

P310 'Revised Credit Cover for Exporting Supplier BM Units'

Under the current BSC arrangements the credit requirements for SVA BM Units are calculated on the basis of energy import (Balancing Mechanism Credit Assessment Import Capability).

This Modification contends that this approach distorts the credit requirements of SVA BM Units with embedded generation and no consumption. It proposes to address this by changing the BSC arrangements so the credit requirements for such BM Units are calculated on the basis of energy export (Balancing Mechanism Credit Assessment Export Capability).



The BSC Panel initially recommends **approval** of P310

This Modification is expected to impact:

- BSC Parties with Supplier registered embedded generation
- ELEXON

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

234/11

P310
Draft Modification Report

5 February 2015

Version 1.0

Page 1 of 25

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Contact**Claire Anthony**

020 7380 4293

claire.anthony@elexon.co.uk

Contents

1	Summary	3
2	Why Change?	4
3	Solution	7
4	Impacts & Costs	9
5	Implementation	11
6	Workgroup's Discussions	12
7	Workgroup's Conclusions	16
8	Panel's Initial Discussions	17
9	Report Phase Consultation Responses	18
10	Recommendations	20
	Appendix 1: Workgroup Details	21
	Appendix 2: Estimated Progression Effort	23
	Appendix 3: Glossary & References	24

About This Document

This is the P310 Draft Modification Report, which ELEXON will present to the Panel at its meeting on 12 February 2015. It includes the responses received to the Report Phase Consultation on the Panel's initial recommendations.

The Panel will consider all consultation responses and, if it agrees that P310 meets the Self-Governance Criteria and provided the Authority does not direct otherwise, it will determine whether or not the change should be made.

There are five parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach. It also summarises the Workgroup's key views on the areas set by the Panel in its Terms of Reference, and contains details of the Workgroup's membership and full Terms of Reference.
- Attachment A contains the approved redlined changes to the BSC for P310.
- Attachment B contains the Workgroup's detailed analysis of P310.
- Attachment C contains the full responses received to the Workgroup's Assessment Procedure Consultation.
- Attachment D contains the full responses received to the Panel's Report Phase Consultation.

234/11

P310
Draft Modification Report

5 February 2015

Version 1.0

Page 2 of 25

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Why Change?

BSC Section M 'Credit Cover and Credit Default' sets out the rules governing Credit Cover and Credit Default. This includes the current arrangements for the Balancing Mechanism Credit Assessment Import Capability (BMCAIC) to be used in the calculation of Credit Assessment Energy Indebtedness (CEI) calculations when a Supplier Volume Allocation (SVA) BM Unit contains embedded generation and no consumption. In these cases the BMCAIC value is calculated to be zero due to the BM Unit having a Demand Capacity (DC) of zero.

Under this arrangement, the generation sites within the BM Unit are not included in the CEI calculations, which results in the Party having to lodge additional Credit Cover or claim Material Doubt to prevent Credit Default. It is suggested that this implication for Credit Cover is not justified and that the use of DC and BMCAIC is inappropriate in such cases. The relevant capability therefore needs amending to ensure a more realistic reflection of the generator's ability to produce energy.

Solution

This Modification proposes to use the Balancing Mechanism Credit Assessment Export Capability (BMCAEC) value instead of the BMCAIC value in the calculation of CEI calculations for Supplier Base and Additional BM Units that contain embedded generation and no consumption i.e. where there is a zero DC and a non-zero Generation Capacity (GC).

Impacts & Costs

P310 will impact **BSC Parties** with Supplier registered embedded generation and low or zero demand.

The central implementation cost of P310 is approximately £90k.

Implementation

The Panel recommends an Implementation Date of:

- **25 June 2015** as part of the June 2015 BSC Systems Release (if progressed under Self-Governance); or
- **5 November 2015** as part of the November 2015 BSC Systems Release if an Authority decision is received on or before 4 June 2015 (if not progressed under Self-Governance).

Recommendation

The Panel initially unanimously believes that P310 better facilitates Applicable BSC Objective (c) and initially recommends that P310 is **approved**.

What are the credit arrangements?

Under the BSC arrangements, payments by Trading Parties for Trading Charges arising on any particular Settlement Day are typically made 29 calendar days later. Thus, at any given time, Parties may have debts (or be due payments) for Trading Charges incurred over the previous 29 days. Each Party is required to lodge Credit Cover to cover this period, to ensure that, should it default, it has sufficient collateral available to pay off its debts. Otherwise the debts are shared across all other BSC Parties.

The BSC does not stipulate the amount of Credit Cover that Parties must provide. Instead it is left to Parties to decide on the level of cover that they wish to provide, though Parties will enter Credit Default if they are assessed to have insufficient Credit Cover.

