

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

This Second Assessment Procedure Consultation was issued on 15 January 2018, with responses invited by 29 January 2018.

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

Consultation Respondents

Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
The Association for Decentralised Energy	0/1	Trade Association
Alkane Energy	0/1	Embedded generators
Centrica	9/0	Generator, Supplier, Interconnector User
EDF Energy	7/0	Generator, Supplier, ECVNA, MVRNA
First Hydro Company and Engie Group companies	2/0	Generator, Supplier
Flexible Generators Group	1/5	Embedded generators
Flexitricity Limited	0/1	Non-BM Balancing Services provider
National Grid	1/0	Transmission Company
Npower Ltd	6/1	Supplier, Supplier Agent, aggregator
Octopus Investments	1/0	Generator, Supplier
Ørsted Power Sales UK Limited	11/0	Generator, Supplier, Non Physical Trader, Interconnector User
PeakGen	1/1	Generator, Embedded generator
RWE Supply and Trading GmbH	1/1	Generator, Non Physical Trader, Interconnector User, ECVNA, MVRNA
ScottishPower	1/0	Generator, Supplier, ECVNA, MVRNA
SmartestEnergy	1/0	Supplier
SSE plc	6/0	Generator, Supplier, Interconnector User

P354
Second Assessment
Consultation Responses

30 January 2018

Version 1.0

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Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
The Renewable Energy Company (Ecotricity)	1/0	Generator, Supplier
TMA Data Management Ltd	0/1	Supplier Agent (HHDC, HHDA, NHHDA and NHHDC)
UK Power Reserve	1/0	Generator
Welsh Power Group Limited	1/1	Generator, Embedded generator

Question 1: Do you agree with the Workgroup’s initial majority view that the P354 Proposed solution does better facilitate the Applicable BSC Objectives compared with the current baseline?

Summary

Yes	No	Neutral/No Comment	Other
12	8	0	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	No	<p>The ADE does not agree that the Proposed solution better facilitates the Applicable BSC Objectives than the current baseline. The Proposed solution, which would send MSID ABSVD data to Suppliers and publish ABSVD BM Unit data on the BMRS, would undermine commercial confidentiality and have a damaging effect upon competition. There is a significant risk that Suppliers could either require customers to provide balancing services through the Supplier or prevent them from providing balancing services through changes to their supply agreements. While Suppliers would be unlikely to break Competition Law requirements, it would be possible to heavily incentivise customers to provide Balancing Services through the Supplier, rather than other parties, by offering differentiated prices for the supply of energy.</p> <p>The Proposed solution is therefore detrimental against BSC Objective C, which concerns the promotion of effective competition. Providing non-BM MSID ABSVD data to Suppliers without customer consent would be detrimental against this objective, providing privileged information to Suppliers.</p> <p>The ADE agrees, however, with the principle that the defect in the current arrangements for notifying ABSVD, which results in an additional payment for imbalance energy created, should be corrected for all users. We also welcome the decision to remove the opt-out for BM providers in BSC Section Q.6.4.5., which will rectify a major problem that would distort the playing field. For these reasons, we support the P354 Alternative solution, as outlined in Question 2.</p>
Alkane Energy	No	We have increasing concerns about mods like this which appear to be structured to tilt the regulatory environment in a direction that suits the commercial

Respondent	Response	Rationale
		self interest of larger players in the market who have the scale to resource the industry agreement change processes. This disenfranchises smaller players who are not parties to the industry agreements (so do not have a direct seat at the table) and/or simply cannot manage the time commitment to Workgroups and volume of consultations generated by the changes. Since this mod aims to disadvantage smaller players who do not yet have economic equal access to the BM we believe it fails objective (c) and it fails objective (d) owing to the complexity in its introduction and ongoing administration
Centrica	Yes	We believe that P354 helps to create a level playing field in the expectation that other live Modifications will widen access to the Balancing Mechanism. We agree with the Workgroup majority view for each of the Applicable BSC Objectives as described in section 7 of the consultation.
EDF Energy	Yes	<p>P354 should better meet BSC Objective (b) concerning efficient system operation, by helping to remove a potential distortion in payment for non-BM balancing services under which customers as a whole could be paying more than once for the same upward balancing service (or receiving payment more than once for the same downward balancing service).</p> <p>The proposal could better meet BSC Objective (c) concerning competition, by reducing the potential incidence of advantageous payments to non-BM balancing providers from suppliers, effectively funded by other customers, over and above payments available to BM providers, so removing a potential distortion in competition between BM and non-BM participants.</p> <p>There would be additional central administrative costs which act against BSC objective (d) concerning efficient operation of the balancing and settlement arrangements.</p> <p>It should better meet BSC objective (e), by adjusting suppliers' imbalances as Balance Responsible Parties, as required by the European Electricity Balancing Guideline.</p> <p>There would be small consequential impacts on BSC objectives (f) (EMR) and (g) (Transmission Losses Principle), but these are probably not material to a decision on P354. (i) The costs and benefits for</p>

Respondent	Response	Rationale
		<p>different demand and generation balancing providers may be changed, and BSUoS-RCRC amounts may be slightly reduced. (ii) If suppliers don't know the location of balancing services being provided from within their portfolio, they will be less well equipped to manage imbalances arising from locational transmission losses.</p> <p>The P354 Proposed solution provides more transparency for the host supplier, of balancing volumes being transacted with National Grid by customers within in its portfolio, than the alternative proposal, and is preferable to the alternative proposal which provides data only with customer consent. Further details are provided in response to questions 2 and 3.</p> <p>We are uncertain of the benefit in publishing BM Unit ABSVD data on BMRS a long time after the event. We think effort might be better spent speeding up the publication of BSAD data on BMRS, which for non-BM services might use instructed or expected volumes and costs in the interest of prompt reporting and market information.</p>
First Hydro Company and Engie Group companies	Yes	<p>We believe that this modification improves competition by ensuring that imbalance energy created following an instruction to non-BM providers of balancing services is removed from the associated energy imbalance account. In doing so, it will also ensure that the current procurement of non-BM services fully takes account of all the costs of the use of these non-BM services. This will place BM and non-BM on an identical basis when competing for SO services. It will also improve competition between these classes of providers ultimately leading to a lower cost to consumers.</p> <p>We believe the modifications meets the objectives in the following way:-</p> <p>Objective (a): Transmission Licence C16 Statements require the Transmission Company (TC) to procure and use Balancing Services without discriminating between classes of users. The current procurement of non-BM services does not fully take account of all the costs of the use of these non-BM services and creates discrimination between BM and non-BM classes to the detriment of BM providers</p> <p>Objectives (b) and (c): The TC does not consider the cost of the spill payment when contracting with non-BM services. When the full customer cost is</p>

Respondent	Response	Rationale
		<p>considered (i.e. including the spill payment in non-BM energy cost) the TC is potentially allocating contracts and despatching volume in an inefficient manner, as such damaging competition between BM and non-BM providers, resulting in additional customer costs</p> <p>Objective (d): P354 proposal allows the efficient implementation of the EU Balancing Guidelines ensuring that imbalance adjustment happen to the correct parties.</p> <p>Objectives (e): EU Balancing Guideline requires imbalance adjustment to be performed for all by the end of 2020 at the latest. P354 facilities implementation of this requirement.</p>
Flexible Generators Group	No	<p>This modification has nothing to do with the BSC, but is an enabling modification were there to be a change to the ABSVD methodology used by NG. It is therefore difficult to see how it fulfils any BSC objectives.</p> <p>The mod also needs to be seen as part of a wider package that could level the playing field between all parties offering energy or energy services into the wholesale markets. We do not believe that this modification should be approved until modifications P344 and P355 are implemented. Those changes would then ensure that the parties losing revenues under this proposal can enter other parts of the market and compete with other generators more equitably.</p> <p>In fact, if P344 and P355 were approved this modification would not be needed as all smaller parties could join the BM and be despatched as BM service providers. Not only would this be a more robust solution, but would be transparent and good for competition in both wholesale energy markets and ancillary services markets.</p> <p>Given that P344 is a required under EU law (is this true) and solves the problem anyway, what is the point of P354 other than costing BSC parties monies and suppliers as they will have to change their systems if P354 is meant to level the playing field.</p>
Flexitricity Limited	No	<p>No, the proposed solution goes against BSC objective (c) as it would negatively affect competition in the Non-BM Balancing services market as it would give suppliers the ability to identify flexible customers through the work of</p>

Respondent	Response	Rationale
		independent aggregators and other market participants, and then use their 'soft power' to either prevent the customer from providing balancing services, or to only provide those services through the supplier.
National Grid	Yes	<p>Our primary driver in supporting this modification is in relation to applicable objective E. We believe that this modification would enable implementation of Article 49 of the European Balancing Guideline in relation to performing imbalance adjustment for all Balancing Services providers.</p> <p>In terms of objective C we recognise the potential benefits of P354 outlined by the proposer in relation to market efficiency and competition. However, we also recognise that equal treatment should be around equal access and we have some concerns that there is currently not a level playing field between Balancing Services providers. We believe that this modification will only improve competition if there are sufficient routes to market for non-BM providers. This is why we are working to develop solutions for wider access to TERRE and the Balancing Mechanism through BSC modification P344.</p> <p>In terms of objectives A and B, Condition C16 of National Grid's transmission Licence requires it to "co-ordinate and direct the flow of electricity onto and over the National Electricity Transmission System in an efficient, economic and co-ordinated manner." National Grid believes that neutralising imbalances relating to non-BM Balancing Services providers will ensure that the tendered costs for services will better reflect the costs of service provision. This should in term lead to more efficient procurement of Balancing Services which should be more economic for the end consumer. However, as stated above there is a need to ensure that sufficient routes to market are created for providers outside the BM to avoid a reduction in liquidity in the balancing services markets.</p>
Npower Ltd	Yes	Yes, it supports BSC objectives by improving efficiency of balancing and settlement arrangements by removing both the spill payment – the proposed provision of the MSID ABSVD will ensure that the efficiency gained is then not smeared (and subsidised) by other customers (we believe it is essential that the supplier receives customer-specific (at MSID level) ABSVD data : if the data is

Respondent	Response	Rationale
		<p>limited to GSP-level then the costs associated with businesses who have benefitted commercially from demand side response will be born socially by the community, increasing their energy costs which is counter to the wider agenda seeking to ensure energy is charged cost-reflectively and are both fair and affordable).</p> <p>The proposed removal of the opt out for BM ABSVD will also help facilitate effective competition c) it would also help ensure compliance with e) following the approval of changes to the European Balancing Guidelines, which require the imbalance adjustment.</p>
Octopus Investments	No	<p>We do not understand what the proposal achieves in the absence of other changes to licences and contracts. It is difficult to measure the proposal against the BSC objectives without also being able to consider the related contract and licence amendments if indeed these are to be progressed. We note the following from the consultation documents:</p> <p>'For the P354 solution to work, changes to the ABSVD Methodology for non-BM Unit ABSVD will be needed.'</p>
Ørsted Power Sales UK Limited	Yes	<p>We would support the proposed modification on the basis that MSID level of ABSVD will be reported to Suppliers without the need of customers' consent.</p>
PeakGen	No	<p>This modification has nothing to do with the BSC, but is an enabling modification were there to be a change to the ABSVD methodology used by NG. It is therefore difficult to see how it fulfils any BSC objectives.</p> <p>The purpose of this modification is to facilitated the adjustment of the energy account when a "non-BM" provider delivers a balancing service.</p> <p>We believe that P344 (or P355) will provide a route for non-BM parties to deliver services via a BOA in the Balancing Mechanism, and in future all relevant balancing services can be delivered directly from the Balancing Mechanism. As such the requirement for non-BM service delivery falls away, and along with it, the need to adjust supplier energy accounts, as enabled by P354.</p> <p>As there is no future need for P354 (once P344 is implemented) the costs of changing both central systems and suppliers' systems can be avoided. This</p>

