

# ELEXON REPORT

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<b>MEETING NAME</b>	BSC Panel
<b>Date of meeting</b>	8 February 2018
<b>Paper number</b>	275/01
<b>Owner/author</b>	Mark Bygraves
<b>Purpose of paper</b>	For information
<b>Classification</b>	Public
<b>Summary</b>	This paper provides a summary of recent activities and developments relevant to the BSC and ELEXON since the last Panel meeting.

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## 1. Overview

1.1 This paper is provided for the information of the Panel. It presents an overview of activities and developments within ELEXON and the balancing and settlement arrangements that have taken place since the last Panel meeting. Detailed information on operational matters will be provided in other reports, particularly the Trading Operations Report.

## 2. ELEXON news

### Consultation responses

2.1 We have responded to 7 consultations since our last update to the Panel:

2.1.1 National Infrastructure Commission's consultation on congestion, capacity and carbon: In this response we commented that in many sectors market design will determine whether the physical infrastructure is used optimally. We noted the recent calls for evidence from BEIS on the cost of energy and from Ofgem on future supply arrangements, and ELEXON's responses to these consultations, particularly in the areas of market design and governance. We highlighted our view that a coordinated solution across all of these work streams is needed to gain maximum benefit for the end consumer and noted that in order to ensure that electricity market arrangements do not form a barrier to optimisation of infrastructure utilisation, we propose more extensive collaboration and ultimately consolidation of industry governance bodies as this would simplify and streamline processes and the user experience.

2.1.2 BEIS's call for evidence on the Helm Report: In this response we noted that is the right time for BEIS to consider how to reduce the cost of energy in the longer term. We commented that a holistic approach is required to gain maximum benefit for the end consumer and the matters that are identified with this call for evidence should be linked with Ofgem's call for evidence on the future supply market arrangements. We commented that technology and innovation will be the main drivers for keeping energy affordable in the future and agreed that it is right to question how the regulatory approach, code governance regime and the energy codes need to change to unlock the benefits of innovation and technology to the energy community, our customers and the end consumer. In addition, we highlighted the view that the innovation in both market structures and new technology will drive massive changes across the electricity supply industry in the coming years and that we want the BSC to be an enabler (not a barrier) to the benefits of innovation, and that ELEXON is working with Ofgem and industry to improve the BSC and facilitate innovative business models and technologies.

2.1.3 SSE's consultation on its transition to Distribution System Operator: In this response we recognised the benefits to consumers presented by the approach of DSOs, e.g. in the active management of distributed

energy sources. We supported this point in our response to BEIS in its call for evidence on the Cost of Energy Review.

- 2.1.4 Ofgem's consultation on System Operator regulatory and incentive framework: In this response we noted that where it is possible to do so within the constraints of our various business models, we would seek equivalent treatment for all code administrators including the Electricity System Operator (ESO) under this incentive framework when acting in its code administrator role. Specifically, we commented that the ESO's performance might be measured against a benchmark of the 'best in class' code administrator according to Ofgem's code administrator survey results. We believe that the ESO should be incentivised to consider whole system solutions so that the options it chooses to initiate or develop are not only ones that deliver an absolute consumer benefit, or ones which utilise the ESO's own systems, but the ones that maximise that consumer benefit. This would include considering the relative benefits of options that the ESO is empowered to initiate or support (for example, through changes to non-ESO owned codes and systems).
- 2.1.5 Ofgem's informal consultation on Electricity System Operator Licence Drafting: In this response we agreed with the proposals for how separation between the ESO and all other National Grid Group transmission and competitive businesses will be achieved through the separate licences, obligations and novation of contracts. We also sought confirmation that ownership of the BSC will be transferred to NGENSO from NGET.
- 2.1.6 National Grid's survey on establishing an IS User Group: In this response we agreed that the industry is undergoing significant change and that effective, industry-wide coordination is necessary to ensure the development and delivery of changes to existing systems and the introduction of new systems, technology and capability. We noted that ELEXON is already proactively developing its IS Architectural Strategy, including the deployment of advanced cloud based capabilities. In this regard we are looking to partner with others in the industry in the development of industry-wide, advanced IS architecture, setting common standards, the sharing of best practice and the validation of new systems and technology. We noted that ELEXON is encouraged that National Grid is considering the creation of an IS user group but noted that, to date, National Grid has provided very limited details describing the group's terms of reference (in particular the scope, objectives, and level of participation expected). We believe clarifying these is essential to ensure the group's effectiveness.
- 2.1.7 Ofgem's 'minded to' assignments of TSO obligations under the European Electricity Balancing Guideline: In this response we repeated some of the comments we made at the Ofgem workshop on 19 January 2018, in particular to clarify the scope of the respective assignments between BSCCo/BSC Clearer; and the System Operator (SO) when we are both assigned under the same EB GL Article.
- 2.2 These consultation responses are available on the [industry insights](#) page of the ELEXON website.

