Final Modification Report

P354 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level'

This Modification seeks to allow the Transmission Company to provide Applicable Balancing Services Volume Data (ABSVD) for non-BM Balancing Services to BSC Central Systems for allocation to the appropriate Supplier BM Units to correct Suppliers' Energy Imbalance positions.

The BSC Panel recommends **approval** of the P354 Proposed Modification and **rejection** of the P354 Alternative Modification

This Modification is expected to impact:

- BSC Parties
- Half Hourly Data Aggregators
- Non-Balancing Mechanism Balancing Services Providers
- Transmission Company
- Supplier Volume Allocation Agent
- Settlement Administration Agent
- Balancing Mechanism Reporting Service
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Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

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Contents

1	Summary	4
2	Why Change?	7
3	Solution	10
4	Impacts & Costs	13
5	Implementation	17
6	Workgroup's Discussions	18
7	Workgroup's Conclusions	40
8	Panel's Initial Discussions	47
9	Report Phase Consultation Responses	50
10	Panel's Final Discussions	53
11	Recommendations	56
	Appendix 1: Workgroup Details	57
	Appendix 2: Glossary & References	60
	Appendix 3: Visualisation of Proposed and Alternative Modifications	63

About This Document

This is the P354 Final Modification Report, which ELEXON has submitted to the Authority on behalf of the BSC Panel. It includes a summary of the Workgroup's assessment, the Panel's full views and the responses to both the Workgroup's Assessment Consultations and the Panel's Report Phase Consultation. The Authority will consider this report and will decide whether to approve or reject P354.

There are eight 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 draft redlined changes to the BSC for P354 Proposed Modification.
- Attachment B contains the draft redlined changes to the BSC for P354 Alternative Modification.
- Attachment C contains the draft redlined changes to BSCP11 for P354 Proposed and Alternative Modifications.
- Attachment D contains the P354 Business Requirements.
- Attachment E contains the full responses received to the Workgroup's First Assessment Procedure Consultation.

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- Attachment F contains the full responses received to the Workgroup's Second Assessment Procedure Consultation.
- Attachment G contains the full responses received to the Panel's Report Phase Consultation.

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1 Summary

Why Change?

Currently, Suppliers' Energy Accounts are not adjusted for non-Balancing Mechanism (BM) Balancing Services, which results in a 'spill payment', which BM Balancing Services Providers are not allowed.

Where Balancing Services provided to the Transmission Company (TC) are instructed outside of the BM, i.e. where the Balancing Services provider is not a BSC Party, or is a BSC Party but does not specify a BM Unit to assign the Applicable Balancing Services Volume Data (ABSVD) to, ABSVD cannot be notified against BM Units, and so is not included in Settlement. In this circumstance, the Balancing Services provider is paid at the agreed utilisation price, but the Energy Account of the Supplier responsible for the Energy Imbalances they cause does not have the associated energy removed, resulting in an incorrect Energy Imbalance position. This additional imbalance of energy results in an additional payment to the Supplier, which they may share with the Balancing Services provider. This effectively allows some BSC Parties and all non-BSC Parties acting as Balancing Services providers to take account of a second income stream, which is seen as discriminatory.

Where BSC Parties that provide Balancing Services specify a BM Unit for the allocation of ABSVD, the ABSVD will be included in Settlement, and the BSC Party's imbalance position will be correct (unless the BSC Party opts-out of receiving ABSVD under BSC Section Q6.4.5 of the BSC).

Proposed solution

For all Balancing Services provided to the TC (in accordance with its ABSVD Methodology) where the ABSVD cannot be assigned to a BM Unit, P354 will require the TC to provide ABSVD for each applicable Settlement Period to BSC Systems as a Delivered Volume for each Metering System Identifier (MSID) Pair (always one Import Meter and in most cases one Export Meter[1]) at a Boundary Point (a "MSID Pair Delivered Volume").

The TC will be required to notify BSC Systems of all MSID Pairs that may be used for the provision of non-BM Unit ABSVD before it starts to send MSID Pair Delivered Volumes. Each MSID in a MSID Pair will be an 'Eligible MSID'. The BSC Systems will then allocate ABSVD to each MSID in a MSID Pair using the MSID Pair Delivered Volume and the Half Hourly (HH) metered data for the MSID, which would be provided by Half Hourly Data Aggregators (HHDAs).

The TC must specify in the MSID Pair data whether the Customer has consented to the relevant Supplier receiving the MSID ABSVD for each Eligible MSID, through a "Customer Consent Flag" and BSC Systems will only issue the data to Suppliers where consent has been given. Please note that the Customer consent for an Eligible MSID may change from time to time.

The BSC Systems will aggregate the MSID ABSVD to Supplier BM Unit level and use this to correct the Supplier's Energy Imbalance position. Supplier BM Unit Non-BM ABSVD will be included in the SAA-I014 Settlement report variant 1 (to BSC Parties) and variant 2 (to the TC, BSCCo and available to licensees). Supplier BM Unit Non-BM ABSVD will **not** be published on the Balancing Mechanism Reporting Service (BMRS). Instead, the Supplier

[1] In some circumstances, the MSID Pair will only contain an Import MSID e.g. for Demand Side Response (DSR).

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BM Unit Non-BM ABSVD data will be included in an ELEXON monthly report where the Delivered Volumes will be reported at market level in an anonymised form.

The TC will be allowed to only provide MSID Pair data for those Balancing Services where they have received MSID Pair Delivered Volumes data from Balancing Services providers during the first year from the P354 Implementation Date (after that, the TC must provide MSID Pair Delivered Volumes data for all Balancing Services). This acknowledges that MSID Pair Delivered Volume data may not be available from Balancing Services providers whose contracts with the TC predate the P354 decision.

The opt-out provision under BSC Section Q6.4.5 will be removed to ensure the P354 is compliant with Article 49 of the European Electricity Balancing Guidelines (EB GL).

Alternative solution

The P354 Alternative Modification is identical to the P354 Proposed Modification except that:

- Customer consent will not be required for Suppliers to receive MSID ABSVD data for their MSIDs; and
- The Supplier BM Unit Non-BM ABSVD will be published on the BMRS.

Impacts & Costs

P354 will directly impact **BSC Parties, HHDAs, the TC, BSCCo** and **non-BM Balancing Services providers**.

The TC will be required to send MSID Pairs and MSID Pair Delivered Volumes to the Supplier Volume Allocation Agent (SVAA) to allow the SVAA to allocate non-BM ABSVD to each MSID. The TC will also will need to amend their systems to receive a new version of the SAA-I014 Settlement Report which will include Supplier BM Unit Non BM ABSVD.

HHDAs will be required to receive requests for MSID HH Metered Volumes for specified Eligible MSIDs from SVAA and to send metered data for all requested MSIDs.

BSCCo will be required to amend its systems to receive a new version of the SAA-I014 Settlement Report which will include Supplier BM Unit Non-BM ABSVD.

The TC will be required to amend its ABSVD Methodology, which forms part of its C16 Statements, to add provisions relating to non-BM ABSVD to enable the P354 solution.

Suppliers will have their position corrected by the Settlement Administration Agent (SAA) to remove the effect of non-BM ABSVD, and so will no longer receive the imbalance cash flow resulting from non-BM ABSVD. All BSC Parties will need to amend their systems to receive a new version of the SAA-I014 Settlement Report which will include Supplier BM Unit Non-BM ABSVD.

Non-BM Balancing Service providers may need to amend their systems to provide information relating to Balancing Services to the TC in a format that facilitates the provision of MSID Pair Delivered Volumes to BSC Systems

P354 Proposed and Alternative Modifications will require changes to the SVAA and SAA and for the P354 Alternative Modification, the BMRS BSC Systems, with BSCCo's service provider costs of approximately **£300k** for either solution.

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Implementation

The recommended Implementation Date for both the P354 Proposed Modification and Alternative Modification is:

- **1 April 2019** as a Standalone Release if an Authority decision is received on or before 30 March 2018; or
- **1 April 2020** as a Standalone BSC Systems Release if an Authority decision is received after 30 March 2018.

Recommendation

The BSC Panel unanimously agrees that the **P354 Proposed Modification would** better facilitate Applicable BSC Objectives (a), (b), (c), (d) and (e) compared to the current baseline and the P354 Alternative Modification, and should therefore be **approved**.

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Balancing Services providers

The TC procures Balancing Services[2] to ensure both quality and security of supply of electricity in Great Britain. Often, these Balancing Services can be sourced from Parties active in the Balancing Mechanism (BM) (with variations in energy instructed by a Bid-Offer Acceptance (BOA), or via instructions to service providers who do not participate in the BM to vary their production or consumption.

When a Balancing Services provider delivers energy via a BOA, their Energy Account is adjusted for the amount of energy that they are instructed. Provided that they vary their output in accordance with the BOA, the Balancing Services provider's exposure to imbalance cashout is not varied.

When a Balancing Services provider delivers energy via an instruction (other than a BOA), there is a variation in their production and/or consumption of energy which may be adjusted via a process known as Applicable Balancing Services Volume Data (ABSVD). This adjustment is made to the Energy Account of the BSC Party who registered the Settlement meters which, in the case of a customer would usually be their Supplier. However, there are two potential issues with this process:

- The current process requires the TC to allocate the ABSVD volume to the correct BSC Party and BM Unit in order to submit it to Settlement. In the case of non-BM providers the TC does not have a process in place to do this; and
- For many services, having the Energy Account adjusted is optional and a Balancing Services provider (through the BSC Party who registers the Balancing Services provider's Meter) can elect not to have their account adjusted.

This often results in the BSC Party of a Balancing Services provider instructed outside of the BM retaining their exposure to imbalance cashout. These additional payments are often shared with the Balancing Services provider.

ABSVD methodology

The TC informally consulted on modifications to the ABSVD methodology statement in November 2017 with changes that would:

- Remove the ability for a BM Balancing Services provider to opt-out of having their Energy Account adjusted following the volume of service delivery; and
- For non-BM services, allow the TC to submit the adjustment data by Meter (MSID Pair) as well as by BM Unit (removing the TC's need to have a BM Unit to submit ABSVD to BSC Systems).

P354 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level' is designed to accommodate the above changes to the ABSVD methodology. The reasons for the potential change were set out in the C16 ABSVD informal consultation and are set out in the C16 ABSVD formal consultation which was issued on 8 February 2018. This notes that:

[2] Please refer to the corresponding C16 ABSVD informal consultation for further information on Balancing Services.

What are Balancing Services?

National Grid procures Balancing Services in order to balance demand and supply and to ensure the security and quality of electricity supply across the GB Transmission System. In accordance with the Transmission Licence, National Grid is required to establish and publish statements and guidelines on Balancing Services. Balancing Services include:

- Frequency Response;
- Reserve power
- System Security;
- Trade Energy;
- Reactive Power; and
- Settlements.

Further information can be found on the Balancing Services page of the National Grid website.

What is ABSVD?

BM Unit ABSVD is provided by the TC to BSC Systems for use in the calculation of Period BM Unit Balancing Services Volume, which is the volume of all energy associated with Balancing Services used in the determination of imbalance.
The BSC allows Parties to opt out of receiving BM Unit ABSVD.
The TC does not currently provide non BM Unit ABSVD to BSC Systems which is consequently excluded from the ABSVD Methodology.

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- The EB GL will require the adjustment of the Energy Account of a Balancing Services provider from 18 December 2018; and
- Currently similar balancing services, such as Frequency Response, are treated differently, depending upon the mechanism used to dispatch and settle them.
    - Where the balancing service is dispatched using a BOA, an adjustment will always be made to imbalance.
    - Where the balancing service is not dispatched using a BOA, and the TC is able to allocate the volume to a BM Unit, an adjustment may be made to imbalance depending upon whether the Lead Party opts out of having ABSVD allocated to their account.
    - Where the balancing service is not dispatched using a BOA and the TC is not able to allocate the volume to a BM Unit, no adjustment can currently be made to imbalance.

What are MPANs and MSIDs?

Each point of entry and exit onto a Distribution System Operator's Distribution System has an associated Metering Point, and each Metering Point has an associated Administration Number (MPAN) and Metering System Identifier (MSID). MPAN is the term used in the Master Registration Agreement (MRA), while the BSC uses the term MSID, but they are one and the same.

How is Energy Imbalance calculated for Balancing Services delivered to the Transmission Company?

BSC Section T 'Settlement and Trading Charges' 4.6 defines the determination of Energy Imbalance for each Energy Account. This is designed to take into account Balancing Services delivered to the TC by ensuring that these actions do not create Energy Imbalance.

In the case of Balancing Services instructed through the BM, the energy volumes are entered into Settlement through accepted:

- Bids (proposals to reduce generation or increase consumption); and
- Offers (proposals to increase generation or reduce consumption).

Suppliers' Energy Imbalance positions are "corrected" as a result.

BM Unit ABSVD is specified in BSC Section Q 'Balancing Mechanism Activities' 6.4 and is determined in accordance with Special Condition C16 of the Statements of the Transmission Licence.

In the case of Balancing Services instructed outside the BM, Suppliers' Energy Imbalance positions are influenced (without the Suppliers' knowledge) by the provision of Balancing Services and the resulting "incorrect" Energy Imbalance positions are settled. These Balancing Services would usually make a Supplier's position longer, which would result in an increased amount, or "spill" payment which is paid to the Supplier.

What is the full list of Statements and guidelines listed in the Transmission License?

In accordance with Special Condition C16 of the Statements of the Transmission Licence, National Grid is required to establish statements and guidelines, which are as follows:

- Procurement Guidelines;
- Balancing Principles Statement;
- System Management Action Flagging;
- Balancing Services Adjustment Data (BSAD);
- ABSVD Methodology; and
- STOR Weighting Factors.

What are the Transmission Licence C16 Statements?

The TC is required to establish statements and methodologies under Special Condition C16 of the Statements of the Transmission Licence. One of these is the ABSVD Methodology Statement. This Statement sets out the information on Applicable Balancing Services that will be taken into account under the BSC for the purposes of determining Imbalance Volumes.

The Statement may only be modified in accordance with the processes set out in Standard Condition 16 of the Transmission Licence. This includes a 28-day Consultation period on

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any proposed changes with the industry. On an annual basis, the TC undertakes this Consultation in respect of the C16 Statements. The formal C16 Consultation was issued on 8 February 2018 and will end on 8 March 2018. The TC is then required to submit final proposals to the Authority seven calendar days later.

What is the issue?

The Proposer identified a defect in the current arrangements for notifying ABSVD from the TC to ELEXON. BSC Parties are not obliged to specify a BM Unit for the provision of Balancing Services and, if they do, they can opt out of receiving ABSVD by notifying the TC. Where the Balancing Services provider is not a BSC Party, it will not be able to specify a BM Unit as currently it is unable to register BM Units, so no ABSVD can be notified against BM Units.

For Balancing Services provided where no BM Unit has been specified, the Balancing Services provider is paid at the agreed utilisation price, but the Energy Account of the Supplier responsible for the Energy Imbalances they cause does not have the associated energy removed. The additional imbalance energy created results in an additional payment to the Supplier, which they may share with the Balancing Services provider.

This effectively allows some BM participants and all non-BM participants to take account of a second income stream. In addition to its Balancing Services payment, imbalance revenue then becomes this additional revenue stream when constructing tenders for services. Since this income stream is not taken into account in the procurement of the Applicable Balancing Services set out in the ABSVD Methodology, this subsequently leads to inefficient procurement and also inefficient despatch decisions by the TC. It also places non-BM Balancing Services providers in an advantageous position compared to BM Balancing Services providers.

The Proposer estimates that since November 2015, when non-BM STOR volume data was first published[3], the total additional imbalance revenue amounts to around £17 million at an average rate of £103/megawatt-hour (MWh). This gives an indication of the maximum saving per year to consumers that would have been achieved had this Modification been implemented alongside P305 'Electricity Balancing Significant Code Review Developments'. Higher cashout prices would increase these spill payments and therefore the potential savings.

Whilst the focus here is the impact on BM STOR, which is one type of Balancing Service specified in the TC's ABSVD Methodology, this issue needs to be addressed for other types of Balancing Services. This is because all Balancing Services provided to the TC where no BM Unit(s) are specified will result in imbalance payments that are not taken into account in the Settlement calculation.

In 2014, the TC amended the ABSVD Methodology to remove provisions relating to Balancing Services providers that have not specified BM Units for the purposes of ABSVD. For the P354 solution to work, changes to the ABSVD Methodology for non-BM Unit ABSVD will be needed.

Please note that we have not worked out the benefit to BM plant of this same issue where services are not instructed and they have opted out.

What is STOR?

Short Term Operating Reserve (STOR) is a service for the provision of additional active power from generation and/or demand reduction. For more information, please visit the TC website.

What are the Ancillary services?

The TC uses Ancillary and Commercial Services to balance the Transmission System. Ancillary and Commercial Services cover:

- Reactive Power;
- Frequency Response;
- Black Start; and
- Reserve Services.

