

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

Request to raise a Modification 'Clarifications to P305 legal text'

This Modification proposes minor changes to the approved legal text for P305 to correct some minor inconsistencies and improve the clarity of some new definitions.



ELEXON recommends the Panel raises this Modification and approves it as a Fast Track Self-Governance Modification

This Modification is not expected to impact any participants

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About This Document

This document is a request to raise a Modification and Initial Written Assessment (IWA), which ELEXON will present to the Panel on 10 September 2015. The Panel will consider the recommendations and agree whether to raise and how to progress this Modification.

There are three 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.
- Attachment A contains the draft Modification Proposal Form.
- Attachment B contains the draft legal text to deliver this Modification.

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1 Why Change?

What is P305?

P305 'Electricity Balancing Significant Code Review Developments' was raised by National Grid in June 2014 following the completion of Ofgem's [Electricity Balancing Significant Code Review \(EBSCR\)](#). This Modification was approved by the Authority in April 2015 for implementation on 5 November 2015 as part of the November 2015 Balancing and Settlement Code (BSC) Systems Release.

This Modification required extensive changes to many BSC sections, in particular to introduce the new provisions for the treatment of Short Term Operating Reserve (STOR) actions and the treatment of Demand Control actions within the imbalance price calculations. These changes to the BSC were presented to the BSC Panel in March 2015 when it considered the P305 Draft Modification Report ([Panel 235/07](#)).

What is the issue?

Since the approval of P305, we have identified the following issues with the approved P305 legal text:

- A paragraph clash has been identified in Section Q1.1.1. This is because the P305 legal text was drafted on the version of Section Q prior to the implementation of [P291 'REMIT Inside Information Reporting Platform for GB Electricity'](#) and [P295 'Submission and publication of Transparency regulation data via the BMRS'](#), and so did not account for the new sub-paragraphs these Modifications also added.
- Three cross-references introduced into new Section Q6.9.2, new Section S Annex S-2 8.2.4 and Section X Annex X-2 Table X-2 are incorrect and need amending. These errors were introduced as a result of changes to paragraph numbers during the final drafting of the P305 legal text, and were not identified until after the legal text had been approved.
- Following further reflection, we consider that the proposed definitions of the new terms 'STOR Action' and 'STOR Instructed Volume' within Section X Annex X-2 Table X-2 may not be as clear as they could be.
- We do not believe the wording of new paragraph T3.15.3 fully reflects the intended treatment of Demand Control Volumes for use in the imbalance price calculations. The intent of P305 is that each Demand Control Event will be treated separately within the imbalance price calculations. However, the current wording implies that, should there be two or more separate Demand Control Events in one Settlement Period, these would all be aggregated into a single pair of volumes (one covering all system balancing actions and one covering all energy balancing actions) for that Settlement Period. Under P305, the Continual Acceptance Duration Limit (CADL) provisions are intended to apply to each individual Demand Control Event, i.e. the Continuous Acceptance Duration is the time between the start and end of an individual Demand Control Event, and this is how the systems have been developed. Therefore we believe paragraph T3.15.3 needs to be clarified so that there will be aggregated Demand Control Volumes *per Demand Control Event* in each Settlement Period.



What is the full P305 solution?

- A reduction in the Price Average Reference (PAR) and Replacement PAR (RPAR) values to better reflect the marginal cost of balancing energy for a given Settlement Period.
- A single imbalance price using the existing Main Price calculation.
- Introduction of a Reserve Scarcity Price (RSP) function for STOR actions to better reflect the prevailing scarcity in the market at the time of their use.
- Introduction of Demand Control actions into the imbalance price, priced at the Value of Lost Load (VoLL), and an imbalance volume correction process to amend participants' positions to account for such actions.

Full details can be found in the [P305 Final Modification Report](#).



What is CADL?

CADL is used to identify short-duration Bid-Offer Acceptances (BOAs), which are likely to be associated with system balancing actions and so are potentially excluded from the imbalance price calculation. It has been set to 15 minutes since its introduction in 2001.

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Proposed solution

This Modification proposes to make the following changes to the approved P305 legal text. The full changes can be found in Attachment B.

- **Section Q1.1.1:** The sub-paragraph introduced by P305 will be re-lettered from (j) to (l).
- **Section Q6.9.2:** This incorrectly refers to 'paragraph 6.8', and will be corrected to refer to 'paragraph 6.9'.
- **Section S Annex S-2 8.2.4:** This incorrectly references 'paragraph 8.1.3A', and will be corrected to refer to 'paragraph 8.2.3'.
- **Section T3.15.3:** The wording of this paragraph will be amended to ensure there are a System Demand Control Volume and a Balancing Demand Control Volume *per Demand Control Event* per Settlement Period.
- **Section T4.4:** Consequential changes to introduce the new subscript and necessary summations following the changes in Section T3.15.3 above.
- **Section T Annex T-1 1.2(b):** Consequential changes to introduce the new subscript following the changes in Section T3.15.3 above.
- **Section X Annex X-2 Table X-1:** Inclusion of the new subscript introduced by the changes in Section T3.15.3 above.
- **Section X Annex X-2 Table X-2:**
 - **Balancing Demand Control Volume:** Consequential change to introduce the new subscript following the changes in Section T3.15.3 above.
 - **Final Loss of Load Probability:** This incorrectly references 'paragraph Q6.8.1', and will be corrected to refer to 'paragraph Q6.7.2'.
 - **STOR Action:** Amendments to the definition to improve clarity.
 - **STOR Instructed Volume:** Amendments to the definition to improve clarity.
 - **System Demand Control Volume:** Consequential change to introduce the new subscript following the changes in Section T3.15.3 above.
- **Section X Annex X-2 Table X-3:** Consequential changes to introduce the new subscript following the changes in Section T3.15.3 above.