What is Energy Indebtedness?

A credit check process is performed every half hour to ensure that each Party's accumulated debt, known as their Energy Indebtedness (EI) over the 29 day period does not exceed the amount of Credit Cover they have provided. If a Party has insufficient funds lodged to cover this debt, it will receive a default notice.

CEI is an estimate of EI used until the Interim Information Volume Allocation Run (II) is carried out after five Working Days (WDs).

The methodology for determining CEI is based on the type of BM Unit:

- For Credit Qualifying BM Units and Interconnector BM Units, CEI is based on the BM Unit's contractual position at Gate Closure compared to the Final Physical Notification (FPN) submitted to National Grid before Gate Closure.
- For non-Credit Qualifying, non-Interconnector BM Units, CEI is based on each BM Unit's contractual position at Gate Closure compared to an estimated metered volume based on the BM Unit's Credit Assessment Load Factor (CALF) and its expected maximum generation and demand over the BSC Season (GC/DC).

This Modification relates only to non-Credit Qualifying, non-Interconnector BM Units.

Estimating CEI for non-Credit Qualifying BM Units

For non-Credit Qualifying, non-Interconnector BM Units, an estimated metered volume is calculated for use in the Credit Cover calculation prior to II data becoming available. This estimate is based on the BM Unit's CALF and GC/DC values:

- GC/DC values are submitted by the Lead Party of each BM Unit in advance of each BSC Season, and reflect the Lead Party's best estimate of that BM Unit's maximum expected net generation and net demand for that BSC Season.
- CALF values are calculated for each BM Unit by ELEXON in advance of each BSC Season, and estimate the BM Unit's average generation or consumption as a ratio of its maximum generation or consumption in the equivalent BSC Season from the previous year.



Where can I find more information on Credit Cover?

More detail on **Credit Cover** can be found in the Guidance Note document on our [Credit webpage](#).



How are the CALF values calculated?

ELEXON calculates the CALF values in accordance with the ISG's published [CALF Guidance Document](#).

234/11

P310
Draft Modification Report

5 February 2015

Version 1.0

Page 4 of 25

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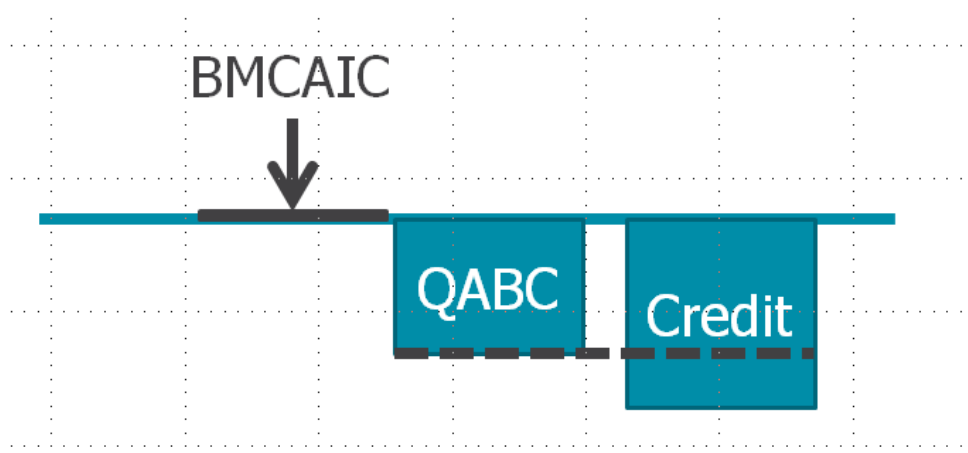
GC/DC and CALF values are used in the calculation of the BM Unit's BMCAEC or BMCAIC to provide an estimate of the export or import capability, respectively, of a BM Unit. These values are derived from the CALF and the GC or DC of the BM Unit as follows:

- $CALF * GC = BMCAEC$
- $CALF * DC = BMCAIC$

This value is then multiplied by the Settlement Period Duration (SPD) in hours (currently 0.5) to provide the Credit Assessment Credited Energy Volume (CAQCE) in MWh.

The diagram below demonstrates the current CEI calculation for an embedded generator that is registered in a Supplier Base BM Unit. In this case the BM Unit has no consumption. The BMCAIC is zero due to the BM Unit having a zero DC. This is compared to the Party's contractual position or Account Bilateral Contract Volume (QABC) to provide their CEI as follows:

- $CEI = (CAQCE - QABC)$



In this example CAQCE is zero while QABC is negative due to the Party selling energy. This gives an overall positive for the CEI equation. A positive CEI equates to an EI that would require Credit Cover to be lodged.