Respondent	Response	Rationale
		<p>represents an avoided cost that would otherwise have to be passed on to end users.</p> <p>Any benefit from "levelling the playing field" will be fully delivered via P344.</p>
RWE Supply and Trading GmbH	Yes	The removal of spill payments from non BM reserve providers will address a distortion in the wider electricity and capacity markets.
ScottishPower	Yes	<p>We believe that the P354 Proposed solution will overall better meet the Applicable BSC Objectives than the current baseline.</p> <p>We agree that P354 Proposed solution will better facilitate the non-discriminatory procurement of Balancing Services (Objective (a)).</p> <p>By removing spill payment from non-BM Balancing Service providers, the P354 Proposed solution will level the playing field in the provision of Balancing Services better facilitating competition, Objective (c).</p> <p>The P354 Proposed solution will enable imbalance adjustment to be performed for all Balancing Service providers in accordance with the Electricity Balancing Guideline, thus better facilitating Objective (e).</p> <p>The P354 Proposed solution is neutral against the remaining BSC Objectives.</p>
SmartestEnergy	Yes	We agree that non-BM units should not effectively be paid twice.
SSE plc	Yes	<p>Both proposed and alternatives solutions will enable ABSVD for non-BM Balancing Services to be accounted for within Settlement, facilitating complementary changes to include such products to the calculation of ABSVD.</p> <p>In enabling ABSVD adjustments to Supplier positions (and thereby removing the "double reward" realised from spill revenue by non-BM providers), the solution helps to deliver a more level playing field for BM and non-BM service providers when competing to provide balancing services to GBSO. The solution will ensure that risks and rewards are more appropriately allocated, allowing the true costs of providing services to be reflected in commercial bids. GBSO subsequently will be in a better position to understand full service costs when dispatching services, thereby better enabling them</p>

Respondent	Response	Rationale
		<p>to balance the system in the most economic and efficient way.</p> <p>Support agree with the workgroup conclusions therefore that P354 changes (in conjunction with C16 ABSVD methodology proposed changes) will better facilitate Applicable BSC Objectives a), b), c), d) and e), for the reasons set out by the workgroup.</p>
The Renewable Energy Company (Ecotricity)	Yes	<p>We believe that the proposed solution better facilitates Applicable BSC Objective C by promoting effective competition in the generation of electricity to a greater extent than the existing arrangements. This is achieved by neutralising the competitive distortions witnessed between BM and non-BM Balancing Service Providers in the current provisions.</p>
TMA Data Management Ltd	Yes	-
UK Power Reserve	No	<p>The Workgroup's initial majority view does not better facilitate the Applicable BSC Objectives and fails to achieve a more favourable cost/benefit to the consumer.</p> <p>The proposals do not mirror how BM units are settled currently; in that they are paid their Offer price, and if they shortfall they – in reality – still get the Offer price (i.e. they are paid for not delivering the service).</p> <p>The proposed amendments (under P354) instead tip the playing field, rather than level it. As a result, NBM will receive different and less favourable treatment, as well as create disparities between BM, NBM and commercial ancillary services.</p>
Welsh Power Group Limited	No	<p>The modification will not achieve the stated objectives as on its own it will have no effect. The methods by which imbalance volumes will be adjusted are contained in National Grids' C16 licence and within the contract terms of individual balancing services. Without changes to both of these the proposed BSC modification will not achieve anything. As a consequence the proposal is neutral against BSC objectives (a), (b), (c), (e) and (f) and negative when assessed against objective (d) since it imposes costs on industry for implementing a change which may not have any effect.</p> <p>The BSC modification should only be brought forward once OFGEM have confirmed changes to</p>

Respondent	Response	Rationale
		NGET's C16 licence and balancing services contract changes have been made.

Question 2: Do you agree with the Workgroup’s initial majority view that the P354 Alternative solution does better facilitate the Applicable BSC Objectives compared with the current baseline?

Summary

Yes	No	Neutral/No Comment	Other
12	8	0	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	Yes	<p>The ADE agrees that the P354 Alternative solution better facilitates the Applicable BSC Objectives compared with the current baseline. The ADE agrees with the principle that the defect in current arrangements for notifying ABSVD should be corrected for all users and welcomes the decision to remove the opt-out for BM providers in BSC Section Q.6.4.5.</p> <p>The Alternative solution better facilitates Applicable BSC Objective C by facilitating competition between different types of provider by removing spill revenue. In order to level the playing field between BM and non-BM providers, however, it is essential that the P354 Alternative solution is advanced alongside provision of full market access. The implementation of the P354 Alternative solution is likely to cause financial harm to a number of non-BM Balancing Services providers. It is therefore crucial that this short-term removal of revenues is aligned with a process that allows full market access for these parties.</p> <p>While the ‘customer opt-in’ approach to provision of MSID ABSVD to Suppliers is less likely to damage competition than the approach of the Proposed solution, it is important that Regulatory Authorities monitor the situation closely for behaviour that impacts upon Competition Law requirements.</p> <p>The ADE has reservations about the decision to aggregate MSID ABSVD at BM Unit level, rather than at Supplier Account level. While we acknowledge that this approach will rectify the issue highlighted by a respondent in the first Assessment Procedure Consultation, it may, in some cases, make possible identification of individual customers providing balancing services. This would have a deleterious effect upon competition. While this is</p>

Respondent	Response	Rationale
		unlikely to be the case when hundreds of small sites are aggregated within a BM Unit, it becomes a potential problem when a BM Unit contains a small number of large sites.
Alkane Energy	No	No – see above.
Centrica	Yes	We agree that the P354 Alternative solution better facilitates the Applicable BSC Objectives for the same reasons as for the P354 Proposed solution. Both help create a level playing field and both provide a mechanism for Suppliers to get the data they need.
EDF Energy	Yes	<p>P354 Alternative solution would probably better meet BSC objectives overall than the current baseline, at the current relatively low levels of non-BM balancing activity, for the same reasons as for the proposal. It should help to avoid discrimination between BM and non-BM providers of balancing energy, and avoid undue benefit to non-BM providers funded by customers as a whole.</p> <p>However, if a supplier cannot be certain of knowing whether a particular customer or group of customers is providing a service to NGET, it cannot be guaranteed that undue benefit will not be given to those customers (eg. benefit for spill where no spill exists), and those customers cannot be distinguished from other customers in allocating imbalance costs in general. This reduces the effectiveness of the alternative proposal in better meeting BSC objectives.</p> <p>It is not absolutely clear whether the alternative proposal includes reporting of ABSVD on BMRS. As with the proposal, we are unsure of the benefits of reporting BM Unit ABSVD on BMRS long after the event, and suggest effort might be better spent speeding up the reporting of BSAD data on BMRS.</p>
First Hydro Company and Engie Group companies	Yes	We believe that the customer providing energy to the SO should be responsible for the consequences of its actions. As such the supplier should not be subject to imbalance when the customer provides balancing services to the SO. This would normally be by an exchange of information between the customer and the supplier. It may be pragmatic to automate this information provision by optionally allowing the customer to request that this information is provided to the supplier as suggested by the alternative modification. This alternative

Respondent	Response	Rationale
		allows but does not mandate the transfer of data between the provider and the supplier.
Flexible Generators Group	No	<p>As noted above, this is not about the BSC, but instead is a means to force a change to the ABSVD by the backdoor. This modification should not have been raised until the ABSVD changes had been proposed, so the solution could then fit the problem.</p> <p>A more reasonable approach to this change would be to move all non-BM providers into the BM instead. This would not only make their despatch clearly visible, but would allow them to sell services to NG within the BM framework on a level playing field.</p> <p>If we were suppliers we would want to know which of our customers were taking part in the balancing services market, but understand why some service providers would not want their supplier to know (as it may increase the cost of their supplies). What is vital is that all service providers are treated equitably and the metering solutions result in accurate settlement.</p>
Flexitricity Limited	Yes	<p>Yes, the P354 Alternative solution will improve competition relative to the proposed solution, as described in BSC objective (c) by removing the ABSVD defect for all parties by removing the BSC Section Q.6.4.5 opt-out for BM providers.</p> <p>While the Alternative solution 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, this solution could still give suppliers the opportunity to exercise 'soft power' over their customers to prevent them from providing balancing services themselves or through a third party. Regulatory Authorities must monitor the situation for behaviour that impacts Competition Law requirements.</p> <p>Furthermore, the decision to aggregate MSID ABSVD at BM Unit level, rather than at Supplier Account level could exacerbate these issues. While this approach will rectify the issue highlighted by a respondent in the first Assessment Procedure Consultation, it may, in some cases, make possible identification of individual customers providing balancing services. This would have a deleterious effect upon competition. While this is unlikely to be</p>

Respondent	Response	Rationale
		<p>the case when hundreds of small sites are aggregated within a BM Unit, it becomes a potential problem when a BM Unit contains a small number of large sites.</p> <p>The Alternative solution levels the playing field between BM and Non-BM providers in one aspect, in that both will no longer receive 'spill', but BM providers still have access to both the BM and non-BM balancing services. It is essential that providers currently limited to the Non-BM balancing services markets are given access to the BM otherwise the defect in competition remains. This issue can be resolved if the modification does not come into force until current Non-BM providers are given access to the BM, which should happen by December 2019, through the P344 modification.</p>
National Grid	Yes	-
Npower Ltd	No	No, we believe this solution would likely result in increased inefficiency within the balancing and settlement process (d) and 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.
Octopus Investments	No	For the same reasons set out above.
Ørsted Power Sales UK Limited	Yes	We agree that the alternative modification is better than the current baseline.
PeakGen	No	<p>As noted above, this is not about the BSC, but instead is a means to force a change to the ABSVD by the backdoor. This modification should not have been raised until the ABSVD changes had been proposed, so the solution could then fit the problem.</p> <p>A more reasonable approach to this change would be to move all non-BM providers into the BM instead. This would not only make their despatch clearly visible, but would allow them to sell services to NG within the BM framework on a level playing field.</p> <p>If we were a supplier, we would want to know which of our customers were taking part in the</p>

Respondent	Response	Rationale
		balancing services market, but understand why some service providers would not want their supplier to know (as it may increase the cost of their supplies). What is vital is that all service providers are treated equitably and the metering solutions result in accurate settlement.
RWE Supply and Trading GmbH	Yes	We support the option of providing the customer with the facility to enable the release of information to suppliers.
ScottishPower	Yes	<p>We believe that the P354 Alternative solution will overall better meet the Applicable BSC Objectives than the current baseline.</p> <p>We agree that P354 Alternative solution will better facilitate the non-discriminatory procurement of Balancing Services (Objective (a)).</p> <p>By removing spill payment from non-BM Balancing Service providers, the P354 Alternative solution will level the playing field in the provision of Balancing Services better facilitating competition, Objective (c).</p> <p>The P354 Alternative solution will enable imbalance adjustment to be performed for all Balancing Service providers in accordance with the Electricity Balancing Guideline, thus better facilitating Objective (e).</p> <p>The P354 Alternative solution is neutral against the remaining BSC Objectives.</p>
SmartestEnergy	No	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. The alternative therefore fails on both Object b and Objective d. It is also important that suppliers should be able to build up their positions from metered data. This will not be possible under the Alternative.
SSE plc	Yes	<p>See question 1 above.</p> <p>For the avoidance of doubt, SSE believe that both the original and alternative proposals are better than the current baseline.</p>
The Renewable Energy Company	Yes	We believe the alternative solution also better facilitates the Applicable BSC Objectives based upon

Respondent	Response	Rationale
(Ecotricity)		the same rationale as our response for Question 1.
TMA Data Management Ltd	Yes	-
UK Power Reserve	No	See response to question 1.
Welsh Power Group Limited	No	For the same reasons as above.