## **BSCCo Business Plan**

- 2.3 The window for industry to provide comments closed 29 January. Two responses were received including a response from the BSC Panel. Responses were supportive of the proposed strategy and budget. To aid industry in understanding and commenting on the draft plan we held a webinar on 16 January, to which nine Parties dialled in.

## **3. Industry news**

### **European developments**

- 3.1 ELEXON and the BSC Panel Chair attended, along with other code administrators and code panel chairs, an Ofgem discussion on Brexit impacts on GB electricity and gas codes. In particular we discussed how Modifications might be progressed in a short timescale once the detailed outcome of the Brexit negotiations and associated UK legislation is clear.

- 3.2 Also relating to Brexit, it is reported in the BSC Modification [P356 assessment report](#) that: GB Interconnector Owners are waiting for further clarity from the Brexit negotiations (regarding whether or not the UK will have access to market coupling once the UK leaves the EU) before starting work to implement XBID (XBID is the European intraday market project). This is not expected until late 2018 at the earliest, and implementation is expected to take up to 18 months from the start date. Therefore it is likely that XBID will not be implemented in GB before 2020.
- 3.3 In January, Ofgem published its 'minded to' assignments, among the various GB Transmission System Operators (TSOs), of the various TSO tasks set out in the European Electricity Balancing Guideline (EB GL). As some of these tasks had also been previously assigned to BSCCo/BSC Clearer by BEIS, we clarified with Ofgem how the 'dual' assignment between National Grid and ourselves of certain EB GL Articles would work in practice. We understand that National Grid will be responsible for ensuring that appropriate BSC Modifications are raised to align the BSC with the requirements and that ELEXON will be responsible to carrying out the assigned tasks in compliance with the BSC.
- 3.4 In December, we formally applied to Ofgem for [a derogation](#) (two year delay) from the EB GL requirements to implement changes to our imbalance prices (currently being progressed through BSC Modification [P360](#)). In January, Ofgem requested some further detailed information on the analysis set out in our derogation request, which we have provided.
- 3.5 One of the legal requirements of the EB GL is for European Transmission System Operators (TSOs) to design and build arrangements for sharing balancing energy. One of these is Project TERRE for Replacement Reserve (RR). On 16 January 2018, ELEXON and National Grid jointly hosted a highly successful TERRE industry at ELEXON to explain how TERRE would be implemented in GB through the Grid Code and BSC (for the BSC via Modification P344). Over 80 delegates across 60 industry participants attended. More information on TERRE and its implementation through BSC changes is available on the [P344](#) page of the ELEXON website.

## **Ofgem reorganisation**

- 3.6 On 15 January 2018, Ofgem announced that it was restructuring from April 2018, ahead of its planned move to Canary Wharf. It said that its regulatory functions will be streamlined into three divisions:
- 'Consumers and Markets' will look after the interests of consumers in the energy market. Its remit will include both wholesale and retail markets as well as enforcement
  - 'System Operation and Networks' will focus resources on the next round of network price controls due to start in 2021 and ensuring maximum benefits for consumers from the rapid changes in the energy system
  - 'Corporate & Scheme Services' will provide business support services to Ofgem and run environmental schemes for Government. Note this combines central services e.g. finance, HR, legal, with Ofgem e-serve.
- 3.7 As part of this announcement, Ofgem also said that Andrew Wright, senior partner for Energy Systems, and Chris Poulton, managing director for E-Serve, had decided to leave. Ofgem will publish more details of the reorganisation in March 2018.

## **Ofgem's coordination of industry sandboxes**

- 3.8 Ofgem called together representatives from code administrators and panels to stress the need for each to facilitate a sandbox and coordinate with Ofgem's own sandbox process. ELEXON was identified as the role model and given the opportunity to explain the background to our initiative. ELEXON will continue to work with Ofgem and other code administrators on how best these sandboxes can be coordinated.

## 4. Operational news

### Supplier of last resort event

- 4.1 Following the announcement on Thursday 25 January that Future Energy Utilities Ltd had ceased trading, ELEXON worked closely with Ofgem to ensure the Supplier of Last Resort (SoLR) process went as smoothly as possible. An emergency Panel meeting was held on 25 January, at which the Panel members agreed to all the resolutions set out by ELEXON.
- 4.2 At 17:00 on 30 January, Ofgem announced that Hudson Energy Supply Limited, under its business name Green Star Energy, had been chosen to take over the supply of Future Energy's 11,000 domestic customers. Green Star Energy is a residential trading name of Hudson Energy Supply UK Limited. Established in 2013, Green Star Energy supplies over 300,000 domestic customers with gas and 100% renewable electricity across the United Kingdom.
- 4.3 ELEXON is now facilitating the transfer of the MPID to the new Supplier. For more information, please refer to ELEXON Circulars [EL02753](#) and [EL02754](#).

