

## P328 'Clarifying BSC SBR definitions to align with the BSAD and SMAF Methodology Statements'

This Modification proposes to amend the SBR definitions to align with the revised C16 Transmission Licence Statements. The Proposer requests that this is treated as an Urgent Modification Proposal.

ELEXON recommends that:



- P328 is progressed as an Urgent Modification Proposal and approved for implementation one Working Day following approval; and
- Should Ofgem not grant urgency, P328 is progressed directly to the Report Phase with an initial recommendation to approve.

This Modification is not expected to directly impact any participants.

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### Contact

**Simon Fox-Mella**

020 7380 4299

[simon.fox-mella@elexon.co.uk](mailto:simon.fox-mella@elexon.co.uk)



## About This Document

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 12 November 2015. The Panel will consider the recommendations and agree how to progress P328.

There are four 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 P328 Proposal Form.
- Attachment B contains the Transmission Company's clarification note.
- Attachment C contains draft legal text.

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# 1 Why Change?



## Background

The Balancing and Settlement Code (BSC), as amended by Modification [P323 'Enabling inclusion and treatment of SBR in the Imbalance Price'](#), enables the Transmission Company (TC) to identify and re-price System Actions related to the provision of Supplemental Balancing Reserve (SBR).

Prior to P323, any SBR related System Action would have been priced according to the SBR provider's contracted Offer Price (PO) with the TC. P323 replaced the PO with the Value of Lost Load (VoLL) for output instructed for SBR purposes. This is because the VoLL better reflects the prevailing market value of the SBR output than PO, which is agreed between the TC and SBR provider ahead of any SBR delivery.

The P323 Workgroup considered that an SBR Action should only relate to the output from an SBR provider above its Stable Export Limit (SEL). This was in line with the changes to the Transmission Licence Standard Condition [C16 'Statements of the Transmission Licence' Balancing Services Adjustment Data \(BSAD\)](#) and [System Management Action Flagging \(SMAF\)](#) Methodology Statements, with the definition of SBR Action based on the principle that an SBR plant needed to be 'ramped up' to its SEL before it could deliver SBR services. That is, the output above SEL. Consequently, P323 was approved and implemented with a definition that limits SBR Actions to exclude a related Balancing Mechanism (BM) Unit's output below SEL, or where the action is flagged as being for System Constraint purposes (i.e. System Operator (SO)-Flagged).

## What is the issue?

Since the approval of P323, the TC has identified an additional example of SBR provision that was not considered by the P323 Workgroup and therefore not covered in the BSC. That is, the TC was made aware that certain Gas Turbines (GTs) have their SEL set equal to their Maximum Export Limit (MEL). The TC issued a [clarification note](#) on 30 October 2015 to provide further explanation of the issue'.

In order to provide SBR services, these GTs ramp extremely quickly from zero to MEL. Therefore, these do not need to 'ramp up' to a SEL before delivering SBR services. Because these SBR providers do not exceed their SEL when providing SBR services, the C16 Statements and BSC prohibited related System Actions from being considered as SBR Actions and repriced equal to VoLL for imbalance pricing purposes.

The TC amended the BSAD and SMAF Methodology Statements, which the [Authority has since approved](#), to ensure that System Actions related to this additional scenario where an SBR provider's SEL equals its MEL are also considered as SBR Actions. These changes add to the terms agreed under P323 and align with the original principle that an SBR Action relates to an SBR provider's output, excluding any 'ramping' activity.

As such, the BSC's SBR definitions are incomplete when compared to those in the BSAD and SMAF statements. To address this, the TC has raised Urgent Modification [P328 'Clarifying BSC SBR definitions to align with the BSAD and SMAF Methodology Statements'](#).

## What is the SBR service?

The SBR makes available generation that would otherwise be unavailable in the market. This generation is held in reserve and only be used in the unlikely event that there is insufficient generation capacity available in the market to meet demand.

