

**Phase**

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

## P367 'Removal of obsolete Supplemental Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR) arrangements'

This Modification proposes to remove the Supplemental Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR) arrangements from the Balancing and Settlement Code (BSC).

This Report Phase Consultation for P367 closes:

**5pm on Wednesday 30 May 2018**

The Panel may not be able to consider late responses.



The BSC Panel initially recommends **approval** of P367

This Modification is expected to impact:

- Elexon



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## About This Document

This is the P367 Draft Modification Report, which ELEXON is issuing for industry consultation on the BSC Panel's behalf. It contains the Panel's provisional recommendations on P367. The Panel will consider all consultation responses at its meeting on 14 June 2018, when it will agree a final decision on whether or not the change should be made.

There are three parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach.
- Attachment A contains the draft redlined changes to the BSC for P367.
- Attachment B contains the specific questions on which the Panel seeks your views. Please use this form to provide your responses to these questions, and to record any further views/comments you wish the Panel to consider.

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### Why Change?

The Balancing Settlement Code (BSC) currently requires ELEXON to ensure imbalance prices calculated for Settlement Periods reflect the value of Supplemental Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR) actions where they are taken.

In March 2017, Ofgem decided to remove SBR and DSBR cost recovery arrangements for 2017/18 from the National Grid Electricity Transmission (NGET) Licence. This is because SBR and DSBR were introduced as short-term balancing measures before the implementation of the Capacity Market (CM). As a result of the government's decision to bring forward the delivery of the Capacity Market to 2017/18, SBR and DSBR arrangements no longer apply and have been removed from NGET's Licence.

Ofgem confirmed to ELEXON that the Transmission Company no longer has SBR and DSBR services available to them and as such, requested that these provisions be removed from the BSC.

### Solution

This Modification proposes to remove all SBR and DSBR requirements, definitions, and references from the BSC and subsidiary documents.

### Impacts & Costs

This Modification Proposal will impact ELEXON. This is because ELEXON will need to remove internal manual processes used to change the imbalance price calculation in the event of an SBR action and update necessary guidance documents.

The central implementation cost to implement the solution to this Modification is £5760. This is derived from 24 Working Days of implementation effort to deliver the document only changes as a result of the solution.

### Implementation

P367 is proposed for implementation on **28 June 2019**, as part of the June 2019 BSC Release.

### Recommendation

The BSC Panel unanimously believes that P367 better facilitates BSC Applicable Objectives (b) and (d). The Panel's initial unanimous recommendation is that this Proposed Modification should be **approved**.

## 2 Why Change?



### What are balancing services?

Balancing services are those utilised by the Transmission Company, in its role as System Operator (SO), to balance supply and demand in real-time.

These services are also used in the calculation of imbalance prices.



### What is the Capacity Market (CM)?

The CM is aimed to address longer term capacity adequacy, by providing capacity providers with a secure stream for their investments.

It has been implemented as part of the Electricity Market Reform (EMR), in order to protect security of supply, along with promoting decarbonisation of the grid.

### Background

On 11 December 2013, the Authority [published its decision](#) to accept an application by the Transmission Company to introduce two new balancing services: Supplemental Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR).

These services were introduced as short-term balancing measures before the implementation of the Capacity Market (CM). They provided the Transmission Company with additional tools to help balance the system in the rare event of insufficient generation to meet demand. They could only be used when all other balancing system actions (including all Balancing Mechanisms (BMs)) had been exhausted.

Since these balancing services were designed as last resort services to be called upon at times of severe system scarcity, factoring these services' actions into imbalance prices was necessary in order to accurately reflect all actions the Transmissions Company may have taken to balance the system in a Settlement Period.

### SBR

SBR was introduced to provide a means for generators who operated outside the wholesale market to contribute to balancing the system in periods of high demand. This involved generation being held in reserve, which would only be used in the event that there was insufficient generation capacity available in the market to meet demand. This made generation available that was otherwise unavailable in the market.

### DSBR

The DSBR service was aimed at non-domestic consumers with the ability to reduce demand/load shift or run small embedded generators for at least an hour during a winter evening peak period. At the highest level, this enabled the System Operator (SO) to ask large energy users to reduce their demand in exceptional circumstances, and would remunerate them for doing so.

### Modification P299

In January 2014, the Transmission Company raised [P299 'Allow National Grid access to Metering System Metered Consumption data to support DSBR Service'](#). P299 proposed to allow the Transmission Company to gain access to Suppliers' Metering System Metered Consumption data, which was required to support the delivery of the DSBR service.

