

BSC Modification Proposal Form		At what stage is this document in the process?
<h1>P357</h1> <h2>'Removal of GC/DC tolerance parameters from BSC Section K'</h2>		<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 5px; margin-bottom: 5px;">01 Modification</div> <div style="border: 1px solid blue; padding: 5px; margin-bottom: 5px;">02 Workgroup Report</div> <div style="border: 1px solid purple; padding: 5px; margin-bottom: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid orange; padding: 5px;">04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>The Modification proposes to remove the Generation Capacity (GC) and Demand Capacity (DC) tolerance limit parameters from Balancing and Settlement Code (BSC) Section K 'Classification and Registration of Metering Systems and BM Units', to allow for the tolerances to be reviewed and updated from time to time without the need for a Modification.</p>		
	<p>The Proposer recommends that this Modification should:</p> <ul style="list-style-type: none"> <li>be sent directly into the Report Phase</li> </ul> <p>This Modification will be presented by the Proposer to the BSC Panel on <b>14 September 2017</b>. The Panel will consider the Proposer's recommendation and determine how best to progress the Modification.</p>	
	<p>High Impact: N/A</p>	
	<p>Medium Impact: N/A</p>	
	<p>Low Impact: Suppliers Generators Interconnector Users ELEXON</p>	

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Timetable		
<b>The Proposer recommends the following timetable:</b>		
Initial Written Assessment presented to Panel	14 Sept 17	Proposer's representative: N/A
Report Phase Consultation	25 Sept 17 – 13 Oct 17	Proposer's alternate: Garth Graham
Draft Modification Report presented to Panel	9 Nov 17	 garth.graham@sse.com
Final Modification Report submitted to Authority	17 Nov 17	 +44 (0) 1738 457377

 Any questions?

Contact:  
Elliott Harper

 [elliott.harper@elexon.co.uk](mailto:elliott.harper@elexon.co.uk)

 020 7380 4359

Proposer:  
Andy Colley

 [andrew.colley@sse.com](mailto:andrew.colley@sse.com)

 +44 (0)1189 534276

Proposer's representative:

N/A

Proposer's alternate:  
Garth Graham

 [garth.graham@sse.com](mailto:garth.graham@sse.com)

 +44 (0) 1738 457377

# 1 Summary

## What is the issue?

As part of Issue 68 'Underestimation of Demand Capacity', the Issue Group considered whether greater accuracy in DC submissions could be achieved through tightening the tolerance parameters, and improving the governance around how these tolerance parameters are determined.

The Issue Group agreed that lowering the tolerance parameters would improve the accuracy of the DC parameter.

Currently, the tolerance parameters are coded as specified values within BSC Section K. The Issue Group agreed that greater flexibility on the governance of the tolerance parameters would be beneficial, to allow for the BSC Panel or a delegated committee to review and update the parameter values on a more regular basis without the need for a Modification to be raised each time. The current values have had limited review and have not changed since the introduction of Modification P186A in September 2005.

## What is the proposed solution?

This Modification seeks to remove the tolerance limit parameters from the Code, in order to provide greater flexibility for the values to be determined by the BSC Panel. BSCCo will publish the parameters on the BSC website.

The Panel or, if delegated, the Imbalance Settlement Group (ISG) would review these parameters from time to time as they see fit, with an initial review scheduled one year post-implementation.

The Panel should establish guidance so that the governance and principles for setting and reviewing GC and DC Limits are clearly and openly documented. An initial set of guidance will be prepared and agreed by the Panel prior to implementation of this Modification.

## 2 Governance

### Justification for proposed progression - not Self-Governance

This Modification proposal should not be treated as *Self Governance* on the basis that making the change will materially change the Modification procedures. Currently, a Modification is required to amend the GC and DC tolerance parameters. Under the new process, no Modification will be required, as the tolerance parameters will be reviewed and potentially updated on an annual basis, by the BSC Panel and/or a delegated committee.

### Requested Next Steps

This Modification should:

- be sent directly into the Report Phase.

The proposer believes that this Modification proposal is suitable to be submitted directly to the Report Phase as it is likely that the Panel's recommendation to the Authority will be self-evident i.e. that it would recommend implementation because the proposed solution reflects the conclusions of the Issue 68 Workgroup.

## 3 Why Change?

### Context

Demand Capacity (DC) is a parameter that is declared for each BSC Season in accordance with BSC Section K 'Classification and Registration of Metering Systems and BM Units'. It is self-declared by a BSC Party in 'good faith and as accurately as it reasonably can' for each Balancing Mechanism Unit (BM) Unit. It is declared as the expected negative (indicating Demand) Metered Volume with the maximum magnitude for a single Settlement Period falling within the BSC Season. The value is submitted along with a Generation Capacity (GC) value. GC and DC are a component part in the calculation of Credit Assessment Energy Indebtedness (CEI) and Credit Cover Percentage (CCP).