Applicable BSC Objectives

We consider that this Modification would better facilitate **Applicable BSC Objective (d)** as removing errors and potential ambiguity would ensure the BSC is delivered in the most effective and efficient manner.



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 Proposed Progression

If the Panel agrees to raise the Modification Proposal in Attachment A, it will then need to determine how it should be progressed. We believe that this should be progressed as a Fast Track Self-Governance Modification.

The Panel must be unanimous in a decision to progress a Modification as a Fast Track Modification. If any Panel Member disagrees with this approach then the Modification will need to progress as a standard Modification.

Progression as a Fast Track Modification

If the Panel unanimously agrees to progress this Modification as a Fast Track Modification, it will need to approve the draft legal text and implementation approach. We will then issue the Fast Track Modification Report (including the approved BSC legal text) to the Authority, the Transmission Company and BSC Parties. Following this, there will be a 15 Working Day objection period in which BSC Parties can raise an objection to the implementation of the Modification. This period will close on 1 October 2015.

If an objection is received, the implementation of the Modification will be suspended and the objection tabled at the Panel meeting on 8 October 2015. The Panel will then need to agree how to progress the Modification as a standard Modification.

If no objections are received, the Panel will be notified and the Modification will be implemented on the agreed Implementation Date (see Section 5).

Progression as a standard Modification

If the Panel does not unanimously agree to progress this Modification as a Fast Track Modification, it will need to determine how to progress the Modification, including whether it should be progressed as a Self-Governance Modification.

If the Panel elects to progress this Modification as a standard Modification, we recommend that it progresses this directly to the Report Phase as a Self-Governance Modification. We believe this would be the most appropriate route to follow as this Modification seeks only to correct minor errors and improve clarity with the approved P305 legal text.

Proposed Progression Timetable if not progressed as Fast Track	
Event	Date
Present Initial Written Assessment 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



What are the Fast Track Criteria?

A Modification Proposal which:

(i) if implemented would satisfy the Self-Governance Criteria; and

(ii) falls within the scope of Section F2.1.1(d)(iv) (without limiting the right of any person specified in paragraph 2.1.1 to propose a Fast Track Self-Governance Modification Proposal) and which is required to correct an error in the Code or as a result of a factual change, including but not limited to:

(a) updating names or addresses listed in the Code;

(b) correcting minor typographical errors;

(c) correcting formatting and consistency errors, such as paragraph numbering; or

(d) updating out of date references to other documents or paragraphs.

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4 Impacts and Costs

Central impacts and costs

This Modification will be a document-only change to update four sections of the BSC. There are no system impacts and no impact on BSC Agents.

The central implementation costs will be approximately £240 (one ELEXON man day) to implement the relevant document changes.

Impact on Code	
Code Section	Impact
Section Q	Changes will be required to deliver this Modification.
Section S Annex S-2	<i>The proposed changes can be found in Attachment B</i>
Section T	
Section X Annex X-2	

Participant impacts and costs

This Modification is a Code-only change to clarify the changes that will be introduced by P305. It will not have any impact on any industry participants.



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.

5 Implementation Approach

Recommended Implementation Date

We recommend that this Modification is implemented on **5 November 2015** as part of the November 2015 BSC Systems Release.

P305 has been approved for implementation as part of the November 2015 Release. This Modification will correct minor errors and improve clarity with the Code changes for P305. We therefore believe it is appropriate that this Modification is implemented at the same time so these errors can be corrected immediately upon P305's implementation.

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We invite the Panel to:

- **RAISE** the Modification Proposal in Attachment A;
- **AGREE** that this Modification should be progressed as a Fast Track Self-Governance Modification;
- **AGREE** that this Modification **DOES** better facilitate Applicable BSC Objective (d);
- **AGREE** that this Modification should be **approved**;
- **AGREE** an Implementation Date of 5 November 2015;
- **AGREE** the proposed legal text; and
- **NOTE** that ELEXON will issue the Fast Track Modification Report (including the approved BSC legal text), which will then be subject to a 15 Working Day objection period.

Recommendation

We recommend that the Panel raises this Modification and approves it as a Fast Track Self-Governance Modification.

Appendix 1: Glossary & References

Acronyms

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

Acronym	
Acronym	Definition
BOA	Bid-Offer Acceptance
BSC	Balancing and Settlement Code (<i>industry Code</i>)
CADL	Continual Acceptance Duration Limit (<i>parameter</i>)
EBSCR	Electricity Balancing Significant Code Review
IWA	Initial Written Assessment
PAR	Price Average Reference (<i>parameter</i>)
RPAR	Replacement Price Average Reference (<i>parameter</i>)
RSP	Reserve Scarcity Price (<i>value</i>)
STOR	Short Term Operating Reserve
VoLL	Value of Lost Load (<i>parameter</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	P305 Page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p305/
3	Electricity Balancing Significant Code Review page on the Ofgem website	https://www.ofgem.gov.uk/electricity/wholesale-market/market-efficiency-review-and-reform/electricity-balancing-significant-code-review
3	Panel 235 page on the ELEXON website	https://www.elexon.co.uk/meeting/bsc-panel-235/
3	P291 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p291/
3	P295 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p295/

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