The Authority approved P299 on 30 May 2014 and it was implemented on 13 June 2014.

### Modification P305

[P305 'Electricity Balancing Significant Code Review Developments'](#) was raised in May 2014. The Modification proposed to implement a number of conclusions from the Electricity Balancing Significant Code Review Developments. One of these conclusions was the introduction of Demand Control actions into the imbalance price, and an imbalance volume

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correction process to amend participants' positions to account for such actions. These actions included any DSB actions.

The Authority approved P305 on 2 April 2015 and it was implemented on 5 November 2015.

## Issue 56

In May 2014, the Transmission Company raised [Issue 56 'Treatment of the new SBR and DSB actions in the imbalance price'](#), which considered the need for SBR and DSB actions to be reflected in the imbalance price. The Issue 56 Group concluded that SBR and DSB actions should be reflected in the imbalance price and be priced at Value of Lost Load (VoLL).

ELEXON advised the Transmission Company and the Issue Group that the recommended solution would not require a change to the Balancing and Settlement Code (BSC) but would require changes to the Balancing Service Adjustment Data (BSAD) Methodology Statement. The BSAD Methodology Statement was amended in November 2015 to include SBR volumes in determination of BSAD.

## Modification P323

The issue of reflecting SBR and DSB in the imbalance price was revisited via open letters published by the Transmission Company in July 2014 and June 2015, respectively, and a workshop held in February 2015. After which, ELEXON advised the Transmission Company that a BSC Modification would be required to allow SBR actions to be priced at one value in the main imbalance price calculation (i.e. at VoLL) and at another value in the BM Cashflow (i.e. the original Bid-Offer Acceptance's (BOA's) utilisation price).

On 26 June 2015, the Transmission Company raised [P323 'Enabling inclusion and treatment of SBR in the imbalance price'](#). The Modification proposed to enable the value of SBR to be included in the imbalance price calculation without affecting BM Cashflows. This was achieved by allowing the Transmission Company to identify BOAs it takes for SBR purposes and for resulting System Actions to be priced at VoLL for imbalance price calculations only. The Modification introduced a manual solution (non-BSC System impacting) so that ELEXON ensured imbalance prices calculated for Settlement Periods reflected the value of SBR actions where they were taken.

The Authority approved P323 on 15 October 2015 and it was implemented on 5 November 2015.

## Modification P333

In January 2016, ENGIE raised [P333 'Inclusion of DSB volumes into the cashout price in time for publication after the end of the Settlement Period'](#). This Modification proposed to require the Transmission Company to provide its best estimate of DSB volumes as part of its initial submission of BSAD.

The Authority approved P333 on 2 August 2016 and it was implemented on 3 November 2016.



### BSAD Methodology Statement

The BSAD Methodology Statement sets out what System Operator (SO) actions are taken outside of the Balancing Mechanism (BM) to balance the system.

It is owned by National Grid and can only be modified in accordance with the process set out in Standard Condition C16 of the Transmission Licence.

## Ofgem decision letters

On 7 March 2017, the Authority [issued a letter](#) with its decision to remove the ability for the Transmission Company to recover any costs associated with procuring or operating SBR and DSBR services over the Winter 2017/18 period. This was due to the Government's decision to bring forward the implementation of the Capacity Market to 2017/18, meaning SBR and DSBR measures were no longer required.

Following the completion of the cost recovery process for Winter 2016/17, Ofgem subsequently [issued a direction](#) to remove all provisions relating to SBR and DSBR from the National Grid Electricity Transmissions (NGET) Licence. This took effect on 25 November 2017 and the SBR and DSBR provisions were removed from the BSAD on 1 April 2018.

## Summary

The table below provides a summary timeline of the events detailed in this background section.

Summary timeline of background events	
Date	Event
11 December 2013	Ofgem published its decision to accept an application by the Transmission Company to introduce SBR and DSBR
01 January 2014	The BSAD Methodology Statement was amended to include SBR and DSBR provisions
31 January 2014	P299 was raised to allow National Grid access to Metering System data to support DSBR
8 May 2014	Issue 56 was raised to consider the need for SBR and DSBR actions to be reflected in the imbalance price.
30 May 2014	P305 was raised to introduce Demand Control actions (including DSBR) into the imbalance price
13 June 2014	P299 was implemented
14 July 2014	The Transmission Company issued an open letter regarding next steps to be taken for the treatment of SBR and DSBR
10 February 2015	The Transmission Company held a workshop to revisit the issue of reflecting SBR and DSBR in the imbalance price
15 June 2015	The Transmission Company issued a further open letter to seek views on how to include SBR in the imbalance price
26 June 2015	P323 was raised to enable the value of SBR to be included in the imbalance price calculation
5 November 2015	P305 and P323 were implemented The BSAD Methodology Statement was amended to include SBR volumes in determination of BSAD
28 January 2016	P333 was raised to require the Transmission Company to provide its best estimate of DSBR volumes as part of its initial submission of BSAD
3 November 2016	P333 was implemented

