

Modification proposal:	<b>Balancing and Settlement Code (BSC) P356: 'Aligning the BSC with Grid Code Modification GC0099'<sup>1</sup> "Establishing a common approach to interconnector scheduling consistent with the single intraday market coupling processes set out within Regulation (EU) 2015/1222 (CACM)" (P356)</b>		
Decision:	The Authority <sup>2</sup> directs that this modification be made <sup>3</sup>		
Target audience:	National Grid Transmission Plc (NGET), Parties to the BSC, the BSC Panel and other interested parties		
Date of publication:	14 June 2018	Implementation date:	1 November 2018

## Background

This modification proposes allowing Interconnector Scheduled Transfer (IST)<sup>4</sup> and Expected Transfer (ET)<sup>5</sup> updates post Gate Closure to reflect the results of single intraday coupling outcomes.

Commission Regulation (EU) No 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (hereinafter CACM)<sup>6</sup> sets out the European Union-wide minimum harmonised rules for the single day-ahead and intraday market coupling. One of the rules requires that the single intraday coupling should occur up to the point known as "intraday cross zonal gate closure time" (Gate Closure). To help achieve this goal, transmission system operators across Europe, including National Grid Electricity Transmission (NGET), will participate in the Cross-border Intraday (XBID) market-coupling project.

The single intraday market coupling project facilitates the *continuous* matching of orders entered by cross-border market participants and the *continuous* allocation of the corresponding necessary cross-zonal capacities within the intraday timeframe. As such, results of the matching and capacity allocation are not known until after Gate Closure.

In accordance with Section R 7.1.3 (c) of the BSC, the final IST in relation to a settlement period is currently defined as the IST prevailing at the end of that settlement period. No IST update received after the end of a settlement period can be used to update the corresponding ETs. Such an IST update will therefore be redundant for settlement purposes. It is likely that ISTs submitted prior to Gate Closure will not accurately reflect the actual flow because of single intraday coupling. This would have a

<sup>1</sup> [GC0099](#) is a Grid Code Modification Proposal that seeks to establish a common approach to interconnector scheduling and in particular to introduce an Interconnector Scheduled Transfer process within the Grid Code.

<sup>2</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>3</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>4</sup> In accordance with the Section R 7.1.3 of the BSC, "the 'Interconnector Scheduled Transfer' for each Interconnector in relation to a Settlement Period is the Active Energy flow, scheduled for all Interconnector Users [...], across the Interconnector (as a whole) [...], stated as at the Transmission System Boundary, in the form of a schedule expressed as MW values for the spot times at the start and end of, and other spot times within, the Settlement Period".

<sup>5</sup> In accordance with the Section R 7.1.3 of the BSC "Expected Transfer" in relation to a Settlement Period is a schedule of expected Active Energy flows, stated as at the Transmission System Boundary, expressed as MW values for the spot times at the start and end of, and other spot times within, the Settlement Period.

<sup>6</sup> The CACM Regulation, available [here](#), came into force 14 August 2015. It aims to maximise the efficient use of interconnection and facilitate greater cross-border electricity trade, through market coupling in the day-ahead and intraday timeframes. Market coupling should make sure power is produced where it is most efficient and used where it is most valued, to lower prices for consumers and support secure and sustainable supply.

negative impact on the accuracy of ETs, which would make balancing the network more difficult and may result in imbalance charges.

In order to mitigate this risk, NGET has proposed the BSC code modification P356 to allow adjustments to the IST and the ET after Gate Closure to reflect the results of single intraday coupling (i.e. continuous matching of orders and capacity allocation) so that they more closely reflect actual flows.

### **The modification proposal**

NGET (the Proposer) raised BSC modification P356 on 3 July 2017. P356 seeks to add provisions within the BSC to allow IST and ET updates after Gate Closure to take into account the outcome of the single intraday coupling. Specifically, P356 aims at adding to Sections R 7.1.3 (b) and R 7.3.1 (b) of the BSC, an additional circumstance in which IST and ET adjustments can be made after Gate Closure.

IST and ET updates after Gate Closure are currently allowed by the BSC in the circumstances specified in Section R7.1.3 (b) and Section R7.3.1 (b) respectively but do not permit adjustments made to take into account the results of single intraday coupling.

Additionally, P356 seeks to include the definitions of "*Intraday Cross-Zonal Gate Closure Time*" and "*Single Intraday Coupling*" within Sections R 7.1.3 (b) and R 7.3.1 (b) in order to clarify the meaning of these terms.

The Proposer believes that P356 would better facilitate BSC objectives<sup>7</sup> (a)<sup>8</sup>, (b)<sup>9</sup>, (c)<sup>10</sup> and (e)<sup>11</sup>.

### **BSC Panel recommendation**

At its meeting on 8 March 2018, the BSC Panel<sup>12</sup> unanimously agreed that P356 would better facilitate the BSC objectives and recommended its approval.