ELEXON do not normally consider these services when we calculate the energy imbalance prices as they are 'system balancing' services. However, the TC does send data of the volumes involved to the BSC Systems, so that the Parties that provide these services can have their imbalance volumes suitably adjusted. This is called ABSVD.

[3] As part of P305 'Electricity Balancing Significant Code Review Developments'.

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3 Solution

Proposed solution

P354 proposes that for each Balancing Service provided in accordance with the TC's ABSVD Methodology[4], except where the Balancing Services provider has specified a BM Unit, the solution will be as follows:

- The TC will notify the SVAA of all MSID Pairs (one Import Meter and in most cases one Export Meter[5]) that it may use to provide MSID Pair Delivered Volumes to the SVAA for the purposes of calculating Non-BM Unit ABSVD in advance of the provision of MSID Pair Delivered Volumes. The TC must provide an 'MSID Pair Effective From Date' and an 'Effective To Date' for a MSID Pair.
- The TC must specify in the MSID Pair data whether the Customer consent has been given for the relevant Supplier to receive MSID ABSVD for each Eligible MSID in the MSID Pair, through a "Customer Consent Flag". The TC shall include a 'Customer Consent Flag Effective From Date' and a 'Customer Consent Flag Effective To Date' for each MSID in the MSID Pair Data, where either or both is different from the MSID Pair Effective Dates. For the avoidance of doubt, the Customer Consent Flay may change zero, once or many times within an MSID Pair Effective Date range.
- The TC will provide to the SVAA a Delivered Volume for each MSID Pair for each Settlement Period for which a Balancing Service was provided[6].
- SVAA will maintain a register of all "Eligible" MSIDs (i.e. the MSIDs included in the MSID Pairs notified by the TC.
- SVAA will identify the Supplier and HHDA for each Eligible MSID.
- SVAA will request the HHDA to send disaggregated HH metered data for each relevant Eligible MSID.
- HHDAs will send HH metered data for each requested MSID to the SVAA system for each Settlement Period.
- The SVAA system will allocate ABSVD to each MSID in a MSID Pair ('MSID ABSVD') using the MSID Pair Delivered Volume and HH metered data[7].
- The SVAA system will apply Line Losses to the MSID ABSVD and aggregate it to BM Unit level for each Supplier BM Unit ('Supplier BM Unit Non BM ABSVD') and send this to the SAA.
- For MSIDs where the TC has notified SVAA that the Customer has given its consent, the SVAA will send MSID ABSVD to the relevant Supplier.
- The SAA will use the Supplier BM Unit Non BM ABSVD to correct each affected Supplier's Energy Imbalance position.

[4] The TC consulted on the necessary changes to the ABSVD Methodology to enable the P354 solution in parallel with the second P354 Assessment Procedure Consultation.
[5] In some circumstances, the MSID Pair will only contain an Import MSID e.g. for DSR.
[6] In some circumstances, the MSID Pair will only contain an Import MSID e.g. for DSR.
[7] For example, if the delivered volume is +6MWh and the HH Metered Volume for the Export Meter is >= 6MWh for the Export Meter, then 6 MWh will be allocated to the Export Meter and 0MWh will be allocated to the Import Meter. If however, the HH Metered Volume for the Export Meter = 4MWh, then only 4MWh will be allocated to the Export Meter and -2MWh will be allocated to the Import Meter. Please see Appendix B of the P354 Business Requirements for more examples.

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- Supplier BM Unit Non-BM ABSVD will only be included in the SAA-I014 Settlement Report (sub-flows 1 and 2 only).
- No ABSVD data will be published on the BMRS.

The BM Unit ABSVD opt-out provision under BSC Section Q6.4.5 will be removed to ensure that P354 is fully compliant with the EB GL.

The TC will be allowed to only provide MSID Pair data for those Balancing Services where they have received MSID Pair Delivered Volumes data from Balancing Services providers during the first year from the P354 Implementation Date (after that, the TC must provide MSID Pair Delivered Volumes data for all Balancing Services). This acknowledges that MSID Pair Delivered Volume data may not be available from Balancing Services providers whose contracts with the TC predate the P354 decision.

For reference, Attachment D contains the P354 Business Requirements and Appendix 3 demonstrates a visualisation of the P354 Proposed Modification.

BSC Legal text for P354 Proposed solution

The proposed redlined changes to the BSC to deliver the P354 Proposed Modification can be found in Attachment A.

Alternative solution

The P354 Workgroup developed an alternative solution which is identical to the proposed solution except that:

- all MSID ABSVD will be reported to the affected Supplier i.e. no Customer consent is required; and
- Supplier BM Unit Non-BM ABSVD will be reported on the BMRS website. Appendix 3 demonstrates a visualisation of the P354 Proposed Modification.

The Workgroup's discussions in developing the Alternative solution are set out in section 6.

BSC Legal text for P354 Alternative solution

The proposed redlined changes to the BSC to deliver the P354 Alternative Modification can be found in Attachment B. Please note that the draft legal text for the Alternative solution is identical to the draft legal text for the Proposed solution, except for the provisions relating to:

- BSC Section Q where the MSID Pair data provided by the TC will not include a Customer consent flag for each MSID;
- Annex S-2, where the SVAA will send MSID ABSVD to the relevant Supplier, regardless of whether consent has been given; and
- BSC Section V, which will specify that the BMRS will publish Supplier BM Unit Non-BM ABSVD.

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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Self-Governance

The Workgroup considered whether P354 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; and/or
- The Authority believes that it satisfies the Self-Governance Criteria and issues a notice to that effect.

The Workgroup unanimously believes that this Modification does not meet the Self-Governance Criteria due to a potential material impact on competition. P354 will impact Supplier's cashout position and may remove revenue streams for non-BM Balancing Services providers, which BM Providers are not entitled to. Removing this distortion will lead to more cost-reflective tendering. The Proposer believes this will ultimately save consumers money. P354 therefore has a material impact on competition.

16 of the 17 respondents to the first Assessment Procedure Consultation also agreed with this view. All 20 respondents to the second Assessment Procedure Consultation also agreed that P354 should not be progressed as a Self-Governance Modification.

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4 Impacts & Costs

Estimated central implementation costs of P354

The estimated implementation costs of P354 for either the Proposed Modification or the Alternative Modification are approximately **£300k**. These costs arise from changes to the SAA, SVAA and additionally for the Alternative Modification, BMRS, as detailed below, and to ELEXON's Trading Operations Market Analysis System (TOMAS) system.

Indicative industry costs of P354

P354 will directly impact **BSC Parties**, **HHDAs**, **TC, BSCCo** and **non-BM Balancing Services providers**. 15 of the 17 respondents to the first Assessment Procedure Consultation and 18 of the 20 respondents to the second Assessment Procedure Consultation indicated that they would be impacted by implementing P354, for the reasons detailed below.

P354 impacts

Impact on BSC Parties and Party Agents	
Party/Party Agent	Potential Impact
BSC Parties	Suppliers' Energy Imbalance positions will be corrected using Supplier BM Unit non-BM ABSVD. As a result, Suppliers will no longer receive the spill payments that resulted from their customers providing non-BM Balancing Services. Changes will be required to receive a new version of the SAA-I014 Settlement Report that will include Supplier BM Unit Non-BM ABSVD. Suppliers will receive MSID ABSVD for their MSIDs: • For P354 Proposed Modification – where Customer consent has been given ; or • For P354 Alternative Modification – always (no Customer consent required.
HHDAs	HHDAs will be required to provide metered data to SVAA for all specified MSIDs.

Impact on Transmission Company
The TC will be required to notify BSC Systems of any MSID Pairs that are eligible to be used to provide ABSVD and send MSID Pair Delivered Volumes for each relevant MSID Pair and Settlement Period to BSC Systems. Changes will also be required to receive the new version of SAA-I014 Settlement Report. *Changes to the ABSVD Methodology will also be required to facilitate this Modification, but this is out of scope for P354.*

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Impact on BSCCo
ELEXON will be required to implement this Modification. As part of this, ELEXON will need to update the Beginner's Guide to the Electricity Trading Arrangements on the ELEXON website.

Impact on BSC Systems and processes	
BSC System/Process	Potential Impact
SVAA	A new automated process will be required as set out in Section 3. New processes will be required to establish (automated) and maintain (manual) details of the Supplier, HHDA and GSP Group for each affected MSID.
SAA	A new automated process will be required as set out in Section 3. The SAA-I014 Settlement Report will be amended to include Supplier BM Unit Non-BM ABSVD.
BMRA	The BMRA will publish Supplier BM Unit Non-BM ABSVD for each Supplier for the Alternative Modification only.

Impact on Code	
Code Section	Potential Impact
Section J	Changes will be required to implement this Modification.
Section Q	
Section S	
Section S-2	
Section T	
Section V	
Section X-1	
Section X-2	

Impact on Code Subsidiary Documents	
CSD	Impact
BSCP01	Changes will be required to implement this Modification.
BSCP11	
BSCP503	
BSCP507	
BSCP508	
BSCP537 Appendix 1, Self-Assessment Document	
BMRA Service Description	
BMRA User Requirements Specification (URS)	

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Impact on Code Subsidiary Documents	
CSD	Impact
Central Volume Allocation (CVA) Data Catalogue	
New Electricity Trading Arrangements (NETA) Interface Definition Document (IDD) Part 1	
NETA IDD Part 2	
SAA Service Description	
SAA URS	
SVA Data Catalogue Volume 1	
SVA Data Catalogue Volume 2	
SVAA Service Description	
SVAA URS	

Impact on Core Industry Documents and other documents	
Document	Impact
MRASCo's Data Transfer Catalogue (DTC)	Five new and/or amended DTC dataflows will be required for: • SVAA to send the request to HHDAs for HH metered volumes for specified MSIDs; • HHDAs to accept the request if they are the correct HHDA for the requested MSID; • HHDAs to reject the request if they are not the correct HHDA for the requested MSID; • HHDAs to return HH metered volumes for specified MSIDs to SVAA (and to each Supplier where the Balancing Services provider has consented); and • SVAA to send MSID ABSVD to the relevant Supplier for all specified MSIDs where Customer consent has been given (consent not required for the Alternative Modification).

Impact on Core Industry Documents and other documents	
Document	Potential Impact
ABSVD Methodology Statement	Changes will be required to include provisions relating to Balancing Services providers that do not specify a BM Unit for the purposes of ABSVD to facilitate the P354 solution.

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Other Impacts	
Item impacted	Potential Impact
Non-BM Balancing Services providers	P354 will remove the imbalance cash flow resulting from non-BM ABSVD, which is paid to Suppliers but may be passed on to the non-BM Balancing Services provider, who will be impacted if this flow is removed. Non-BM Balancing Services providers may need to change their systems to provide MSID Pair Delivered Volumes to the TC.

Views of respondents to the first Assessment Procedure Consultation

15 of the 17 respondents to the first Assessment Procedure Consultation indicated that they would be impacted by implementing P354. This is in line with the potential impacts identified above.

13 of the 17 respondents also indicated that there would be costs associated with implementing P354. Wide ranging costs were detailed from respondents from £50k to £1.2million. The TC identified the highest cost which included mandating provider backing data to BSC Systems through an automated process; this is currently a manual process. On-going costs were also indicated by six respondents although these would be minimal.

Views of respondents to the second Assessment Procedure Consultation

18 of the 20 respondents to the second Assessment Procedure Consultation indicated that they would be impacted by implementing P354. These responses were in line with the potential impacts and costs identified above.

17 of the 20 respondents indicated that there would be costs associated with implementing P354. Estimated costs provided again ranged from £50k to £1.2million. Two respondents also indicated that they would have ongoing costs although these would mainly be administrative and so would be minimal or absorbed into BAU activity.

The TC again identified the highest cost as significant changes are required to implement P354. The TC Representative advised the Workgroup that this cost was for the whole package of P354/C16 ABSVD changes as it was difficult to separate these out to just BSC related costs. The cost would involve building new system services which can interact with multiple external systems in a secured way, system changes to handle additional data volumes and reporting, data storage-archival and other non-functional requirements. Additionally the TC Representative highlighted that costs for Modification P344 have purposely been kept separate but if P344 and P354 were delivered at the same time, the overall cost could potentially decrease as it would be opening up identical systems at the same time.

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5 Implementation

Recommended Implementation Date

The Workgroup recommends an Implementation Date for P354 Proposed Modification and Alternative Modification of:

- **1 April 2019** as a Standalone BSC Systems Release if an Authority decision is received on or before 30 March 2018; or
- **1 April 2020** as a Standalone BSC Systems Release if an Authority decision is received after 30 March 2018.

This Implementation Date is subject to internal consideration being given to the impact on BSC Central Systems and the interaction with P344 'Project TERRE implementation into GB market arrangements' and P355 'Introduction of a BM Lite Balancing Mechanism'[8]. Additionally, we need to be mindful of the time required by the TC to implement the contractual and software changes to deliver the amended ABSVD Methodology.

The Workgroup's discussions and responses to the two Assessment Consultations regarding the proposed Implementation Date can be found in Section 6.

[8] The P355 Proposer recently contacted ELEXON to confirm that he believed that the Virtual BM Unit element of the P344 solution covers much of what was intended by P355. The Proposer therefore requested that any further work for P355 is put on hold until June 2018, when the Draft Modification Report for P344 is presented to the BSC Panel. At its meeting on 14 December 2017, the BSC Panel approved a three-month extension to the P355 timetable until June 2018. P355 is now on hold, meaning that no further Workgroup meetings will be held before this time.

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6 Workgroup's Discussions

The aim of assessment under the BSC Modification process is to consider whether the Modification would better facilitate the Applicable BSC Objectives compared with the existing baseline.

As part of the first Assessment Procedure Consultation, the Workgroup sought industry's views on a number of considerations to help it develop the P354 proposed solution. A number of changes were made including a material change to the solution which required a second Assessment Procedure Consultation. The Workgroup's discussions relating to the changes that have been made following the first and second Assessment Consultations are detailed in this section.

Please note that in this section only, all discussions and consultation responses relating to the Proposed Modification should now be read as referring to the P354 Alternative Modification and all discussions and consultation responses relating to the Alternative Modification are now in relation to the P354 Proposed Modification. This is because the Proposer adopted the original Alternative Modification as his Proposed Modification after the second Assessment Procedure Consultation.

How will P354 impact the Transmission Licence C16 Statements and ABSVD Methodology?

The Workgroup agreed that it would be necessary to amend the ABSVD Methodology Statement to include provisions for the allocation of ABSVD where the TC does not have access to the information needed to allocate the ABSVD to a BM Unit. This is to enable the proposed changes to the BSC under P354.

Revised progression plan

The Workgroup acknowledged the importance of aligning the changes proposed under P354 with the C16 changes and considered four potential options:

1. Aligning the P354 consultation with an informal C16 ABSVD consultation;
2. Aligning the P354 consultation with the formal C16 consultation;
3. Issuing the P354 consultation following Ofgem's decision on C16; or
4. Continuing with the current P354 timetable.

The Workgroup agreed by majority that the P354 Assessment Procedure Consultation should be issued at the same time as the TC's C16 ABSVD informal consultation (option 1). This option will help the TC to obtain industry's views on the ABSVD Methodology changes before including them in the formal C16 consultation, which was issued on 8 February 2018. Additionally, the Workgroup highlighted that this approach will allow the industry and BSC Panel to have a view on what the TC proposes to implement and should not cause any significant delay to the progression of P354. The majority of the Workgroup also agreed that the P354 Final Modification Report and the C16 changes should therefore be sent to the Authority at the same time.

For the avoidance of doubt, this timeline remains unchanged with the addition of the second Assessment Procedure Consultation.

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Development of the proposed solution

Allocating non-BM ABSVD at Supplier Account or Supplier BM Unit level?

The original solution, as set out in the P354 Modification Proposal sought to allow the TC to provide ABSVD at the MPAN level (the proposal used "MPAN", which is a Master Registration Agreement (MRA) term; "MSID" is the equivalent BSC term) to the SAA, which would allocate this to the appropriate Supplier BM Unit. The Workgroup then developed this solution so that the TC provides a Delivered Volume for each MSID Pair to the SVAA system. This is then aggregated to Supplier Account level ABSVD rather than to the Supplier BM Unit.

Why 'Supplier BM Unit Non BM ABSVD'?

The term 'Non-BM ABSVD' in 'Supplier BM Unit Non-BM ABSVD' refers to the TC being unable to assign the ABSVD to a BM Unit at the point of delivery.

The Workgroup also considered solutions in which the TC would provide Delivered Volumes for a 'delivery site' (i.e. a physical location that delivers part or all of a Balancing Services instruction from the TC – please see the Workgroup's discussion on this later in this section), and BSC Systems would then split this volume between the MSID Pairs associated with the delivery site.

