

P321 'Publication of Trading Unit Delivery Mode'

P321 proposes to publish information on the direction of delivery (delivering or offtaking) of Trading Units in each Settlement Period. The Proposer is seeking for this to be explicitly provided to give customers better access to this information.



ELEXON recommends P321 is progressed to the Assessment Procedure for an assessment by a Workgroup

This Modification is expected to impact:

- The Balancing Mechanism Reporting Agent (BMRA)

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

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About This Document

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 14 May 2015. The Panel will consider the recommendations and agree how to progress P321.

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, including the Workgroup's proposed membership and Terms of Reference.
- Attachment A contains the P321 Proposal Form.



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1 Why Change?



What is a Trading Unit?

A Trading Unit is a collection of one or more Balancing Mechanism (BM) Units that have been grouped together in one of the following ways:

- Each Grid Supply Point (GSP) Group has a Base Trading Unit associated with it, and all Supplier BM Units within that GSP Group are automatically allocated to this Trading Unit.
- Other BM Units can elect to form their own Trading Unit in accordance with [BSC Section K 'Classification and Registration of Metering Systems and BM Units'](#).
- Any BM Unit that is not allocated to a Base Trading Unit or elects to join another Trading Unit is deemed a Sole Trading Unit (a Trading Unit consisting of only one BM Unit).

A BM Unit can only belong to one Trading Unit at any given time.

BM Units within a Trading Unit can realise certain benefits from being considered collectively, in particular the Production/Consumption (P/C) Flag and delivering/offtaking status for each BM Unit within the Trading Unit.

Impact on the Production/Consumption Flag

Many BM Units in a Trading Unit will have their P/C Flag set based on the Generation and Demand Capacities (GC/DC) of each BM Unit in the Trading Unit, with all BM Units taking the same Flag. Exceptions are Supplier and Interconnector BM Units, whose P/C Flags are fixed, and Exempt Export BM Units, whose P/C Flags are set by the Lead Party.

This Flag is predominantly used to determine which Energy Account the BM Unit's Metered Volumes are allocated to, meaning that Lead Parties of generation sites can net the Metered Volumes from both their generation and demand BM Units into a single Energy Account.

A BM Unit's P/C Flag applies on an enduring basis, and is only re-determined when the GC/DC values of BM Units within the Trading Unit are re-declared. The P/C Flag of each BM Unit is reported in numerous places, such as through the complete list of [Registered BM Units](#) on the ELEXON Portal.

Impact on delivering/offtaking status

In a particular Settlement Period a Trading Unit is treated as:

- **delivering** if the sum of the Metered Volume of all the BM Units within the Trading Unit is positive; or
- **offtaking** if the sum of the Metered Volume of all the BM Units within the Trading Unit is negative or zero.

All BM Units in that Trading Unit are then treated as delivering or offtaking based on the Trading Unit's net position, and all will take this same status irrespective of individual performance.

Further information

Further information on **BM Units and Trading Units** can be found on the [BM Units](#) and [Trading Units](#) pages of our website.

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Further information

Further information on the calculation and application of **TLMs** can be found on the [Losses](#) page of our website.

Further information on the calculation and allocation of **RCRC** can be found on the [Trading Charges](#) page of our website.

This affects the following areas:

- The application of Transmission Loss Multipliers (TLMs), which are applied to each BM Unit based on its delivering/offtaking status in the relevant Settlement Period. This affects whether the BM Unit's Metered Volumes are increased (when the Trading Unit is offtaking) or decreased (when delivering) in magnitude to account for losses on the Transmission System.
- The calculation of:
 - certain BSC Funding Shares used to allocate Balancing and Settlement Code (BSC) Company (BSCCo) Charges;
 - Residual Cashflow Reallocation Cashflow (RCRC) charges; and
 - Balancing Services Use of System (BSUoS) charges

are all affected by whether a Party's Metered Volumes originated from delivering or offtaking Trading Units.

Unlike the P/C Flag, a BM Unit or Trading Unit's delivering/offtaking status is calculated on a Settlement Period basis, and is not explicitly reported anywhere. Instead, a Trading Unit's delivering/offtaking status can be inferred from other sources such as which TLM was applied to the BM Units within the Trading Unit.

It should be noted that delivering/offtaking status is determined independently from the P/C Flag, and so it is possible for a Production BM Unit to be deemed offtaking in an individual Settlement Period, or vice versa.

What is the issue?