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### Proposed solution

The proposed solution is to amend the definitions of "SBR Action" and "SBR" to align with the changes to the BSAD and SMAF changes. This includes:

**Section X Annex X-1:** amend the definition of "Supplemental Balancing Reserve" or "SBR" to:

"Balancing Service that the Transmission Company procures from time to time which is targeted at generating plant that would otherwise be unavailable and is held in reserve to be used only in the event that there is insufficient generation capacity in the market to meet demand;"

**Section X Annex X-2:** amend the 'Definition/Explanatory Text' column for the "SBR Action" in Table X-2 'Terms and Expressions Applying Except in Relation to Section S' to:

"An Offer as determined in accordance with Section T3.16.1 where, for the purposes of the Code, the related Acceptance was taken by the Transmission Company to instruct the provision of output for SBR purposes (excluding system constraint management), where:

- (i) the Acceptance will result in the related BM Unit's output exceeding its Stable Export Limit (to the extent only that such Acceptance relates to output that exceeds the related BM Unit's Stable Export Limit); or
- (ii) the Acceptance relates to a BM Unit which has a Stable Export Limit that is equal to its Maximum Export Limit.

Any such Acceptance should not include output for non-SBR purposes."

The legal text changes to [BSC Section X Annexes X-1 and X-2](#) are provided in Attachment C.

### Applicable BSC Objectives

The Proposer considers that P328 would better facilitate **Applicable BSC Objective (a) and (d)** as it would ensure that the BSC accurately reflects the desired approach to treatment of SBR in the imbalance calculation (i.e. as discussed during the P323 modification process) and that it also aligns with the approved changes to the C16 Licence Statements: BSAD and SMAF Methodology Statements.

Therefore, this Modification would better facilitate:

- Objective (a) as it will ensure consistency with the C16 statements in effect; and also
- Objective (d) as it will ensure that the BSC legal text accurately reflects the desired intent of BSC Modification P323.



#### 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

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### Request to treat as an Urgent Modification Proposal

The Proposer requested that P328 be treated as an Urgent Modification Proposal. It believes that there is a need to align the BSC as soon as possible as:

- P323 was implemented as part of the November 2015 BSC Release and the changes to the C16 Licence Statements are now in effect, there is a date related event.
- SBR could be dispatched, and the provisions introduced by P323 used, between now and end of February 2016, and therefore there is a risk that certain types of SBR dispatched generation plant could be incorrectly treated within cash-out following P323's implementation with potential wider impacts on other BSC Parties.

### Progression Plan

There appears to be a case for urgent status as it meets the criteria for a date related event and likelihood of significant commercial impact upon industry parties.

As such, ELEXON propose that:

- The Panel, at its meeting on 12 November 2015, makes its recommendations to the Authority on Urgency and on approval or rejection of P328.
- The Panel agrees that P328 progresses to the Report Phase, is determined under Self-Governance, and provides its initial views on P328 and the implementation approach.
- ELEXON will send to Ofgem the Panel's recommendations in a Modification Report.
- Should Urgency be granted the report will become the Final Modification Report for Authority determination; and
- if P328 is approved, then this is implemented within one WD of the Authority approval.

If P328 isn't progressed as Urgent Modification, then we believe that this should be progressed directly to Report Phase and treated as Self-Governance.

This Modification Proposal has no material impact on consumers, competition, the Transmission System and/or BSC governance. There will be no impact on Parties or process as the Modification only extends the definitions relating to SBR to align with approved BSAD and SMAF Methodology Statements. We therefore believe that this Modification Proposal meets the Self-Governance Criteria.

We believe that it is self-evident that the Modification Proposal will enable the quick progression and implementation of minor changes to the BSC without the need to go through the full Modification process. If the Panel by majority disagrees with this approach then the Modification will need to progress as a standard Modification.

As such, in the event that the Authority does not grant urgency, then we propose that we issue a Report Phase Consultation.



#### Self-Governance

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; and/or
- The Authority believes that it satisfies the Self-Governance Criteria and issues a notice to that effect.



#### Direct to Report Phase

The Panel has the ability to progress a Modification straight to the Report Phase where it considers it self-evident that the Modification Proposal better facilitates the Applicable BSC Objectives ([BSC paragraph F2.2.4](#)).

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## Timetable

We believe that P328 should be progressed as an Urgent Modification Proposal and approved under Self-Governance.

Proposed Progression Timetable for P328 as an Urgent Modification	
Event	Date
Present Initial Written Assessment	12 Nov 15
Panel recommendation on Urgency and on approval or rejection of the Modification	12 Nov 15
Report and Urgency letter issued to Ofgem	12 Nov 15
Implementation Date	+1WD

If the Authority does not approve urgency, then we believe that P328 should be progressed directly to Report Phase and approved under Self-Governance. Subject to a timely Authority determination on 12 November 2015, we propose the following timetable.