### Submission of Generation Capacity and Demand Capacity (GC/DC) for the Spring 2018 BSC Season

- 4.4 The deadline for submitting GC and DC values for the Spring BSC Season (beginning on 1 March) is Thursday 15 February 2018. Parties can submit values using Form BSCP15/4.3 signed by a Category A or F Authorised Signatory (see [BSCP38 'Authorisations'](#) for information on Signatories). The form should be provided to the Central Registration Agent (CRA) no later than Thursday 15 February 2018. Even if the values are identical to the last BSC Season, values need to be submitted for the new Season.
- 4.5 A quicker method of submitting GC/DC values is via the Online Forms Service, which can be found on the ELEXON Portal. To register to use this service, please contact the BSC Service Desk on 0870 010 6950 or email [bscservicedesk@cqi.com](mailto:bscservicedesk@cqi.com).
- 4.6 Find out more about submitting GC/DC values and the associated BSC requirements on the [Generation and Demand Capacity page](#) of the ELEXON website. You can also contact [Settlement Operations](#) on 020 7380 4371 with any queries.

### Technical Assurance of Metering (TAM) Education Day: 6 February 2018

- 4.7 On 6 February 2018 ELEXON will be hosting an education day in conjunction with the Technical Assurance Agent (TAA) as an opportunity for BSC Parties and Party Agents to engage with and learn about the operation of the [Technical Assurance of Metering](#) (TAM) service. The day will consist of presentations delivered by ELEXON and the TAA on the following subjects:
- A Technical Assurance of Metering overview
  - An introduction to P283 (Reinforcing the Commissioning of Metering Equipment Processes)
  - Changes to the TAM service
  - A Technical Assurance Agent Management Tool (TAAMT) system overview
  - Q&A with the TAA
- 4.8 In addition, there will be a number of changes to the TAM service which will become effective on 1 April 2018 which will be explained in detail on the day. Please contact [bsc.admin@elexon.co.uk](mailto:bsc.admin@elexon.co.uk) if you are interested in attending the education day.

### 'Looking Back at P272' Industry Day: 15 February 2018

- 4.9 ELEXON is hosting an industry event on 15 February to reflect on the [P272 Modification](#) and migration process. We will be using the event to seek feedback from stakeholders across the industry on the

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successes and struggles they faced during the planning and implementation phases of the P272 process. This also includes the impact of the associated changes, such as P300 and P322. The day will consist of a combination of whole-group presentations and Q&A sessions, as well as smaller group discussions.

- 4.10 We would encourage attendance from any companies or individuals with direct experience of P272, P300 or P322, and ask that all attendees come to the day prepared to contribute to the discussion and highlight both triumphs and frustrations from the process. For more information, or to register to attend the event, please refer to the ['Looking Back at P272 Industry Day'](#) page of our website.

## EMR update

- 4.11 The following EMR Circular has been issued since the last Panel meeting:
- EMRC146: New dates confirmed for the 'Introduction to EMR arrangements' event for Suppliers
- 4.12 All EMR circulars are all available to download from the [EMR Circulars page](#) of the EMRS website.
- 4.13 Payments are being received in accordance with the agreed payment schedule, via the contract with LCCC and funded by its levy on industry, and we continue to maintain a positive cash-flow. 'Actual' resource utilisation is not materially different to 'budget' and 'forecast'.

## 5. Settlement reform and support for Ofgem projects

### Market wide half hourly settlement

- 5.1 The Design Working Group (DWG) met on the 10 January 2018. It has agreed five draft Target Operating Models (TOMs) for evaluation. ELEXON presented these to the Design Advisory Board for review on the 18 January 2018 and is now proceeding with the evaluation of the five TOMs against pre-agreed success criteria which will then be taken to the next DWG meeting on the 14 February 2018 for agreement.

### Demand Side Flexibility (DSF) and Smart Grids

- 5.2 We continue to engage with and influence industry/regulatory developments relating to DSF, smart grids, technology and the future role of the System Operator, in order to promote the benefits of joined-up thinking across industry codes (such as ensuring emerging markets in local balancing are integrated appropriately with the arrangements of calculating Suppliers' energy imbalances). In particular we are engaging with the ENA's Open Networks project, the Power Responsive campaign, and the work of InnovateUK and the Energy Systems Catapult on the Future Power Systems Architecture (FPSA).

## 6. Summaries of Panel Committee Business – Tabled

- 6.1 Summaries of papers considered and decisions made by the Panel Committees since the last Panel meeting can be found in their headline reports, included as attachments to this paper.

## 7. Recommendations

- 7.1 We invite you to:
- a) NOTE the contents of this paper.

## Appendices

Appendix A – ELEXON monthly KPIs

Appendix B – Report from the ISG

Appendix C – Report from the SVG

Appendix D – Report from the PAB

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Appendix E – Report from the TDC

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