Previous discussion of this issue

In August 2012, ELEXON presented a paper to the Imbalance Settlement Group (ISG) on considering a way of replacing GC/DC and CALF in the Credit Cover calculation with recent II data ([ISG137/09](#)). Taking into account the results of ELEXON's initial assessment of the potential costs and benefits for this change, the ISG agreed that the solution and analysis could be refined further as part of a Modification Proposal if a Party wished to raise a change.

Subsequently at its August 2013 meeting, ELEXON presented a similar issue to the ISG ([ISG148/01](#)), where the current credit calculation fails to reflect the EI of an embedded generator that has a zero DC and is registered in a Base or Additional BM Unit. ELEXON considered this type of registration to be more frequent if Electricity Market Reform (EMR) requires qualifying sites to be registered as Additional BM Units. The ISG asked ELEXON to consider more options before taking any further actions.



What is Material Doubt?

Material Doubt can be claimed where substantial evidence shows that the Credit Cover Percentage (CCP) for a Trading Party as calculated by the ECVAA does not give a true reflection of that Party's EI.

234/11

P310

Draft Modification Report

5 February 2015

Version 1.0

Page 5 of 25

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What is the issue?

The current arrangements require all Base and Additional BM Units to be deemed as Consumption BM Units, and to use the BMCAIC value when calculating CEI. However, such BM Units that only have generation sites and do not have any consumption sites would have to submit a DC value of zero, resulting in a BMCAIC of zero. The production volumes are not considered or taken into account when BMCAIC is calculated. A method for estimating a CALF value for BM Units that have a mixture of embedded generation and demand sites can be used, but this calculation does not work when the BM Unit's DC value is set to zero. The Proposer of P310 notes that this scenario can result in the Party having to lodge Credit Cover or claim Material Doubt to prevent Credit Default.

The Proposer highlights that in the case where there is no consumption within the Supplier BM Unit, the BMCAIC is calculated to be zero due to the BM Unit having a zero DC. This zero BMCAIC is then compared against the QABC. As a result, any energy that the generator contracts to sell creates an EI, and makes the Lead Party's position look shorter than it actually is, which has to be covered by lodging Credit Cover. The Proposer of P310 contends that this implication for Credit Cover is not justified and that if GC and BMCAEC were used the calculated CEI would be a more realistic reflection of the generator's ability to produce energy and would not result in automatic creation of an EI.

Proposed solution

P310 seeks to amend the current provisions so that the BMCAEC value is used instead of the BMCAIC value in the calculation of CEI calculations for any Base and Additional BM Units that has a zero DC and a non-zero GC.

As part of the P310 solution, ELEXON will calculate an additional CALF value known as the Supplier Export CALF ('SECALF') for sites that meet the above criteria. It is intended that using the Export rather than the Import Capacity will reduce CEI by increasing the accuracy in the calculation and therefore Parties' level of Credit Cover. For the avoidance of doubt, the CALF calculation will not change as part of the P310 solution.

BSC Legal text

The proposed redlined changes to the BSC to deliver P310 can be found in Attachment A.

The majority of respondents to the Assessment Procedure Consultation agreed that the draft legal text delivers the intention of P310. However, one respondent commented that a BM Unit satisfying the new criteria specified in proposed paragraph M1.2.3(e) would also meet the criteria in M1.2.3(a) and (c) (in relation to Subsidiary and Lead Energy Accounts respectively) as a Supplier BM Unit will always be a Consumption BM Unit. Section K4.7.2(a) places all Supplier BM Units in the relevant Base Trading Unit, with no exceptions, and Section K3.5.7 fixes all BM Units in a Base Trading Unit as Consumption BM Units as per [P269 'Prevention of Base Trading Unit BMUs' Account Status Flipping from Consumption to Production \(the "Flipping" mod\)'](#). The respondent was therefore concerned that any BM Unit that meets the criteria of new paragraph M1.2.3(e) would also meet paragraph M1.2.3(c), and that there is no way to determine which paragraph would take precedence, and therefore whether BMCAIC or BMCAEC should be used.

The Workgroup noted the respondent's comments and agreed that the draft legal text should be updated to clarify these concerns. ELEXON has therefore updated the draft legal text to add criteria to the existing four paragraphs (M1.2.3(a)-(d)) rather than create new paragraphs to cover the P310 scenarios. You can find the updated changes to the draft legal text in Attachment A.

Progression as a Self-Governance Modification

The Workgroup considers that P310 could be progressed as a Self-Governance Modification. A Modification Proposal can be progressed as Self-Governance if:

- the Panel believes that it satisfies the Self-Governance Criteria, and the Authority does not issue a contrary direction; or
- the Authority believes that it satisfies the Self-Governance Criteria and issues a notice to that effect.