Proposed Progression Timetable for P328 a non-Urgent Modification under Self-Governance	
Event	Date
Report Phase Consultation (11 WDs)	13 – 30 Nov 15
Present Draft Modification Report to the Panel	10 Dec 15
Publish Final Modification Report <i>(progressed as Self-Governance)</i>	11 Dec 15
15 WD Appeal Window <i>(progressed as Self-Governance)</i>	11 Dec 15 - 6 Jan 16
Implementation Date	+1WD



### What is 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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## 4 Impacts and Costs

### Central impacts and costs

This Modification will be a document-only change to update two annexes 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	Potential Impact
Section X Annex X-1	Changes will be required to deliver this Modification.
Section X Annex X-2	<i>The proposed changes can be found in Attachment C</i>

### Participant impacts and costs

This Modification is a Code-only change. It will not have a direct impact on any industry participants.

## 5 Implementation

### Implementation Approach

We recommend that this Modification is implemented one WD following Approval as part of a Standalone Release.

This Modification will make minor change to the SBR related definitions to align with the BSAD and SMAF Methodology Statements. This is the earliest release approach possible.

If treated as Urgent and notice received on the same day as the request, then this would be 13 November 2015. If not treated as Urgent but treated as Self-Governance, the earliest that this would be is 7 January 2016.



ELEXON invites the Panel to:

- **AGREE** to recommend to the Authority that P328 should be treated as an Urgent Modification Proposal;
- **AGREE** the Urgent progression timetable, subject to Authority approval;
- **AGREE** that P328:
  - **DOES** better facilitate Applicable BSC Objective (a); and
  - **DOES** better facilitate Applicable BSC Objective (d);
- **AGREE** that P328 should be approved;
- **APPROVE** the draft legal text;
- **APPROVE** the P328 Modification Report;
- **AGREE** that P328 progresses directly to the Report Phase;
- **AGREE** an initial view that P328 should be treated as a Self-Governance Modification; and
- **NOTE** that ELEXON will issue the P328 draft Modification Report (including the draft BSC legal text) for consultation and will present the results to the Panel at a following meeting.

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### Recommendation

We recommend that the Panel recommends that P328 is treated as an Urgent Modification and approved for implementation of one WD following Approval.

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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
BSAD	Balancing Services Adjustment Data
BSC	Balancing and Settlement Code ( <i>Industry Code</i> )
GT	Gas Turbines
IWA	Initial Written Assessment
MEL	Maximum Export Limit
SBR	Supplemental Balancing Reserve
SEL	Stable Export Limit
SMAF	System Management Action Flagging
SO	System Operator
TC	Transmission Company
VoLL	Value of Lost of Load
WD	Working Day

### 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	P323 page on the ELEXON website	<a href="https://www.elexon.co.uk/mod-proposal/p323/">https://www.elexon.co.uk/mod-proposal/p323/</a>
3	P305 page on the ELEXON website	<a href="https://www.elexon.co.uk/mod-proposal/p305/">https://www.elexon.co.uk/mod-proposal/p305/</a>
3	P328 page on the ELEXON website	<a href="https://www.elexon.co.uk/mod-proposal/p328/">https://www.elexon.co.uk/mod-proposal/p328/</a>
3	Transmission Licence: Standard Licence Conditions on the Ofgem website	<a href="https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions">https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions</a>
3	BSAD Methodology Statement on the TC website	<a href="Bhttp://www2.nationalgrid.com/UK/Industry-information/Electricity-transmission-operational-data/Codes-principles-methodologies/Methodologies/">Bhttp://www2.nationalgrid.com/UK/Industry-information/Electricity-transmission-operational-data/Codes-principles-methodologies/Methodologies/</a>

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External Links		
Page(s)	Description	URL
3	SMAF Methodology Statement on the TC website	<a href="http://www2.nationalgrid.com/UK/Industry-information/Electricity-transmission-operational-data/Codes-principles-methodologies/Methodologies/">http://www2.nationalgrid.com/UK/Industry-information/Electricity-transmission-operational-data/Codes-principles-methodologies/Methodologies/</a>
3	TC clarification note	<a href="http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=43634">http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=43634</a>
4,5	BSC Sections page on the ELEXON website	<a href="https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/">https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/</a>

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