At the C16/ABSVD Workgroup on 26 September 2017, the Workgroup developed a solution that would involve the TC providing Delivered Volumes for each MSID Pair. They agreed that this would significantly simplify the P354 solution. Suppliers would not be allowed to opt out of having Supplier Account level ABSVD applied to their Energy Account. This solution would prevent non-BM Balancing Services providers receiving a second income stream (imbalance revenue). The Workgroup consulted on this proposed solution when it was issued for Assessment Procedure Consultation on 16 November 2017.

Views of respondents to the first Assessment Procedure Consultation

Ten of the 17 respondents to the first Assessment Procedure Consultation agreed that the proposed solution did better facilitate the Applicable BSC Objectives compared to the current baseline. However, one respondent to this first Assessment Procedure Consultation highlighted that aggregating ABSVD to Supplier Account level would create a distortion in Settlement between Suppliers as BM Unit Lead Parties, and Suppliers or Trading Parties as subsidiary parties to MVRNs. Based on this comment, the Workgroup decided to change the solution to allocate ABSVD at the BM Unit level rather than the Supplier Account level.

An MVRN transfers Metered Volume (minus balancing volume) from a Lead Party BM Unit to a Subsidiary Party. The respondent noted that the proposed solution did not associate a non-BM ABSVD balancing volume with a Lead Party at BM Unit level, so would transfer out-turn Metered Volumes to the Subsidiary Party regardless. This would include volumes resulting from non-BM ABSVD delivery. Additionally, the respondent noted that the proposed solution creates a non-BM ABSVD volume at Party Account level and adds it to Lead Party balancing volume (regardless of MVRNs). The respondent provided an example where taking 100% MVRN and upward positive non-BM ABSVD energy, the net result would be non-BM ABSVD volume causing an imbalance shortfall on the Energy Account of the Lead Party, and corresponding spill on the Energy Account of the Subsidiary Party. This leads to a single price for imbalance. The respondent noted that it may be possible to resolve this anomaly bilaterally between Lead and Subsidiary parties. Furthermore, Parties should not have to re-open existing wholesale commercial arrangements to accommodate a clear anomaly that would exist in the BSC.

The respondent suggested that if non-ABSVD volumes were allocated at BM Unit level, rather than Supplier Account level, this anomaly would not arise as the associated ABSVD volumes would be retained with the Lead party in the MVRN process without giving rise

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to imbalance for Lead and Subsidiary parties (provided volumes are delivered), as for BM ABSVD and Bid-Offer volumes, giving the desired effect.

Taking this into consideration, the Workgroup agreed that to maintain the integrity of Settlement, the proposed solution should be amended such that BSC Systems aggregate MSID ABSVD to Supplier BM Unit level rather than to Supplier Account level. Subsequently, HHDAs will now be required to provide the BM units that the MSID is allocated to. This will require an additional data item in the dataflow from the HHDA to SVAA. As this is a material change to the proposed solution, the Workgroup agreed that a second Assessment Procedure Consultation would be necessary.

Should Suppliers be provided with MSID ABSVD volumes?

As detailed in the proposed solution, the Workgroup noted that Suppliers would receive Supplier BM Unit ABSVD from BSC Systems. However, the Workgroup discussed whether Suppliers should also be provided with MSID ABSVD volumes determined by BSC Systems. Some Workgroup members were concerned that that if appropriate information was not passed on to Suppliers then they would make commercial decisions to protect themselves from this unseen risk.

There was also a concern that not providing Suppliers with MSID ABSVD volumes that they may require for customer billing would be inefficient, in that Suppliers would have to put in place other (less efficient) processes for receiving this data, such as requiring customers to provide it to them through their contractual terms. Other Workgroup members were strongly opposed to Suppliers being provided with this level of data as they highlighted that this information is commercially confidential, and therefore they had concerns regarding competition. This is because it would give those Suppliers privileged knowledge of who provides non-BM Balancing Services, which would not be available to other Suppliers. These Workgroup members believed that any required provision of this data to Suppliers should be agreed between Suppliers and their customers, rather than being imposed upon customers by the provisions of the BSC (to which they are not party).

The Workgroup therefore noted that there were three possible options for reporting the data:

i) MSID ABSVD should not be reported to affected Suppliers;

ii) MSID ABSVD should be reported to all Suppliers; or

iii) MSID ABSVD should only be reported to affected Suppliers where the TC has indicated that the Customer has given consent.

The Proposer indicated that their current thinking was for the Proposed Modification to reflect option (i) i.e. that MSID ABSVD should not be reported to Suppliers, in order to avoid any competition issues that might arise from giving Suppliers access to this level of data. However, the Proposer also acknowledged that it might be more efficient to allow reporting (and hence avoid any need for Suppliers and customers to agree their own mechanisms, outside the BSC, for sharing this data). The Workgroup therefore included three consultation questions (10, 11 and 12) in order to help assess any potential impact.

Views of respondents to the first Assessment Procedure Consultation

The Workgroup sought views on whether Suppliers should be provided with MSID ABSVD volumes and if so, whether this information should be HH or aggregated up (to week,

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month etc.). Ten respondents believed that Suppliers should be provided with MSID ABSVD volumes and that this data should be provided HH. Two respondents disagreed for the following reasons:

- Suppliers should not be provided with information on ABSVD volumes at any greater granularity than at Supplier Account level, as this could damage competition and release commercially sensitive information to competitors; and
- Suppliers should not be able to identify the customer providing the Balancing Service without the Customer's consent. This is anti-competitive as Suppliers may prefer the customer to provide Balancing Services through the Supplier rather than by themselves or through another party.

The remaining five respondents provided a neutral or N/A view.

The Workgroup also sought views on whether industry believed that the provision of MSID ABSVD volumes to Suppliers should be subject to Customer consent. Six respondents to the Assessment Procedure Consultation agreed that the provision of MSID ABSVD volumes to Suppliers should be subject to Customer consent and six respondents disagreed. The remaining five respondents provided a neutral or N/A view.

Respondents who agreed that Suppliers should be subject to Customer consent believed that it would be potentially damaging to competition without it ("soft power" problem). However, respondents who disagreed were of the view that there would be a clear commercial benefit for the customer of not disclosing information. One respondent commented that customers should not expect to transact wholesale energy with other market participants without their Supplier, who has ultimate responsibility for balancing their energy requirements and paying industry charges.

What is "soft power"?

Soft power is the ability to persuade others to do what it wants without force or coercion.

The Workgroup identified that this is a 'transparency' versus 'commercial confidentiality' issue. Some Workgroup members were of the view that as Suppliers' imbalances are being adjusted, then they should have visibility of this for competition reasons and so they can accurately bill their customers and better forecast their trading positions. One Workgroup member was concerned that where energy is bought in advance and results in imbalance, this cost may be socialised i.e. changes the side it is smeared from generation to retail.

Additionally, the Workgroup sought views on whether industry believed there are competition issues associated with reporting options detailed in this consultation document, for example, whether Suppliers would alter their terms of supply if this proposal is implemented.

A number of respondents had concerns that the proposed reporting options gives Suppliers the option to effectively shut down the entire non-BM Balancing Services market by changing their supply agreements with customers to exclude them from providing Balancing Services through anyone but the Supplier, or at all. However one respondent highlighted that in practice, it seems highly improbable that Suppliers would risk this behaviour given wider Competition Law requirements and potential remedies available to Regulatory Authorities.

The majority of the Workgroup also agreed that Suppliers would not risk their reputations given the wider legal implications.

A Workgroup member had concerns that the HHDA is contracted by a Supplier and wondered whether there should be some form of monitoring or an informal arrangement in place to ensure that the HHDA does not share the MSID ABSVD data with the Supplier unless the Customer consents. One member pointed out that this would be a breach of

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data protection laws. Some Workgroup members agreed that there does not need to be a separate compliance check on the HHDA as this is monitored under the PAF arrangements and could be added to the annual BSC Audit. This would ensure that there are controls in place to confirm that Suppliers are not being made aware of data that they should not have access to. The Workgroup agreed that this was a sensible approach.

Alternative Modification

Taking into account the responses received to the above Assessment Consultation questions, the P354 Proposer was of the view that where the MSID Pair data is provided by the TC, this should be provided to Suppliers regardless of whether the non-BM Balancing Services provider has consented. The Proposer therefore agreed to include this as part of the Proposed Modification.

However, the majority of the Workgroup agreed that the fairest solution would be for affected Suppliers to be provided with the MSID ABSVD subject to Customer consent. This would present a compromise for BM and non-BM Balancing Services providers rather than Suppliers automatically being provided with the MSID ABSVD or not being provided with the MSID ABSVD at all.

The Workgroup therefore agreed to raise an Alternative Modification for P354. This would be identical to the P354 Proposed Modification except that the MSID ABSVD for a Metering System should only be provided to the Supplier for that Metering System where the non-BM Balancing Services Provider has consented to it via an "opt in" approach. No ABSVD data will be published on BMRS.

Are there any other alternative solutions that the Workgroup should consider?

Views of respondents to the first Assessment Procedure Consultation

As part of the first Assessment Procedure Consultation, question five asked whether there are any potential Alternative Modifications within the scope of P354 which would better facilitate the Applicable BSC Objectives compared to the Proposed Modification. One respondent suggested the creation of a register of MSIDs associated with Balancing Services, mapped to BM Units. Suppliers and HHDAs, with BM Unit mapping accessible to Suppliers for meters registered to them. The respondent suggested that this would support transparency and allow verification and transfer of relevant MSIDs and could also be used for P344 and P355.

The Workgroup gave careful consideration to this suggestion with some members noting that it may be a useful way to facilitate competition in the future. The Workgroup highlighted that under both the P354 Proposed Modification and Alternative Modification, Suppliers will already be able to obtain MSID ABSVD (subject to Customer consent under the P354 Alternative Modification). ELEXON noted that a version of this register is already being created behind the scenes although it is not visible to Parties. Some Workgroup members were concerned that the creation of this register is not a good idea for the 'soft power' argument as competitors could essentially see what customers are doing. Overall the Workgroup agreed that this is an interesting concept although out of scope for P354.

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Views of respondents to the second Assessment Procedure Consultation

Ten of the 20 respondents to the second Assessment Procedure Consultation agreed that there were no other potential Alternative Modifications within the scope of P354 which would better facilitate the Applicable BSC Objectives compared to the Proposed and Alternative Modifications while three provided a neutral view. Seven respondents provided possible Alternative solution options which are outlined below.

One respondent suggested that the publication of individual TC instructed and expected actions in Balancing Services Adjustment Data (BSAD) data in similar timescales to BM data would be more useful in informing efficient short-term market and balancing behaviours. They noted that the assessment of Delivered Volumes long after the event is only useful for assessing delivery, for Settlement and for estimating longer term behavioural trends. The Workgroup agreed that this is a good idea and would be an enhancement to the current process. However, this would be a material change to the P354 solution and was not within the scope of the BSC. Taking into account the current time restrictions to ensure Parties have at least 12 months to implement P354 if a 1 April 2019 Implementation Date is approved, the Workgroup agreed that this solution should not be included as part of P354. However they recommended that this would be a useful future change for the TC's consideration.

Another respondent commented that all Balancing Services providers should be added to the BM and that this can already be achieved via P344 (and potentially P355). They noted that until wider access is achieved, it is unreasonable to remove the spill energy income, which acts as a similar income to the BM income received by larger parties. A Workgroup member highlighted that some non-BM Balancing Services providers may in fact want to keep outside of the BM as they are not yet aware of the ease of access from non-BM to the BM. Further Workgroup discussions on timing and links with other BSC Modifications can be found later in this section.

One respondent suggested an option that was identical to the Alternative solution but that did not report MSID ABSVD to affected Suppliers. This potential Alternative has previously been discussed and rejected by the Workgroup and these discussions can be found earlier in this section.

When should the Transmission Company provide non-BM ABSVD to BSC Systems?

The Workgroup discussed how to determine the timescales for the provision of non-BM ABSVD to the BSC Central Systems and how the BSC Central Systems should allocate the volume to the Supplier account.

The TC confirmed that it will submit data to BSC Systems by the 45th calendar day after the date on which the Balancing Service was provided in order to allow adjustments to be made by the First Reconciliation Run (R1). This is because the TC may is unlikely to have the data to send through to BSC Systems for the Initial Settlement Run (SF), due to existing commercial arrangements with non-BM Balancing Services providers. At the C16/ABSVD Workgroup on 13 October 2017, the Workgroup agreed to add a consultation question to determine whether this would be an issue for Suppliers.

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Views of respondents to the first the Assessment Procedure Consultation

Eight respondents to the Assessment Procedure Consultation indicated that it would be an issue for Suppliers if their position was not corrected until R1. Respondents commented that the majority of customer invoicing is undertaken at SF. If the Supplier position is not corrected until R1, this will lead to the need for persistent billing corrections. Suppliers also commented that they need to understand their imbalance and should be provided with the most accurate information as soon as possible. Another respondent added that large customers are billed on a monthly basis, which is broadly in line with the SF Run. Any volume adjustment after the SF Run will mean a retrospective change to customers' bills.

Two respondents did not consider it to be an issue for Suppliers if their position was not corrected until R1 commenting that corrections should not be issued until backing data is received by non-BM Balancing Services providers from the TC.

The Workgroup considered whether Suppliers' positions should be corrected at SF or R1. There was a strong preference amongst the Workgroup for the data to be provided by SF. Workgroup members commented that the TC should provide the required data in a timely manner and for the integrity of Settlement, Suppliers should be able to bill their customers accurately. A minority of the Workgroup noted that non-BM Balancing Services providers receive small numbers of data at SF as in most cases, data is not available from the TC in time for SF so R1 would be preferable.

One Workgroup member believed the TC should be working towards provision of data close to real time, but recognised that significant contractual, system and process changes would be needed to reach that point. The BSC legal text should enable this future vision by requesting data for SF.

Overall the Workgroup agreed that the TC should provide non-BM ABSVD as soon as practically possible. Therefore this should be provided at SF where available but by R1 at the latest. Normal reconciliation rules would apply subsequently.

The Workgroup therefore agreed that the wording in BSC Section Q6.4.8 should not be as explicit as currently drafted. However, the intention would be for the TC to send through the first provision of data to BSC Systems in all reasonable endeavours by SF but no later than R1. The Workgroup noted that amending the BSC legal text adds in optionality for the TC to provide data when it is available based on the contractual terms of the non-BM Balancing Services contracts.

The updated legal text can be found in both Attachments A and B.

Should Suppliers be allowed to opt out of having MSID-level ABSVD applied to them?

In accordance with BSC Section Q6.4.5, the lead Party for a BM Unit can opt out of having BM Unit-level ABSVD applied to their Energy Account by instructing the TC not to send it. P354 proposes that this right should not be extended to MSID-level ABSVD.

The Workgroup considered whether Suppliers should be able to opt out of having MSID-level ABSVD applied to their Energy Account. The Workgroup initially unanimously agreed that Suppliers should not be allowed to opt out. They agreed that this Modification will only work if MSID-level ABSVD applies to all relevant Suppliers.

However, the Workgroup also discussed whether Suppliers should lose their right to opt out of all ABSVD (regardless of which mechanism the TC was using to notify the ABSVD).

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The Proposer suggested that Suppliers should not be allowed to opt out of ABSVD submitted for delivery sites (using the new P354 mechanism), but retain an opt-out for BM Unit ABSVD.

Some members of the Workgroup were concerned that BM Balancing Services providers would have an advantage over those non-BM Balancing Services providers under the P354 proposal. Under the P354 solution for the first consultation, a Supplier's ability to opt-out of receiving BM Unit ABSVD, as detailed in BSC Section Q6.4.5, would be unchanged. Members of the Workgroup believed that this will distort competition between BM and non-BM Balancing Services providers unless the BM optionality is removed at the same time.

Views of respondents to the first the Assessment Procedure Consultation

The Workgroup sought industry's views on whether the opt-out provisions under BSC Section Q6.4.5 for BM Unit ABSVD should be retained and whether this would distort competition between BM and non-BM Balancing Services providers.

11 respondents to the first Assessment Procedure Consultation agreed that the opt-out provisions under BSC Section Q6.4.5 for BM Unit ABSVD should be removed. Six respondents provided a neutral or n/a view. There was a significant view from respondents that maintaining this provision would distort competition between BM and non-BM Balancing Services providers. This is contrary to the intention of P354, which aims to level the playing field. Therefore removing the provision would be in the interests of equality and transparency. Respondents also highlighted that removing this opt-out is also required for compliance with Article 49 of the EB GL which dictates that imbalance adjustment should be performed for all Balancing Services

The Workgroup unanimously agreed that the opt-out provision under BSC Section Q6.4.5 should be removed. The Workgroup also agreed that removing this opt-out better facilitates Applicable BSC Objective (e) noting that this would apply to prospective new Balancing Services contracts as the TC's Standard Terms and Conditions would have to change when EB GL becomes law.

How should the non-BM Unit ABSVD be reported?