The Workgroup believes that although P310 would have an impact on BSC Parties with Supplier registered embedded generation, this impact would not be material. They agree that P310 would remove unjustifiably onerous Credit Cover requirements and would aid rather than act as a barrier for competition. The Workgroup therefore believes that P310 meets the Self-Governance Criteria.



Self-Governance Criteria

A Modification Proposal 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.

234/11

P310
Draft Modification Report

5 February 2015

Version 1.0

Page 7 of 25

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No respondents to the Assessment Procedure Consultation disagreed with the Workgroup's view that P310 should be progressed as a Self-Governance Modification.

Potential alternative solution

As part of its discussions, the P310 Workgroup considered a potential alternative solution that was identical to the proposed solution but would instead apply for all Supplier Base and Additional BM Units where the Relevant Capacity (the sum of a BM Unit's GC and DC) is greater than zero.

The Workgroup carried out some detailed analysis which identified that the proposed solution was better in terms of accuracy as it focused on generation rather than net values. It therefore agreed that its potential alternative solution should not be progressed. The Workgroup did not consider that there were any other alternative solutions which would better facilitate the Applicable BSC Objectives and therefore agreed to progress the Proposer's proposed solution only.

The Workgroup's detailed discussions on the potential alternative solution can be found in Section 6.

All respondents to the Assessment Procedure Consultation agreed with the Workgroup's view that there are no further potential alternative solutions to P310.

Estimated central implementation costs of P310

The total central implementation costs to implement P310 will be approximately **£90k**. This comprises of:

- Approximately £75k in system change costs to the Balancing Mechanism Reporting Agent (BMRA), Central Registration Agent (CRA), Energy Contract Volume Allocation Agent (ECVAA) and Settlement Administration Agent (SAA); and
- Approximately £15k in ELEXON effort for managing the implementation.

There will be no on-going costs as part of implementing P310.

Indicative industry costs of P310

Only two respondents to the Assessment Procedure Consultation indicated any impacts in implementing P310, and noted that these impacts would be beneficial through being able to reduce the level of Credit Cover lodged. No respondents noted any material costs required to implement P310. You can find the full responses from participants in Attachment C.

P310 impacts

Impact on BSC Parties and Party Agents	
Party/Party Agent	Impact
BSC Parties	There will be a direct impact on BSC Parties with Supplier registered embedded generation and low or zero demand to implement this Modification.

Impact on Transmission Company	
None identified	

Impact on BSCCo	
Area of ELEXON	Impact
Credit Arrangements	The current credit arrangements would be amended by P310.

Impact on BSC Systems and process	
BSC System/Process	Impact
BMRA	Changes will be required to implement the solution.
CRA	
ECVAA	
SAA	

Impact on Code	
Code Section	Impact
Section M	Changes will be required to implement the solution, which can be found in Attachment A.

Impact on Code Subsidiary Documents	
CSD	Impact
BSCP15	Changes are required to implement the solution.
ECVAA URS	
CRA URS	
SAA URS	

Other Impacts	
Item impacted	Impact
Credit Cover Guidance Note	Changes will be required as a result of this Modification.
CALF Guidance Document	

Recommended Implementation Date

The Workgroup considered that the proposed changes should be implemented as soon as possible and noted that the central lead time to implement P310 would be approximately 18 weeks.

Self-Governance approach

As detailed in Section 3, the Workgroup agreed that P310 meets the Self-Governance criteria and therefore recommends that the Panel treats P310 as a Self-Governance Modification.

If the Panel agrees with the Workgroup's view that P310 should be treated as a Self-Governance Modification, the Workgroup recommends an Implementation Date for P310 of:

- **25 June 2015** as part of the June 2015 BSC Systems Release.

If this Modification is approved by the BSC Panel at its meeting in February it will be subject to a 15 Working Day appeal window, which would close on 5 March 2015. If an appeal is received, the implementation of the Modification will be suspended and the appeal tabled at the next available Panel meeting. In the case of this Modification this would be on 12 March 2015. If no appeals are received, the Panel will be advised and the Modification will be implemented on 5 November 2015 (November 2015 BSC Systems Release).

Non Self-Governance approach

If the Panel considers that P310 does not meet the Self-Governance criteria, the Workgroup instead recommends an Implementation Date for P310 of:

- **5 November 2015** as part of the November 2015 BSC Systems Release if an Authority decision is received on or before 4 June 2015.

Further details of the Workgroup's discussions on the Self-Governance criteria are outlined in Section 3.

Assessment Consultation respondents' views of the proposed Implementation Date

All but one of the respondents to the P310 Assessment Consultation agreed with the Workgroup's recommended Implementation Date. The majority of respondents also agreed with the Workgroup's unanimous view that P310 should be progressed as a Self-Governance Modification as they commented that the Modification is unlikely to have a material impact on existing BSC Parties, and aids rather than acts as a barrier to competition.

