

BSC Modification Proposal Form		At what stage is this document in the process?
<h1>P367</h1> <h2>Removal of obsolete Supplemental Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR) arrangements</h2>		<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 2px; margin-bottom: 5px;">01 Modification</div> <div style="border: 1px solid blue; padding: 2px; margin-bottom: 5px;">02 Workgroup Report</div> <div style="border: 1px solid purple; padding: 2px; margin-bottom: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid orange; padding: 2px;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>To remove the redundant Supplemental Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR) arrangements.</p>		
	<p>The Proposer recommends that this Modification should:</p> <ul style="list-style-type: none"> be raised by the Panel in accordance with Section F2.1.1(d)(iv) be sent directly into the Report Phase <p>This Modification will be presented to the BSC Panel on 10 May 2018. The Panel will consider the recommendation and determine how best to progress the Modification.</p>	
	<p>Low Impact: ELEXON</p>	

Contents		 Any questions?
1	Summary	3
2	Governance	3
3	Why Change?	4
4	Code Specific Matters	4
5	Solution	5
6	Impacts & Other Considerations	6
7	Relevant Objectives	7
8	Implementation Approach	8
9	Legal Text	8
10	Recommendations	8
Timetable		
The Proposer recommends the following timetable:		
Report Phase Consultation	16 May 2018 - 30 May 2018	 NA
Draft Modification Report presented to Panel	14 Jun 2018	 NA
Final Modification Report published	21 Jun 2018	
		Other: <i>Modification Secretary</i>
		 <i>bsc.change@elexon.co.uk</i>

1 Summary

What is the issue?

The Balancing Settlement Code (BSC) currently requires ELEXON to ensure imbalance prices calculated for Settlement Periods reflect the value of SBR and 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.

What is the proposed solution?

This Modification proposes to remove all SBR and DSBR arrangements, definitions, and references from the BSC that were implemented under:

- [P299 'Allow National Grid access to Metering System Metered Consumption data to support DSBR service'](#);
- [P305 'Electricity Balancing Significant Code Review'](#);
- [P323 'Enabling inclusion and treatment of SBR in the Imbalance Price'](#); and
- [P333 'Inclusion of DSBR volumes into the cashout price in time for publication after the end of the Settlement Period'](#).

2 Governance

Justification for proposed progression

This Modification should be progressed as a Self-Governance Modification because the SBR and DSBR arrangements have been removed from the NGET Licence, meaning they are now redundant. Therefore, this Modification does not have a material effect on:

- i) existing or future electricity consumers;
- ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity;
- iii) the operation of the national electricity transmission system;
- iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies;
- v) the Code's governance procedures or Modification procedures; or
- vi) it is not likely to discriminate between different classes of Parties.

This Modification should not be considered suitable for treatment as Urgent or Fast Track.

It is proposed to recommend to the Panel that the Modification Proposal proceeds directly to the Report Phase. The reasons for this proposed approach are:

- The solution of this Modification is clear and self-evident in its fulfilment of removing all redundant references to SBR and DSBR arrangements.
- In submitting this proposal directly to the Report Phase, market participants will still have the opportunity to comment on the merits of, and provide views on, the proposal through the Report Phase consultation.

Requested Next Steps

This Modification should be:

- sent directly into the Report Phase.

3 Why Change?

What is the issue?

The SBR service was introduced to provide a means for Generators held outside the wholesale market to contribute to balancing the system in winter periods of high demand. DSBR was introduced to provide a new facility for the demand side to participate in balancing services by shifting or shedding demand. Both balancing services were designed as temporary measures to help the Transmission Company balance the system, in the event of insufficient capacity, prior to the implementation of the Capacity Market.

In March 2017, Ofgem removed 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 CM to 2017/18.

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 NGET's Licence. This took effect on 25 November 2017. The provisions have also been removed from the Balancing Service Adjustment Data (BSAD) Methodology Statement, which took effect on 1 April 2018.