Question 3: Do you agree 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?

Summary

Yes	No	Neutral/No Comment	Other
10	7	3	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	Yes	<p>The ADE agrees that the Alternative solution better facilitates the Applicable BSC Objectives than the Proposed solution. As outlined above, the Alternative solution partially addresses the issue of commercial confidentiality and the 'soft power' of Suppliers.</p> <p>The Alternative solution therefore better facilitates Applicable BSC Objective C than the Proposed solution.</p>
Alkane Energy	Yes	<p>Alkane is not a BSC Party, does not and has historically had no need to understand BSC systems, and has no means to automatically dispute what happens under the BSC. This will add to already significant administrative burdens on small players and as such is a detriment to effective competition and efficient running of the industry. We are concerned at data confidentiality and the degree to which we will be able to dispute billing errors around this revenue stream. We already regularly have issues with billing with our suppliers, in part caused simply by existing complexity of the charging structure, and see this as increasing the likelihood and frequency of those issues.</p>
Centrica	Yes	<p>Yes – subject to the following:</p> <p>We believe that Suppliers will need MSID ABSVD HH volumes to operate efficiently. For example, Suppliers will need this data to bill Customers accurately and to manage Suppliers' own accounts.</p> <p>On balance, we agree with the majority of the Workgroup that the fairest solution is for the affected Suppliers to be provided with the MSID ABSVD subject to customer consent.</p> <p>Given the importance of being able to access this</p>

Respondent	Response	Rationale
		<p>data for efficient operation of Customer accounts we need to be able to confirm that a Customer has consented to “opt in”. The current legal drafting suggests that only the SVAA is informed that the Customer has opted in in Section Q 6.4.7 and this information is not passed on to Supplier. We would like visibility of the fact that the Customer has given consent to ensure efficient billing and account management from the start.</p>
EDF Energy	No	<p>The more accurately a supplier understands the energy profile and activities of a customer, the more accurately its supply costs can be estimated, and the less risk there is of double counting of balancing activity or cross-subsidy with other customers. More accurate estimates of supply costs reduce the margins needed to cover uncertainties, and should reduce the sharing of costs due to uncertainty between all customers. The proposal supports more accuracy and is therefore better than the alternative.</p> <p>As a minimum, volume should be used in settlement and provided to suppliers at half-hourly BM Unit level, as in the proposal and the alternative (albeit potentially long after the event). This is necessary (a) to allow ABSVD volume to be considered in Metered Volume Reallocation Notifications (MVRN) to subsidiary parties, (b) to support supplier forecasting and reporting at a zonal level (c) to allocate any identified costs associated with uncertainty in ABSVD to zones in which the uncertainty arises.</p> <p>Ideally, suppliers should have full visibility of the actions being instructed and delivered by their customers. The proposal provides visibility of delivered volumes (albeit long after the event) and is preferable to the alternative. This would support more accurate forecasting, and avoid potential cross-subsidy of uncertainty risks between customers providing services, and those not providing services. While volumes are small, such subsidies may be acceptable, but may not be if volumes increase.</p> <p>Currently, deviations by individual customers from the expectation on which tariff rates are set are all treated as imbalance, for which the supplier may receive spill payment (which for demand reduction can be considered compensation for energy bought in advance) or pay for shortfall (which for demand</p>

Respondent	Response	Rationale
		<p>increase can be considered payment for energy not bought in advance). These imbalance payments may represent a profit or loss to the Supplier dependent on its forecasting, forward and imbalance prices, and customer contracts.</p> <p>With P354 as proposed in the assessment report, there would be a subset of customers, those providing balancing services, for whom there are no equivalent imbalance payments, ie. a different balance of costs and benefits for the supplier compared with other customers. If the supplier doesn't know, as in the alternative proposal, which customer volumes are subject to imbalance payments and which are, there will necessarily be cross-subsidies.</p> <p>Because there is more non-BM provision of upward balancing energy than downward energy, and it tends to be utilised at times of higher imbalance price, the cross-subsidy would likely be from customers with spontaneous spill to customers with non-BM upward balancing energy.</p> <p>Note that STOR standard terms require providers not to be in breach of supply agreements, and most supply agreements will require the customer to inform the supplier if it is contracted, or does in future contract, to provide balancing services to NGET or anyone else. However, without transparency there is no way to know if agreements are being complied with, with a result that any costs of consequential uncertainty would be shared across customers more widely.</p> <p>A compromise we supported for similar issues under P344 would be for ELEXON (or another independent agent) to maintain a register of (MSID, Date, BSP/Non-BM Provider/Contract Id, Supplier, HHDA, BMU) for non-BM providers. It would need regular/daily updating to reflect MRA meter registration/agent appointment changes.</p> <p>NGET, ELEXON and SVAA could use it as a common point of reference for relevant MSIDs. Suppliers and BSPs could use it to check or verify relevant MSIDs registered to them. SVAA/HHDA (or SAA?) could use it to match MSID to BMU.</p>
First Hydro Company and Engie Group	No	Whilst we believe the arguments are finely balanced we believe that the benefits of transparency outweighs the concerns expressed over "soft power" and any issues relating to competition should be

Respondent	Response	Rationale
companies		addressed through the regulatory regime.
Flexible Generators Group	Yes	<p>It is unclear how a given customer will know that their meter is flagged and dispute that flag if they believe it is incorrectly set. Most non-BM ancillary services providers are not BSC parties, do not understand BSC systems and have no means to dispute activities under the BSC. This seems to be a major flaw in the whole process and Ofgem should be concerned that the service provider may see their data shared without their agreement and will have no process to stop this.</p> <p>Furthermore, where a customer discovers incorrect data flows, for example their meter read is allocating energy to NG when it should go to the supplier, they have no way to dispute the data flows as they are not BSC parties. While they can ask ELEXON to raise a dispute for them, the materiality threshold is probably too high for many such disputes to be allowed. While not material in BSC terms, for a specific customer such revenue may be material to their business yet disputing may not be possible. The industry already has a reputational problem with incorrect billing, and this solution could make things worse. The group should consider a new disputes process for this purpose. Again we note, that if the BSC was altered to allow smaller parties to be in the BM, then they would become BSC parties and able to use the dispute processes.</p> <p>As noted above, we still do not feel that this is a good solution and instead giving access to the BM for all those in the whole energy markets, creating a level playing field, with transparency, would be a far better solution. Creating new distortions is not helpful. There seems to be some effort being made to remove all income from smaller parties and they need to be able to compete equitably with other, larger plants.</p>
Flexitricity Limited	Yes	<p>The Alternative solution better facilitates the Applicable BSC Objectives than the Proposed solution. As described in the response to Question 2, the Alternative solution addresses some of the issues of commercial confidentiality and the 'soft power' of suppliers which are unacceptable in the P354 Proposed solution.</p> <p>The Alternative solution therefore better facilitates Applicable BSC Objective C than the Proposed</p>

Respondent	Response	Rationale
		solution.
National Grid	Yes	-
Npower Ltd	No	<p>No, the only change to the proposed modification would be the requirement for the relevant demand or generator customer to consent to the data relating to the MSID giving rise to the ABSVD being provided to their registered supplier. Given the consultation states that the balancing services provider has to provide confirmation to the TC (not the customer) we are very concerned that the proposed alternative solution, designed to protect against an unproven allegation of soft power (alleged to be used by suppliers over their customers) would instead enable the balancing service provider (or their aggregator) to ensure that the information that would provide the most efficient allocation of costs, and risk cannot be passed to the supplier. Unlike suppliers who have to comply with licence conditions, are signatories to the BSC and also have statutory requirements overseeing their behaviour, there are no such restrictions placed on those non BM balancing service providers.</p> <p>We are concerned some nBM providers of balancing services (directly or through an aggregator) are extremely active and may become more so with additional MWs dynamically and unpredictably changing behaviour resulting in additional costs incurred by the supplier (these events are unforecastable by nature and will occur beyond gate closure). These events (and impact on the supplier) are expected to grow in scale and frequency – it can only be appropriate to recover these cost from the commercial entity (MPAN) whose commercial actions created the imbalance rather than recover these costs 'socially' at GSP level.</p> <p>We are highly concerned that the key processes facilitating the alternative modification (through the provision of the allocation, as part of the C16 statement process) and the confirmation as to whether or not the demand customer or generator consents to the balancing services data being provided to their registered supplier would be managed by a third party (independent aggregator) which is not overseen through either by Ofgem or the BSC and therefore their actions (or lack thereof) cannot be governed.</p>

Respondent	Response	Rationale
		We strongly suggest that any anti-competitive behaviour (actual or alleged) should be managed through the regulatory and legislative process, not through the BSC – given the potential impacts on the efficient allocation of costs on other customers.
Octopus Investments	No	We are neutral on which of the solutions are 'better' as neither in our view better facilitate the applicable BSC objectives.
Ørsted Power Sales UK Limited	No	Our view is that the proposed modification is better than the alternative modification. We do not believe seeking customers' consent for ABSVD reporting is necessary, as suppliers will be requesting this information from customers in one way or another. There is no harm for suppliers to know who is providing non-BM services from competition point of view. If suppliers can provide a better service than a third party, it would be beneficial for customers due to improved competition. We do not believe any supplier would abuse market power by blocking the route to market due to the regulatory and reputational risks involved.
PeakGen	Yes	<p>It is unclear how a given customer will know that their meter is flagged and dispute that flag if they believe it is incorrectly set. Most non-BM ancillary services providers are not BSC parties, do not understand BSC systems and have no means to dispute activities under the BSC. This seems to be a major flaw in the whole process and Ofgem should be concerned that the service provider may see their data shared without their agreement and will have no process to stop this.</p> <p>Furthermore, where a customer discovers incorrect data flows, for example their meter read is allocating energy to NG when it should go to the supplier, they have no way to dispute the data flows as they are not BSC parties. While they can ask ELEXON to raise a dispute for them, the materiality threshold is probably too high for many such disputes to be allowed. While not material in BSC terms, for a specific customer such revenue may be material to their business yet disputing may not be possible. The industry already has a reputational problem with incorrect billing, and this solution could make things worse. The group should consider a new disputes process for this purpose. Again we note, that if the BSC was altered to allow smaller parties to be in the BM, then they would become BSC parties and able to use the dispute</p>

Respondent	Response	Rationale
		<p>processes.</p> <p>As noted above, we still do not feel that this is a good solution and instead giving access to the BM for all those in the whole energy markets, creating a level playing field, with transparency, would be a far better solution. Creating new distortions is not helpful. There seems to be some effort being made to remove all income from smaller parties and they need to be able compete equitably with other, larger plants.</p>
RWE Supply and Trading GmbH	Yes/No	<p>We do not have a firm view on the relative merits of the original and the alternative. It is important that the integrity of settlements is preserved as envisaged in the original modification. The disclosure of information to suppliers which will enable parties to manage efficiently the settlement arrangements that impact on supplier, aggregators and customers.</p> <p>Concerns have been raised about "soft" market power in relation to the commercial arrangements between suppliers, customers and aggregators. The potential "soft" market power with respect to suppliers is partially addressed in the alternative modification which will create a role for customers to determine whether information is disclosed to suppliers. However, the alternative may itself create additional "soft" market power concerns in relation to aggregators by allowing the restriction of access to information on settlement issues by suppliers.</p> <p>Without access to detailed settlement data suppliers will be unable to verify the accuracy of data that impacts on their imbalance positions. There creates an additional risk that the alternative may give rise to an increase in the number of trading disputes as suppliers seek to determine whether the settlement adjustments are justified.</p> <p>The issue of "soft" market power in the commercial arrangements between suppliers, customers and aggregators is best addressed through wider competition and contract law (e.g. regarding the "fairness" of terms and conditions). In any event we would expect Ofgem to monitor the development of the market for aggregation services and to consider any "soft" market power issues as they arise.</p>
ScottishPower	Yes	By taking into account whether the non-BM Balancing Services provider has consented to the Supplier receiving the MSID ABSVD the Alternative

