed the need to obtain this data for those sites that are successful in the tender process when DSBR is despatched. This data would allow it to validate tender data submitted and support the settlement of payments for the delivery of the DSBR service.

## The modification proposal

NGET proposed modification P299 to allow it to obtain the required data to support DSBR. Under P299, NGET would be able to request ad-hoc reports from Half Hourly Data Collectors (HHDCs). Specifically, HHDCs would provide:

<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> Our June consultation can be found here: <https://www.ofgem.gov.uk/publications-and-updates/consultation-potential-requirement-new-balancing-services-national-grid-electricity-transmission-plc-nget-support-uncertain-mid-decade-electricity-security-supply-outlook>

<sup>4</sup> Our December decision letter can be found here: <https://www.ofgem.gov.uk/publications-and-updates/national-grid%E2%80%99s-proposed-new-balancing-services-decision-letter>

<sup>5</sup> This is the half-hourly metered consumption data of consumers that is part of the Supplier Volume Allocation Metering System. This is defined on Section S Annex S-2, paragraph 3.5.3 found here: <http://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/>

- For each Metering System Identification Number (MSID),<sup>6</sup> HH consumption data for the entire previous winter period.
- For each MSID of DSBR service despatched or tested, HH consumption data for the days despatched and for 10 additional days nominated by NGET.

This data could be shared with intermediaries, such as suppliers or aggregators for the purposes of tender validation and payment settlement.

NGET believes that the BSC Section L<sup>7</sup> already allows it to have access to relevant metering data which could include Metering System Metered Consumption data. However, since it is not explicitly stated, NGET considers this modification is required to avoid ambiguity.

NGET believes that P299 would support applicable BSC objective (b),<sup>8</sup> as it would ensure that DSBR tender submission data can be correctly validated and allow for effective settlement of payments. NGET believes that P299 will have a neutral impact on applicable BSC objectives (a), (c), (d) and (e).<sup>9</sup>

### **BSC Panel<sup>10</sup> recommendation**

On 8 May 2014, the BSC Panel unanimously agreed that P299 would better facilitate applicable BSC objective (b). The Panel unanimously recommended that the Authority approve proposed modification P299. The Panel also unanimously approved the proposed implementation date of 10 working days following the Authority's decision.

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

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 9 May 2014.<sup>11</sup> The Authority has considered and taken into account the responses to Elexon's<sup>12</sup> consultation which are attached to the FMR. The Authority has concluded that:

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

We have assessed P299 against the applicable BSC objectives and agree with the BSC Panel's view that P299 better facilitates objective (b). We also believe that there are

<sup>6</sup> These are also commonly known as Metering Point Administration Number (MPAN)

<sup>7</sup> BSC Section L 'Metering' paragraph 5.2.4 found here: <http://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/>

<sup>8</sup> Applicable Objective (b): The efficient, economic and co-ordinated operation of the National Electricity Transmission System . As set out in Standard Condition C3(3) of NGET's Transmission Licence, see: <https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions>

<sup>9</sup> As set out in Standard Condition C3(3) of NGET's Transmission Licence, see: <https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions>

<sup>10</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC.

<sup>11</sup> BSC modification proposals, modification reports and representations can be viewed on the Elexon website at [www.elexon.com](http://www.elexon.com)

<sup>12</sup> The role and powers, functions and responsibilities of Elexon are set out in Section C of the BSC.

<sup>13</sup> As set out in Standard Condition C3(3) of NGET's Transmission Licence, see:

<https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions>

<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.

benefits to objectives (a) and (c). We consider that the proposed modification has a neutral impact when assessed against the other applicable objectives.

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

We consider that P299 has a marginal positive impact on this objective. The implementation of this modification allows NGET to ensure that if it needs to procure this service, it has access to the necessary information in order to procure it efficiently. This aids compliance with its licence condition to act in an economic and efficient manner.<sup>15</sup>

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

The BSC Panel unanimously agreed that P299 better facilitates objective (b) as it allows NGET to gain the required consumption data to validate tenders and make settlement payments on the DSBR service. This information allows NGET to independently verify the capability of potential service providers and it facilitates settlement based on metered data. Therefore, the BSC Panel considered that the information allows NGET to operate the transmission system in an efficient and economic manner. NGET and the majority of respondents also agreed that P299 supports objective (b).

We agree that the proposed modification does better facilitate this applicable objective for the reasons identified above. This modification would avoid ambiguity that NGET has access to the information necessary in its role as SO to procure and operate DSBR in an economic and efficient manner.

*Applicable Objective (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*

The BSC Panel did not identify any impact on objective (c). Respondents, however, noted some detrimental effects on competition. Some have noted that NGET would not pay the additional HHDC costs incurred in providing these reports. One respondent claimed this favours Non Half Hourly (NHH) only suppliers, who would not incur these costs as they would not have to provide any data. They also noted that since DSBR will be used rarely, only a few suppliers would benefit from a longer position at gate closure,<sup>16</sup> while all suppliers would face the costs. However, another respondent noted that if there is any detrimental impact on objective (c) it is minimal.

We consider that P299 promotes competition in generation. This modification would clarify that the SO has access to the information to enable the SO to compare DSBR with equivalent services from generation to arrive at value-for-money assessments.

We note that respondents to the P299 Assessment consultation have estimated the cost of collection of this data at a minimum of £5,000 per HHDC and £150 per request. Based on these numbers, these costs would seem proportionate in relation to promoting participation for Demand Side providers and associated benefits to consumers. In considering the ad-hoc nature of potential requests (versus the cost from regular requests) by NGET, we do not consider that P299 favours NHH only suppliers. Also, any

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<sup>15</sup> NGET has a requirement to co-ordinate and direct the flow of electricity onto and over the National Electricity Transmission System in an efficient, economic and co-ordinated manner under paragraph 1 of Standard Condition C16 of NGET's electricity transmission licence.

<sup>16</sup> For example, if a supplier had contracted sufficient generation to meet its customers demand and NGET despatched a DSBR provider from that supplier, it would have a positive impact on their settlement position through the imbalance pricing (cash-out).

impact on a supplier's position after gate closure would result from the DSBR service and not P299 itself. As such, we do not see it as relevant in making our decision on P299.

*Applicable Objective (d): Promoting efficiency in the implementation of the balancing and settlement arrangements*

One respondent considered that having a number of HHDCs to prepare ad hoc reports is not the most efficient means of providing the required data. However, given the short term nature of the service and the timescales, it saw the solution in P299 as the only one feasible. Other respondents noted the risk that Suppliers could become non-compliant with the BSC due to the introduction of this new data requirement.

We believe that P299 has a neutral impact on objective (d). Due to the rare nature of these requests and the low material cost of compliance, we are not convinced that it would place a noticeable burden on suppliers and HHDCs such that efficiency in the implementation of the BSC is detrimentally impacted. Suppliers have an obligation under their licence to comply with the BSC. We do not consider the potential risk that parties may become non-compliant with the BSC as being relevant or introduced by P299.

### **Decision notice**

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority hereby directs that modification proposal BSC P299: 'Allow National Grid access to Metering System Metered Consumption data to support DSBR service' (P299) be made.

**Emma Kelso**  
**Acting Partner, Markets**  
**Signed on behalf of the Authority and authorised for that purpose**