You can find the full responses to the Assessment Consultation in Attachment C.

Potential alternative solution

During its discussions, the P310 Workgroup considered a potential alternative solution. This was identical to the proposed solution in respect of using the BMCAEC value instead of the BMCAIC value in the calculation of CEI calculations but would instead apply for all Supplier Base and Additional BM Units where the Relevant Capacity (sum of GC and DC) is greater than zero.

The Workgroup carried out some additional detailed analysis which looked at the various impacts of the P310 proposed solution and the potential alternative solution. This can be found in Attachment B.

Proposed versus potential alternative

The Workgroup's analysis identified that the potential alternative solution has a much larger impact on Parties owing to there being more BM Units that would be impacted. In comparison, it noted that the Proposed Modification, while directly impacting fewer BM Units, could be utilised by all BSC Parties with Supplier registered embedded generation, as they have the option of registering an Additional BM Unit to contain all of their export sites. However, this option would involve an additional administration cost being incurred of £100 per month per Additional BM Unit. Although this would be an additional cost for BSC Parties, members of the Workgroup agreed that this option would identify further benefits which would be advantageous for BSC Parties in the longer term.

The Workgroup noted that for the P310 proposed solution, BM Units with a mixed generation and demand portfolio are treated as demand sites. In order for BSC Parties with a mixed portfolio to take full advantage of generation CAQCE they would need to register the generation and demand into separate BM Units. The detailed analysis identified that this can make the CALF values for each more accurate.

Under the potential alternative solution, generation only BM Units would be included in the CEI calculations which would make CEI more representative of a Parties' portfolio. However, the units for mixed generation and demand BM Units would be treated as pure generation or pure demand, which may make the corresponding CALF inaccurate where the portfolio has change from a year ago. The CAQCE value may also not be very reflective of metered volume for mixed generation and demand BM Units, particularly if the average volume is close to zero. The Workgroup agreed that there is more accuracy under the P310 proposed solution.

Overall, the Workgroup agreed that the Proposer's proposed solution addresses the defect identified and is better in terms of accuracy as it focuses on generation rather than net values. It therefore agreed not to progress the potential alternative solution any further.

Declaration of GC value

The Workgroup discussed the importance of accurate GC values, which represent the maximum generation expected by the Lead Party for the BM Unit during the BSC Season. It noted that an overstated GC would reduce a Party's required level of Credit Cover, as it would underestimate their CEI and make their position appear longer than it actually would be. The Workgroup was concerned that there is currently no requirement for ELEXON to monitor over-declared GC. However, it recognised that these values are

declared in 'good faith'. They also highlighted that the existing BSC Section K 'Classification and Registration of Metering Systems and BM Units' requirements would only allow for checks on excessive GC to take place after the BSC Season had ended, as the GC value could be met on the final Settlement Period of the final Settlement Day of the BSC Season.

The Workgroup felt that there needs to be a process in place for trying to track participants who consistently over-declare their GC. They considered whether, in practice, there is a fair way to monitor or audit over-declaring to ensure that the submitted values are realistic. A member of the Workgroup suggested that over-declaring could be judged similarly to FPNs. However, it was noted that FPNs are slightly different as there is additional governance for FPNs under the Grid Code as they are used more frequently whereas GC is only used in a small number of circumstances in the BSC. The Workgroup noted, however, that there is a similar obligation on Parties to declare FPNs to the Transmission Company in 'good faith'.

The Workgroup agreed that a post-event check for GC should be set up to help identify persistent breaches, which should include a certain threshold for monitoring purposes. Members of the Workgroup noted the tolerances in Section K for breaches of declared GC/DC values (2% of the declared value with a minimum threshold of 2MW and a maximum threshold of 10MW). A member of the Workgroup therefore suggested that the threshold could be approximately 10% so if a Party's declared GC is more than 10% of the peak generation for that BM Unit across the BSC Season then an explanation as to why should be requested from the affected Party and reported back to the ISG for consideration.

A respondent to the Assessment Procedure Consultation was also concerned with the suggestion that participants may be over-declaring their GC values, and noted that embedded generation, and especially wind generation, can be variable. The Workgroup felt that participants may naturally declare higher GCs to account for the maximum possible output of that BM Unit. While such an occurrence may be rare for embedded generation sites, members acknowledged that Parties may meet the value they have declared so have every right to declare the maximum they anticipate.

CALF default values

The Workgroup discussed whether default CALF values should be calculated. Scenarios were presented in the detailed analysis (found in Attachment B) where the BSC Party did not have data for the previous year, or the BM Unit's portfolio had significantly changed since then, which may result in a SECALF of zero being calculated. In accordance with the BSC, a CALF value can be appealed two months after publication. A BSC Party could therefore provide evidence to suggest a different SECALF value should be used to that calculated by ELEXON.