Respondent	Response	Rationale
		solution better addresses the competition concerns raised by parties who provide aggregation services.
SmartestEnergy	No	See answer to Q2.
SSE plc	No	<p>Whilst recognising the soft market power concerns voiced by certain flexibility providers as part of the P354 debate, SSE believe that in practice it seems highly unlikely that Suppliers would risk anti-competitive behaviour and foreclose the market, given wider Competition Law obligations and potential remedies available to Regulatory Authorities.</p> <p>SSE believe that competition concerns associated with disclosure of MSID level data could be managed in other ways through effective monitoring and reporting. This could then enable the mandatory provision of MSID data to Suppliers in order to support their back-office processes, thus enabling a more efficient end to end process to be realised, that avoids the need to create additional data exchange processes directly with customers.</p> <p>SSE therefore support the proposed modification over the alternative (but both proposed and alternative are still better than the current baseline).</p>
The Renewable Energy Company (Ecotricity)	Yes	We believe that the Alternative solution better facilitates the Applicable BSC Objectives than the Proposed solution. This is due to the concerns highlighted with the Proposed solution where Suppliers could potentially block participation for those non-BM Balancing Services Providers who are unfamiliar with the BM processes.
TMA Data Management Ltd	Yes	-
UK Power Reserve	No comment	Both options do not better facilitate the BSC objectives.
Welsh Power Group Limited	N/A	As we believe both options do not better facilitate the BSC objectives

Question 4: Do you agree with the Workgroup that the draft legal text in Attachment A delivers the intention of P354 Proposed solution?

Summary

Yes	No	Neutral/No Comment	Other
16	0	4	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	Yes	The draft legal text delivers the intention of the P354 Proposed solution.
Alkane Energy	Yes	N/A
Centrica	Yes	We agree the draft legal text delivers the intention of P354 Proposed solution.
EDF Energy	Yes/No	We have not comprehensively checked the draft legal text, but it appears broadly consistent with the proposal, subject to comment below. J1.2.2(d): added comma should be an 'and', because the new required data in relation to balancing services volume is in addition to existing aggregated data.
First Hydro Company and Engie Group companies	Yes	It gives effect to the modification.
Flexible Generators Group	Yes	N/A
Flexitricity Limited	Yes	The draft legal text delivers the intention of the P354 Proposed solution.
National Grid	Yes	The proposed drafting appears to deliver the intent of P354 proposed solution.
Npower Ltd	Yes	Yes, this text appears to provide a means to deliver the P354 solution as set out in the attached consultation.
Octopus Investments	Yes	-
Ørsted Power Sales UK Limited	No comment	We have not reviewed the legal text.

Respondent	Response	Rationale
PeakGen	Yes	N/A
RWE Supply and Trading GmbH	Yes	-
ScottishPower	Yes	We believe that the draft legal text delivers the intention of the P354 Proposed solution.
SmartestEnergy	No comment	-
SSE plc	Yes	-
The Renewable Energy Company (Ecotricity)	Abstain	We have no comments to provide regarding the legal text.
TMA Data Management Ltd	Yes	-
UK Power Reserve	Yes	-
Welsh Power Group Limited	Yes	-

Question 5: Do you agree with the Workgroup that the draft legal text in Attachment B delivers the intention of the P354 Alternative solution?

Summary

Yes	No	Neutral/No Comment	Other
15	1	4	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	Yes	The draft legal text delivers the intention of the P354 Alternative solution.
Alkane Energy	Yes	N/A
Centrica	Yes	Yes but - we agree the draft legal text delivers the intention of P354 Proposed solution. To help the Supplier identify any instance where the Customer has had difficulty in registering its consent for data to be passed on, we would like visibility of the fact that the Customer has given consent. The current legal drafting suggests that only the SVAA is informed that the Customer has opted in in Section Q6.4.7.
EDF Energy	Yes/No	We have not comprehensively checked the draft legal text, but it appears broadly consistent with the alternative proposal, subject to comments below. J1.2.2(d): added comma should be an 'and', because the new required data in relation to balancing services volume is in addition to existing aggregated data. Page 21 of the consultation under 'Alternative Modification' says that 'No ABSVD data will be published on BMRS', repeated at last sentence on page 22. The existing BMRS reporting should not be changed; the draft legal text for the alternative indicates that non-BM ABSVD would be reported on BMRS (V-1 Table 1).
First Hydro Company and Engie Group companies	Yes	It gives effect to the modification.
Flexible Generators Group	Yes	N/A

Respondent	Response	Rationale
Flexitricity Limited	Yes	The draft legal text delivers the intention of the P354 Alternative solution.
National Grid	Yes	The proposed drafting appears to deliver the intent of P354 alternative solution.
Npower Ltd	No	<p>No, we believe there are several inconsistencies of language within the consultation document in terms of how the proposed opt out (for the customer, which was assumed to improve the modification with regards to competition), which in fact relate to the balancing services provider. We would also restate and reinforce our statement that the Alternative Solution is based on a fear of 'soft power' - any anti-competitive behaviour (actual or alleged) should be managed through the regulatory and legislative process, not through the BSC.</p> <p>However even as drafted whilst the legal text does confirm that the consent (for the information relating to the ABSVD) to be shared with their supplier relates to the consumer or generator - there is no established path (nor probably can there be within the BSC) to ensure that the consent from the customer has been sought – with the implications of providing or withholding consent made explicit to the end customer and that confirmation received from the customer that they do not want that information shared.</p> <p>There are no means to determine whether this process has been followed by an aggregator -which would render a central function of the proposal (improved efficiency in the procurement of balancing services) undeliverable, as costs would continue to be borne by other parties not responsible for the costs (through 'socialisation').</p> <p>We do not believe that the intention of P354 alternative solution to provide more accurate allocation of imbalance costs will be delivered through the draft legal text in Attachment B, as these will also result in inaccurate pricing and procurement by market participants as a result, and therefore undermining the intent of the solution.</p> <p>Furthermore we would also note that the proposal as drafted is flawed as it does not take into account, any "rebound effects" resulting from balancing services derived from load management (i.e. pure DSR). Whilst this proposal might provide an opportunity for the partial adjustment of any associated imbalances, it does not address (nor</p>

Respondent	Response	Rationale
		<p>even recognise) the issue of rebound, whereby the customer may reduce their load as specified by an aggregator to satisfy a balancing services event for a specific period of time, but that thereafter, the customer may be required run their equipment during a later settlement period to compensate their position (i.e. to correct thermal parameters or to produce more "stuff" if a production line was affected by the Balancing Services event; thereby affecting the supplier's imbalance position, but for which there is also no equivalent rebalancing or adjustment. So as drafted, the supplier would continue to be exposed to additional imbalance costs, which again would be borne by consumers who did not benefit from the original commercially-motivated event.</p> <p>Energy Storage Systems (batteries) would also fall into the above category of requiring a pre/recharge if discharged over a peak period. This would also need to be settled effectively as part of this modification and would therefore need to be recognised and transparent at MSID (not GSP) level.</p>
Octopus Investments	Yes	-
Ørsted Power Sales UK Limited	No comment	We have not reviewed the legal text.
PeakGen	Yes	N/A
RWE Supply and Trading GmbH	Yes	We note that the legal text enables the release of information by customers through obligations on aggregators to facilitate this. Since "customers" are not BSC parties it may be difficult to deliver the intent without making the ownership of the relevant data more explicit – i.e. the customer is the owner of the data owner and therefore must give consent for release.
ScottishPower	Yes	We believe that the draft legal text delivers the intention of the P354 Alternative solution.
SmartestEnergy	No comment	-
SSE plc	Yes	-
The Renewable Energy Company (Ecotricity)	Abstain	We have no comments to provide regarding the legal text.
TMA Data	Yes	-

Respondent	Response	Rationale
Management Ltd		
UK Power Reserve	Yes	-
Welsh Power Group Limited	Yes	-

Question 6: Do you agree with the Workgroup that there are 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?

Summary

Yes	No	Neutral/No Comment	Other
10	7	3	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	No	<p>The ADE believes that an Alternative Modification that was identical to the current P354 Alternative solution but that did not report MSID ABSVD to affected Suppliers would better facilitate Applicable BSC Objective C.</p> <p>As discussed in our response to Question 2, we believe that the 'customer opt-in' approach to reporting of MSID ABSVD to Suppliers helps to diminish issues relating to commercial confidentiality and soft power, but does not rectify them completely. We therefore believe that an Alternative Modification that did not report MSID ABSVD to affected Suppliers would better promote effective competition.</p>
Alkane Energy	No	<p>We believe the proper robust implementation of P344 <u>alongside the concurrent delivery of NG systems to facilitate it and the use of those same systems to manage ALL ancillary services</u>, would deliver a solution which obviates the need for P354. If National Grid does not propose to use TERRE systems for all ancillary services then P355 would be necessary, so allowing access of embedded generation to the BM ("BM Lite"). These solutions are more equitable approaches to the problem than P354 as they would enable smaller players to have the same access to balancing revenues already enjoyed by the larger players at the same time as removing "spill" payments.</p>
Centrica	Yes	We do not believe there are any other potential Alternative Modifications.
EDF Energy	Yes/No	It is not clear what additional value publication on BMRS of non-BM ABSVD by BM Unit will have, given that it might not be determined until long after the

Respondent	Response	Rationale
		<p>event, and would not be updated in the event of subsequent changes (?).</p> <p>Publication of individual NGET instructed/expected actions in BSAD data in similar timescales to BM data would be more useful in informing efficient short-term market and balancing behaviours. Assessment of delivered volumes long after the event is only useful for assessing delivery, for settlement and for estimating longer term behavioural trends.</p>
First Hydro Company and Engie Group companies	Yes	Yes we agree.
Flexible Generators Group	No	<p>Our alternative solution would be to put the services providers into the BM. This can be achieved via modifications on the table (P355 in particular) if there is more willingness by National Grid to try and find a solution to their system problems. Until wider market 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, this proposal should not be taken forward.</p> <p>We feel that there is a fundamental problem with suppliers having their energy positions adjusted without their knowledge which will result in increased energy costs for all the suppliers other customers or suppliers refusing to supply customers participating in the balancing services market. Such an outcome would probably benefit our members who supply such services, with reduced competition in the balancing services market. However, we believe in competitive markets, transparency and cost reflectivity and the solution proposed is likely to distort the market and increase costs. We therefore believe all service providers meters should be flagged to the meter registrant and NG, as the buyer, must ensure that the correct meters are flag at all times.</p> <p>We are also unsure how the flagging will work in a more flexible balancing market. For example, NG has suggested it may buy services day ahead. While a site could sign a framework agreement to participate in say the reserve market, how will NG flag that the site is a service provider when it may only chose to be in the market on say every other Friday? The flags should only be set when the site</p>