The Workgroup discussed whether the related non-BM Unit ABSVD information should be reported. The Workgroup agreed that ABSVD aggregated to Supplier level could be reported as it would not cause any commercial issues for aggregators (as the data would be suitably anonymised). However, some members of the Workgroup expressed concern about Suppliers receiving ABSVD at the MSID level, as it could allow a Supplier to identify which of its Metering Systems were being used to provide Balancing Services.

The current BM Unit ABSVD is published on the BMRS and reported in the SAA Settlement Reports (SAA-I014 sub-flows 1 and 2). The Workgroup considered whether non-BM data supplied at the MSID level should be reported in the same way that BMU-level ABSVD is currently reported. The Workgroup agreed that the Supplier BM Unit Non-BM ABSVD will be reported to:

- the relevant BSC Parties (in the SAA-I014 sub-flow 1 Settlement Report); and
- the TC, BSCCo and other parties who licence the data (in the SAA-I014 sub-flow 2 Settlement Report).

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ELEXON noted that the proposal to publish aggregated data is consistent with current BSC reporting practices. Details of BSC Parties' imbalance calculations (aggregated to the level of BSC Party and/or BM Unit) are currently published in the Settlement Reports, and BM Unit level ABSVD is currently reported publicly on BMRS. For the avoidance of doubt, no ABSVD data will be published on BMRS for the P354 Alternative Modification.

Views of respondents to the second Assessment Procedure Consultation

The Workgroup proposed that all Supplier BM Unit Non-BM ABSVD should be published on the BMRS for the Proposed Modification but that nothing is published on BMRS for the Alternative Modification. 12 of the 20 respondents to the second Assessment Procedure Consultation agreed with the Workgroup's view. Respondents commented that in order for Settlement to work efficiently and in the interests of transparency and effective competition, it will help if parties can see all transactions made, or services used by the TC as part of the balancing arrangements.

Two respondents did not think that Supplier BM Unit Non-BM ABSVD should be published on BMRS in either the Proposed Modification or the Alternative Modification, as this would enable parties across the industry to identify which customers are providing Balancing Services. They believed that this would intensify and extend the commercial confidentiality issues from one Supplier to the whole industry.

One respondent disagreed commenting that they support transparency of information associated with the Proposed Modification. However, they queried the level of transparency for the Alternative Modification and suggested this could be provided in an aggregated or anonymised form. Some members of the Workgroup agreed commenting that if Supplier BM Unit Non-BM ABSVD was published on the BMRS, this opens up confidentiality issues as the data is visible to the whole market and not just Suppliers. They therefore noted that a customer's identification would then be at risk.

One respondent to the second Assessment Consultation queried the benefit of late reporting of ABSVD on BMRS. Some members of the Workgroup noted that as this is important market information, it is beneficial to know that the data is in Settlement so Parties can be aware of what is happening with it even though it is late in the process. One member believed that the data should be provided much quicker but understood the current TC constraints. It was noted that the legal text supports the provision of data from the SF Run.

A Workgroup member suggested that for the Alternative Modification, instead of publishing Supplier BM Unit Non-BM ABSVD on the BMRS, that the Delivered Volumes by Suppliers could be reported on a monthly basis in an anonymised form through ELEXON's Trading Operations Report (for example). The Workgroup overall agreed that this was a sensible approach and agreed to include an obligation in the BSC for BSCCo to provide a monthly report containing aggregate Delivered Volumes for the Alternative Modification only. Supplier BM Unit Non-BM ABSVD will therefore be published on the BMRS for the Proposed Modification only.

How is the correction to a Suppliers' imbalance due to Supplier BM Unit Non-BM communicated?

The Workgroup considered that under the scope of this Modification, it will be necessary to define how the correction to Suppliers' Energy Imbalance due to MSID-level ABSVD is

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communicated to Suppliers and the timings for this. The Proposer noted that currently, BM Unit ABSVD is published no later than the second Business Day after the ABSVD has been delivered as set out in BSC Section Q6.4.1. Suppliers will then receive the information in the SAA-I014 sub-flow 1 Settlement Report for the II Run.

The Workgroup noted that different types of delivery site would provide data at different timescales. The Workgroup also agreed that the TC should send MSID-level ABSVD to BSC Systems "when available" so that Supplier's imbalance positions could be corrected as early as possible.

For the avoidance of doubt, Suppliers will receive notification of Supplier BM Unit Non-BM ABSVD in the First Settlement Run after the MSID Pair data relating to their MSIDs has been received by SVAA.

Implementation Date

The Workgroup initially recommended an Implementation Date for P354 of 1 April 2019 as a Standalone Release.

Views of respondents to the first Assessment Procedure Consultation

Ten of the 17 respondents to the Assessment Procedure Consultation agreed with the proposed Implementation Date. Two respondents provided a neutral view.

The remaining five respondents disagreed commenting that the TC has invited Balancing Services providers to tender for STOR contracts up to two years ahead in January 2018. Therefore if P354 was implemented in April 2019, the TC would be left with a number of contracts that Balancing Services providers could not fulfil. These respondents recommended an Implementation Date of 1 April 2020 to align with the TC's changes to the Standard Terms and Conditions of affected Balancing Services contracts. One respondent also highlighted the importance of considering the P344 and P355 Implementation Dates.

The Workgroup had a lengthy discussion regarding the P354 Implementation Date. The P354 Proposer was strongly of the view that the intention of P354 is to be an enabling Modification and so it should be implemented as soon as practically possible. He did not want to delay another year, which he believed would be a frustration to the process and disproportionate given that he has been trying to make this change for 18 months already. Therefore the BSC changes should be implemented on 1 April 2019 and the TC can then start using the P354 mechanism once it has its contracts in place.

Some members of the Workgroup expressed the view that as P354 would result in a significant change to the STOR market, it should be implemented as a 'big bang approach' i.e. BSC and TC changes implemented all at once on 1 April 2020. Some Workgroup members commented that they would not want STOR contracts to be retrospectively applied as they would not want their existing Standard Terms and Conditions to be amended. A Workgroup member expressed the view that Parties do not want to carry out a tender round in doubt and are only able to tender on existing Standard Terms and Conditions available at that particular time; this should be honoured going forwards until the contract expires.

Some Workgroup members therefore expressed the view that there should be a parallel running of STOR contracts i.e. those that will have Standard Terms and Conditions based

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on pre-P354 conditions, which should all expire by March 2020, and those that will be based on Standard Terms and Conditions that will cater for P354. Other Workgroup members believed this would be complicated and create further distortion in the market with Parties participating on two separate contracts. A member pointed out that Standard Terms and Conditions could only be amended in accordance with any existing conditions. He believed that existing contracts must not be amended following P354 implementation, and should run to the end of their tenure on existing Standard Terms and Conditions.

The TC highlighted that Parties are able to tender for STOR for one month rather than the full two years should they wish to mitigate risk of potential implementation impacts of P354. The TC noted a letter dated 15 December 2017 that it had issued in relation to STOR contracts and the implementation of P354. The TC highlighted that there were some outstanding issues in relation to the implementation of the modification with regards to STOR contracts that straddled the P354 Implementation Date. The TC noted that it would need 12 months from the date of the Authority's approval to implement the proposed changes for P354. The TC confirmed that it would only be able to meet an Implementation Date for P354 of 1 April 2019, if the BSC legal text added in the optionality for the TC to provide data when it is available based on contractual terms as discussed earlier in this document.

For the avoidance of doubt, those parties that have tendered and received STOR contracts based on spill payments but prior to implementation of P354 can continue to receive spill payments for the term of their agreement (i.e. after the modification has been implemented). This will allow for the orderly run off of existing contracts, while recognising the increased administrative complexity.

Overall the P354 Workgroup acknowledged that the Standard Terms and Conditions for STOR contracts are outside the scope of the BSC although they have a related impact. However, the majority of the Workgroup agreed that the BSC changes for P354 should be implemented as soon as possible. The Workgroup therefore recommended an Implementation Date of 1 April 2019 for both the Proposed Modification and Alternative Modification.

Views of respondents to the second Assessment Procedure Consultation

Of the 20 respondents to the second Assessment Procedure Consultation, nine respondents agreed with the proposed Implementation Date, nine disagreed and two provided a neutral view. The differing views of respondents to the second Assessment Procedure Consultation are in line with the differing views of Workgroup members as detailed above.

The Workgroup noted a respondent's view that given the level of change that will be required to contractual arrangements between Suppliers and their customers, less than 24 months is insufficient to implement P354. The Workgroup noted that this is a contractual issue and although difficult as the Party will need to review all its existing contracts, it is something that will need to be carefully managed if a 1 April 2019 Implementation Date is approved.

The TC Representative reiterated its response that if 1 April 2019 is approved as the Implementation Date, it would propose implementing into contracts for Fast Reserve and Demand Turn-Up in April 2019 and for STOR in April 2020 as they believe that this would minimise the concerns raised that different parties would be tendering on different terms and conditions for the same services. Any existing contracts, due to expire in March 2020,

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would continue under existing terms. STOR is also the most complex service in terms of data flows and numbers of providers, and implementing into contracts from April 2020, would also allow providers to factor in changes alongside those proposed as part of widening access to the BM and TERRE under P344. Members of the Workgroup agreed that this was a sensible and flexible approach. A Workgroup member noted that long-term STOR contracts do not expire until 2023.

A member of the Workgroup noted that a total package approach which includes implementing both P344 and P354 at the same time would be reasonable as it would remove the distinction between 'small' and 'large' players. Five of the 11 Workgroup members agreed with this approach for consistency purposes. Another five of the 11 Workgroup members noted that in an ideal scenario, they would want to see P344 and P354 aligned. However, they would still want P354 implemented on its own merit, regardless of P344. The remaining respondent presented a neutral view due to a timing issue as they believed an implementation approach of 24 months was necessary. ELEXON noted that P344 and P355 have been raised to address different issues and although it is acknowledged that Parties would potentially want these Modifications all implemented at the same time, the Workgroup has to look at the Modifications on their own merit rather than as a total package.

BSC Legal text

Views of respondents to the first Assessment Procedure Consultation

11 respondents to the first Assessment Procedure Consultation agreed with the proposed redlined changes to the BSC. Respondents commented that the draft legal text accurately and cohesively delivers the intention of P354. Three respondents were neutral or provided no comment. Three respondents who disagreed with the Proposed Modification also disagreed with the draft legal text on that basis.

Respondents were concerned that BSC Section Q6.4.5 allows BM providers to benefit from the payments that P354 seeks to withdraw from non-BM Balancing Services providers. Instead of removing an advantage which one part of the industry has over others it instead creates market distortion. As detailed earlier in this section, the Workgroup unanimously agreed that the opt-out provision under BSC Section Q6.4.5 should be removed. The updated draft legal text can be found in Attachments A and B.

Views of respondents to the second Assessment Procedure Consultation

16 of the 20 respondents to the second Assessment Procedure Consultation agreed that the draft legal text delivers the intention of the Proposed Modification. The remaining four respondents provided a neutral view. Only one typographical error was identified and this has now been updated in the draft legal text for the Proposed Modification in Attachment A.

15 of the 20 respondents to the second Assessment Procedure Consultation agreed that the draft legal text delivers the intention of the Alternative Modification, with four respondents providing a neutral view. The one respondent who disagreed also disagreed with the Alternative solution. A couple of minor non material errors were identified and these changes have now been reflected in the draft legal text for the Alternative Modification in Attachment B.

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Additionally, two respondents commented that given the importance of being able to access the data for efficient operation of Customer accounts, they would need to be able to confirm that a Customer has consented to "opt in". They noted that the current legal drafting suggests that only the SVAA is informed that the Customer has opted in (BSC Section Q 6.4.7) and this information is not passed on to Supplier. However, they would like visibility of the fact that the Customer has given consent to ensure efficient billing and account management from the start.

The Workgroup noted that a Customer is not a party to the BSC and so the aggregator will need to obtain consent through its bilateral contract with the Customer. The aggregator will then pass this consent through to the TC who would ensure that it is explicit in its contract what the Customer's data would be used for. The Workgroup noted that the MSID Pair Data provided by the TC to SVAA would need to include an Effective From Date and an Effective To Date for the data provision so that it is able to control the data coming in from the HHDA and help control any erroneous data outside of the period the contract is in force. The Workgroup agreed that this would be applicable for the Proposed and Alternative Modifications.

The Workgroup also discussed whether an Effective From Date and Effective To Date was applicable to the Customer's consent for the Alternative Modification. Members of the Workgroup agreed that a formal arrangement was needed so that the TC can accurately flag if consent has been given. A Workgroup member highlighted the scenario where a Customer's consent could change at a point in the contact for example, in the event of a change of Supplier. The Workgroup therefore agreed that the legal text should be amended to allow the Customer to amend its consent at any point and supported the need to include Effective From Date and Effective To Date for consent reasons.

Trading Disputes

Settlement Errors occur when the rules of Settlement have not been followed and this failure affects Trading Charges. Under the BSC, Suppliers have an obligation to ensure that Settlement is accurate. In an event when an inaccuracy is caused by directly breaching the BSC, a Trading Dispute is one of the methods in ensuring rectification. A valid Trading Dispute must meet the following three criteria:

- Dispute raised within the applicable Dispute Deadline;
- Settlement Error has occurred; and
- Materiality meets the £3,000 threshold.

Members of the Workgroup asked how the Trading Disputes process would address potential Settlement Errors relating to non-BM Unit ABSVD and asked ELEXON to develop redlined changes to BSCP11 'Trading Disputes' for inclusion in the P354 Assessment Consultation. These proposed changes can be found in Attachment B.

Following the implementation of P354 (if approved), if a BSC Party is allowed to receive HH metered MSID data and so can assess the materiality of the potential Settlement Error, they would be able to raise a Trading Dispute under the existing BSCP11 process. However, it is possible that BSC Parties would not receive all HH metered MSID data, and so would not be able to fully assess the materiality of the potential Settlement Error. Under the current wording in BSCP11, they would not be able to raise a Trading Dispute. Therefore the proposed changes to BSCP11 allow BSC Parties to submit partially completed Trading Disputes relating to ABSVD. ELEXON will then investigate the claim

What is the Disputes process?

The Trading Disputes process is used to facilitate the correction of errors in Settlement that have affected Trading Charges. The sole purpose of the process is to correct errors in Settlement and is not designed to assign culpability on any Parties involved. All Trading Disputes are assessed against three criteria, which must be met for the Trading Dispute to be upheld. All Trading Disputes are confidential. Further information can be found in the Trading Disputes guidance note on the ELEXON website.

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further to assess whether there is a Settlement Error and, if there is, assess the materiality and (where applicable) complete the Trading Disputes form and submit it on behalf of the BSC Party.

Members of the Workgroup queried whether non-BSC Parties can raise Trading Disputes. ELEXON noted that they are unable to raise Trading Disputes themselves. However, if they believed there was an error, then they should contact ELEXON directly either via email or through the BSC Service Desk. ELEXON then has an obligation to investigate and assess the error against the above criteria. If ELEXON deems the Trading Dispute to be valid, then it will be referred to the Trading Disputes Committee (TDC).

Views of respondents to the first Assessment Procedure Consultation

12 of the 17 respondents to the Assessment Procedure Consultation agreed with the Workgroup that the draft redlined changes to BSCP11 deliver the intention of P354. Four respondents provided a neutral view.

One respondent disagreed, commenting that it was concerned at the lack of detail in terms of how they should notify BSCCo, timescales for doing so and the likely Service Level Agreement (SLA) on behalf of BSCCo to confirm that either a Trading Dispute has been issued or that there is no Settlement error to resolve. They also commented how BSCCo is able to make any determination regarding whether the issue may give rise to a Trading Dispute without explicit detail.

ELEXON advised that it was not including any additional obligations to the existing Trading Disputes process. For consistency purposes, it had aligned the proposed redlined text with current wording used in BSCP11. There is a trust in ELEXON by Parties to assess the materiality of a potential Settlement Error if a BSC Party believes there is a Trading Dispute relating to ABSVD and (where applicable) complete the Trading Disputes form and submit it on behalf of the BSC Party. ELEXON will request relevant data from relevant participants to make an assessment in accordance with BSCP11.

The Workgroup agreed that minimal change to BSCP11 was the favoured approach. Members of the Workgroup also agreed that under the P354 Proposed and Alternative Modifications (if a Customer provides consent), MSID ABSVD will be reported to the affected Suppliers. This provides a step forward in comparison to the previous proposed solution where Suppliers may not have been provided with MSID ABSVD.

A member of the Workgroup had a concern around monitoring the performance of the non-BM Balancing Services providers in relation to accuracy of data in Settlement. In particular, the quality of the data submitted at SF and the subsequent adjustments that take place at RF. They therefore suggested that it would be useful for a monthly report to be produced in order for ELEXON to be able to take any necessary action to address issues associated with the integrity of Settlement. ELEXON agreed to add this to the P354 business requirements (BR10) which are detailed in Attachment D.