Summary timeline of background events	
Date	Event
7 March 2017	The Authority issued a letter with its decision to remove the ability for the Transmission Company to recover any costs associated with SBR and DSBR services
25 November 2017	The Authority's direction took effect to remove all provisions relating to SBR and DSBR from the NGET Licence
1 April 2018	All SBR and DSBR provisions were removed from the BSAD

## What is the issue?

Through the changes implemented under P299, P305, P323 and P333 the BSC currently requires ELEXON to ensure imbalance prices calculated for Settlement Periods reflect the value of SBR actions where they are taken. ELEXON currently meets this obligation by operating a manual process outside of BSC Central Systems that ultimately has the effect of adjusting any imbalance price produced by the Settlement Administration Agent (SAA).

The BSC also requires DSBR to be included in pricing for Demand Control actions and requires the Transmission Company to provide its best estimate of DSBR volumes as part of its initial submission of BSAD, in time for the Balancing Mechanism Reporting Agent (BMRA) to include it in the indicative imbalance price calculation.

As SBR and DSBR are now obsolete as a result of the Authority's direction, SBR and DSBR no longer needs to be reflected in the calculation of the imbalance prices. Leaving the requirements and references to SBR and DSBR in the BSC may be misleading and could cause confusion.

Ofgem requested that ELEXON remove these provisions from the BSC, as the Transmission Company no longer has SBR and DSBR services available to them.

### Proposed solution

P367 was raised by the BSC Panel on 10 May 2018 in accordance with [BSC Section F2.1.1\(d\)\(iv\)](#)<sup>1</sup>.

The Modification proposes to remove all SBR and DSBR requirements, definitions, and references from the BSC Sections and Code Subsidiary Documents (CSDs) that were implemented under P299, P305, P323 and P333.

The proposed solution to this Modification will require changes to the following BSC Sections:

- Section Q 'Balancing Mechanism Bid-Offer Acceptance';
- Section S 'Supplier Volume Allocation'
- Section S Annex S-2 'Supplier Volume Allocation Rules'
- Section T 'Settlement and Trading Charges';
- Section X Annex X-1 'General Glossary'; and
- Section X Annex X-2 'Technical Glossary'.

At a high level, the changes to these sections will:

- Remove the obligations on the Transmission Company to send an SBR Notice (comprising of the BOA Acceptance Number and the relevant BM Unit identifier) and any revisions to Bid-Offer Data, Acceptance Data and BSAD.
- Remove the obligations on BSCCo to ensure that imbalance prices reflect the SBR Action Price, to establish a validation procedure for imbalance prices that have been adjusted, and to ensure Parties are notified of adjustment or discrepancies. The requirement to ensure that accurate records are maintained in respect of these obligations will also be removed.
- Remove any determinations, definitions and references of SBR, SBR Notice, SBR Flagged, SBR Action, SBR Action Price and SRB Instructed Volume.
- Remove the Transmission Company's and the Supplier Volume Allocation Agent's (SVAA's) duties to send and notify data relating to a DSBR Instruction for each Demand Control Impacted Settlement Period.
- Remove the obligation on Transmission Company to provide its best estimate of BSAD ten minutes after a Settlement Period where a DSBR action was taken, including data relating to that DSBR action.
- Remove any determinations, definitions and references of DSBR, DSBR Instruction and DSBR Instruction Volume.

This Modification also proposes to remove all SBR and DSBR requirements, definitions, and references from the CSDs listed in Section 4 (Impacts and Costs) of this document. The CSD changes will be drafted and consulted upon following the approval of P367 and prior to its implementation.

<sup>1</sup> on the recommendation of BSCCo to rectify manifest errors in or to correct minor inconsistencies (or make other minor consequential changes) to the Code.



## Legal text

The proposed legal text for this Modification Proposal can be found in attachment B.

### Estimated central implementation costs of P367

The central implementation cost to deliver the solution to this Modification is £5,760. This is derived from 24 Working Days of implementation effort to deliver the document only changes as a result of the solution.

### Indicative industry costs of P367

No industry costs are anticipated for the implementation of this Modification.

### P367 impacts

#### Impact on BSC Parties and Party Agents

Party/Party Agent	Impact
No implementation impacts identified.	