Respondent	Response	Rationale
		has a commitment to provide a service not at any other time. The group needs to consider whether the solution is as future proof as it could be.
Flexitricity Limited	Yes	There is no Alternative Modification within the scope of P354 which would better facilitate the Applicable BSC objectives, but the practical implementation of the solution, and the timing, are crucial to ensuring the modification improves, rather than harms competition, and thus BSC Objective (c). This means the earliest implementation date must be April 2020 and that customer data being given to suppliers must be monitored by the Regulatory Authorities.
National Grid	Yes/No	-
Npower Ltd	Yes	-
Octopus Investments	No	We believe that the BSC solution should follow consideration by National Grid of the defect and its solution. We are not aware that this has happened and as such have concerns that the proposal is the most appropriate way of addressing the concerns of the proposer.
Ørsted Power Sales UK Limited	Yes	-
PeakGen	No	<p>Our alternative solution would be to put the services providers into the BM. This can be achieved via modifications on the table (P355 in particular) if there is more willingness by National Grid to try and find a solution to their system problems. Until wider market 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, this proposal should not be taken forward.</p> <p>We feel that there is a fundamental problem with suppliers having their energy positions adjusted without their knowledge which will result in increased energy costs for all the supplier's other customers or suppliers refusing to supply customers participating in the balancing services market. Such an outcome would probably benefit our members who supply such services, with reduced competition in the balancing services market. However, we believe in competitive markets, transparency and cost reflectivity and the solution proposed is likely to distort the market and increase costs. We therefore believe all service providers meters should be flagged to the meter registrant and NG, as the</p>

Respondent	Response	Rationale
		<p>buyer, must ensure that the correct meters are flag at all times.</p> <p>We are also unsure how the flagging will work in a more flexible balancing market. For example, NG has suggested it may buy services day ahead. While a site could sign a framework agreement to participate in say the reserve market, how will NG flag that the site is a service provider when it may only chose to be in the market on say every other Friday? The flags should only be set when the site has a commitment to provide a service not at any other time. The group needs to consider whether the solution is as future proof as it could be.</p>
RWE Supply and Trading GmbH	Yes	-
ScottishPower	Yes	-
SmartestEnergy	Yes	-
SSE plc	Yes	-
The Renewable Energy Company (Ecotricity)	Abstain	We have no comments to provide regarding other potential Alternative Modifications.
TMA Data Management Ltd	Yes	-
UK Power Reserve	No	<p>Please see UKPR's response to the initial P354 consultation, submitted in December 2017, for an alternative proposal.</p> <p>This was a confidential response received – commercially sensitive not for wider circulation.</p>
Welsh Power Group Limited	No	<p>There are many different ways of adjusting balancing services parties for the spill income that may become payable none of which have been explored as they do not require a BSC modification. For example the System Operator could pay a non-BM provider a utilisation price equal to the utilisation price less the outturn system imbalance price. This would have the effect of reducing the non-BM providers balancing services price without the requirement for a BSC process which impacts competition (DSR vs supplier transparency), places system costs on suppliers and requires renegotiation of existing generator/supplier commercial agreements. There are a number of potential solutions which address the proposers competition concerns but which could be implemented in a more</p>

Respondent	Response	Rationale
		<p>efficient and lower cost manner.</p> <p>This is a symptom of starting the process with the BSC rather than with the SO who control contracting and have the obligation under European Balancing Guidelines.</p>

Question 7: Do you agree that P354 does not meet the Self-Governance Criteria and so should not be progressed as a Self-Governance Modification?

Summary

Yes	No	Neutral/No Comment	Other
20	0	0	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	Yes	The ADE agrees that P354 does not meet the Self-Governance Criteria and should not be progressed as a Self-Governance Modification due to potential material effects on competition.
Alkane Energy	Yes	N/A
Centrica	Yes	We agree with the assessment in the consultation.
EDF Energy	Yes	P354 has material and different impacts on competing balancing providers, BSC Parties, agents, non-BM parties and customers, and clearly does not meet the criteria for self-governance.
First Hydro Company and Engie Group companies	Yes	The modification has commercial implications for various parties and is thus not suitable for self-governance.
Flexible Generators Group	Yes	N/A
Flexitricity Limited	Yes	Yes, because P354 will have a material effect on competition.
National Grid	Yes	Given this modification proposes a significant amount of change for many Balancing Services providers and the potential for level playing field arguments as a result of this modification, we do not believe that P354 meets the Self-Governance Criteria (i.e. it should not be progressed as a Self-Governance Modification).
Npower Ltd	Yes	Yes as highlighted in our response to Q5, this proposed modification has significant impact on competition and should therefore not be progressed as a self-governance modification.
Octopus Investments	Yes	-

Respondent	Response	Rationale
Ørsted Power Sales UK Limited	Yes	-
PeakGen	Yes	N/A
RWE Supply and Trading GmbH	Yes	-
ScottishPower	Yes	-
SmartestEnergy	Yes	Ofgem need to consider the iniquity of the alternative proposal.
SSE plc	Yes	-
The Renewable Energy Company (Ecotricity)	Yes	We agree that this should not progress as a Self-Governance Modification due to the implications on competition.
TMA Data Management Ltd	Yes	-
UK Power Reserve	Yes	-
Welsh Power Group Limited	Yes	The change impacts on a number of parties and should not be progressed on a Self-Governance basis.

Question 8: Will P354 impact your organisation?

Summary

Yes	No	Neutral/No Comment	Other
18	1	1	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	Yes	<p>P354 will impact many of the ADE's members, particularly non-BM balancing services providers. The Modification will require these providers to implement system changes in order to provide the required data. For frequency services, new systems will need to be developed to calculate delivery volumes. National Grid need to provide more details on how they will require providers to submit data in order to design and implement the systems needed. For providers who offer a variety of services from a number of sites, it is crucial that the provision of disaggregated data to National Grid be automated. Automation of this process will help to reduce administrative burdens and the likelihood of errors.</p> <p>The implementation process would be made considerably simpler if National Grid are able to provide backing data before the provider carries out the disaggregation process for each instruction. This will avoid the provider having to carry out the calculation without backing data and then to repeat the calculation once data has been received.</p> <p>If the Modification proceeds in a way that allows suppliers to identify non-BM participant sites (i.e. the Proposed Modification), this will have a major impact upon member organisations. There is a significant risk that suppliers could either require customers to provide balancing services through the supplier or prevent them from providing balancing services through changes to their supply agreements. If the Modification is implemented in this way, it will have a deleterious effect upon competition.</p> <p>If the Alternative Modification is implemented, the negative effects upon competition will be lessened considerably.</p>
Alkane Energy	Yes	As an embedded generator providing non-BM ancillary services, we will lose income from the implementation of this mod with no means to

Respondent	Response	Rationale
		participate in the BM marketplace. This is overall detrimental to competition. We believe that the mod should not be implemented until alternative unbiased access to replacement revenue with exemptions in the case of longer term contracts until the contracts end.
Centrica	Yes	<p>P354 will have a consequential impact on our income streams as a provider of balancing services (both BM and Non-BM). P354 will also impact us in our role as Supplier to customers providing non-BM Balancing Services. We will need to ensure that when implementing P354 we can continue to provide these customers with a high level of service.</p> <p>Before the P354 we will need to update our contracts and change some systems. We will need to check for any complexity P354 creates for billing and may need to implement changes to ensure that we can bill customers accurately for any relevant charges. If the Alternative Modification is approved, we will need to discuss "opt in" for the provision of MSID ABSVD data with relevant Customers.</p>
EDF Energy	Yes	<p>Refinements to volume and imbalance forecasting to take account of revised ABSVD volumes.</p> <p>Revision of internal processes for supporting flexibility at customer level.</p> <p>Potential revision of supply and offtake contract terms to reflect changes to industry arrangements.</p> <p>Potential changes to agreements with HHDAs.</p> <p>Changes to settlement (SVAA) and BMRS interfaces.</p>
First Hydro Company and Engie Group companies	Yes	Our BM generation business will be able to compete with services on the same terms as non-BM providers and our supply business will need to modify systems, processes and contracts to ensure appropriate settlement of the new arrangements with counterparties.
Flexible Generators Group	Yes	<p>Our members, as embedded generators providing non-BM ancillary services, we will lose income from these process. We believe that the mod should not be implemented until April 2020 at the earliest and in the case of longer term contracts until the contracts end. However, we firmly believe it should not be implemented until the wider market access issues have been resolved.</p> <p>Commenting on wider impacts as difficult as the</p>

Respondent	Response	Rationale
		final technical solution is not worked up.
Flexitricity Limited	Yes	<p>As a non-BM balancing services provider Flexitricity will need to design and implement system changes to allow for the provision of the data this modification requires.</p> <p>This will also increase workload for operations and accounts staff, because as drafted, the modification requires that the disaggregation process be implemented twice for each instruction on each site for each balancing service for each settlement period. This is because the settlement timescales proposed require that we carry out the calculations without backing data from National Grid, and then again once the backing data has been received.</p> <p>For frequency services new systems will need to be developed to calculate 'delivery volumes' which are not currently part of the data exchanged between Flexitricity and National Grid. As frequency services do not currently include a utilisation payment, but providers must respond to every frequency event, if the standard contract terms for frequency services are not changed to include a utilisation payment, this modification will lead to sites incurring a cost for every frequency event, the number of which will not be known at the time of bidding. That risk would cause most providers to leave the frequency services markets. Even if utilisation prices are introduced to frequency services, these changes will mean new processes and systems being developed to be able to react to these changes. Obviously introducing utilisation prices to a service which does not currently include them will create a period of market uncertainty while bidding for these services.</p> <p>Without a more detailed description of how National Grid intends non-BM balancing services providers to provide the required data it is impossible to know which kinds of systems Flexitricity will need to build for which services and how long that will take. The provision of disaggregated data to National Grid by providers must be automated, because for a company like Flexitricity, which provides many services through a large number of sites, a manual system would be too burdensome and error-prone.</p> <p>This modification will potentially identify non-BM participant sites to the suppliers who could then either force the customers to provide balancing services through the supplier, or force them out of</p>

Respondent	Response	Rationale
		<p>supplying balancing services all together through changes in their supply agreements. There is therefore a major "soft power" issue in respect of competition.</p> <p>If this modification is implemented in April 2019 instead of April 2020, it would materially damage non-BM balancing services providers, as their contracts already span past April 2019 for some services by the time this modification is approved. It is not acceptable for affected providers to stay outside of balancing services auctions while this modification is debated.</p>
National Grid	Yes	<p>At present, National Grid does not have the MSIDs for all Non-BM ancillary service providers, nor does it have access to the settlements metering data. The settlements for the delivered ancillary services are performed at the contract level. Thus, for the purpose of settlements, National Grid receives an aggregated view of the operational metering data from the respective ancillary service providers. Therefore, National Grid will have to make significant changes to its computer systems and processes to implement P354. This 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.</p> <p>Since multiple regulatory modifications (P344/Project TERRE and P354) and other ongoing initiatives (such as the Product Roadmap and European Network Codes) are expected to introduce changes to the Balancing Mechanism at the same time, National Grid is performing a holistic study looking at balancing solutions to maintain a consistent solution. The actual impacts, costs and implementation time will be driven by the, which is planned to be completed in spring 2018. However, the preliminary analysis indicates that P354 can be implemented in 12 months following an Ofgem decision.</p>
Npower Ltd	Yes	<p>Both of the proposed modification will require changes to contract terms and significant implications for information systems. These are highlighted below:</p> <ul style="list-style-type: none"> • Changes to existing power supply and contractual arrangements.