Further comments

Respondents to the first Assessment Procedure Consultation

One respondent commented that it is likely that Supplier Agents will wish to charge for supporting the provision of disaggregated data to SVAA. Suppliers will pick up this charge in the first instance, thereby creating a cross-subsidy. The respondent therefore queried

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whether provisions should exist to recover a fixed proportion of these costs from service providers registered to the service and reallocate to Suppliers to compensate for (at least some) of the costs.

The Workgroup noted that this issue disappears if Suppliers are able to see the MSID ABSVD data. However, it recognised that the approach causes costs for HHDAs that will be socialised as the only way a Supplier is able to receive data is via the HHDA.

The same respondent also queried whether additional performance assurance standards (beyond those already established by the Performance Assurance Framework (PAF)) will exist to underpin the quality and timeliness of data provided by Supplier Agents and whether any liquidated damages will be applied to Suppliers for failure to meet standards.

ELEXON advised that there are no plans for liquidated damages at present. If any additional risks are identified, the PAF has various techniques that can be applied to it. Some Workgroup members highlighted that Suppliers are currently paying incremental costs and queried whether there is a way of understanding what these are and charging them to the relevant beneficiary. ELEXON acknowledged the respondent's concern and noted that BSCP503 will detail what the HHDA will send to SVAA and when. However, under the current BSC arrangements, the performance of HHDAs is the responsibility of the Supplier.

The full responses received to the first Assessment Procedure Consultation can be found in Attachment E.

Respondents to the second Assessment Procedure Consultation

Discrimination against smaller players?

One respondent commented that the P354 Proposed Modification appears to disadvantage smaller players who do not yet have economic equal access to the BM. Some members of the Workgroup were concerned with the distinction between 'larger' and 'smaller' players as it implies that there is discrimination. However they acknowledged that 'larger' players tend to be those already participating in the BM and 'smaller' players in relation to those not currently participating in the BM.

The Proposer noted that the current arrangements are discriminatory and as such the defect for P354 is to remove the spill payments in order to level the playing field. The Proposer acknowledged that P354 would impact non-BM participants but he did not believe it was discriminatory against them.

A Workgroup member commented that there is no point in levelling one quarter of the playing field as it is necessary to look at the whole playing field in context. They added that the Workgroup should be mindful of issues across the whole market. Another Workgroup member noted that it is a combination of factors that make it discriminatory for smaller players including both the spill payment issue under the BSC and issues outside of the BSC itself. The Proposer added that implementing P354 will ensure 'smaller' players will instead be able to bid on the same terms as 'larger' players. This will improve competition and levels the playing field for future auctions and tender rounds such that they will be assessed on the same basis and merit.

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"Soft power" concerns

One respondent was concerned that throughout the workgroup process there has been an ongoing campaign to suggest that Suppliers would act in an anticompetitive way, abusing their "soft power" with regards to their customers by seeking to amend contracts and or actively foreclose the market to independent aggregators. They believe these allegations to be unfounded and that if there ever was an alleged breach of competition law and other legislation, then there are clear regulatory and legal avenues to challenge and seek justice.

Some Workgroup members commented that they had expressed their views accordingly as part of the Workgroup process and that both sides of the argument had been discussed appropriately. One Workgroup member commented that the "soft power" concerns are real and that some customers are not from the electricity industry and as such have different attitudes to data and confidentiality in comparison to market participants.

Socialisation of costs

One respondent commented that the Alternative Modification would result in increased inefficiency within the balancing and settlement process as the adjustments could not be allocated to the specific MSID causing the adjustment. This would create additional complexity by requiring that the data relating to balancing actions be provided separately between the customer and Supplier, or potentially, the customer, aggregator and Supplier. Additionally, the customer opt-in approach would cause distortion in competition with the other supply customers paying for the inefficient balancing and settlement of actions taken by non-BM Balancing Service providers. The resultant socialising of costs incurred as a result of the commercial actions of others is wholly inappropriate.

A Workgroup member queried whether aggregators themselves are able to influence a Supplier's position/costs being attributed as a result as Suppliers are unable to check or know about the adjustments. Another Workgroup member suggested that spill payments would in future no longer be part of the contract as the spill payment will be removed under P354. However, another Workgroup member noted that for some customers and/or generators, having the option of a pass through contract which included the imbalance element would be a sensible choice, given the nature of their operations.. They also noted that forward hedge costs are an issue as these are based on a forecast that is moving. Therefore Suppliers are able to offer fixed and floating price contracts as well as fixed price only ones.

Another Workgroup member noted that if a Supplier can see where the ABSVD is coming from, it can allocate the spill adjustment accordingly as it would be attributed to that particular site. Another Workgroup member noted that the data will only be provided to the Supplier after the Balancing Services event has taken place but that Suppliers should be aware of who is making those adjustments. If consent from the Customer (demand or generator) is not in place for the disclosure, then the costs of the ABSVD would have to be spread across the Supplier's other customers. They noted that the issue is therefore moving from Settlement to Settlement in billing.

Third Party

One respondent commented that the P354 Alternative Modification resolves some of the competition issues arising from Suppliers receiving sensitive data from their customers who are providing Balancing Services themselves, or through a third party. A Workgroup

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member strongly disagreed as they noted that a majority proportion of the I&C customer base contracts their Supplier agreement through a third party (usually an energy consultant). The consultant will offer a range of services, ranging from procurement of the supply contract (in which case soft power could not be exercised by a Supplier) but also bill checking services. If a third party is involved, this adds another layer of complexity to the provision of energy bills and/or invoices for power generated. If a customer has to opt-in, a third party may be responsible for managing the customer's bills so they may need to see the data relating to Balancing Services provided as well as the Supplier in order to ensure that the bills and invoices are accurate. Members of the Workgroup agreed that the customer should be responsible for passing this data to the third party not the Supplier and noted the extra layer of complexity third parties would to the arrangements.

Ofgem's view on balancing costs

One respondent noted that in July 2017, Ofgem published an open letter in which they stated that balancing costs should be borne by the parties that created them. If Suppliers cannot identify who has caused them imbalance then the associated costs will have to be shared amongst other customers. They therefore commented that the Alternative Modification is therefore in direct contradiction to Ofgem's thinking. The Ofgem Representative noted that this appears to be a misunderstanding as the letter is in relation to balancing costs which it believes will no longer exist after the adjustments made after the implementation of P354.

Should GSP Group Correction be applied to the relevant HH Metered Volumes for the purpose of adjustments?

Another respondent queried whether GSP Group Correction should be applied to the relevant HH Metered Volumes for the purpose of adjustments. They commented that without adjustment for GSP Group Correction, the relevant volume may not be fully consistent with the volume allocated to the Supplier through the normal SVA Allocation Rules, giving rise to small imbalances. Materiality may be small or zero currently but could become more significant with increased aggregations of smaller sites in future.

The Workgroup noted that this is not an issue now but one to watch as it would add another layer of complexity. They therefore agreed that although it would be useful to apply GSP Group Correction to the relevant HH Metered Volumes for the purposes of adjustments, due to the timescale implications for the Proposer and the current low to zero materiality, a separate Modification could be raised at a later date to amend the P354 calculations if required. ELEXON suggested that the SVAA data could be amended to report the raw data and the Line Losses calculated using the LLF to future proof against any future requirement to include the GSP Group Correction Factor in the ABSVD calculation, in both the Proposed and Alternative Modifications. This requirement has been updated in the draft BSC legal text (Attachments A and B) and the Business Requirements (Attachment D).

The full responses received to the second Assessment Procedure Consultation can be found in Attachment F.

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Solution history

Which sites should be included within the scope of the solution?[2]

The Workgroup recognised that some of the 'sites' providing Balancing Services to the TC are more complex than others, and that it may be more difficult to determine delivered volumes for the more complex sites. A Balancing Services provider site (or "group") is the entity that can be used to deliver a Balancing Services contract. It may contain one or more delivery sites and may be geographically diverse.

A delivery site is a physical location that delivers part or all of a Balancing Services instruction from the TC. It may correspond to a generator, a bank of generators, or one or more elements of load, provided that these are capable of being controlled together. A delivery site may have one or more Boundary Points. At each Boundary Point there will be one MSID Pair (comprised of one Import Meter and in most cases one Export Meter).

The TC highlighted that each delivery site will have one or more SVA MSIDs. A site with generation will always require at least two MSIDs (one for Import, one for Export), but there may be more. For example, if the delivery site has multiple network connections, or multiple tenants with independent access to the supply market. Within a delivery site there will be a number of MSIDs available. However these will not be available at all times.

The Workgroup acknowledged that the TC has difficulties with mapping delivered volumes to MSIDs where the relationship between Aggregator sites, Aggregator delivery sites and MSIDs are complex. For this reason, the Proposer originally suggested that the scope of the solution would be restricted to:

- Aggregator sites where the TC has access to operational metering data for each delivery site (i.e. excluding those where the TC only has aggregated metered data, because they despatch at the site level, and an aggregator instructs the individual delivery sites); and
- Delivery sites where the TC can provide an 'Allocation Rule' specifying how to allocate delivery site volumes to MSIDs.

Some Workgroup members were concerned that limiting the scope of the P354 solution to less complex sites in this way would not resolve the defect; it would just move the point at which the distortion occurred. One member highlighted that non-BM participants will be treated similarly to BM participants as their volume will be removed from their Energy Account but at the same time, they will not be able to access the BM.

Some members noted that the solution should apply to all non-BM participants, not only to the ones that do not have complex sites. The TC added that it is important to avoid introducing additional distortions among non-BM provider types within the same product as this can have a material impact on competition.

The Workgroup agreed that this question of which sites the TC should provide ABSVD for should be progressed by the C16 Workgroup. Following discussion at this Workgroup, the TC now proposes that all relevant sites (complex and non-complex) should fall within scope. For more detail on this please refer to the informal C16 consultation.

What is a Boundary Point?

A Boundary point is a point at which a Plant or Apparatus not forming part of the Total System is connected to the Total System.

Should the Proposal apply to Import as well as Export?

The Proposer was also keen that, as a minimum, the solution should allow ABSVD to be allocated to a single Export MSID (capped by the amount of Export recorded on the Meter). However, the Workgroup disagreed as they believed that this did not include all

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the delivered volumes in Settlement. They were therefore of the view that this would not fully address the defect. The Workgroup subsequently agreed that it was not appropriate for ABSVD to be allocated to a single Export MSID. As detailed in Section 3, MSID Pair Delivered Volumes will be allocated to one or both MSIDs in the MSID Pair according to the rules set out in Attachment D.

Allocation Rules[9]

The Workgroup discussed the process for allocating a total Delivered Volume to individual MSIDs, and agreed that it can be considered a multi-stage process:

1. The total volume delivered by a group of sites may need to be allocated between individual delivery sites (if there is more than one);
2. The volume at each delivery site may need to be allocated between individual Boundary Points (if the delivery site has more than one);
3. The volume at each Boundary Point may need to be allocated between the Import and Export MSID (if the Boundary Point has both).

Step 1 of the process will be carried out by Balancing Services providers, outside the scope of P354. The Workgroup considered whether step 2 should be carried out within the scope of P354, using an 'Allocation Rule'. However, at the C16/ABSVD Workgroup on 26 September 2017, the C16 Workgroup concluded that step 2 should also be performed by Balancing Services providers (outside the scope of P354). This date will then be sent to the TC who will provide Delivered Volumes that have already been disaggregated to the Boundary Point level (using data provided by the Balancing Services provider). Please see the informal C16 consultation for more details.

The only part of the process remaining within the scope of P354 is therefore step 3 i.e. splitting the volume delivered at a Boundary Point between the Import MSID and Export MSID. This step will be carried out by the SVAA, using Settlement metered data to establish whether the volume delivered would have changed the Import recorded on the Import Metering System, the Export recorded on the Export Metering System, or both. For further details see requirement BR6 and Appendix B in the attached Business Requirements (Attachment D).

Through its discussions, the Workgroup agreed that the TC no longer needs to send Allocation Rules as non-BM Balancing Services providers will notify which MSID Pairs the Delivered Volumes should be allocated to. For the avoidance of doubt, BSC Systems will not need to have knowledge of the Allocation Rules in order to convert MSID Pair Delivered Volumes into MSID level ABSVD (please see Attachment D for further examples). However, the Workgroup queried whether there are any scenarios where this would not work. The Workgroup agreed to seek views on this as part of the Assessment Procedure Consultation.

Views of respondents to the first Assessment Procedure Consultation

14 respondents to the first Assessment Procedure Consultation agreed with the proposed approach (described in Attachment D) to allocating Delivered Volumes at a Boundary Point between the associated Import and Export MSID (the 'MSID Pair').

[9] Prior to the TC's C16 ABSVD Workgroup meetings in September 2017, the P354 Workgroup had assumed that the TC would send delivered volumes per delivery site and Allocation Rules to the SVAA. The TC will now send delivered volumes per MSID Pair to the SVAA.

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One respondent commented that when a site has more than one importing MSID, without knowing the switching arrangement on site or having access to the Boundary Point Meter data it would be impossible to identify which MSID Pair should be assigned the instruction. As part of the proposed solution, each importing MSID should be allocated to a separate MSID Pair noting that an MSID Pair does not have to have an Export MSID. The Workgroup agreed that this is related to the ABSVD methodology and as such is not a BSC issue.

Another respondent commented that the non-BM Balancing Services provider is responsible for pairing the import and export MSIDs together, which becomes impossible to do without access to meters or the technical data from the meters. On some occasions, the non-BM Balancing Services provider would be forced to request information from the Supplier's MOA which would result in a Supplier being notified of a customer's participation in Balancing Services without the customer's consent.

Some Workgroup members noted that things on site are not always labelled well, which results in the aggregator having to go to the MOA for information. This is not an issue if the MOA has the site information but if they do not have the site information, the only party who would have this information is the Registrant for the Metering System, which could be the Supplier ('Supplier Hub Principle). The Workgroup noted that this would not be an issue for the P354 Proposed solution but may be for the P354 Alternative solution where the Customer has not consented. It acknowledged that Ofgem is currently looking into the Supplier Hub arrangements for reasons such as this.

What are the implications for customers of adjustments being made to their Supplier's imbalance positions?

The Workgroup considered the implications to customers of adjustments being made to their Supplier's imbalance positions. One Workgroup member commented that currently, Suppliers may share their spill payments with customers. However, if this spill payment is lost, Suppliers and their customers may need to renegotiate their contracts. Another Workgroup member commented that customers might be reluctant to sign up to a contract with Suppliers if there are additional costs. Another Workgroup member noted that this should not be an issue because in their view, P354 was proposing a more efficient cost. This is because at the moment, non-BM participants are receiving a double payment and the proposed solution will eliminate this inefficiency.

How should the BSC Systems allocate non-BM Unit ABSVD volumes?

The Workgroup also considered if the BSC Systems should allocate non-BM ABSVD at Supplier or at BM Unit level. ELEXON proposed that it should be allocated at Supplier Account level because BSC Systems will not know which of a Supplier's BM Units to allocate the ABSVD to and the Supplier would be unaware of the provision of Balancing Services that its MSID(s) were being used for and, as it was not necessary for volumes to be allocated to BM Units to adjust a Supplier's Energy position, it would also be a less complex solution. The Workgroup therefore agreed that Supplier Account level ABSVD would be suitable to be used to correct Suppliers' Energy Imbalance positions.

However this has since been amended to BM Unit level as detailed in the proposed solution and as such, we issued a second Assessment Procedure Consultation.

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Demand Side Response

The Workgroup considered whether Demand Side Response (DSR) should be included in the scope of P354. However, the Workgroup again agreed that this is outside the scope of the BSC and P354 does not seek to amend this. DSR should instead be considered as part of the ABSVD methodology Workgroup discussions.

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

Ancillary Services Review

The Workgroup discussed the interaction between P354 and the TC's review of the Ancillary Services. Further information can be found in the C16 consultation document. A Workgroup member noted that this review should not make any difference to the scope of P354 as these changes would affect any non-BM services.

Other BSC Modifications

The Workgroup noted that there is a potential relationship with both BSC Modifications P344 and P355. Both these Modifications are placing reliance on a Secondary BM Unit, a unit established and registered (or to be established and registered) by a Virtual Lead Party in accordance with BSC Section K 'Classification and Registration of Metering Systems and BM Units' 8. The concept of a Secondary BM Unit is that it does not include all the Metered Volumes for the sites it contains, only the volumes that are delivering Balancing Services (e.g. Trans European Replacement Reserves Exchange (TERRE) Acceptances or Bid Offer Acceptances (BOAs)) to the TC. All other Metered Volumes for those sites remain in the Primary BM Unit.

ELEXON also noted that P344 is also considering the participation of aggregators in delivering Replacement Reserves (RR) but providing a different service. The Workgroup questioned whether there would be a double allocation of volume if P354 was approved. ELEXON noted that, if P354 is approved, there will not be a double allocation because TERRE volumes will be allocated to Secondary BM Units which will not be available for the provision of non-BM Balancing Services under the ABSVD methodology.