The BSC framework currently requires ELEXON to ensure imbalance prices calculated for Settlement Periods reflect the value of SBR where they are taken. The BSC also requires DSBR to be included in pricing for Demand Control actions and requires the Transmission Company to provide a best estimate of DSBR volumes in time for the Balancing Mechanism Reporting Agent (BMRA) to include it in the calculation of indicative imbalance prices.

As SBR and DSBR are now defunct, they are no longer required to be included in the calculation of the imbalance prices.

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.

4 Code Specific Matters

Technical Skillsets

This Modification is not proposed to be progressed through the Assessment Procedure and therefore should not require the formation of a Workgroup.

Communications

The Proposer recommends that as well as the usual Report Phase Consultation, a communication is sent to the members of P299, P323 and P333 Workgroups and other known interested parties that have an interest in BSC pricing matters.

Reference Documents

[P299 ‘Allow National Grid access to Metering System Metered Consumption data to support DSBR service’](#)

[P305 ‘Electricity Balancing Significant Code Review’](#)

[P323 ‘Enabling inclusion and treatment of SBR in the Imbalance Price’](#)

[P333 ‘Inclusion of DSBR volumes into the cashout price in time for publication after the end of the Settlement Period’](#)

[Ofgem’s decision to remove the Supplemental Balancing Reserve and Demand Side Balancing Reserve cost recovery arrangements for 2017/18](#)

[Ofgem’s decision to remove the provisions relating to Supplemental Balancing Reserve and Demand Side Balancing Reserve from NGET’s Licence](#)

[BSAD Methodology Statement v15.0](#)

5 Solution

Proposed Solution

This Modification proposes to remove all SBR and DSBR requirements, definitions, and references from the BSC that were implemented under P299, 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’.

This Modification also proposes to remove all SBR and DSBR requirements, definitions, and references from the following CSDs:

- BSCP18 ‘Corrections to Bid-Offer Acceptance Related Data’;
- 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 Administration;
- Settlement Administration Agent User Requirements Specification;
- Supplier Volume Allocation Data Catalogue Volume 1;
- Estimation of Annual Consumption System User Requirements Specification (EAC/AA URS); and
- EAC/AA Logical Data Design.

6 Impacts & Other Considerations

Impacts

SBR and DSBR services have already been removed from the NGET Licence and so these measures can no longer be used by 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.

This Modification also impacts the Balancing and Settlement Code Company (BSCCo) because ELEXON and the SAA will no longer be required to manually process SBR actions in the imbalance price calculations.

The notification and calculation of SBR and DSBR in the imbalance price is a manual process and therefore, there will be no impacts to BSC Systems.

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

This Modification is not linked to any live SCR. At the time of writing the following SCRs were in the SCR Phase:

- Switching
- Electricity Settlement Reform
- Targeted Charging Review

The Proposer requests that this Modification be exempt from the SCR Process.

Consumer Impacts

Day to day operation of Balancing and Settlement will be unaffected, so there will be no direct impact on consumers.

Environmental Impacts

Day to day operation of Balancing and Settlement will be unaffected, so there will be no direct impact on the environment.

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	Positive
(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

Objective (b)

This Modification would have a positive impact on the efficient, economic and co-ordinated operation of the National Electricity Transmission System. By removing all SBR and DSBR requirements, definitions, and references from the BSC, the Code will be realigned with the arrangements set out in NGET's Licence.

Objective (d)

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

8 Implementation Approach

The Proposer recommends an implementation date of 27 June 2019, as part of the June 2019 BSC Release.

9 Legal Text

Text Commentary

The legal text required to give effect to this Modification is attached to this Modification Proposal.

10 Recommendations

Proposer's Recommendation to the BSC Panel

The BSC Panel is invited to:

- Agree that P367 be progressed as a Self-Governance Modification Proposal; and
- Agree that P367 be sent directly into the Report Phase.