Respondent	Response	Rationale
		<ul style="list-style-type: none"> • Changes to existing power export PPA contractual arrangements • Changes to existing Demand Side Response contractual arrangements • Changes to systems for DSR aggregation platform • Changes to ongoing bidding strategies for TSO Balancing Services and Capacity Market • Changes to settlement and billing systems to ensure accurate pass-through of associated ABSVD volumes at an individual customer level and managing settlement reconciliation and associated customer reconciliation regarding energy "sold on" to aggregators or "bought" as a result of existing PPA arrangements where information is available. • Suppliers will likely have to change their forecasting processes and future trading to take account of any future balancing services and rebound impacts of either solution • Changes to our HHDA system and associated processes
Octopus Investments	Yes	Octopus Investments has interests across the energy value chain including electricity supply, power purchase services, renewable generation, DSR and providing balancing services. Changes are likely to be required across all our businesses and the detail and extent of changes only known once the full detail of all changes (Balancing service contracts, ABSVD and BSC) are known.
Ørsted Power Sales UK Limited	Yes	The magnitude of impact will depend on the ABSVD MISD data provision to suppliers, and whether it will allow suppliers to recover their wholesale cost from their customers.
PeakGen	Yes	If implemented ahead of P344, P354 will result in the lose of "spill" income ahead of being granted the other side of the level playing field of full market access under P344 or P355.
RWE Supply and Trading GmbH	Yes	-
ScottishPower	No	We do not envisage P354 having a material impact on our systems and processes.
SmartestEnergy	Yes	Under the Proposed we would need to adjust our reconciliation of the imbalance bill and make corrections to customer billing. Under the

Respondent	Response	Rationale
		alternative, we would just be doing the former.
SSE plc	Yes	<p>Systems and processes – main impacts will be upon back-office IT systems and associated business processes (settlements validation and contract billing/administration); with additional impacts on quotation/pricing systems and processes.</p> <p>Contractual – review and development of contractual framework (and associated data exchange requirements in the case of the alternative proposal) with customers to ensure and efficient allocation of risks and costs.</p>
The Renewable Energy Company (Ecotricity)	Abstain	We have no comments to provide regarding the impact of this modification on our organisation.
TMA Data Management Ltd	Yes	As HHDA, our system and procedures are impacted by P354 alternative and P354.
UK Power Reserve	Yes	-
Welsh Power Group Limited	Yes	The proposed change (if accompanied by changes to NGET's licence and balancing services contracts) will impact on the contracting of our portfolio of plants that provide balancing services. Changes will be required to supplier contracts, balancing services contracts with the SO and back office systems to manage the changes.

Question 9: Will your organisation incur any costs in implementing P354?

Summary

Yes	No	Neutral/No Comment	Other
17	2	1	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	Yes	Many of the ADE's members will incur costs in implementing P354; however we are unable to provide further details due to confidentiality restrictions.
Alkane Energy	Yes	We will need to undertake additional data checking. We have considerable concerns that there may be errors in the way the data is handled, etc., especially at the beginning of implementation and that we have no clear way to appeal incorrect data under the BSC as we are not BSC parties. Resolution of NG created errors and accommodating its IT problems, notably in the Capacity Market delivery, is already a material inefficient overhead on running our business.
Centrica	Yes	There will be one-off costs to amend contracts and systems. If P354 creates additional complexity in managing customer accounts and ensuring accurate billing, then this will be an ongoing cost.
EDF Energy	Yes	Relatively small, as yet unquantified, one-off costs of refinements to internal processes as described in response to question 8. Unknown future ongoing costs of monitoring impacts of potential customer participation in non-BM (and P344/P355) balancing (dependent on future numbers). Unknown future ongoing costs of payments to HH Data Aggregators to cover additional activities they would be required to perform.
First Hydro Company and Engie Group companies	Yes	See answer to Q8.
Flexible Generators Group	Yes	We will need to undertake additional data checking. We have considerable concerns that there may be errors in the way the data is handled, etc. and that

Respondent	Response	Rationale
		we have no clear way to appeal incorrect data under the BSC as we are not BSC parties.
Flexitricity Limited	Yes	Confidential response received.
National Grid	Yes	<p>The capital cost involved in implementing P354 solution is the range of £600k to £1,200k. This includes the cost of effort spent during P354 consultations, project management, analysis and requirements elicitation, design, development and solution implementation. Note that this capital cost is subject to the outcome of internal systems studies and detailed analysis of the non-functional requirements.</p> <p>In terms of the corresponding ABSVD and contracts solutions there would be a cost. This would be if backing data is required to be sent by National Grid to the service Provider in shorter timescales than is currently on which to base the Provider submission. If it is not possible to automate this, data may be less accurate than currently sent to providers and a highly manual process requiring additional resource (approximately 0.75 days a week FTE for STOR alone). Potential for automation will only be understood following the outcome of internal work looking at potential systems solutions likely to be known more in spring 2018.</p>
Npower Ltd	Yes	<p>Yes, npower will be exposed to one off costs for system and process changes associated with potentially significant IT changes for settlements, billing, forecasting and pricing systems.</p> <p>We believe that we will need to employ additional resources within our data management and settlements teams to manage this activity, particularly if there is a lot of manual reconciliation required which may increase further as the scale of demand side activity increases in the coming years. This is of particular concern if data cycles do not coincide with contractual billing cycles required by the customer.</p> <p>Private and commercially confidential response received.</p>
Octopus Investments	Yes	For the reasons outlined above it is difficult to quantify the costs.
Ørsted Power Sales UK Limited	Yes	We have not assessed our costs at the current stage.

Respondent	Response	Rationale
PeakGen	Yes	We will need to undertake additional data checking. We have considerable concerns that there may be errors in the way the data is handled, etc.
RWE Supply and Trading GmbH	No	-
ScottishPower	No	We do not foresee any material costs arising from the implementation of P354.
SmartestEnergy	Yes	-
SSE plc	Yes	System and process costs – circa £50-£100k one-off costs; ongoing costs expected to be absorbed into BAU activity. Contract costs – commercially confidential.
The Renewable Energy Company (Ecotricity)	Abstain	We have no comments to provide regarding the impact of this modification on our organisation.
TMA Data Management Ltd	Yes	The costs associated with P354 or P354 alternative solution are low to medium.
UK Power Reserve	Yes	We expect there to be additional ongoing administration costs as a result of implementing P354. These will be most felt by smaller parties.
Welsh Power Group Limited	Yes	We expect to incur legal costs, system change costs and ongoing back office and administrative expenses. Without knowing how any changes will be made to balancing services contracts and how they will be administered it is difficult to quantify the expense. We expect however this to lead to costs in excess of £100,000 to implement.

Question 10: Do you agree with the Workgroup's recommended Implementation Date?

Summary

Yes	No	Neutral/No Comment	Other
9	9	2	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	No	<p>The ADE does not have a strong view on this question, but notes several responses to the first Assessment Procedure Consultation that emphasise the need for a 2 year timeframe to implement the changes.</p> <p>If the Implementation Date is set as 1 April 2019, it is essential that those parties that have tendered and received STOR contracts based on spill payments but prior to the 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. National Grid have stated that this is likely to be possible, as long as sufficient optionality is built into the wording of the Modification.</p> <p>If National Grid receive legal advice that the above approach is not possible, or if it is overly administratively burdensome, the ADE would recommend that the 1 April 2020 date be chosen in order to align with the TC's changes to the Standard Terms and Conditions of affected Balancing Services contracts.</p>
Alkane Energy	No	We believe April 2019 is too soon given the delays to delivery of the promised EBS Grid System that would allow us proper equal access to the BM. The mod is unnecessary if P344 is implemented (and P355 as noted above) so we believe P344 should be given full focus without diverting implementation resource on this mod.
Centrica	Yes	We support the proposed timing.
EDF Energy	Yes	01 April 2019 is acceptable subject to at least a year's notice of implementation to parties, agents and customers. It would be advisable for contracts for balancing services beyond that date to acknowledge that the registrant might not be

Respondent	Response	Rationale
		subject to imbalance for delivered volumes.
First Hydro Company and Engie Group companies	Yes	We believe that an implementation date of April 2019 is appropriate with the C16 methodology being switched on for both STOR and Fast Reserve at this time.
Flexible Generators Group	No	April 2019 is too soon given the nature of the ancillary services contracts and the wider market access issues that need to be resolved are addressed. This mod should not come in until P344 and P355 are in place – at which point it should not actually be needed.
Flexitricity Limited	No	<p>The proposed implementation date would be impossible to enforce for STOR without causing issues in that market for providers and National Grid. National Grid has already procured STOR contracts beyond April 2019 in the tender round this January; if this modification is implemented on April 1st 2019 as proposed many of these contracts would be impossible for the providers who tendered them to fulfil. This would leave National Grid and providers having to work out some kind of solution for all the contracts that have already been procured for April 2019 and beyond.</p> <p>STOR allows providers to bid for the same delivery period more than once, which means that the proposal that was suggested in the work group meeting, that the contracts that are already procured for after the implementation date remain without ABSVD correction, but all new contracts are affected by this modification, would create a two-tier market and unnecessary administrative complexity.</p> <p>Given the Standard Contract Change process, the earliest suitable implementation date is April 2020.</p> <p>In addition to the practical problems with the STOR tender cycles, if this modification is implemented before Non-BM providers are given access to the BM, correcting this defect only shifts the market imbalance further in favour of BM providers who have access to all markets. P344 should facilitate access to the BM for current non-BM providers by December 2019, which further suggests that the only appropriate date is April 2020.</p>
National Grid	Yes/No	From a National Grid systems perspective, the implementation date should be no earlier than 1st April 2019. This avoids the implementation date

Respondent	Response	Rationale
		<p>falling in the middle of a STOR season. It also aligns with C16 implementation dates and the National Grid requirement of 12 months minimum required to implement the modification from any decision date.</p> <p>April 2019 may resolve the defect sooner, and we understand the Proposer's argument for this date. However, implementing in April 2019 will cause some issues with existing contracts. If April 2019 is approved as the implementation date, we would propose implementing into contracts for Fast Reserve and Demand Turn-Up in April 2019 and for STOR in April 2020 as we believe this minimises the concerns risks that different parties would be tendering on different terms and conditions for the same services. STOR is also the most complex service in terms of data flows and numbers of providers, and implementing into contracts from 2020 would also allow providers to factor in changes alongside those proposed as part of widening access to the Balancing Mechanism/TERRE under P344/GC0097.</p> <p>However, if the Authority had a different view we could technically implement 12 months following any decision.</p>
Npower Ltd	No	<p>No, given the level of change that will be required to contractual arrangements between suppliers and their customers to accommodate the proposed changes, an implementation date of less than 24 months will be insufficient to make the necessary contractual and significant systems changes (IT changes for settlements, billing, forecasting and pricing systems)</p> <p>We note also the proposed option within the earlier informal C16 statement consultation which consulted on implementation date of 1 April 2019 or 1 April 2020 – and we believe (and responded accordingly) that the later of the 2 proposed implementation dates is more feasible.</p>
Octopus Investments	No	<p>This does not allow sufficient time for National Grid to progress any changes to contracts and balancing service arrangements and for market participants to adjust to the ultimate solution to the defect. We suggest April 2020 is the earliest feasible implementation date if these changes are to be progressed.</p>

Respondent	Response	Rationale
Ørsted Power Sales UK Limited	Yes	-
PeakGen	No	<p>April 2019 is too soon given the nature of the ancillary services contracts and the wider market access issues that need to be resolved are addressed.</p> <p>P354 should be implemented no earlier than P344 as P344 ensures a more complete levelling of the playing field rather than moving the balance towards BM participants.</p> <p>Once P344 is implemented, it is difficult to see the justification for P354.</p>
RWE Supply and Trading GmbH	Yes	We support the run off of contracts on existing terms and conditions (i.e. the non-BMUs can continue to receive spill payments after the implementation data for the term of the contract).
ScottishPower	Yes	We believe that as P354 addresses competition issues it should be implemented as soon as practicable consistent with the need to develop robust processes and systems. Therefore we agree with the proposed implementation date of 1 April 2019.
SmartestEnergy	Yes	-
SSE plc	Yes	Provided that sufficient notice is given to support the implementation lead time.
The Renewable Energy Company (Ecotricity)	Abstain	We have no comments to provide regarding the implementation date.
TMA Data Management Ltd	Yes	-
UK Power Reserve	No	<p>Given that the Transmission Company has invited Balancing Services providers to tender for STOR contracts up to two years ahead – in January 2018 – the implementation date should be extended.</p> <p>UKPR advocates for longer transitional periods, extending through to 2025.</p>
Welsh Power Group Limited	No	We strongly recommend a longer implementation date. Engagement from non-BM providers in this process has been limited with fewer than five consultation responses received from existing non-BM providers. Time is required for the SO to propose and amend its C16 licence (if approved by the Authority), change standard service contract