#### Impact on Transmission Company

No implementation impacts identified.

SBR and DSBR arrangements have already been removed from the NGET Licence and so these services are no longer available to the Transmission Company. This Modification will mean that the Transmission Company will no longer be required to provide data in relation to SBR and DSBR to BSC Agents.

#### Impact on BSCCo

Area of ELEXON	Impact
ELEXON Operations	<p>ELEXON will need to remove internal manual processes used to change the imbalance price calculation in the event of an SBR Notice.</p> <p>ELEXON guidance documents and the ELEXON Website will also need to be updated to remove references to SBR and DSBR.</p>

#### Impact on BSC Systems and process

BSC System/Process	Impact
<p>No BSC Systems impacts identified.</p> <p>The solution for including SBR and DSBR actions in imbalance prices was implemented as a manual process. This manual processes will no longer be used.</p>	

Impact on Code	
Code Section	Potential Impact
Section Q	Redlining amendments to remove all SBR and DSBR requirements, definitions, and references.
Section S	
Section S Annex S-2	
Section T	
Section X Annex X-1	
Section X Annex X-2	

Impact on Code Subsidiary Documents	
CSD	Potential Impact
BSCP18: Corrections to Bid-Offer Acceptance Related Data	Redlining amendments to remove all SBR and DSBR requirements, definitions, and references.
BSCP502: Half Hourly Data Collection for SVA Metering Systems Registered in SMRS	
BSCP503: Half Hourly Data Aggregation for SVA Metering Systems Registered in SMRS	
BSCP504: Non Half Hourly Data Collection for SVA Metering Systems Registered in SMRS	
BSCP505: Non Half Hourly Data Aggregation for SVA Metering Systems Registered in SMRS	
BSCP508: Supplier Volume Allocation Agent	
NETA Interface Definition and Design Part 2: Interfaces to other Service Providers	
Service Description for Settlement Administrator	
Settlement Administrator Agent User Requirements Specification	

#### Impact on Code Subsidiary Documents

CSD	Potential Impact
SVA Data Catalogue Volume 1	
EAC/AA User Requirements Specification	
EAC/AA Logical Data Design	

#### Impact on a Significant Code Review (SCR) or other significant industry change projects

Ofgem was notified on 25 April 2018 that this Modification was to be raised on 10 May 2018 and that it was ELEXON's view that this Modification will not impact any open SCR and should be an SCR Exempt Modification Proposal.

Ahead of the Panel meeting on 4 May 2018, Ofgem confirmed that P367 is not implicated in any on-going SCR and as such is exempt from the SCR process. The Ofgem representative did not provide any further comments in the Panel meeting.

#### Impact on Consumers

No implementation impacts identified.

#### Impact on Environment

No implementation impacts identified.

### Recommended Implementation Date

The Proposer recommends an Implementation Date for P367 of **27 June 2019**. This is the next available BSC Release to incorporate a significant number of document changes.

## 6 Proposer's Conclusions

### Applicable BSC Objectives

The Proposer's views against the Applicable BSC Objectives are summarised in the table below:

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	<b>Positive</b>
(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	<b>Positive</b>
(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 administering 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

#### Proposer views against Objective (b)

This Modification would have a positive impact on the efficient, economic and co-ordinated operation of the National Electricity Transmission System. SBR and DSBR provisions were removed from the NGET Licence on 25 November 2017, thus the removal of SBR and DSBR arrangements from the relevant BSC Code Sections and CSDs would realign the Code with the obligations set out in the Transmission Licence.

#### Proposer views against Objective (d)

This Modification would have a positive impact on promoting the efficiency in the implementation of the balancing and settlement arrangements. As the SBR and DSBR provisions are defunct, the inclusion of SBR and DSBR arrangements in the BSC may be misleading. Furthermore, Ofgem confirmed to ELEXON that the Transmission Company no longer has SBR and DSBR services available to it, and as such requested that these provisions be removed from the BSC.

### Self-Governance

ELEXON recommended to the Panel that P367 be treated as a Self-Governance Modification. The Panel agreed that this Modification should be progressed as a Self-Governance Modification. This is because the SBR and DSBR arrangements have been removed from the NGET Licence and thus are already defunct. Therefore, removing the

provisions from the BSC and CSDs is not expected to have any material effects on the matters referred to in the Self-Governance criteria and is unlikely to discriminate between different classes of Parties.