The TC was concerned that P354 may not be consistent with the live Modifications (P344 and P355) and suggested avoiding making changes that can become obsolete in the future. Other members noted that these three live Modifications are still being assessed and as such, we should consider the P354 proposed solution against the current baseline. As the defect is recognised, some members believed that we should move forward with the proposed solution. One Workgroup member noted that P354 is designed to address a defect and it should not be used as a vehicle for larger changes.

Modification impacts on non-BSC Parties

The Workgroup highlighted that P344, P354 and P355 all have consequential impacts on non-BSC Parties. One Workgroup member was concerned that these Modifications will introduce rules into the BSC that will impact non-BSC Parties. However they noted that non-BSC Parties are unable to raise Modifications themselves and queried whether this is an issue. ELEXON acknowledged the impacts that changes to the BSC will have on non-BSC Parties. However, under BSC Section F2.1.1(c), there is a route available for non-BSC

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Parties to apply to the Authority for a designation to raise Modifications. This therefore gives non-BSC Parties the opportunity to use the Modification process if potential changes are going to materially impact them.

Electricity Balancing Guidelines

The EB GL became law on 18 December 2017, which requires each Balancing Service to have a consequential imbalance adjustment. This opened up the question as to when and how to progress the balancing adjustments. The Workgroup agreed that removing the opt-out in BSC Section Q6.4.5 ensures that P354 is compliant with the EB GL.

What effect may P354 have on Firm Frequency Response?

The Workgroup agreed that P354 does not have any effect on Firm Frequency Response (FFR). FFR is a Balancing Service. All FFR Balancing Services are currently included in the TC's ABSVD Methodology. For the avoidance of doubt, P354 does not seek to amend this. However, the TC has consulted on changes to the ABSVD methodology to facilitate the P354 solution. The Workgroup therefore agreed that this was outside the scope of P354 and should instead be considered under the ABSVD methodology discussions.

Further clarification on FFR is detailed in section 8.

What is the impact of P354 on consumers?

A Workgroup member noted that there is a risk that the expected volume will not be delivered and if the Party is short, then it may incur a position of imbalance leading to a reduction in income. The Proposer disagreed noting that this was not in relation to trading but to positive generation, which results in the Party being long and getting paid for it. A Workgroup member asked if the risk of not delivering is being managed through the Supplier portfolio. A Workgroup member noted that Suppliers do not have a way of predicting Balancing Services instructions, as these are reactive based on network requirements.

One Workgroup member asked if non-BM Balancing Services providers have market arrangements with Suppliers for adjusting volume for ABSVD. The Proposer noted that this is out of the scope of the Modification. Suppliers will need to consider what arrangements they put in place with their customers to address the situation in which energy is moved from the Supplier to the TC (through the ABSVD mechanism) as a result of actions taken by the customer.

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7 Workgroup's Conclusions

At its final Workgroup meeting on 1 February 2018, having taken into account the responses received to both Assessment Procedure Consultations and the views of the Workgroup, the Proposer amended its P354 Proposed Modification. The Alternative Modification as described in section 6 of this document and in the second Assessment Procedure Consultation is now the P354 Proposed Modification and what was previously the Proposed Modification is now the P354 Alternative Modification. The Workgroup's final recommendations in relation to the revised Proposed Modification and Alternative Modification are detailed in this section.

Workgroup's final recommendations

The majority of the Workgroup (six out of 11 members) believes that P354 Alternative Modification **would** overall better facilitate the Applicable BSC Objectives compared with both the existing baseline and Proposed Modification and so should be **approved**. This is largely in relation to Applicable BSC Objective (c) as the majority of the Workgroup believes that providing the non-BM MSID ABSVD data to the relevant Suppliers will provide greater transparency, protecting the integrity of Settlement and facilitating Supplier processes. However, the Proposer and the minority of the Workgroup believes that providing the non-BM MSID ABSVD data to relevant Suppliers without the Customer's consent will be detrimental to competition as it will provide privileged information to Suppliers.

However some members of the Workgroup agreed that without the relevant changes to the ABSVD methodology statement, P354 would have no impact. The Proposer recognised that the Alternative Modification is better than the current baseline but believed that the P354 Proposed Modification is better than the Alternative Modification, particularly in relation to Applicable BSC Objective (c). This is because the intention of P354 is to get a Supplier's Energy Account adjusted for non-BM ABSVD.

The Proposer also recognises that provision of data is an important issue for industry. On balance the Proposer believes that it is important to protect Customers' data and therefore believes the Proposed Modification is better than the Alternative Modification.

Members' views against each of the Applicable BSC Objectives are summarised below.

Applicable BSC Objective (a)

The Proposer and the majority of Workgroup members agree that P354 Proposed and Alternative Modifications would better facilitate Applicable BSC Objective (a) as the Transmission Licence C16 Statements require the TC to procure and use Balancing Services without discriminating between classes of users. They believe that the current procurement of non-BM services does not fully take account of all the costs of the use of these non-BM services. This creates discrimination between BM and non-BM classes to the detriment of BM providers.

Applicable BSC Objective (b)

The Proposer and the majority of Workgroup members agree that P354 Proposed and Alternative Modifications would better facilitate Applicable BSC Objective (b). They contend

What are the Applicable BSC Objectives?

(a) The efficient discharge by the TC 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

(g) Compliance with the Transmission Losses Principle

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that the TC does not consider the cost of the spill payment when contracting with non-BM services. When the full customer cost is considered (i.e. including the spill payment in non-BM energy cost) the TC is potentially allocating contracts and despatch volume in an inefficient manner.

The Proposer and the majority of Workgroup members agree that the P354 Proposed and Alternative Modifications will remove the spill revenue from non-BM Balancing Services providers by allowing all providers to compete for the provision of these services on an equal basis. This will provide a better deal for the end consumer, resulting in an overall more economic system.

The minority of Workgroup members believe that P354 Proposed Solution is detrimental to Applicable BSC Objective (b) if the Customer does not provide consent and consequently MSID ABSVD is not reported to Suppliers. Although P354 will remove the spill revenue, it smears the cost and so Suppliers need the MSID ABSVD data to ensure that it is not subsidising other Balancing Services providers.

Applicable BSC Objective (c)

The Proposer and the majority of Workgroup members agree that P354 Proposed and Alternative Modifications would better facilitate Applicable BSC Objective (c). They believe that when the full customer cost is considered (as detailed above), this damages competition between BM and non-BM Balancing Services providers as it results in additional customer costs.

They agree that the P354 Proposed and Alternative Modifications will remove the spill revenue from non-BM Balancing Services providers by allowing all providers to compete for the provision of these services on an equal basis. This will facilitate competition between different types of provider.

The minority of Workgroup members also agreed that the P354 Proposed Modification better facilitates Applicable BSC Objective (c) compared to the existing baseline as it addresses the 'soft power' issues.

The majority of Workgroup members believe that for the integrity of Settlement, the P354 Alternative Modification will facilitate competition between different types of provider and cover any Competition Law concerns.

The minority of Workgroup members believes that P354 Alternative Modification would be detrimental against Applicable BSC Objective (c). Members were concerned that there is the potential for Suppliers to block participation as many non-BM Balancing Services providers do not have knowledge of the BM processes and potential for Suppliers to opt-out. Additionally they do not believe that the ABSVD methodology is fair. These Workgroup members are therefore of the view that these two factors cause a detriment to competition.

Applicable BSC Objective (d)

The Proposer and the majority of Workgroup members agree that P354 Proposed and Alternative Modifications would better facilitate Applicable BSC Objective (d). They note that the Settlement process was carefully designed so as to isolate the accurate delivery of Balancing Services from any changes to a parties' energy imbalance. They believe that this

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process has been side-stepped by the growth of non-BM Balancing Services without the application of ABSVD. Putting it back into ABSVD will correct this inefficiency.

Additionally, both the Proposed and Alternative Modifications allow the efficient implementation of the EB GL, ensuring that imbalance adjustment happens to the correct parties.

The minority of Workgroup members believe that P354 Proposed Solution is detrimental to Applicable BSC Objective (d) if the Customer does not provide consent and consequently MSID ABSVD is not reported to Suppliers. Although P354 will remove the spill revenue, it smears the cost and so Suppliers need the MSID ABSVD data to ensure that it is not subsidising other Balancing Services providers.

Applicable BSC Objective (e)

The Proposer and the majority of Workgroup members agree that P354 Proposed and Alternative Modifications would better facilitate Applicable BSC Objective (e). They highlight that the EB GL requires imbalance adjustment to be performed for all by the end of 2020 at the latest. This Modification therefore facilities the implementation of this requirement.

The TC also provided the view that they agree that P354 would better facilitate Applicable BSC Objective (e) as it is compliant with EB GL.

Applicable BSC Objective (f)

The Proposer and all Workgroup members believe that P354 is neutral against Applicable BSC Objective (f).

Applicable BSC Objective (g)

The Proposer and all Workgroup members believe that P354 is neutral against Applicable BSC Objective (g).

Summary of Workgroup's views against the Applicable BSC Objectives

Does P354 better facilitate the Applicable BSC Objectives?		
Obj	Proposed Modification	Potential Alternative Modification[10]
(a)	• **Yes (Proposer)** – P354 removes discrimination between BM and non-BM classes. • **Yes (majority)** – agree with Proposer.	• **Yes (majority)** – agree with Proposer.
(b)	• **Yes (Proposer)** - will remove the spill revenue from non-BM Balancing Services providers by allowing all providers to compete	• **Yes (majority)** – agree with Proposer.

[10] Shows the different views expressed by the other Workgroup members – not all members necessarily agree with all of these views.

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Does P354 better facilitate the Applicable BSC Objectives?		
Obj	Proposed Modification	Potential Alternative Modification[10]
	for the provision of these services on an equal basis. This will provide a better deal for the end consumer, resulting in an overall more economic system. • **Yes (majority)** – agree with Proposer. • **No (minority)** - detrimental if the Customer does not provide consent and consequently MSID ABSVD is not reported to Suppliers	
(c)	• **Yes (Proposer)** – P354 will facilitate competition between different types of provider. • **Yes (majority)** – agree with Proposer. • **Yes (minority)** – addresses soft power issues so better than the Alternative Modification.	• **Yes (majority)** – agree with Proposer. • **Yes (majority)** – Alternative will facilitate competition between different types of provider and cover any Competition Law concerns • **No (minority)** – concerned that there is the potential for Suppliers to block participation and they do not believe that the ABSVD methodology is fair.
(d)	• **Yes (Proposer)** – P354 allows the efficient implementation of the EB GL, ensuring that imbalance adjustment happens to the correct parties. • **Yes (majority)** – agree with Proposer. • **No (minority)** - detrimental if the Customer does not provide consent and consequently MSID ABSVD is not reported to Suppliers.	• **Yes (majority)** – agree with Proposer.
(e)	• **Yes (Proposer)** – P354 will facilitate the implementation of the EB GL requirement for the imbalance adjustment to be performed for all by the end of 2020 at the latest. • **Yes (majority)** – agree with Proposer.	• **Yes (majority)** – agree with Proposer.
(f)	• **Neutral (Proposer)** – no impact. • **Neutral (majority)** – no impact.	• **Neutral (majority)** – no impact
(g)	• **Neutral (Proposer)** – no impact. • **Neutral (majority)** – no impact.	• **Neutral (majority)** – no impact

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Assessment Consultation respondents' views against the Applicable BSC Objectives

We received a large number of responses to both the first and second Assessment Procedure Consultations:

- 17 respondents provided a response to the first P354 Assessment Procedure Consultation of which three did not provide a response to the second consultation;
- 20 respondents provided a response to the second P354 Assessment Procedure Consultation of which six did not provide a response to the first consultation; and
- 14 respondents provided a response to both consultations.

Please note that in response to the second Assessment Procedure Consultation, the Flexible Generators Group (FGG) provided a group response which included three members who also provided individual responses. Each of these responses has been included in the totals detailed for the second Assessment Procedure Consultation.

Workgroup members considered all responses before deciding on their final views as captured above.

First Assessment Consultation respondents' views against the Applicable BSC Objectives

Ten of the 17 respondents to the Assessment Procedure Consultation believed that P354 would better facilitate the Applicable BSC Objectives compared with the current arrangements. Not all of the ten respondents expressed a clear view on specific Objectives, but of those who did:

- **7** believed that P354 better facilitates Applicable BSC Objective (a);
- **7** believed that P354 better facilitates Applicable BSC Objective (b);
- **8** believed that P354 better facilitates Applicable BSC Objective (c);
- **5** believed that P354 better facilitates Applicable BSC Objective (d); and
- **6** believed that P354 better facilitates Applicable BSC Objective (e).

The views of these respondents generally aligned with those of the Workgroup.

Six respondents did not agree that P354 will better facilitate the Applicable BSC Objectives. Views expressed against generally related to:

- The proposed solution does not associate a non-BM ABSVD balancing volume with a Lead Party at BM Unit level, so would transfer out-turn Metered Volumes to the Subsidiary Party regardless. The proposed solution needs to be amended so that MSID-level ABSVD is aggregated to Supplier BM Unit level rather than Supplier Account level and used to correct the Supplier's Energy Imbalance position;
- Opt-in provision in BSC Section Q6.4.5 - this allows BM providers to benefit from the payments that P354 seeks to withdraw from non-BM providers. Instead of removing an advantage which one part of the industry has over others it instead creates market distortion;
- The provision of MSID ABSVD volumes to Suppliers should be subject to Customer consent or P354 is potentially damaging to competition; and

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- It would be an issue for Suppliers if there position was not corrected until R1 as they would not be able to bill their customers accurately.

One respondent provided a neutral view.

Second Assessment Consultation respondents' views against the Applicable BSC Objectives

Proposed Modification (previously Alternative Modification)

12 of the 20 respondents to the second Assessment Procedure Consultation agreed with the Workgroup's initial majority view that the P354 Alternative solution (now the Proposed Modification) does better facilitate the Applicable BSC Objectives compared with the current baseline.

Not all of the ten respondents expressed a clear view on specific Objectives, but of those who did:

- **3** believed that P354 better facilitates Applicable BSC Objective (a);
- **3** believed that P354 better facilitates Applicable BSC Objective (b);
- **7** believed that P354 better facilitates Applicable BSC Objective (c);
- **2** believed that P354 better facilitates Applicable BSC Objective (d); and
- **4** believed that P354 better facilitates Applicable BSC Objective (e).

Respondents' rationale was largely the same as for the Proposed Modification. Respondents also commented that the Alternative Modification will:

- help avoid discrimination between BM and non-BM Balancing Services providers and avoids undue benefit to non-BM Balancing Services providers funded by customers as a whole;
- better facilitate competition between different types of Balancing Services provider by removing spill revenue; and
- helps create a level playing field by providing a mechanism for Suppliers to obtain the data they need via Customer consent.

Eight respondents did not agree that P354 Alternative Modification will better facilitate the Applicable BSC Objectives. Views expressed against generally related to:

- Detrimental to Applicable BSC Objectives (b) and (d) as it is imperative that Suppliers have the information to bill their customers correctly. If spill is being corrected without Suppliers being able to identify which customers are causing the imbalance, the consequential losses will be spread over the rest of the Suppliers' customer base;
- Detrimental to Applicable BSC Objective (d) as customer opt-in approach would result in an increased inefficiency to cause distortion in competition with the other supply customers paying for the inefficient balancing and settlement of actions taken by non BM Balancing Services providers; and
- P354 should not have been raised until the ABSVD changes had been proposed so the solution could fit the problem.

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Alternative Modification (previously Proposed Modification)

12 of the 20 respondents to the second Assessment Procedure Consultation agreed with the Workgroup's initial majority view that the P354 Proposed solution (now the Alternative Modification) does better facilitate the Applicable BSC Objectives compared with the current baseline.

Not all of the ten respondents expressed a clear view on specific Objectives, but of those who did:

- **5** believed that P354 better facilitates Applicable BSC Objective (a);
- **7** believed that P354 better facilitates Applicable BSC Objective (b);
- **7** believed that P354 better facilitates Applicable BSC Objective (c);
- **4** believed that P354 better facilitates Applicable BSC Objective (d); and
- **7** believed that P354 better facilitates Applicable BSC Objective (e).

The views of these respondents broadly aligned with those of the Workgroup.

Eight respondents did not agree that P354 Proposed Modification will better facilitate the Applicable BSC Objectives. Views expressed against generally related to:

- Detrimental to Applicable BSC Objective (c) by sending MSID ABSVD data to Suppliers and publishing the data on BMRS. This would undermine commercial confidentiality and have a damaging effect on competition;
- Detrimental to Applicable BSC Objectives (c) and (d) as it aims to disadvantage smaller players who do not yet have economic equal access to the BM; and
- P354 should not be approved until P344 and P355 are implemented. This will ensure that the parties losing revenues under P354 can enter other parts of the market and compete with other generators more equitably.