The Proposer highlights the recent trend for some Base Trading Units to 'flip' from net offtaking to net delivering in some Settlement Periods. They believe that this event is likely to become more regular and occur in more GSP Groups as the levels of embedded generation increases. They note the effects that a Trading Unit's delivering/offtaking status can have on some charges, and highlight that under some contractual arrangements Suppliers pass these charges on to the customer.

The Proposer considers that there is a lack of transparency for end customers as to whether a Trading Unit was delivering or offtaking in a Settlement Period, and that this can make it difficult for them to verify any bills that the Supplier passes on to them. This lack of transparency could also hinder a customer in making informed decisions on whether to take a fixed or pass-through contract with a Supplier. The Proposer believes that a Trading Unit's delivering/offtaking status should be easily accessible to such end customers.

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Proposed solution

[P321 'Publication of Trading Unit Delivery Mode'](#) proposes to publish information on whether each Trading Unit was net delivering or net offtaking (it's 'delivery mode') in each Settlement Period, updated at each Settlement Run. This should be provided in a user-friendly and downloadable format that can be accessed easily by non-BSC Parties such as customers.

The Proposer considers that information on the Trading Unit's delivery mode should be provided as a minimum, but that it would also be desirable for additional information to be provided, such as the gross volumes of generation and demand. This would help to illustrate, in particular, how close a GSP Group came to 'flipping' from offtaking to delivering or vice versa.

Applicable BSC Objectives

Applicable BSC Objective (b)

The Proposer believes that there is a lack of knowledge about the impact of the Trading Unit's delivery mode on embedded benefits. Publishing this information will make it easier for customers to engage with the market and make informed decisions about their generation or consumption. It should also assist in sending the right signals to encourage changes in behaviour, as generators, investors and developers should coordinate their generation or construction to maximise their embedded benefit, and hence they will aid the balancing of the network.

Furthermore, investors in and developers of embedded generation will be able to make a more informed decision about the financial risks associated with connecting to certain GSP Groups. The pattern of development of embedded generation will therefore be more likely to evolve in a way consistent with balanced outcomes.

The Proposer also considers that the 'flipping' of the Trading Unit direction between delivering and offtaking is designed to provide a price signal to help better balance the network. However, whilst generators cannot predict or validate when this occurs, and given that knowledge of the process is insufficient, they believe this price signal will not have any impact.

Applicable BSC Objective (c)

The Proposer believes that knowledge of the likelihood of changes to the Trading Unit delivery mode will make it easier for customers to make informed decisions about opting between fixed and pass-through contracts. Suppliers have this information, so it is considered only fair that customers do too. However, because the information is either derived or part of a net BSUoS bill, it is not possible for Suppliers to point to an independent source of the data. Customers will be able to scrutinise their bills more effectively, which will help to boost their trust in their Supplier and prevent misunderstandings arising between them



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 administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

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3 Areas to Consider

In this section we highlight areas which we believe the Panel should consider when making its decision on how to progress this Modification Proposal, and which a Workgroup should consider as part of its assessment of P321. We recommend that the areas below form the basis of a Workgroup's Terms of Reference, supplemented with any further areas specified by the Panel.

What information should be published?

The Proposer considers that P321 must make available the direction (i.e. delivering or offtaking) of each Trading Unit in each Settlement Period. They also believe that additional information such as the gross volumes of demand and generation within each Trading Unit would be beneficial, to allow participants to see how close a Trading Unit, and in particular a Base Trading Unit, came to 'flipping' direction.

The Workgroup should consider what additional information on each Trading Unit should be provided alongside whether it was delivering or offtaking.

How and where should the information be made available?

The Proposer states that the information they seek should be provided in a user-friendly and downloadable format that would be easy for non-BSC Parties, such as customers on pass-through contracts, to access. The Workgroup should consider the most appropriate format or formats to provide this information in, for example the option to download information in a comma separated values (.csv) format file.

The Proposer has left it open to the Workgroup to determine the most suitable method for publication of this information. The Workgroup should therefore agree the most appropriate location or locations to make this data available through, such as through the Balancing Mechanism Reporting Service (BMRS) or the ELEXON Portal.

Should P321 be progressed as a Self-Governance Modification?

We consider that P321 would have no material impacts on BSC Parties, consumers or competition, as it seeks to make information already indirectly available through other reports directly available in its own right. We therefore consider that P321 would meet the Self-Governance Criteria and so should be progressed as a Self-Governance Modification. We believe the Workgroup should provide its views to assist the Panel in making a decision on this when it considers the Assessment Report.