Respondent	Response	Rationale
		<p>terms and build adequate systems. The SO has suggested a 2020 implementation date is more realistic.</p> <p>It is also important that market participants have sufficient time to understand and adjust to, what will be, a profound change to a long established contract. Participants need to adjust commercial strategies to adjust for the loss of income from this change. Without sufficient time and effective communication the SO runs the risk of contracting with parties who are unable to deliver the service as they find themselves in a position of offering an uneconomic service.</p> <p>Thought also needs to be given to the existing contracts that are in place. There are STOR contracts awarded under long term contracts which will need to be managed and also likely to be contracts extending to April 2020 once the results of STOR tender round 34 are published.</p> <p>If the modification is to be accepted an implementation date of 1 April 2020 seems more suitable.</p> <p>I would also make the point that the modification has been brought by a party who is commercially interested in the outcome. Pushing for an earlier implementation date has clear commercial benefits for the proposer. We would caution against a rushed implementation to satisfy the commercial interests of a subset of balancing service providers and highlight that control of balancing service contracts should be the preserve of the system operator who does not have a commercial interest in their procurement.</p>

Question 11: How long (from the point of Authority approval) would you need to implement P354?

Responses

Respondent	Response
The Association for Decentralised Energy	Member feedback indicates that it would take approximately six months to implement P354 in relation to STOR services. It is currently unclear how long would be required in relation to frequency response services; members indicate that National Grid would need to define what constitutes delivery for these services and to provide backing data for frequency events. Once these conditions have been achieved, it would take approximately nine months to implement P354 in relation to frequency response services. For Demand Turn-Up, details of the new interface and the timescales for that implementation are necessary; implementation would take around nine months from the point of these being provided.
Alkane Energy	We would wish to see NG have a system delivering equitable access to the BM for large and small players before seeing a change such as P354 which makes a single change in isolation to the detriment of competition.
Centrica	To the proposed Implementation Date (12 months). We believe this amount of time will be needed to implement the changes mentioned in our response to Question 8.
EDF Energy	1 Year. Since no mandatory action is required from Suppliers, other than to support small changes to settlement reporting, we could implement change relatively quickly. Small changes to settlement reporting typically take 3-6 months. However, the potential impacts on imbalance forecasting and consequential impacts on future supply and offtake contracts would take time to develop, and at least 12 months is desirable. It is not clear yet how long our Half-Hourly Data Aggregators would require to support the activities required of them.
First Hydro Company and Engie Group companies	We believe that although changes to contracts and working system will be required, around 9 months would be an appropriate time scale.
Flexible Generators Group	This is more about making sure that the processes are robust.
Flexitricity Limited	Confidential response received.
National Grid	The preliminary analysis indicates that P354 can be implemented in 12 months following an Ofgem decision. However, this is subject to the outcomes of the internal work looking at system implementation, which is planned to be completed in spring 2018. An element of P354 implementation is within Balancing Service

Respondent	Response
	provider contracts. Therefore, although requirements will be applied to contracts after the implementation date, there may be some existing contracts in place that do not have these requirements. This means that although the solution would be implemented insofar as the technical mechanisms are in place, this would not be fully implemented until each individual Balancing Services contract that this change is applicable to is amended.
Npower Ltd	Text from original consultation response As an absolute minimum, the time required to implement the required system changes to manage these new risks will take a minimum of 24 months to implement. In our case, the implementation time will be impacted (and will impact) our existing, and ongoing investment in a new IT system to manage our settlement and trading accounts.
Octopus Investments	At least 12-18 months from the date that ABSVD and contract changes are finalised.
Ørsted Power Sales UK Limited	Depending on the transfer of ABSVD volume adjustment data to suppliers. We have not accessed system changes at the current stage.
PeakGen	This is more about making sure that the processes are robust.
RWE Supply and Trading GmbH	We do not envisage any lead time for the implementation of P354.
ScottishPower	We do not believe that we would require any significant amount of time to implement any changes required for P354.
SmartestEnergy	A year.
SSE plc	6-9 months ideally, partly to manage systems changes, partly to develop the necessary contractual framework to support the new arrangements.
The Renewable Energy Company (Ecotricity)	We have no comments to provide regarding the implementation lead time.
TMA Data Management Ltd	6 months.
UK Power Reserve	We forecast an approximate lead time of one year . This will allow time for contractual negotiations to take place.
Welsh Power Group Limited	Until details of how the SO would propose to amend balancing services it is not possible to estimate

Question 12: Do you agree with the Workgroup that all Supplier BM Unit Non-BM ABSVD is published on the BMRS for the Proposed Modification but that we do not publish anything on BMRS for the Alternative Modification?

Summary

Yes	No	Neutral/No Comment	Other
12	1	7	0

Responses

Respondent	Response	Rationale
The Association for Decentralised Energy	Yes/No	The ADE believes that Supplier BM Unit Non-BM ABSVD should not be published on BMRS in either the Alternative Modification or the Proposed Modification, as this would enable parties across the industry to identify which customers are providing balancing services. This would therefore intensify and extend the commercial confidentiality issues from one Supplier to the whole industry.
Alkane Energy	Yes	In the interests of transparency and effective competition, parties should be able to see all transactions made, or services used, by NG as part of the balancing arrangements. We therefore support the publication of additional information on the BMRS.
Centrica	Yes	-
EDF Energy	Yes/No	<p>The legal text for the alternative proposal appears to include reporting of Supplier BM Unit level volumes on BMRS (V-1 Table 1).</p> <p>Although not a strong opinion, we're not sure of the benefit of late reporting of ABSVD on BMRS. We assume balancing volumes will continue to be published on BMRS as part of disaggregated BSAD, in which non-BM volumes are itemised anonymously. This provides information to participants on volumes and prices being utilised, and informs impacts on imbalance price.</p> <p>Publication on BMRS of ABSVD volume data identified by Supplier BM unit long after the event would provide additional market information on the location and affected supplier, but it's not clear how useful this would be to market participants in general.</p> <p>It is important is that a Supplier whose imbalance</p>

Respondent	Response	Rationale
		<p>position will be adjusted by non-BM actions should have visibility of that adjustment in settlement, at the level of its BM Units and MSIDs, to distinguish the relative contribution of particular zones and customers to the supplier's costs and revenues. In particular, those volume deviations from expectation which cause imbalance, and those that do not. With current levels of non-BM volume the materiality may be relatively small, but it is expected to increase in future.</p> <p>Early visibility of ABSVD data on BMRS or directly to the supplier might assist in managing the imbalance for which a Supplier is responsible. For example, in a short system in which a supplier is estimating how much additional purchasing or balancing of its own it needs to achieve balance, it will want to know how much NGET may be instructing its customers to reduce demand; volume changes which won't affect its imbalance position. Demand reduction by customers selling to NGET may mitigate imbalance prices, but will not help the supplier achieve balance. It needs to procure energy itself to meet its imbalance against expectation, ignoring the volume delivered through ABSVD. However, there doesn't seem to be much prospect of early reporting; reporting of expected volume and cost as with BM actions ought to be achievable but is apparently not within scope; reporting of delivery is likely to take a long time. With current levels of non-BM participation the materiality may be relatively small, but levels are expected to increase in future.</p>
First Hydro Company and Engie Group companies	Yes	See answer Q2/3.
Flexible Generators Group	Yes	In order for settlements to work efficiently it will help if parties can see all transaction made, or services use, by NG as part of the balancing arrangements. We therefore support the publication of additional information on the BMRS.
Flexitricity Limited	Yes	Supplier BM Unit Non-BM ABSVD should not be published on BMRS in either the Alternative Modification or the Proposed Modification, as this would enable parties across the industry to identify which customers are providing balancing services. This is especially true for any large customers in an additional BM Unit. Being easily identified could

Respondent	Response	Rationale
		deter large customers from continued participation in balancing services, because they value commercial confidentiality.
National Grid	Yes/No	-
Npower Ltd	Yes	Yes we agree with the proposal for the proposed modification. For clarity we do not support the suggestion that the Supplier BM unit non BM ABSVD would not be published as we believe that alternative modification to be a worse and unacceptable solution than the proposed modification.
Octopus Investments	Neutral	We believe that there are good reasons for providing suppliers with full transparency on why their energy accounts are being adjusted but recognise, as an active participant in DSR, that this leads to commercial disadvantages for DSR providers who will automatically find that their customer base is shared with incumbent suppliers. This could lead to anti-competitive behaviour.
Ørsted Power Sales UK Limited	No comment	-
PeakGen	Yes	In order for settlements to work efficiently it will help if parties can see all transaction made, or services use, by NG as part of the balancing arrangements. We therefore support the publication of additional information on the BMRS.
RWE Supply and Trading GmbH	No	We support transparency of information associated with the original modification. The alternative could provide for some level of transparency (perhaps in an aggregated or anonymised form).
ScottishPower	Yes	-
SmartestEnergy	Yes	Agree if it is consistent with other published information.
SSE plc	Yes	-
The Renewable Energy Company (Ecotricity)	Yes	When considering the commercial sensitivity of the data under the Alternative Modification, we agree that it shouldn't be published on the BMRS.
TMA Data Management Ltd	No comment	-
UK Power Reserve	No comment	-

Respondent	Response	Rationale
Welsh Power Group Limited	Yes	-

Question 13: Do you have any further comments on P354?