### What is the issue?

As part of Issue 68 'Underestimation of Demand Capacity', the Issue Group considered whether greater accuracy in DC submissions could be achieved through tightening the tolerance parameters, and improving the governance around how these tolerance parameters are determined.

The Issue Group agreed that lowering the tolerance parameters would improve the accuracy of the DC parameter.

Currently, the GC and DC tolerance limits are fixed within BSC Section K. The Proposer believes that greater flexibility on the governance of the tolerance limit parameters would be beneficial, to allow for the BSC Panel or a delegated committee to review and update the tolerance limits without the need for a Modification to be raised each time.

## 4 Code Specific Matters

### Technical Skillsets

Knowledge of BSC systems and GC/DC processes.

### Reference Documents

BSC Section K 'Classification and Registration of Metering Systems and BM Units'

## 5 Solution

### Proposed Solution

The Modification seeks to remove the GC and DC tolerance limit parameters from BSC Section K, and allow them to be reviewed from time to time by the BSC Panel or ISG, if delegated by the BSC Panel; with an initial review scheduled one year post-implementation.

The Panel should establish guidance so that the governance and principles for the establishment and review of GC/DC values and limits are clearly and openly documented – an initial set of guidance will be prepared and agreed by the Panel prior to implementation. The parameters and guidance will then be published on the BSC website. This would avoid the need for a Modification to be raised each time the tolerances need to be updated.

Upon implementation, current GC/DC tolerance parameters should be used – i.e. a minimum threshold of 2MW, ramped up by 2% to a maximum threshold of 10MW.

## 6 Impacts & Other Considerations

### Impacts

This Modification will impact Suppliers and ELEXON.

This Modification will require changes to BSC Section K 'Classification and Registration of Metering Systems and BM Units'

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

We do not believe this Modification will impact the two open SCRs::

- Electricity Settlement Reform
- Targeted Charging Review

The Proposer requests that this Modification be exempt from the Significant Code Review process.

## Consumer Impacts

This Modification does not directly impact customers

## Environmental Impacts

N/A

## 7 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	Neutral
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Positive
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

### Rationale

This Modification will better facilitate BSC Objective (d), as it seeks to improve the current governance arrangements to ensure that the tolerance limits can be reviewed and amended in line with market changes. This avoids the need for a Modification to be raised each time the tolerances need to be updated.

## 8 Implementation Approach

This Modification is proposed for implementation on 22 February 2018, as part of the February BSC Release.

## 9 Legal Text

### Suggested redlining

This Modification proposes the following changes to the BSC:

Section K 'Classification and Registration of Metering Systems and BM Units', paragraph 3.4.3.

3.4.3 The criteria referred to in paragraph 3.4.2(c) are that, for any Settlement Period in the relevant BSC Season, or (as the case may be) the remainder of the relevant BSC Season following a revised estimate notified in accordance with paragraph 3.4.2A:

- a) the positive value of QMij (subject to paragraph 3.4.4) for the BM Unit divided by SPD exceeds or the Lead Party becomes aware or believes in good faith that such value will exceed GC by ~~the GC Limits. an amount which is more than one or both of the following:~~

~~(i) 2% of GC; or~~

~~(ii) 10MW;~~

~~provided that in order to satisfy paragraph (a)(i), the amount must also be more than 2MW;~~

- b) the negative value of QMij (subject to paragraph 3.4.4) with the maximum magnitude for the BM Unit divided by SPD is less than or the Lead Party becomes aware or believes in good faith that such value will be less than DC by ~~the DC Limits. an amount the magnitude of which is more than one or both of the following:~~

~~(i) 2% of the magnitude of DC; or~~

~~(ii) 10MW;~~

~~provided that in order to satisfy paragraph (b)(i), the magnitude of the amount must also be more than 2MW.~~

~~3.4.3A For the purposes of the Code the GC Limits and DC Limits shall be such values as determined by the Panel from time to time after consultation with BSC Parties and in accordance with the published guidance described in 3.4.3B.~~

~~3.4.3B The Panel will establish guidance for the determination and review of the GC Limits and DC Limits.~~

~~3.4.3C BSCCo will publish GC Limits and DC Limits described in in 3.4.3A and the guidance described 3.4.3B on the BSC Website.~~

Section X Annex X-1

"DC Limits":	means the values established and from time to time revised and approved in accordance with Section K3.4.3A
"GC Limits":	means the values established and from time to time revised and approved in accordance with Section K3.4.3A

Section X Annex X-2

Defined Term	Acronym	Units	Definition/Explanatory Text
DC Limits		MW and/or %	Is defined in Section X-1.
GC Limits		MW and/or %	Is defined in Section X-1.

## 10 Recommendations

### Proposer's Recommendation to the BSC Panel

The BSC Panel is invited to:

- Agree that P357 be sent directly into the Report Phase.