What are 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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Areas to consider

The table below summarises the areas we believe a Modification Workgroup should consider as part of its assessment of P321:

Areas to Consider
What additional information on each Trading Unit beyond its direction should be published?
In what format(s) and location(s) should the information be made available?
What changes are needed to BSC documents, systems and processes to support P321 and what are the related costs and lead times?
What is the appropriate Implementation Date for P321?
Are there any Alternative Modifications?
Should P321 be progressed as a Self-Governance Modification?
Does P321 better facilitate the Applicable BSC Objectives than the current baseline?

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4 Proposed Progression

Next steps

We believe that P321 should progress to the Assessment Procedure for assessment by a Workgroup.

Workgroup membership

We believe that the P321 Workgroup should be comprised of experts in Trading Units along with any other relevant experts and interested parties.

Timetable

We believe that P321 should be progressed to a four-month Assessment Procedure timetable, with the Assessment Report due to be presented to the Panel no later than 10 September 2015. This will allow time for the proposed solution to be developed and centrally impact assessed before the Workgroup issues its 15 Working Day industry consultation, as well as for the Workgroup to fully assess the areas outlined in Section 3. Should the Workgroup progress quicker than anticipated, we would seek to bring the Assessment Report back to the Panel at an earlier meeting.

Proposed Progression Timetable for P321	
Event	Date
Present Initial Written Assessment to Panel	14 May 15
Workgroup Meeting	20 May 15
Central Impact Assessment	05 Jun 15 – 19 Jun 15
Workgroup Meeting	29 Jun 15
Assessment Procedure Consultation	10 Jul 15 – 31 Jul 15
Workgroup Meeting	12 Aug 15
Present Assessment Report to Panel	10 Sep 15
Report Phase Consultation	11 Sep 15 – 29 Sep 15
Present Draft Modification Report to Panel	08 Oct 15
Issue Final Modification Report to Authority (if not Self-Governance)	09 Oct 15

5 Likely Impacts

Impact on BSC Parties and Party Agents

None anticipated

Impact on Transmission Company

None anticipated

Impact on BSCCo

None anticipated

Impact on BSC Systems and processes

BSC System/Process	Potential Impact
BMRA/BMRS	The BMRA is anticipated to be required to publish the Trading Unit information on the BMRS.

Impact on Code

Code Section	Potential Impact
Section V	Changes will be required to capture the new reporting requirements.

Impact on Code Subsidiary Documents

CSD	Potential Impact
BMRA Service Description	Changes are likely to be required to cover the processes for creating the new reports.
BMRA User Requirements Specification	

6 Recommendations

We invite the Panel to:

- **AGREE** that P321 progresses to the Assessment Procedure;
- **AGREE** the proposed Assessment Procedure timetable;
- **AGREE** the proposed membership for the P321 Workgroup; and
- **AGREE** the Workgroup's Terms of Reference.

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Appendix 1: Glossary & References

Acronyms

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

Acronym	
Acronym	Definition
BM	Balancing Mechanism
BMRA	Balancing Mechanism Reporting Agent (<i>BSC Agent</i>)
BMRS	Balancing Mechanism Reporting Service
BSC	Balancing and Settlement Code (<i>industry Code</i>)
BSCCo	Balancing and Settlement Code Company (<i>Code Administrator; ELEXON</i>)
BSUoS	Balancing Services Use of System (<i>charge</i>)
.csv	comma separated values (<i>electronic file format</i>)
DC	Demand Capacity (<i>parameter</i>)
GC	Generation Capacity (<i>parameter</i>)
GSP	Grid Supply Point
IWA	Initial Written Assessment
P/C	Production/Consumption (<i>Flag</i>)
RCRC	Residual Cashflow Reallocation Cashflow (<i>charge</i>)
TLM	Transmission Loss Multiplier (<i>value</i>)

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 page on the ELEXON website	https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/
3	Registered BM Units page on the ELEXON Portal (<i>a free login account is required to view this page</i>)	https://www.elexonportal.co.uk/registeredbmunits
3	Balancing Mechanism Units page on the ELEXON website	https://www.elexon.co.uk/reference/technical-operations/balancing-mechanism-units/
3	Aggregation Rules and Trading Units page on the ELEXON website	https://www.elexon.co.uk/reference/technical-operations/metering/aggregation-rules-trading-units/

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External Links		
Page(s)	Description	URL
4	Losses page on the ELEXON website	https://www.elexon.co.uk/reference/technical-operations/losses/
4	Trading Charges page on the ELEXON website	https://www.elexon.co.uk/reference/credit-pricing/trading-charges/
5	P321 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p321/

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