Summary

Yes	No
5	15

Responses

Respondent	Response	Comments
The Association for Decentralised Energy	No	-
Alkane Energy	No	We support the response made by the Flexible Generation Group of which we are a member. We wish to reinforce comments made in that response as set out above.
Centrica	Yes	<p>We are keen to see a level playing field for the provision of balancing services and we therefore support timely implementation of modifications intended to open BM access to more providers.</p> <p>We cannot stress enough the importance of receiving the MSID ABSVD and the need to get this in a timely manner to enable accurate customer billing. If the Alternative Modification is taken forward, the process for the customer to provide consent must be user-friendly.</p>
EDF Energy	Yes	<p>Consultation page 4: 2nd bullet:</p> <ol style="list-style-type: none"> BM Unit Id does allow simple look up of registrant, but it's not obvious that NGET actually needs to know the registrant in order to provide data for the BM Unit. If NGET used MPAS/ECOES, it could identify the supplier registrant for an MSID. <p>Does it matter if knows the registrant?</p> <p>Page 4: 3rd bullet:</p> <p>EBGL Article 49 concerning imbalance adjustments for balance responsible parties, and Article 52(1) concerning imbalance settlement, apparently come into effect immediately on EBGL coming into force (18 December 2017). EBGL article 52(2) refers to further specification and harmonisation of the article 49 adjustment among other things within a year, but doesn't say that article 49 wouldn't have effect</p>

Respondent	Response	Comments
		<p>in the meantime.</p> <p>Page 6/7: It should be noted that imbalance spill experienced by a supplier can be considered 'compensation' for energy it bought wholesale in order to satisfy the expected demand of its customers, when those customers reduce demand at short notice in response to a separate non-BM contract with NGET. The supplier may pay some or all of that 'compensation' to the balancing provider itself, either explicitly in full knowledge, or implicitly in a pass-through supply arrangement. In doing so, it gives an advantage over BM providers at the expense of its other customers. To avoid such cross-subsidies, the supplier imbalance can be adjusted as under P354 so there is no spill 'compensation', in the hope suppliers will not pass through to relevant customers. However, 'no compensation' without identification of cause requires suppliers to fund their losses from all other customers, a cross-subsidy between customers as before. Only if the supplier knows which customers' deviation from expectation causes spill, and which does not, can suppliers apply cost-reflective terms without cross-subsidy.</p> <p>Page 8: Description here and in legal text suggests that GSP Group Correction will not be applied to the relevant HH metered volumes for the purpose of adjustments. NGET will presumably assess and provide delivery volume at site to SVAA (Q6.4.8), HHDA will provide SVAA with meter volumes (S-2 3.4.1(h)) which will be allocated by SVAA between import and export of an MSID Pair and adjusted for line losses (S-2 7.3) and aggregated to Supplier BM Unit level for making ABSVD adjustments, which are themselves subject to transmission loss TLM adjustment (by SAA). Without adjustment for GSP Group Correction (S-2 9) the relevant volume may not be fully consistent with the volume allocated to the supplier through normal SVA allocation rules, giving rise to small imbalances. GSPGC is currently non-zero for HH MC F,G import (domestic and below 100kW whole-current metered). Materiality may be small or zero currently, but could become more significant with increased aggregations of smaller sites in future. GSPGC is currently zero for larger HH sites (C,E), but could change in future.</p> <p>The allocation of delivered volumes between export and import MSIDs of an MSID Pair may need refinement in future to accommodate individual</p>

Respondent	Response	Comments
		<p>delivery models.</p> <p>Page 42 re ABSVD and Firm Frequency Response (FFR): The consultation suggests that FFR is not currently included in the TC's ABSVD methodology, and is not impacted by P354. However, Section 1.2 of the ABSVD statement says:</p> <p>"• Mode A Frequency Response – Energy volumes will be determined in accordance with paragraph 4.1.3.9A of the Connection and Use of System Code.</p> <p>• Frequency Response other than Mode A Frequency Response – Utilisation volumes will be determined in accordance with system frequency and the characteristic of the response service."</p> <p>Section 4.1 of the ABSVD statement says "4.1 Provision of Mode A Frequency Response - Note that this example would apply equally to other commercial frequency response services."</p> <p>This indicates that all frequency response services, including the commercial service of Fast Frequency Response, are captured in principle. Mode A frequency response is included in ABSVD by default. Other forms of frequency response might not be used for ABSVD, but if so that must be by choice of the relevant BSC Party or explicit terms of the FFR contract, not the ABSVD methodology.</p>
First Hydro Company and Engie Group companies	No	-
Flexible Generators Group	No	-
Flexitricity Limited	No	-
National Grid	No	-
Npower Ltd	Yes	<p>We remain very concerned that throughout the workgroup process (where we have been able to attend) 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.</p> <p>We believe these allegations to be unfounded,</p>

Respondent	Response	Comments
		<p>(which was confirmed by the representative of the Regulator at the last workgroup meeting) and 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.</p> <p>The allegation that suppliers would deliberately seek or be seen to act in an anticompetitive manner has coloured this debate and avoids managing the real issue, which is that of the “free rider” issue.</p> <p>Where a customer reduces their demand, following a commercially-motivated call from their balancing services provider, the supplier will have already sourced (and paid) for that power. In allowing the imbalance adjustment to be made, this proposal would in effect provide the power to the market at the cost to the supplier, the “free rider issue”, with ultimately the costs being socialised across the supplier’s other customers rather than the individual site that has benefitted financially from the action.</p> <p>The stated aim of this modification is the reduce the assumed customer harm (through the alleged higher costs resulting from the procurement of balancing services based one expectations of payment for both utilisation and spill) – we see the socialised costs as the same issue, but this time impacting suppliers only. We do not consider swapping one socialised cost with another to be an improvement on the status quo.</p> <p>As was made clear during the workgroup, a customer and supplier may have an existing contract in place, whereby any spill payments are passed through, either wholly or in part, to the customer. If there is no direct route through which the supplier can be informed that the expected spill will in fact be adjusted out from the supplier’s account, the supplier will liable for paying the spill payment, without having received the benefit of that spilled power.</p> <p>We (and many other suppliers) already request that where a customer is providing balancing services, that we be informed to ensure that we can price up the contractual arrangements in a transparent and accurate fashion. Without knowing whether a customer’s site volatility is due to changes in production (that may need to be factored in longer term) or are simply short term changes, will impact the contractual terms offered.</p>

Respondent	Response	Comments
		<p>By preventing suppliers from being informed (after the event) of the balancing services provided, the perpetuation of information asymmetry will continue and inefficient pricing strategies delivered.</p> <p>It is also worth noting that the provision of the Supplier BM unit for non BM ABSVD will only provide the information ex post - for an event that has already taken place.</p> <p>We would also highlight that the settlement/billing and contractual pricing functions are distinct from the suppliers' DSR aggregation activity.</p> <p>During the workgroup, much discussion of the alleged abuse of soft power suggested that suppliers would offer less competitive terms to their customer, if the customer did not agree to use the supplier as their future aggregator. Such alleged behaviour as well as being illegal, completely misrepresents the status and reality of the competitive market.</p> <p>There are many (ca. 50 licenced non-domestic licenced electricity suppliers), most of whom are not active within the aggregation market, and therefore any customer who was concerned that they would not get a fair price from their existing supplier unless they took additional services from them, would be completely able to source an alternative supply contract elsewhere.</p> <p>Given that these customers are by their nature engaged within the energy market, responsible for the procurement of large quantities of power, we do not believe that the suggestion such companies or organisations would submit to any implicit or explicitly anticompetitive behaviour is realistic or credible. As was noted in the workgroup, particularly at this time of hostility to suppliers in the political and wider environment, no licenced energy supplier would risk their reputation or the legal ramifications of acting in such a way.</p> <p>Furthermore, and in conclusion the suggestion that the provision of the MSID data to the supplier would provide suppliers with commercially sensitive information (not available to other participants) that they didn't already have (i.e. that the customer was interested in and potentially providing balancing services) overlooks the reality that many suppliers, their customers and aggregators all attend the same</p>

Respondent	Response	Comments
		<p>industry events; such as those organised by National Grid under the Powerresponsive programme or other events hosted by the SO or DNOs in relation to the future opportunities relating to the provision of flexibility.</p> <p>To suggest that the provision of the MSID volume would provide suppliers with new opportunities to target those customers with offers of aggregation service overlooks this reality.</p> <p>The provision of the MSID data relating to the ABSVD only provides suppliers with the means to accurately and efficiently bill their customers; to ensure that the costs associated through the free rider issue and (through increasing risk premia) are not borne by the majority of customers who do not provide these services.</p>
Octopus Investments	No	-
Ørsted Power Sales UK Limited	No	-
PeakGen	No	-
RWE Supply and Trading GmbH	No	-
ScottishPower	No	-
SmartestEnergy	Yes	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. The currently favoured alternative is therefore in direct contradiction of Ofgem's thinking.
SSE plc	No	-
The Renewable Energy Company (Ecotricity)	No	We have no further comments to provide.
TMA Data Management Ltd	No	-
UK Power Reserve	No	-
Welsh Power Group Limited	Yes	We do not support P354 and believe that starting with a BSC modification that should be a consequential amendment to changes to the design

Respondent	Response	Comments
		<p>of balancing service is entirely inappropriate. This modification should have been raised by the SO once they had taken a decision to amend the design of balancing service contracts. We find it troubling that a commercially interested party can raise a self serving modification in order to drive change of the SO's procurement arrangements.</p> <p>We would also caution against trivialising the changes that will be required in the industry to adapt to any change. Suppliers, aggregators and generators will all be affected and long standing commercial arrangements will need to be amended. This will take some considerable time and can only be commenced once a decision is taken by the SO on changes to balancing services contracts. It is not inconceivable that the SO will find an alternative way of addressing the proposers concerns and P354 may not be required.</p> <p>We would note that the hypothecated consumer savings are overstated. The clear aim of the proposer is for non-BM providers of balancing services to increase their pricing to the SO to equalize prices between BM and non-BM providers. The average utilisation price of BM providers in the STOR service is over £100/MWh higher than that of non-BM providers. An equalization of utilisation prices would eliminate the hypothecated consumer saving and simply redistribute revenue from non-BM providers to BM providers of balancing services. The extent to which savings are realised will depend on what adjustments are made to participants bidding behaviour in balancing service tenders. It should be noted that average STOR availability fees payable to BM providers are more than double those paid to non-BM providers (note that in the summer months BM providers make up less than 1/3 of the contracted capacity):</p>

Respondent	Response	Comments																																																							
		<p>2.3.1 STOR BM and Non-BM Availability Costs</p> <p style="text-align: center;">STOR BM & NBM Availability Cost</p> <table border="1"> <caption>STOR BM & NBM Availability Cost Data (Estimated from Chart)</caption> <thead> <tr> <th>Month</th> <th>STOR BM Committed Avail Cost (£m)</th> <th>STOR NBM Flexible Avail Cost (£m)</th> <th>STOR NBM Committed Avail Cost (£m)</th> <th>Total (£m)</th> </tr> </thead> <tbody> <tr> <td>Apr-17</td> <td>1.71</td> <td>0.00</td> <td>2.12</td> <td>3.83</td> </tr> <tr> <td>May-17</td> <td>1.71</td> <td>0.01</td> <td>2.46</td> <td>4.18</td> </tr> <tr> <td>Jun-17</td> <td>1.84</td> <td>0.01</td> <td>2.51</td> <td>4.36</td> </tr> <tr> <td>Jul-17</td> <td>2.02</td> <td>0.01</td> <td>2.49</td> <td>4.52</td> </tr> <tr> <td>Aug-17</td> <td>1.94</td> <td>0.01</td> <td>2.49</td> <td>4.44</td> </tr> <tr> <td>Sep-17</td> <td>1.82</td> <td>0.01</td> <td>2.31</td> <td>4.14</td> </tr> <tr> <td>Oct-17</td> <td>1.67</td> <td>0.00</td> <td>2.22</td> <td>3.89</td> </tr> <tr> <td>Nov-17</td> <td>5.11</td> <td>0.00</td> <td>2.34</td> <td>7.45</td> </tr> <tr> <td>Dec-17</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Jan-18</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> </tbody> </table> <p><i>National Grid Monthly Balancing Services Summary – November 2017</i></p> <p>It should also be noted that availability costs accounted for £7.5m of the total monthly cost in November 2017 whilst utilisation payments accounted for only £2.2m</p> <p>Were non-BM providers to tender in similar ways to BM providers following this change it is likely that consumer costs will increase.</p>	Month	STOR BM Committed Avail Cost (£m)	STOR NBM Flexible Avail Cost (£m)	STOR NBM Committed Avail Cost (£m)	Total (£m)	Apr-17	1.71	0.00	2.12	3.83	May-17	1.71	0.01	2.46	4.18	Jun-17	1.84	0.01	2.51	4.36	Jul-17	2.02	0.01	2.49	4.52	Aug-17	1.94	0.01	2.49	4.44	Sep-17	1.82	0.01	2.31	4.14	Oct-17	1.67	0.00	2.22	3.89	Nov-17	5.11	0.00	2.34	7.45	Dec-17	0.00	0.00	0.00	0.00	Jan-18	0.00	0.00	0.00	0.00
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