

REQUEST TO TREAT P361 AS AN URGENT MODIFICATION PROPOSAL

MEETING NAME BSC Panel

Date of meeting 8 February 2018

Paper number 275/09

Owner/author Lawrence Jones

Purpose of paper For decision

Classification Public

Summary This paper asks the BSC Panel to recommend to the Authority as to whether P361 'Revised treatment of BSC Charges for Lead Parties of Interconnector BM Units' should be treated as an Urgent Modification Proposal and if so, the procedure and timetable to be followed.

1. Background

- 1.1 P361 was raised by Nord Pool Spot AS on 31 October 2017. The [Initial Written Assessment](#) (IWA) was presented to the Panel at its meeting on 9 November 2017. The Panel agreed to progress P361 to the Assessment Procedure.
- 1.2 On 2 January 2018 the Proposer amended his Proposed Modification solution to seek recovery of Net Main Costs and Production-Charging SVA Costs retrospectively from 31 October 2017, the date P361 was raised.
- 1.3 The first P361 Workgroup meeting was held on 8 January 2018. The Workgroup discussed the issue and the proposed solution. The Workgroup agreed to seek additional legal guidance on the defect. A second meeting has been scheduled for 12 February 2018.

2. Urgency Request

- 2.1 On 31 January 2018 the Proposer wrote to ELEXON to request P361 be treated as an Urgent Modification Proposal. Attachment A contains the Proposer's request and rationale. It should be noted that the Proposer considered requesting P361 be treated as an Urgent Modification Proposal when it was raised, as noted in the IWA, but decided to see if the issue became significant enough during the 2017/18 winter period to justify urgent treatment.
- 2.2 Over the last couple of months the Proposer has continued to receive BSC Charges related to Balancing Mechanism (BM) Unit Metered Volumes. The Proposer has no control over the volumes assigned to these BM Units as they derive from implicit trades on the day-ahead and intra-day market. In addition, the Proposer has no ability to recover the BSC Charges that arise as a result.
- 2.3 The Proposer asserts that these charges have now reached the point where they are having a material impact on Nord Pool's ability to meet its ongoing obligation as a Nominated Electricity Market Operator (NEMO), under the [Capacity Allocation and Congestion Management](#) (CACM) guidelines.
- 2.4 The ELEXON legal guidance sought by the P361 Workgroup suggests there is a significant risk that BSC Charges on Lead Parties of Interconnector BM Units are contrary to EU Law. We believe this is new information that was not previously available to the Proposer.

REQUEST TO TREAT P361 AS AN URGENT MODIFICATION PROPOSAL

3. Procedure and Timetable

- 3.1 P361 seeks to exclude Interconnector BM Unit's Credit Energy Volumes from the BSC Charges calculations, in order to align with the EU Third Package. The solution has not yet been agreed by the Workgroup and so no impact assessment has been conducted. However, P361 is expected to require changes to ELEXON's Funding Share System, which is used to calculate Party's Funding Shares. ELEXON believes the added requirement to re-distribute BSC Charges based on re-calculated Funding Shares from 31 October 2017, will significantly increase complexity and costs of the solution.
- 3.2 The current timeline was put together based on a prospective solution (applied from a specific date in the future) and is on track. The Proposer recognises the value in seeking expertise from the Workgroup in developing and assessing P361, in particular on the solution and interpretation of the European legislation.
- 3.3 Although currently there is no need to change the timetable, the Proposer believes it is important for P361 to be recognised as an important and urgent issue. There may be a need to change the timetable following an impact assessment.
- 3.4 The current target release date is 1 November 2018, as part of the November Scheduled Release. The Proposer accepts that a solution could not reasonably be implemented this winter (Nov 17 to Feb 18) and recognises that the rest of industry will require some time to prepare for the change. However, given the recent charges incurred by the Proposer, the Proposer is now requesting that a solution is implemented by September 2018 to avoid accumulating charges from September 2018.
- 3.5 The Proposer has noted that the P361 issue is most prevalent during the winter months but can start as early as September. However, ELEXON would also point out that there is another NEMO¹ that is picking up charges for flows from France over the French Interconnector and so if urgency is granted, a solution should be implemented as soon as possible.
- 3.6 Until an impact assessment is completed it is not possible to say when P361 could be implemented. There is a risk that a retrospective solution requires more implementation time than available. Should more time be required and if urgency is granted, one option could be to subsequently request that the Report Phase is omitted. At the moment the urgent and non-urgent timetable are the same:

¹ ECC European Commodity Clearing AG, which is a child company of EPEX SPOT SE

REQUEST TO TREAT P361 AS AN URGENT MODIFICATION PROPOSAL

Proposed Progression Timetable for P361 as an Urgent Modification	
Event	Date
Present Initial Written Assessment to Panel	9 Nov 17
Workgroup Meeting 1	8 Jan 18
Workgroup Meeting 2	12 Feb 18
Assessment Procedure Consultation and Industry Impact Assessment (15WDs)	12 Mar 18 – 3 Apr 18
Workgroup Meeting 3	W/B 9 Apr 18
Present Assessment Report to Panel	10 May 18
Report Phase Consultation (12 WDs)	16 May 18 – 1 Jun 18
Present Draft Modification Report to Panel	14 Jun 18
Issue Final Modification Report to Authority	17 May 18

4. Recommendations

4.1 We invite you to:

- a) **DECIDE** whether to recommend to the Authority that P361 should be treated as an Urgent Modification Proposal; and
- b) **AGREE** the Urgent Modification progression timetable, subject to Authority approval.

Attachments

Attachment A – P361 Proposer request to treat P361 as an Urgent Modification Proposal

For more information, please contact:

Lawrence Jones, Change Assessment Team Leader

Lawrence.jones@elexon.co.uk

020 7380 4118