The Workgroup noted that the calculation of CALF values is specified in the CALF Guidance Document for which the ISG is responsible. It suggested that the CALF Guidance Document could allow for default values, or use recent metered data with a seasonal adjustment. It also highlighted that the proposed solution is not dependent on either appeal or default values, however any proposed changes would be recommended to the ISG.

The Workgroup also noted that where the SECALF value is used for a particular BM Unit and the DC becomes non-zero mid-season, the BM Unit would then switch back to the

original CALF value mid-season, to prevent having to make additional seasonal adjustments to CALF.

EMR impact

The Workgroup discussed the impact of EMR as they were concerned that there would be a more widespread impact on market participants now that Contracts for Difference (CfD) has gone live. The Workgroup noted that where sites are not Central Volume Allocation (CVA) registered, they will need to be registered in Additional BM Units. The new EMR Supplier BM Units will be of the same type as existing Additional BM Units but will use a different BM Unit ID and BM Unit name convention. Rather than starting with '2_' as per existing Supplier BM Units, they will start with 'C_' to facilitate the registration of sets of Additional BM Units for each CfD, and to exclude the £100 monthly BSC charge for Additional BM Units.

The Workgroup also queried whether some sites would have a small station load under the EMR arrangements. ELEXON advised that the sites will predominantly be generation and may have a small station load, however it is not aware of what the sites are as of yet.

The Workgroup agreed that a specific reference to 'Supplier BM Units' will need to be included in the draft legal text for P310 to ensure all SVA BM Units are covered.

Additional comments received to Assessment Procedure Consultation

Alternative CALF methodology for embedded generation

One respondent noted that P310 does not remove the need for the 'Alternative methodology' in the CALF Guidelines. However, some BSC Parties with a combination of embedded generation and demand registered in their Supplier BM Units will continue to use this. They commented that these provisions must continue otherwise indebtedness would be overstated for BM Units with a combination of import and export, which would not be covered by the P310 proposed solution. ELEXON advised that this was currently a workaround that was introduced around five years ago. However, it highlighted that the P310 solution could replace this workaround. This decision would have to be made by the ISG as owners of the CALF Guidance Document. Suppliers have the choice to register export Metering Systems in an Additional BM Unit to use the P310 solution. ELEXON clarified that any changes to existing CALF calculation methodologies would not be made as part of this Modification.

Should a de minimis DC value be used?

A respondent was surprised that any BSC Party would have a GC of more than zero and a DC of zero as they believed that embedded generators would have an import supply for Settlement Periods when they are on outage. They suggested that a de minimis DC value such as 0.1MWh could be used. ELEXON noted that Suppliers will have different Metering System Identifier (MSIDs) for import and export, and that as noted previously could allocate these to separate BM Units if they wanted, albeit at a slightly increased BSCCo Charge.

BSC Section K sets out a tolerance on exceeding declared GC and DC values, which applies a 2MW tolerance on a zero value. This would mean that any participant with a DC of zero



Where can I find all the required changes for EMR?

Details of all the required changes can be found on the Other Regulatory Decision (ORD) 5 'Electricity Market Reform' [page](#) of the ELEXON website.

234/11

P310
Draft Modification Report

5 February 2015

Version 1.0

Page 14 of 25

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could record a demand of up to 2MW without needing to re-declare a DC value of zero. The Workgroup considered the respondent's concern but agreed that the current requirement for a zero DC was the most suitable approach. ELEXON reminded the Group that DC values are declared in good faith and that Parties exceeding the prescribed thresholds would be notified of the obligation to re-declare their values.

234/11

P310
Draft Modification Report

5 February 2015

Version 1.0

Page 15 of 25

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The Workgroup unanimously believes that P310 **would better facilitate Applicable BSC Objective (c)** and therefore unanimously recommended that P310 should be **approved**.

Applicable BSC Objective (c)

The Workgroup unanimously believes that P310 would better facilitate Applicable BSC Objective (c) as:

- the current set-up constitutes a distortion in how BSC Parties with embedded generation and no consumption should lodge Credit Cover as a result of their calculated Indebtedness. Removing such a distortion should remove unjustifiably onerous Credit Cover requirements from BSC Parties;
- a better playing field for small Suppliers which will aid competition;
- it improves the current situation as it reduces the cost of credit for small Suppliers and aids competition;
- it improves a specific circumstance that currently skews the credit process and creates an unnecessary burden; and
- the option of registering additional BM Units which will incur a cost would be outweighed by the perceived benefits of P310.