Proposed Modification (previously Alternative Modification) vs Alternative Modification (previously Proposed Modification)

Ten of the 20 respondents to the second Assessment Procedure Consultation agreed with the Workgroup's initial majority view that the P354 Alternative solution does better facilitate the Applicable BSC Objectives compared with the P354 Proposed solution.

The majority of the Workgroup (six members) agreed that the P354 Alternative Modification is better than the P354 Proposed Modification. Four members disagreed with one member providing a neutral view.

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Panel's discussion on P354

FFR

A Panel Member queried whether FFR is included within the scope of P354 as he was concerned that non-BM Participants may be confused as to whether it is or not. ELEXON noted that FFR is a Balancing Service that is currently included in the TC's ABSVD Methodology (which only applies to BM participants). P354 does not seek to amend this.

The TC has informally consulted on changes to the ABSVD methodology to facilitate the P354 solution, which did not specify changes to the treatment of FFR for BM Participants. The TC's formal C16 ABSVD Consultation on the ABSVD Methodology (when it is issued on 8 February 2018[11]), will include a clear statement that Frequency Response Services for non-BM Participants are excluded from the scope of the ABSVD Methodology.

The TC Representative also highlighted that FFR does not fall into the requirements of the EB GL and is therefore outside the scope of P354.

Annual spill value

A Panel Member queried what the total additional imbalance revenue amounts to on an annual basis. The P354 Proposer advised that this figure is approximately £11.3 million. However, they noted that they would expect competition to adjust because of the implementation of P354 and as such, they would expect the real value to be in the region of £3-4million. The TC Representative also noted that it would be taking these adjustments into account as part of its next STOR tender round.

Existing TC contracts

A Panel Member asked the TC to be mindful that long-term STOR contracts i.e. those that do not allow Parties to participate in the Capacity Mechanism do not expire until 2023. The Panel Member therefore queried how the TC is going to make changes to existing contracts. The TC Representative confirmed that in most cases, it will avoid amending contracts mid-term and that its intention is only to amend contracts once they expire.

The TC Representative also highlighted its response to the second Assessment Procedure Consultation that if 1 April 2019 is approved as the P354 Implementation Date, it would propose implementing contracts for FFR and Demand Turn-Up in April 2019 and for STOR in April 2020. The TC believes this would minimise the concerns raised that different parties would be tendering on different terms and conditions for the same services. Any existing contracts, due to expire in March 2020, would continue under existing terms. The TC Representative stated that some existing contracts would need to be revisited before the end of term of the agreement due to changes in EU legislation.

The TC Representative also noted that P354 is an enabling Modification and that actual changes to services are driven by the related C16 ABSVD changes.

[11] This formal consultation has now been issued, with responses due by 8 March 2018.

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Panel's initial views against the Applicable BSC Objectives

Proposed vs current baseline

Ten Panel Members provided their initial views against the Applicable BSC Objectives for the Proposed Modification:

- Applicable BSC Objective (a) – unanimous view that P354 better facilitates;
- Applicable BSC Objective (b) – majority believe that P354 better facilitates; three do not;
- Applicable BSC Objective (c) – majority believe that P354 better facilitates; one does not
- Applicable BSC Objective (d) – unanimous view that P354 better facilitates;
- Applicable BSC Objective (e) – unanimous view that P354 better facilitates.

The Panel was unanimously neutral on Applicable BSC Objectives (f) and (g).

The **majority** of the Panel therefore agrees with the Workgroup's majority view that the P354 Proposed Modification **does** better facilitate Applicable BSC Objectives (a), (b), (c), (d) and (e) compared with the existing baseline. Panel's initial views were in line with the views of the Workgroup.

Alternative vs current baseline

Ten Panel Members provided their initial views against the Applicable BSC Objectives for the Alternative Modification:

- Applicable BSC Objective (a) – unanimous view that P354 better facilitates;
- Applicable BSC Objective (b) – majority believe that P354 better facilitates; two do not;
- Applicable BSC Objective (c) – majority believe that P354 better facilitates; two do not
- Applicable BSC Objective (d) – unanimous view that P354 better facilitates;
- Applicable BSC Objective (e) – unanimous view that P354 better facilitates.

The Panel was unanimously neutral on Applicable BSC Objectives (f) and (g).

The **majority** of the Panel therefore agrees with the Workgroup's majority view that the P354 Alternative Modification **does** better facilitate Applicable BSC Objectives (a), (b), (c), (d) and (e) compared with the existing baseline. Panel's initial views were in line with the views of the Workgroup.

Proposed vs Alternative

Five Panel Members were in agreement that the P354 Proposed Modification is better than the P354 Alternative Modification, while five Panel Members agreed with the Workgroup's majority view that the P354 Alternative Modification is better than the P354 Proposed Modification.

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Under BSC Section B4.4.4, *"the Panel Chairman shall not cast a vote as a Panel Member but shall have a casting vote on any matter where votes are otherwise cast equally in favour of and against the relevant motion; provided that where any person other than the Panel Chairman is chairman of a Panel meeting he shall not have a casting vote"*.

As the Panel had cast equal votes in favour of both the P354 Proposed and Alternative Modifications, the Chairman had to exercise the casting vote. The Chairman voted in favour of the Workgroup's majority view that the P354 Alternative Modification is better than the P354 Proposed Modification.

The **majority** of the Panel (five out of 11 members plus the casting vote of the Chairman) therefore initially believes that the **P354 Alternative Modification is better than the P354 Proposed Modification** and therefore recommends that the P354 Alternative Modification should be **approved**.

Panel's views on draft legal text

The Panel **unanimously** agrees that the draft redlined changes to the BSC for the P354 Proposed and Alternative Modifications in Attachments A and B deliver the intention of P354.

Panel's views on the proposed Implementation Date

The Panel **unanimously** agrees with the Workgroup's recommended Implementation Date for the P354 Proposed and Alternative Modifications as detailed in Section 5.

Panel's views on Self-Governance

The Panel unanimously agrees with the Workgroup that P354 does not meet the Self-Governance Criteria as there is a material impact on competition and so should not be progressed as a Self-Governance Modification.

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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 G.

14 organisations (of which 8 were BSC Parties including the Transmission Company) responded to the Report Phase Consultation.

Summary of P354 Report Phase Consultation Responses				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the Panel's initial majority view that the P354 Proposed Modification better facilitates the Applicable BSC Objectives than the current baseline?	10	4	0	0
Do you agree with the Panel's initial majority view that the P354 Alternative Modification better facilitates the Applicable BSC Objectives than the current baseline?	6	6	2	0
Do you agree with the Panel's initial majority view that the P354 Alternative Modification better facilitates the Applicable BSC Objectives than the P354 Proposed Modification and should therefore be approved?	6	7	1	0
Do you agree with the Panel's initial unanimous view that the redlined changes to the BSC deliver the intention of the P354 Proposed and Alternative solutions?	10	2	2	0
Do you agree with the Panel's recommended Implementation Date?	5	7	2	0
Do you agree with the Panel's initial unanimous view that P354 should not be treated as a Self-Governance Modification?	11	1	2	0
Do you have any further comments on P354?	7	7	0	0

Consultation respondents' views on Proposed Modification

Ten of the 14 respondents to the Report Phase Consultation agreed with the Panel's initial majority view that the P354 Proposed Modification better facilitates the Applicable BSC Objectives than the current baseline, while four disagreed. The views of respondents were in line with those of the Panel and the Workgroup. No new arguments were put forward.

Consultation respondents' views on Alternative Modification

Six of the 14 respondents to the Report Phase Consultation agreed with the Panel's initial majority view that the P354 Alternative Modification better facilitates the Applicable BSC Objectives than the current baseline. Six respondents disagreed and two provided a

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neutral view. The views of respondents were in line with those of the Panel and the Workgroup. No new arguments were put forward.

Consultation respondents' views that the Alternative Modification is better than the Proposed Modification

Six of the 14 respondents to the Report Phase Consultation agreed with the Panel's initial majority view that the P354 Alternative Modification better facilitates the Applicable BSC Objectives than the P354 Proposed Modification and should therefore be approved. Seven respondents disagreed and one provided a neutral view. The views of respondents were in line with those of the Panel and the Workgroup. No new arguments were put forward.

Consultation respondents' views on draft legal text

Ten of the 14 respondents to the Report Phase Consultation agreed with the Panel's initial unanimous view that the redlined changes to the BSC deliver the intention of the P354 Proposed and Alternative solutions. Two respondents disagreed, with one respondent disagreeing as they were not provided with a full set of redlined Code Subsidiary Documents (CSDs) to review. However, ELEXON highlights that the Workgroup was content that only the BSCP11 changes were needed up front. Additionally, ELEXON notes that this is not a mandatory part of the Modification process and that the full set of CSDs would be developed as part of the implementation of P354, if approved.

The remaining two respondents provided a neutral view. One respondent commented on BSC Section Q6.4.9(b) of the Proposed Modification noting that it says *"prior to that date [P354 Anniversary Date], only to the extent that the data described in paragraph 6.4.8 is available to the Transmission Company pursuant to the terms of its bilateral Balancing Services contracts which are in force prior to the P354 Anniversary Date"* and queried whether it should detail *"in force prior to the P354 Implementation Date".*

ELEXON advises that this wording was purposely in place to allow the Transmission Company a one year transition period if the approved Implementation Date is 1 April 2019. However, we have subsequently amended the wording to clarify the intention and to make the legal text applicable regardless of the approved Implementation Date. These changes are detailed below.

Consultation respondents' views on the proposed Implementation Date

Five of the 14 respondents to the Report Phase Consultation agreed with the Panel's recommended Implementation Date of 1 April 2019 while seven respondents disagreed and two provided a neutral view. The views of respondents were in line with those of the Panel and the Workgroup. No new arguments were put forward.

However, taking the views of industry, the Workgroup and Panel into account, ELEXON recommends that if the Authority is unable to make a decision by 30 March 2018, then P354 should instead be implemented on 1 April 2020 as a Standalone BSC Systems Release. As such, the draft redlined changes to the BSC for the Proposed and Alternative Modification have been updated to reflect this. This change has no material impact and as such we did not have to re-consult. These updates can be found in Attachments A and B to this paper.

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Consultation respondents' views on Self-Governance

11 of the 14 respondents to the Report Phase Consultation agreed with the Panel's initial unanimous view that P354 should not be treated as a Self-Governance Modification. One respondent disagreed commenting that it depends on the favoured outcome. If the Proposed Modification was recommended by the Panel then it must be issued to the Authority because Suppliers and their customers will be materially affected. However, the respondent was more relaxed on this point if the P354 Alternative Modification was recommended by the Panel. The remaining two respondents had no comment to make on this point.

Further comments

Seven out of the 14 respondents provided further comments to the P354 Report Phase Consultation, of which only one new comment was presented that had not been detailed in the previous responses to the two Assessment Procedure Consultations.

The respondent believed that the use of operational metering rather than Settlement metering (at the Boundary Point) is not a robust solution. They noted that the BSC is clear that metering must be suitable for Settlement processes and to start to use operational metering means that the Settlement systems could be left with incorrect dataflows. The respondent therefore believed there needs to be some check between operational and Settlement meters to ensure delivery and correct Settlement.

ELEXON advised that this issue was discussed in detail with the Workgroup. However, it was agreed that this is out of scope for P354 as it relates to how the Transmission Company establishes the MSID Pair Delivered Volumes that it would send to SVAA. Although the respondent's concerns are valid, they should be discussed with the Transmission Company for their consideration.

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Panel's final discussions on P354

Behind the Meter

A Panel Member noted the use of operational metering rather than Settlement metering for P354 and queried whether checks similar to the Technical Assurance Agent (TAA) audit could be carried out on a number of sites to determine if there are any discrepancies. The TC noted that they have the ability to audit any ancillary services to check whether the delivered volumes submitted are what were expected. The TC and ELEXON agreed to discuss whether this could form part of the annual audit. The TC noted that this is a wider issue and relates to the overall assurance processes for behind the metering provision of services.

ELEXON advised that there had been a number of behind the Meter issues identified out of P344, P354 and P355 and as such, it is looking to form an Issue Group shortly to discuss these issues in an open forum. A Panel Member suggested that before an Issue Group was formed, that data needs to be collected from a random selection of sites to determine if there is an issue to begin with. The Chairman noted that there is reasonable support in principle for the Issue Group to be formed and advised that clarity as to what would be covered would be provided out of the Panel meeting.

P344 versus P354

A Panel Member commented that P354 was unnecessary as they believed that P344 would address all of the issues that P354 seeks to resolve. The Proposer of P354 disagreed commenting that the Panel has to look at both P344 and P354 independently against the current baseline. He also disagreed that the full P354 solution would be covered under P344. A Panel Member commented that if Parties want to be dispatched as much as possible, then they would need to have a secondary BMU (as per the current P344 solution) so that TERRE could dispatch STOR. The TC highlighted that TERRE and STOR are different products and clarified that the TC will not dispatch STOR through the TERRE platform.

Panel's final views against the Applicable BSC Objectives

Proposed vs current baseline

Ten Panel Members provided their final views against the Applicable BSC Objectives for the Proposed Modification:

- Applicable BSC Objective (a) – majority believe that P354 better facilitates; one was neutral and one abstained from voting;
- Applicable BSC Objective (b) – majority believe that P354 better facilitates; one was neutral and one abstained from voting;
- Applicable BSC Objective (c) – majority believe that P354 better facilitates; one does not and one abstained from voting;
- Applicable BSC Objective (d) – majority believe that P354 better facilitates; one does not and one abstained from voting;

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- Applicable BSC Objective (e) – majority believe that P354 better facilitates; and one abstained from voting.

The Panel was unanimously neutral on Applicable BSC Objectives (f) and (g).

The **majority** of the Panel therefore agrees with the Workgroup's majority view that the P354 Proposed Modification **does** better facilitate Applicable BSC Objectives (a), (b), (c), (d) and (e) compared with the existing baseline. Panel's final views were in line with the views of the Workgroup.

Alternative vs current baseline

Ten Panel Members provided their initial views against the Applicable BSC Objectives for the Alternative Modification:

- Applicable BSC Objective (a) – majority have a neutral view, one believes P354 better facilitates;
- Applicable BSC Objective (b) – majority have a neutral view, one believes P354 better facilitates;
- Applicable BSC Objective (c) – majority have a neutral view, one believes P354 better facilitates;
- Applicable BSC Objective (d) – majority have a neutral view, one believes P354 better facilitates and one believes it does not;
- Applicable BSC Objective (e) – five members believes P354 better facilitates and five members believe it does not.

The Panel was unanimously neutral on Applicable BSC Objectives (f) and (g).

The **majority** of the Panel therefore **disagrees** with the Workgroup's majority view that the P354 Alternative Modification **does** better facilitate Applicable BSC Objectives (a), (b), (c), (d) and (e) compared with the existing baseline.

Proposed vs Alternative

The Panel **unanimously agrees** that the **P354 Proposed Modification is better than the P354 Alternative Modification** and therefore recommends that the **P354 Proposed Modification** should be **approved** and the P354 Alternative Modification should be **rejected**.

Why have Panel Members' views changed?

A Panel Member reiterated that no new arguments or material changes had been evidenced in the responses to the Report Phase Consultation. However one Panel Member commented that their view had changed from the previous Panel meeting as they acknowledged a concern amongst some industry members of data being shared without a Customer's consent. The member's concern related to the competition aspects around this, noting that they would want further information obtained on this issue. The Panel Member suggested that Ofgem may be able to uncover these concerns as part of its Regulatory Impact Assessment once it receives the P354 Final Modification Report.

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Another Panel Member commented that from a variety of parties it had spoken to, there was a consensus that there appears to be a number of 'bitty' changes in the process i.e. P344, P354 and P355 being progressed as separate Modifications. The Panel Member noted that this was a messy approach and instead, one Modification should have been raised to address all of the issues and require system changes to be made all at once. The Panel Member also commented that there appears to be a distinction between 'big' and 'small' parties and BM and non-BM Parties. They also suggested that Ofgem may be able to gain a better insight into these distinctions through its Regulatory Impact Assessment.

The TC highlighted its response to the Report Phase Consultation. The TC recognised the Proposer's views in relation to market efficiency and competition, however they also recognised that equal treatment should be around equal access. They therefore had some concerns that there is currently not a level playing field between Balancing Services providers. The TC believed that P354 will only improve competition if there are sufficient routes to market for non-BM providers. This is why it is working to develop solutions for wider access to TERRE and the BM through P344.

Panel's final views on draft legal text

The Panel **unanimously** agrees that the draft redlined changes to the BSC for the P354 Proposed and Alternative Modifications in Attachments A and B deliver the intention of P354.

Panel's final views on the proposed Implementation Date

The **majority** of the Panel agrees with the Workgroup's recommended Implementation Date for the P354 Proposed and Alternative Modifications as detailed in Section 5.