## Proposed progression

ELEXON recommended to the Panel that P367 should be sent directly to the Report Phase and hence be subject to the Report Phase Consultation. This is because the Modification is clear and self-evident in its fulfilment of removing all redundant SBR and DSBR provisions from the BSC Sections and CSDs. The Panel agreed that the Modification should proceed directly to the Report Phase at its meeting on 10 May 2018.



### What are the Self-Governance criteria?

A proposal that, if implemented:

- a) is unlikely to have a material effect on:
  - i. existing or future electricity consumers; and
  - ii. competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
- iii. the operation of the national electricity transmission system; and
- iv. matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
- v. the Code's governance procedures or modification procedures, and
- b) is unlikely to discriminate between different classes of Parties

## 7 Panel's Initial Discussions

The P367 Initial Written Assessment (IWA) was presented to the BSC Panel at its meeting on 10 May 2018 (Panel 278/05). The Panel unanimously agreed with all recommendations as set out in the IWA.

The Transmission Company Panel Representative suggested that the formal title of the Modification Proposal be amended to remove "cost recovery" from it. ELEXON agreed to amend the title from 'Removal of SBR and DSBR cost recover arrangements' to 'Removal of obsolete SBR and DSBR arrangements'. The title was updated when P367 was formally raised.

### Report Phase Consultation Questions

Do you agree with the Panel's initial unanimous recommendation that P367 better facilitates Applicable BSC Objective (b) and (d) and so should be approved?

Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P367?

Do you agree with the Panel's recommended Implementation Date?

Do you agree with the Panel's initial view that P367 should be treated as a Self-Governance Modification?

Do you have any further comments on P367?

The Panel invites you to give your views using the response form in Attachment B



## 8 Recommendations

The BSC Panel initially recommends:

- That P367 should be **approved**;
- An Implementation Date for P367 of **27 June 2019**, as part of the scheduled June 2019 BSC release;
- The draft BSC legal text for P367; and
- That P365 should be treated as a Self-Governance Modification.

## Appendix 1: Glossary & References

### Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
BM	Balancing Mechanism
BMRA	Balancing Mechanism Reporting Agent
BOA	Bid-Offer Acceptance
BSAD	Balancing Service Adjustment Data
BSC	Balancing and Settlement Code
CSD	Code Subsidiary Documents
CM	Capacity Market
DSBR	Demand Side Balancing Reserve
IWA	Initial Written Assessment
NGET	National Grid Electricity Transmissions
SAA	Settlement Administration Agent
SBR	Supplemental Balancing Reserve
SCR	Significant Code Review
SO	System Operator
VoLL	Value of Lost Load

### External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
3	Issue 56 page on the ELEXON website	<a href="https://www.elexon.co.uk/smg-issue/issue-56/">https://www.elexon.co.uk/smg-issue/issue-56/</a>
3	P299 page on the ELEXON website	<a href="https://www.elexon.co.uk/mod-proposal/p299/">https://www.elexon.co.uk/mod-proposal/p299/</a>
3	P305 page on the ELEXON website	<a href="https://www.elexon.co.uk/mod-proposal/p305/">https://www.elexon.co.uk/mod-proposal/p305/</a>
4	P323 page on the ELEXON website	<a href="https://www.elexon.co.uk/mod-proposal/p323/">https://www.elexon.co.uk/mod-proposal/p323/</a>
4	P333 page on the ELEXON website	<a href="https://www.elexon.co.uk/mod-proposal/p333/">https://www.elexon.co.uk/mod-proposal/p333/</a>

External Links		
Page(s)	Description	URL
5	Ofgem's decision to remove the Supplemental Balancing Reserve and Demand Side Balancing Reserve cost recovery arrangements for 2017/18	<a href="https://www.ofgem.gov.uk/publications-and-updates/decision-remove-supplemental-balancing-reserve-and-demand-side-balancing-reserve-cost-recovery-arrangements-201718">https://www.ofgem.gov.uk/publications-and-updates/decision-remove-supplemental-balancing-reserve-and-demand-side-balancing-reserve-cost-recovery-arrangements-201718</a>
5	Ofgem's decision to remove the provisions relating to Supplemental Balancing Reserve and Demand Side Balancing Reserve from National Grid Electricity Transmission plc (NGET)'s Licence	<a href="https://www.ofgem.gov.uk/publications-and-updates/decision-remove-provisions-relating-supplemental-balancing-reserve-and-demand-side-balancing-reserve-national-grid-electricity-transmission-plc-nget-s-licence">https://www.ofgem.gov.uk/publications-and-updates/decision-remove-provisions-relating-supplemental-balancing-reserve-and-demand-side-balancing-reserve-national-grid-electricity-transmission-plc-nget-s-licence</a>