Assessment Consultation respondents' views

The majority of respondents to the Assessment Procedure Consultation agreed with the Workgroup's initial unanimous view that P310 would better facilitate Applicable BSC Objective (c) than the current baseline. The reasons provided by these respondents are in line with those of the Workgroup.

Only one respondent disagreed commenting that although the costs associated with the change are low, the benefit to BSC Parties would be lower still.

You can find the full responses to the Assessment Consultation in Attachment C.



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

234/11

P310
Draft Modification Report

5 February 2015

Version 1.0

Page 16 of 25

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Panel's initial recommendations

Applicable BSC Objectives

The Panel unanimously agrees that P310 **would better facilitate Applicable BSC Objective (c)** for the same reasons identified by the Workgroup in Section 7.

The Panel therefore initially unanimously recommends that P310 should be **approved**.

Self-Governance

The Panel unanimously agrees with the Workgroup's recommendation that P310 meets the Self-Governance Criteria and so should be progressed as a Self-Governance Modification for the same reasons given in Section 3.

Legal text

The Panel unanimously agrees that the draft redlined changes to the BSC in Attachment A deliver the intention of P310.

Implementation Approach

The Panel unanimously agrees with the Workgroup's recommended Implementation Dates put forward under Section 5.

9 Report Phase Consultation Responses

This section summarises the responses to the Panel's Report Phase Consultation on its initial recommendations. You can find the full responses in Attachment D.

Summary of P310 Report Phase Consultation Responses				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the Panel's initial unanimous recommendation that P310 should be approved?	5	0	0	0
Do you agree with the Panel that the redlined changes to the BSC deliver the intent of P310?	4	0	1	0
Do you agree with the Panel's recommended Implementation Date?	5	0	0	0
Do you agree with the Panel's initial unanimous view that P310 should be treated as a Self-Governance Modification?	5	0	0	0
Do you have any further comments on P310?	1	4	0	0

Consultation respondents' views

Applicable BSC Objectives

All five respondents to the P310 Report Phase Consultation agreed with the Panel's initial recommendation that P310 does better facilitate Applicable BSC Objective (c) compared to the existing baseline, and should therefore be approved. The reasons provided by these respondents are in line with those of the Panel, with no new arguments raised.

Self-Governance

All five respondents to the P310 Report Phase Consultation agreed with the Panel's initial view that P310 should be treated as a Self-Governance Modification.

Respondents agreed that P310 meets the Self-Governance criteria as it is unlikely to have a material impact on existing BSC Parties, and aids rather than acts as a barrier to competition.

Legal text

All respondents to the Report Phase Consultation that provided a view on this question agreed that the draft redlined changes to the BSC will deliver the intention of P310. No respondents disagreed with the redlined changes made.

Implementation Date

All five respondents agreed with the proposed Implementation Date for P310 so that the proposed changes, if approved as Self-Governance changes, are implemented as soon as possible as part of the next available BSC Systems Release.

Other views and comments on P310

Only one respondent provided an additional comment on P310 which was also detailed in their response to the Assessment Procedure Consultation. The respondent noted that P310 does not remove the need for the 'Alternative methodology' in the CALF Guidelines. However, some BSC Parties with a combination of embedded generation and demand registered in their Supplier BM Units will continue to use this. They commented that these provisions must continue otherwise indebtedness would be overstated for BM Units with a combination of import and export, which would not be covered by the P310 proposed solution.

ELEXON confirmed that no changes to the existing CALF methodologies would be made as part of this Modification, as detailed in section 6.

10 Recommendations

We invite the Panel to:

- **AGREE** that P310:
 - **DOES** better facilitate Applicable BSC Objective (c);
- **DETERMINE** (in the absence of any Authority direction) that P310 is a Self-Governance Modification Proposal;
- **APPROVE** P310;
- **APPROVE** an Implementation Date of:
 - **25 June 2015** as part of the June 2015 BSC Systems Release;
- **APPROVE** the draft legal text; and
- Either:
 - **APPROVE** the P310 Modification Report; or
 - **INSTRUCT** the Modification Secretary to make such changes to the report as the Panel may specify.

Workgroup's Terms of Reference

Specific areas set by the BSC Panel in the P310 Terms of Reference

What changes are needed to BSC documents, systems and processes to support P310 and what are the related costs and lead times?

What is the magnitude of the issue now and what is the magnitude likely to be in the future now that EMR CFD has gone live?

Development of the Proposed Modification, including whether a change should be made to the current data model or an additional flag added to the BM Unit data model.

Consider the appropriate implementation approach for the proposed changes

Are there any Alternative Modifications?

Does P310 better facilitate the Applicable BSC Objectives compared with the current baseline?

