## 4.7 Issue Form

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| **Issue Form - BSCP40/04** | **Issue Number: 70***(mandatory by BSCCo)* |
| **Issue Title** Settlement of Secondary BM Units using metering at the asset |
| **Issue Description** *(Mandatory by originator)*Modification Proposal [P344 ‘Project TERRE implementation into GB market arrangements’](https://www.elexon.co.uk/mod-proposal/p344/) seeks to align the Balancing and Settlement Code (BSC) with the European Balancing Project TERRE (Trans European Replacement Reserves Exchange) requirements. A final Ofgem decision is expected by 31 July 2018.The solution developed by the P344 Workgroup allows customers (or independent aggregators acting on their behalf) to participate in TERRE (and the Balancing Mechanism (BM)) independently of their electricity Supplier, by registering a ‘Secondary BM Unit’. However, the P344 solution requires that metered data from the Supplier’s Settlement metering (located at the boundary point) be used to verify delivery of acceptances issued to the Secondary BM Unit. The P344 Workgroup acknowledged the potential that this could create barriers to participation by some customers, taking note of the following points: * End-user sites are often complex, containing assets capable of participating in TERRE (and the BM) and other equipment which is inflexible or operates independently from participating assets;
* Given this complexity, the location of the meters most appropriate for Settlement may not be at the Boundary point, but at the individual participating assets;
* There are associated difficulties submitting a Physical Notification (PN) for the entire site (including assets outside of the service provider’s control), with any error in the PN creating a risk of non-delivery Charges; and
* Where meters other than Boundary point meters are used, it is nevertheless necessary to ensure auditability, so that payment for delivery corresponds to the service provided.

Questions arose over whether data from Operational Metering can be used for Settlement purposes and if not, whether the customer will need to install additional metering at the asset for Settlement purposes (“asset metering”) and if so, will this be a barrier to entry? Additionally, assets chosen to provide RR may not be truly independent of other assets located on the customer’s site, which may affect boundary flows and therefore may lead to under/over payment of RR. For example, an asset operating to provide RR might cause other equipment on the site to change its consumption or generation, which would lead to incorrect measurement of the RR volume delivered.There exists a related but different issue on multi-feeder sites, at which it might be possible for the customer to shift demand to another Boundary meter. The System would not benefit, but provision of RR may still be paid. Finally, uncontrollable or uncorrelated demand in another part of the same site but behind the same Boundary Point meter may make it difficult for independent aggregators to accurately forecast PNs if settled at the Boundary Point. This could lead to Imbalance Payments or non-delivery charges even when the participating assets delivered the RR volumes in line with instructed volumes.The paper ‘Extending the P344 Solution to allow Settlement of Secondary BM Units using metering at the asset’), discusses these issues in more detail and outlines potential solutions. The paper was presented to, and endorsed by the P344 Workgroup on 21 February 2017. The P344 Workgroup agreed that this proposal warranted further assessment, but did not believe this assessment could be performed within the scope of P344 (in order to avoid delaying P344 approval). We are raising this Issue to facilitate discussion and clarification of the most appropriate solution.A further Issue[[1]](#footnote-1) has been raised which seeks to examine the possibility of PNs for a site being created via a baselining methodology. These baselining and asset metering issues are complementary, as Parties may opt to apply baselining at a site dependent on the metering set up and where Settlement takes place i.e. at the Boundary Point or asset level. |
| **Justification for Examining Issue** *(Mandatory by originator)*The EB GL requires that Transmission System Operators (TSOs) facilitate demand response participation in TERRE, including independent aggregation facilities and energy storage. Ofgem defines independent aggregators as Parties who bundle changes in consumers’ loads or distributed generation output for sale in organised markets and who do not simultaneously supply the customer with energy.P344 as it currently stands facilitates the participation of Independent Aggregators in RR by creating Virtual Lead Parties.However, there is a potential that the aforementioned issues could create a barrier to entry to certain customer sites and hence, the participation of Demand Response in RR may not be optimised. P344 must be implemented in a manner to allow the implementation of Project TERRE to meet the go-live deadline of December 2019 and Modification legal text Implementation Date of February 2019. Therefore, the ‘Behind the Meter’ issue is being discussed separately to P344. The issues noted require careful consideration to maintain a level playing field and facilitate market competition.Resolving these issues would better facilitate the following Applicable BSC Objectives:**(b) The efficient, economic and co-ordinated operation of the national electricity transmission system** Removing a barrier to entry for Independent Aggregators to the provision of RR will increases the options available to National Grid when balancing the System, thus leading to more efficient and economic balancing actions being procured. **(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**Encouraging increased participation within the market enhances Applicable BSC Objective (c) but only if this is achieved not at the expense of other providers. Therefore, careful consideration of the potential solutions is required.**(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]** By better facilitating participation of independent aggregators in the TERRE product, Applicable BSC Objective (e) is facilitated. |
| **Potential Solution(s)** The potential solution to this problem is to allow the Secondary BM Unit to be settled using a meter installed close to the controllable asset (rather than the meter at the Boundary Point):The meter at the Boundary Point would still form an Supplier Volume Allocation (SVA) Metering System, and Metered Data collected from it would still be used in Settlement of the Supplier BM Unit; Metered Data will be used as a validation tool for the Delivered Volumes i.e. if a Metering System Identifier (MSID) Pair Delivered Volume cannot be allocated in full to the component MSIDs using this process, the Supplier Volume Allocation Agent (SVAA) system will report an exception.* Settlement of the Secondary BM Unit would be based on a meter close to the controllable asset. This meter would therefore be “Settlement Metering” rather than “non-Settlement metering”, and would form a new type of Metering System recognised under the BSC (not an SVA Metering System).

If this solution were to be adopted, the meter close to the controllable asset would become a Settlement Meter (which currently it is not). |
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1. Replacement Reserve and the submission of Physical Notifications using a baselining methodology [↑](#footnote-ref-1)