The Panel agreed with the Proposer that P356 would better facilitate BSC applicable objectives (a), (b), (c) and (e). They are of the opinion that P356 would have a neutral impact on objectives (d), (f) and (g)<sup>13</sup>.

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<sup>7</sup> Applicable BSC objectives are set out in standard condition C3(3) of NGET's Transmission Licence, available [here](#).

<sup>8</sup> See standard condition C3 (3), objective (a), of NGET's transmission Licence: "The efficient discharge of the licensee's obligations under this licence".

<sup>9</sup> See standard condition C3 (3), objective (b), of NGET's transmission Licence: "The efficient, economic and coordinated operation of the National Electricity Transmission System".

<sup>10</sup> See standard condition C3 (3), objective (c), of NGET's transmission Licence: "Promoting effective competition in the generation and supply of all electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity".

<sup>11</sup> See standard condition C3 (3), objective (e), of NGET's transmission Licence: "compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency."

<sup>12</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and Standard Special Licence Condition C3 of the Electricity Transmission Licence available [here](#).

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<sup>13</sup> Objectives (d), (f) and (g) aim at (i) promoting efficiency in the implementation and administration of the balancing and settlement arrangements; (ii) implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation; and (iii) compliance with the Transmission Losses Principle.

## Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 12 March 2018. We have considered and taken into account responses to the industry consultation which is attached to the FMR<sup>14</sup>. We have concluded that:

- i. the implementation of the modification proposal better facilitates the achievement of the BSC objectives; and
- ii. the modification is consistent with our principal objective and statutory duties.<sup>15</sup>

## Reasons for our decision

We consider that this modification proposal better facilitates the BSC objectives (a), (b) and (e) and has a neutral impact on the other applicable objectives.

### ***(a) the efficient discharge by the licensee of the obligations imposed upon it by this licence***

The changes proposed by this modification will better enable the licensee, NGET, to discharge its licence obligations. For example, Condition C3 (2)(b)(i) of the Transmission Licence states that BSC arrangements are arrangements “for the determination and allocation to BSC parties of the quantities of electricity delivered to and taken off the total system”. Allowing IST and ET to be adjusted after Gate Closure should result in the production of more accurate information on the quantities of electricity delivered to and taken off the transmission system and consequently, in an improved efficiency of balancing operations.

More accurate information will help NGET to efficiently discharge its licence obligation to co-ordinate and direct the flow of electricity onto and over the national electricity transmission system and balance the national electricity transmission system, as set out in Condition C3 (2)(a) of the Transmission Licence.

### ***(b) the efficient, economic and co-ordinated operation of the national electricity transmission system***

Allowing IST and ET to be adjusted after Gate Closure should result in more accurate information being made available to NGET. More accurate information allows NGET to better co-ordinate and direct the flow of electricity and balance the national electricity transmission system with greater precision, thus better facilitating BSC objective (b).

Further, P356 will allow NGET to co-ordinate efficiently with the CACM requirement that single intraday coupling should occur up to Gate Closure. If this BSC modification were not implemented, it would impede NGET's ability to co-ordinate efficiently with this CACM requirement as there is a risk ISTs and ETs at Gate Closure may be far removed from the final results of single intraday coupling. In other words, the risk of ISTs and ETs being highly inaccurate would increase. This could undermine NGET's ability to discharge BSC objective (b) as the information they would use to determine balancing requirements could be greatly inaccurate. This would have the impact of decreasing the efficient, economic and coordinated operation of the national transmission system.

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<sup>14</sup> BSC modification proposals, modification reports and representations can be viewed on the Elexon website at <https://www.elexon.co.uk/mod-proposal/p356/>

<sup>15</sup> The Authority's statutory duties are wider than matters which the BSC Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

***(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***

We do not share the opinion that P356 better facilitates objective (c). The Proposer is of the opinion that P356 does achieve this end as it facilitates compliance with CACM and CACM aims to promote effective competition amongst market participants. As written in FMR, the other Working Group members noted, "there isn't a direct correlation" between P356 and objective (c) but that by facilitating the introduction of CACM, P356 is indirectly having a positive effect on this objective.

Other than facilitating compliance with CACM, no evidence provided supports the claim that P356 better facilitates objective (c). We consider potential effects on competition to be attributed to CACM rather than to P356. As such, we hold the opinion that P356 would have a neutral impact on objective (c).

***(e) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency***

P356 will better facilitate objective (e). P356 will facilitate compliance with CACM, which forms part of European Electricity Regulation. It will enable the efficient incorporation of CACM by amending the BSC to work efficiently with single intraday coupling.

**Decision notice**

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority hereby directs that modification proposal BSC P356 be made.

**Mark Copley**

Associate Partner, System and Networks

Signed on behalf of the Authority and authorised for that purpose