One Panel Member disagreed noting that they agreed with the second part of the recommendation (1 April 2020 as a Standalone BSC Systems Release if an Authority decision is received after 30 March 2018) but disagreed with the first part of the recommendation (1 April 2019 as a Standalone BSC Systems Release if an Authority decision is received on or before 30 March 2018). This is because they were concerned that Parties would be unable to amend their systems and processes in time for a 1 April 2019 Release date.

Another Panel Member did not believe that the first part of the recommendation of a 1 April 2019 Implementation Date was needed as they did not expect a decision to be made by Ofgem by 30 March 2018. However, the Panel was reminded that under the current Modification, then whole recommendation has to either be approved or rejected.

Panel's final views on Self-Governance

The Panel unanimously agrees with the Workgroup that P354 does not meet the Self-Governance Criteria as there is a material impact on competition and so should not be progressed as a Self-Governance Modification.

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11 Recommendations

The BSC Panel recommends to the Authority:

- That the P354 Proposed Modification should be **approved** and that the P354 Alternative Modification should be **rejected**;
- An Implementation Date for the P354 Proposed Modification of:
  - 1 April 2019 as a Standalone BSC Systems Release if an Authority decision is received on or before 30 March 2018; or
  - 1 April 2020 as a Standalone BSC Systems Release if an Authority decision is received after 30 March 2018;
- An Implementation Date for the P354 Alternative Modification of:
  - 1 April 2019 as a Standalone BSC Systems Release if an Authority decision is received on or before 30 March 2018; or
  - 1 April 2020 as a Standalone BSC Systems Release if an Authority decision is received after 30 March 2018;
- The BSC legal text for the P354 Proposed Modification; and
- The BSC legal text for the P354 Alternative Modification.

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Appendix 1: Workgroup Details

Workgroup's Terms of Reference

Specific areas set by the BSC Panel in the P354 Terms of Reference
How will P354 impact the Transmission Licence C16 Statements and ABSVD Methodology?
When should the TC provide non-BM ABSVD to SAA and how should the SAA allocate the ABSVD volume to the appropriate Supplier BM Unit?
Should Suppliers be allowed to opt out of receiving MPAN-level ABSVD?
If Suppliers will be allowed to refuse, how should they act?
How should the MPAN-level ABSVD be reported?
Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?
What are the implications for customers of adjustments being made to their Supplier's imbalance positions?
What changes are needed to BSC documents, systems and processes to support P354 and what are the related costs and lead times?
Are there any Alternative Modifications?
Should P354 be progressed as a Self-Governance Modification?
Does P354 better facilitate the Applicable BSC Objectives than the current baseline?
What is the impact of P354 on consumers?

Assessment Procedure timetable

P354 Assessment Timetable	
Event	Date
Panel submits P354 to Assessment Procedure	9 Feb 2017
Workgroup Meeting 1	22 Feb 17
Workgroup Meeting 2	26 Apr 17
Workgroup Meeting 3	23 Jun 17
Workgroup Meeting 4	20 Jul 17
Workgroup Meeting 5	18 Oct 17
Workgroup Meeting 6	10 Nov 17
First Assessment Procedure Consultation	16 Nov 17 – 15 Dec 17
Workgroup Meeting 7	9 Jan 18
Second Assessment Procedure Consultation	15 Jan 18 – 29 Jan 18
Workgroup Meeting 8	1 Feb 18
Panel considers Workgroup's Assessment Report	8 Feb 18

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Workgroup membership and attendance

P354 Workgroup Attendance									
Name	Organisation	22/02/17	26/04/17	23/06/17	20/07/17	18/10/17	10/11/17	09/01/18	01/02/18
Members									
Lawrence Jones	ELEXON *(Chair)*	✓	✓	✓	✓	✓	✓	✓	✓
Giulia Barranu	ELEXON *(Lead Analyst)*	✓	✓	✓	✓	✗	✗	✗	✗
Claire Kerr	ELEXON *(Lead Analyst)*	✗	✗	✗	✓	✓	✓	✓	✓
Simon Lord	ENGIE *(Proposer)*	✓	✓	✗	✗	☎	✓	✓	✓
Alastair Martin	Flexitricity	☎	✓	☎	✗	☎	☎	✓	☎
Andrew Colley	SSE	✓	✓	✓	☎	☎	✗	✓	✓
Bill Reed	RWE Supply & Trading GmbH	✓	✓	✓	☎	✓	☎	✓	✓
Christopher Fox	National Grid	✗	✓	✓	✗	✗	✗	✗	✗
Craig Thurling	E.ON	✓	✗	✓	✗	✗	✗	✗	✗
Ed Knox	Energy Supply & Demand Specialist	✗	✗	✓	✗	✗	✗	✗	✗
Esther Sutton	Uniper	✗	✓	✓	✗	☎	☎	✗	✗
Graz Macdonald	Green Frog Power	☎	✓	✗	✗	✗	✗	✗	✗
James Anderson	Scottish Power	✓	✓	☎	✗	✗	☎	✓	✓
Jonathan Graham	The Association for Decentralised Energy	☎	✗	✗	✗	✗	✗	✗	✗
Ian Tanner	UK Power reserve	✓	✓	✗	☎	☎	✗	✗	✗
Lisa Waters	Waters Wye Associates	✓	✓	✓	✗	✗	☎	✗	✓
Marcello Cecchini	Utiligroup	✓	✗	✓	✗	✗	✗	✗	✗
Matthew Tucker	Welsh Power	✓	✗	✓	✗	✗	✗	☎	✗
Nick Sillito	PeakGen Power Ltd	✗	✓	✓	☎	☎	☎	✗	☎
Paul Barnett	manxutilities	✓	✓	✓	☎	☎	✓	☎	✓
Philip Pearson	Energy Pool	✗	✗	✗	✗	✗	✗	✗	✗
Richard Hardy	KiWi Power	✓	✓	✗	✗	✗	✗	✗	✗
Attendees									
Colin Berry	ELEXON *(Design Authority)*	✓	✓	✓	✗	✓	✓	✓	✓
John Lucas	ELEXON *(Design Authority)*	✓	✓	✓	✓	✗	✓	✓	✗
Tina Wirth	ELEXON *(Lead Lawyer)*	✓	✓	☎	✓	✓	✓	✗	✗
Nicholas Brown	ELEXON *(Lead Lawyer)*	✗	✗	✗	✗	✗	✗	✓	✓
Marcelo Torres	Ofgem	✓	✓	✓	✗	✗	✓	✓	✓
Andrew Russell	ENGIE *(Proposer Alternate)*	✓	✓	✓	☎	✗	✗	✗	✗

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P354 Workgroup Attendance									
Name	Organisation	22/02/17	26/04/17	23/06/17	20/07/17	18/10/17	10/11/17	09/01/18	01/02/18
David Collins	CGI	☎	✗	☎	☎	✗	✗	✗	✗
Greg Heavens	National Grid (Alternate)	✓	✗	✓	✗	✗	✗	✗	✗
Jeremy Morris	Smartestenergy	✓	✓	✗	✗	✗	✗	✗	✗
Kate Garth	Npower	☎	☎	☎	☎	✗	✗	☎	☎
Lee Priestley	National Grid	✓	✗	✗	✗	✗	✗	✗	✗
Zahir Faraz	National Grid	✗	✓	✗	✗	✗	✗	✗	✗
Richard Hardy	KiWi Power	✓	✓	✗	✗	✗	✗	✗	✗
Ryan Goddard	Welsh Power	✗	✓	✗	☎	✗	✗	☎	✓
Tariq Hakeem	National Grid	✓	✓	✗	✗	✗	✗	✗	✗
Raj Saikia	National Grid	✗	✗	✓	✗	✗	✗	✗	✗
Rick Parfett	The Association for Decentralised Energy	✗	✗	✓	☎	☎	✗	✓	✓
Michael Jenner	UK Power Reserve	✗	✗	☎	✗	✗	✗	✗	✗
Adelle Wainwright	National Grid	✗	✗	✓	✓	☎	☎	✓	✓
Saskia Barker	Flexitricity	✗	✗	✗	☎	✗	☎	✗	✗
Giulia Barranu	Gazprom	✗	✗	✗	✗	✓	✓	✓	✓

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Appendix 2: Glossary & References

Acronyms

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

Acronyms	
Acronym	Definition
ABSVD	Applicable Balancing Services Volume Data
BOA	Bid Offer Acceptance
BM	Balancing Mechanism
BMRA	Balancing Mechanism Reporting Agent
BMRS	Balancing Mechanism Reporting Service
BSAD	Balancing Services Adjustment Data
BSC	Balancing and Settlement Code
CM	Capacity Market
CSD	Code Subsidiary Document
CVA	Central Volume Allocation
DA	Data Aggregator
DSR	Demand Side Response
ECOES	Electricity Central Online Enquiry Service
GSP	Grid Supply Point
HH	Half Hourly
IDD	Interface Definition Document
MPAN	Metering Point Administration Number
MRA	Master Registration Agreement
MSID	Metering System Identifier
MWh	megawatt-hour
NETA	New Electricity Trading Arrangements
PAF	Performance Assurance Framework
RCRC	Residual Cashflow Reallocation Charge
R1	First Reconciliation Run
RR	Replacement Reserves
SAA	Settlement Administration Agent
SF	Initial Settlement Run
SLA	Service Level Agreement
SRD	Standing Reserve Despatch
SO	System Operator
STOR	Short Term Operating Reserve

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Acronyms	
Acronym	Definition
SVA	Supplier Volume Allocation
SVAA	Supplier Volume Allocation Agent
TAA	Technical Assurance Audit
TC	Transmission Company
TDC	Trading Disputes Committee *(Panel Committee)*
TERRE	Trans European Replacement Reserves Exchange
TOMAS	Trading Operations Market Assurance System
URS	User Requirements Specification

DTC data flows and data items

DTC data flows and data items referenced in this document are listed in the table below.

DTC Data Flows and Data Items	
Number	Name
SAA-I014	Settlement Reports

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
6	Balancing Services page on the National Grid website	http://www2.nationalgrid.com/uk/services/balancing-services/
7	P354 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p354/
7	C16 ABSVD formal consultation on the National Grid website	https://www.nationalgrid.com/sites/default/files/documents/C16-CONSULTATION-1718-ABSVD_V1.pdf
7	C16 ABSVD informal consultation on the National Grid website	https://www.nationalgrid.com/uk/electricity/market-and-operational-data/transmission-licence-c16-statements-and-consultations
8	BSC Sections page on the ELEXON website	https://www.elexon.co.uk/bsc-and-codes/balancing-settlement-code/bsc-sections/
8	Transmission License C16 Statements page on the National Grid website	http://www2.nationalgrid.com/uk/industry-information/electricity-codes/balancing-framework/transmission-license-c16-statements/

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External Links		
Page(s)	Description	URL
9	Short Term Operating Reserve page on the National Grid website	http://www2.nationalgrid.com/uk/services/balancing-services/reserve-services/short-term-operating-reserve/
9	P305 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p305/
13	Beginners Guide to the Electricity Trading Arrangements on the ELEXON website	https://www.elexon.co.uk/operations-settlement/trading-settlement/
17	P344 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p344/
17	P355 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p355/
19	MRA page on the MRASCo website	https://www.mrasco.com/mra-products/master-registration-agreement
28	TC letter on industry developments dated 15 December 2017	https://www.nationalgrid.com/sites/default/files/documents/Letter%20on%20Industry%20Developments.pdf
30	Trading Disputes guidance note on the ELEXON website	https://www.elexon.co.uk/operations-settlement/trading-settlement/claims-disputes/
30	BSCPs page on the ELEXON website	https://www.elexon.co.uk/bsc-and-codes/bsc-related-documents/bscps/

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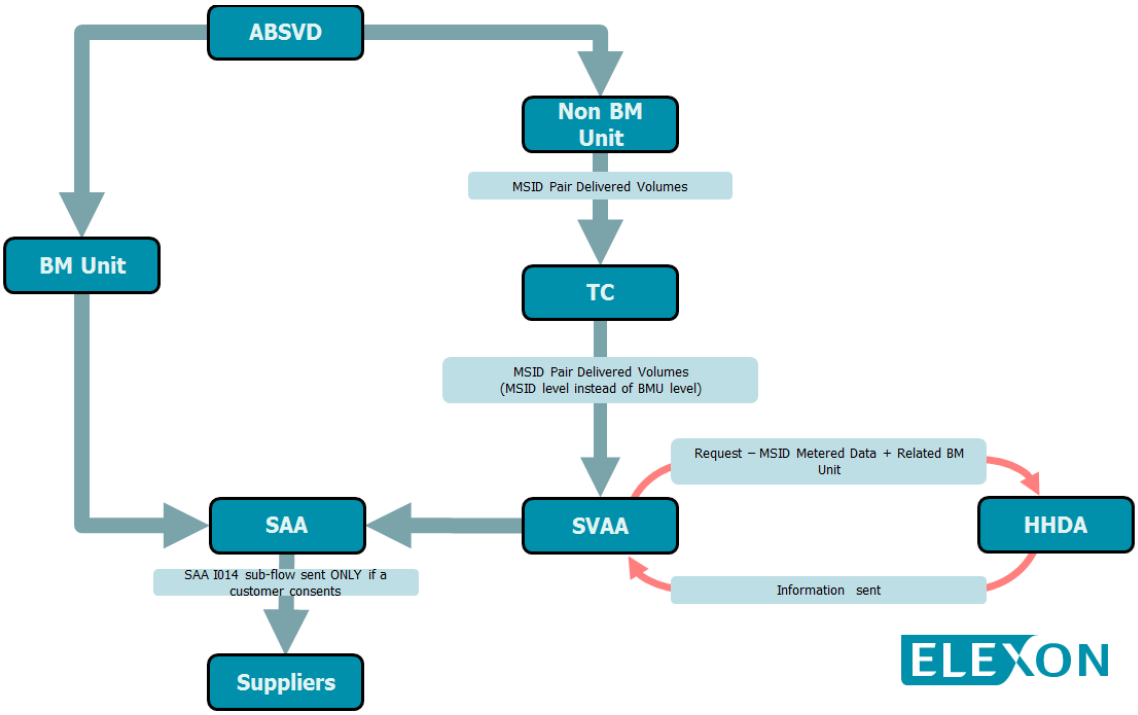
Appendix 3: Visualisation of Proposed and Alternative Modifications

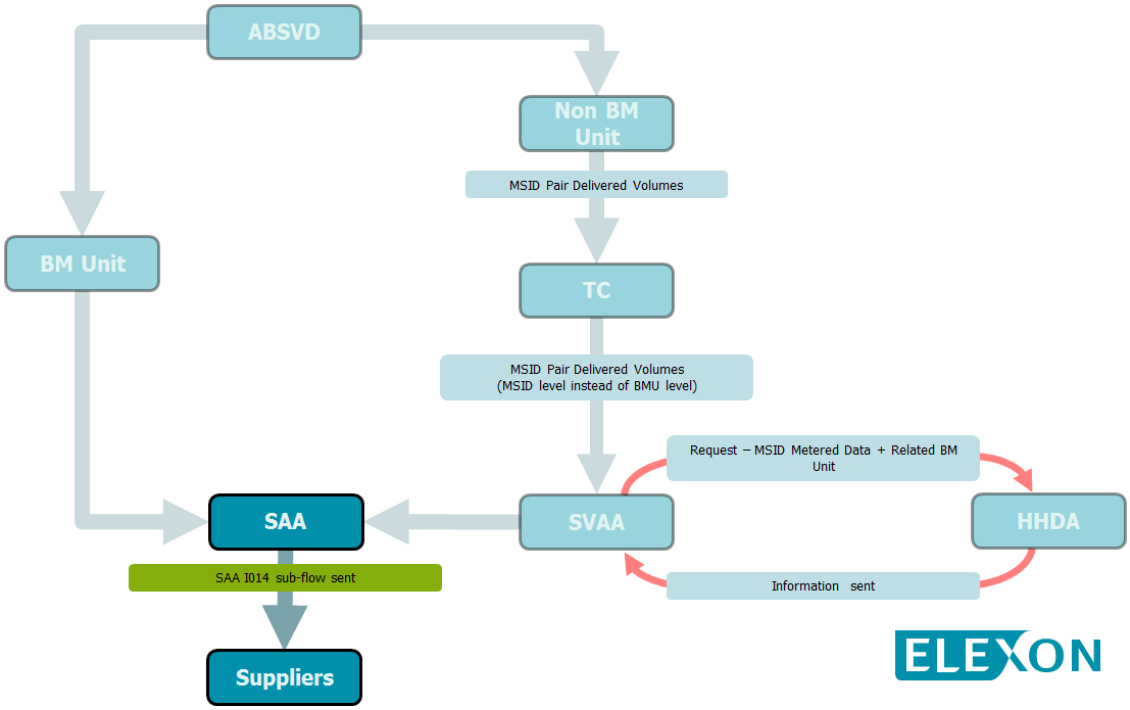
Proposed solution

The following flow diagram illustrates the P354 Proposed Modification.



Alternative Modification

The following flow diagram illustrates the P354 Alternative Modification.



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