Assessment Procedure timetable

P310 Assessment Timetable

Event	Date
Panel submits P310 to Assessment Procedure	14 Aug 14
Workgroup Meeting 1	05 Sep 14
Central Systems impact assessment	19 Sep 14 – 10 Oct 14
Workgroup Meeting 2	14 Oct 14
Assessment Procedure Consultation	24 Oct 14 – 14 Nov 14
Workgroup Meeting 3	20 Nov 14
Panel considers Workgroup's Assessment Report	11 Dec 14

Workgroup membership and attendance

P310 Workgroup Attendance				
Name	Organisation	5 Sep 14	14 Oct 14	20 Nov 14
Members				
David Kemp	ELEXON (<i>Chair</i>)	✓	✓	✓
Claire Anthony	ELEXON (<i>Lead Analyst</i>)	✓	✓	✓
Kenneth Skou	P310 (<i>Proposer</i>)	✓	✓	✓
Andy Colley	SSE	✓	✓	☎
Gary Henderson	IBM on behalf of ScottishPower	✗	✓	✗
Leonida Bandura	E.ON	✓	☎	✗
Dimuthu Wijetunga	Npower	✓	✓	☎
James Anderson	ScottishPower	✓	✗	☎
Attendees				
Roger Harris	ELEXON (<i>Market Design and Analysis</i>)	✓	✓	☎
Nicholas Brown	ELEXON (<i>Lead Lawyer</i>)	✗	✗	✗
Alexander Burford	ELEXON (<i>ELEXON Lawyer</i>)	✓	✓	✓
Esther Sutton	E.ON	✗	✗	☎
Nathan Macwhinnie	Ofgem	✗	✗	☎
Vijay Selveraj	Cognizant	✓	✓	✗
John Guest	CGI	✓	✓	☎

234/11

P310
Draft Modification Report

5 February 2015

Version 1.0

Page 22 of 25

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Appendix 2: Estimated Progression Effort

The following tables contain the estimated effort in progressing P310:

Assessment Effort	
Participant	Effort (man days)
ELEXON	30
Workgroup members	48
Total	78

Consultation Response Effort	
Consultation	No. of responses
Assessment Procedure Consultation	10
Report Phase Consultation	5
Total	15

234/11

P310
Draft Modification Report

5 February 2015

Version 1.0

Page 23 of 25

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Appendix 3: Glossary & References

Acronyms

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

Glossary of Defined Terms	
Acronym	Definition
BMCAEC	Balancing Mechanism Credit Assessment Export Capability
BMCAIC	Balancing Mechanism Credit Assessment Import Capability
BMRA	Balancing Mechanism Reporting Agent (<i>BSC Agent</i>)
BSC	Balancing and Settlement Code (<i>document</i>)
BSCP	Balancing and Settlement Code Procedure (<i>document</i>)
CALF	Credit Assessment Load Factor
CAQCE	Credit Assessment Credited Energy Volume
CCP	Credit Cover Percentage
CEI	Credit Assessment Energy Indebtedness
CfD	Contract for Difference
CRA	Central Registration Agent (<i>BSC Agent</i>)
CVA	Central Volume Allocation
DC	Demand Capacity
ECVAA	Energy Contract Volume Allocation Agent (<i>BSC Agent</i>)
EI	Energy Indebtedness
FPN	Final Physical Notification
GC	Generation Capacity
II	Interim Information (<i>Settlement run</i>)
ISG	Imbalance Settlement Group (<i>Panel Committee</i>)
IWA	Initial Written Assessment (<i>document</i>)
MSID	Metering System Identifier
MW	megawatt
ORD	Other Regulatory Decision
QABC	Account Bilateral Contract Volume
SAA	Settlement Administration Agent (<i>BSC Agent</i>)
SECALF	Supplier Export Credit Assessment Load Factor
SPD	Settlement Period Duration
SVA	Supplier Volume Allocation
URS	User Requirements Specification (<i>document</i>)
WD	Working Day

234/11

P310
Draft Modification Report

5 February 2015

Version 1.0

Page 24 of 25

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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 (BSC Section K and M) page on the ELEXON website	https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/
4	Credit page on the ELEXON website	https://www.elexon.co.uk/reference/credit-pricing/credit/
4	CALF page on the ELEXON website	https://www.elexon.co.uk/knowledgebase/credit-assessment-load-factor-calf/
5	ISG 137 page on the ELEXON website	https://www.elexon.co.uk/meeting/isg-138-aug2012/
5	ISG 148 page on the ELEXON website	https://www.elexon.co.uk/meeting/isg148/
7	P269 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p269-prevention-of-base-trading-unit-bmus-account-status-flipping-from-consumption-to-production-the-flipping-mod/
14	ORD005 page on the ELEXON website	https://www.elexon.co.uk/ord/ord005-electricity-market-reform/