

Modification proposal:	<b>Balancing and Settlement Code (BSC) P383: Enhanced reporting of demand data to the NETSO to facilitate CUSC Modifications CMP280 and CMP281</b>		
Decision:	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>		
Target audience:	National Grid Electricity System Operator (NGESO), Parties to the BSC, the BSC Panel and other interested parties		
Date of publication:	28 February 2020	Implementation date:	1 April 2021

## Background

On 24 January 2019 we published an open letter which outlined how we consider storage to be a form of electricity generation and the implications of this with respect to the charging reforms we are making.<sup>3</sup> This was with particular reference to our Smart Systems and Flexibility plan with government<sup>4</sup> and the Targeted Charging Review (TCR) Significant Code Review.<sup>5</sup> We also referred to the closely related Balancing Services Charges Taskforce that subsequently reported in May 2019, concluding that balancing services charges (BSUoS) should be treated as a cost recovery charge.<sup>6</sup>

In our Smart Systems and Flexibility Plan, with government, we noted that the current charging regime could put some storage at a disadvantage to other types of generators and flexibility providers. In the regulatory framework, we consider storage to be a form of electricity generation where it behaves as such. With this in mind, our view is that charging arrangements should not discriminate between these types of storage and generation.

To address the issues we identified with network charges, industry parties have proposed modifications to the codes governing distribution and transmission charges. In particular, two Connection and Use of System Code (CUSC) modification proposals (CMPs) seek to exclude storage facilities from transmission network use of system (TNUoS) demand residual (CMP280) and BSUoS demand (CMP281) charges. There are additional CMPs that have been raised to implement the Targeted Charging Review (TCR) decision, which are likely to require disaggregated storage import and export data for network charges.

## The modification proposal

Engie (The Proposer) raised P383 on 22 July 2019 to support CMP280 and CMP281. P383 aims to prescribe a process for collecting additional metered data to allow Supplier Volume Allocation (SVA) registered storage facilities to be excluded from TNUoS demand residual and BSUoS demand charges. In order to exclude these metered volumes, NGESO would require that metered data for specific SVA-registered storage facilities is

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> [https://www.ofgem.gov.uk/system/files/docs/2019/01/storage\\_and\\_charging\\_reform\\_2201f.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/01/storage_and_charging_reform_2201f.pdf)

<sup>4</sup> [https://www.ofgem.gov.uk/system/files/docs/2017/07/upgrading\\_our\\_energy\\_system\\_-\\_smart\\_systems\\_and\\_flexibility\\_plan.pdf](https://www.ofgem.gov.uk/system/files/docs/2017/07/upgrading_our_energy_system_-_smart_systems_and_flexibility_plan.pdf)

<sup>5</sup> <https://www.ofgem.gov.uk/electricity/transmission-networks/charging/targeted-charging-review-significant-code-review>

<sup>6</sup> <http://www.chargingfutures.com/media/1348/balancing-services-charges-task-force-final-report.pdf>

aggregated and reported to it. The proposal also seeks to ensure that any such processes used to aggregate metered data for SVA-registered storage facilities are subject to appropriate assurance measures.

The Proposer considers that the modification would better facilitate BSC objectives<sup>7</sup> (a), (c) and (d) in comparison to the current baseline. The objectives are:

- *Objective (a): The efficient discharge by the licensee of the obligations imposed upon it by this licence*
- *Objective (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*
- *Objective (d): Promoting efficiency in the implementation and administration of the balancing and settlement arrangements*

### **BSC Panel<sup>8</sup> recommendation**

At the BSC Panel meeting on 12 September 2019, the BSC Panel unanimously considered that P383 would better facilitate the BSC objectives (a), (c) and (d) and the BSC Panel therefore recommended its approval.

### **Our decision**

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 20 September 2019. We have considered and taken into account the responses to the industry consultation(s) which are attached to the FMR.<sup>9</sup> We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC;<sup>10</sup> and
- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>11</sup>

### **Reasons for our decision**

We consider this modification proposal will better facilitate BSC objectives (a) and (d) and has a neutral impact on the other applicable objectives.

### ***(a) the efficient discharge by the licensee of the obligations imposed upon it by this licence***

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<sup>7</sup> Applicable BSC objectives are set out in standard condition C3(3) of NGENSO's Transmission Licence, available here:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/271408/Annex\\_A\\_-\\_Amended\\_Transmission\\_Licence\\_Standard\\_Conditions\\_P\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/271408/Annex_A_-_Amended_Transmission_Licence_Standard_Conditions_P_.pdf)

<sup>8</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and Standard Special Licence Condition C3 of the Electricity Transmission Licence available at:

[www.epr.ofgem.gov.uk](http://www.epr.ofgem.gov.uk)

<sup>9</sup> BSC modification proposals, modification reports and representations can be viewed on the Elexon website at [www.elexon.co.uk](http://www.elexon.co.uk)

<sup>10</sup> As set out in Standard Condition C3(3) of the Electricity Transmission Licence: <https://epr.ofgem.gov.uk>

<sup>11</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

The Proposer considers that P383 better facilitates this objective because the information provided as a result of this modification is necessary to support the NGENSO's calculation of network charges. The modification provides a process for the collection, aggregation and reporting of metering data from specific storage facilities' metering systems.

The majority of the Workgroup supported this view with only one member of the Workgroup suggesting it is neutral with respect to this objective. The Panel voted unanimously that P383 better facilitates the objective for the same reasons as the Workgroup.

We agree that P383 would better facilitate objective (a) as a key enabler of the CMP280 and CMP281 proposals, should these subsequently be approved.

Both the CMP280 Workgroup alternative proposal (or "WACM", which includes SVA-registered storage sites) and CMP281 require implementation of P383 in order to provide the necessary metering data to give effect to the proposed modifications. While we have yet to decide whether or not to approve CMP280 and CMP281, approving P383 at this time means that we have the option to approve CMP280 WACM and/or CMP281, with an implementation date of April 2021, should we decide this is appropriate. For the avoidance of doubt, approving P383 does not fetter our discretion in assessing CMP280 and CMP281, as we review each modification independently, on its merits. We will consider these modifications having regard to our statutory duties and after a robust assessment of whether each change better facilitates the relevant objectives of that code when compared to the status quo.

We note that P383 introduces some new declaration requirements for SVA storage sites. As noted in the FMR, there may be some duplication of effort dependent on the final changes to the generation licence, on which we have consulted but have yet to issue our final decision.<sup>12</sup> We agree with the Workgroup that the industry processes prescribed by the proposal represent a pragmatic approach to support implementation of CMP280 WACM and CMP281, ahead of any license changes being made. We also agree with the Workgroup that it would be sensible to consider whether a future change may be appropriate to simplify and centralise details regarding storage facilities, particularly if such a solution could satisfy a range of licence and industry code requirements.

***(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***

The Proposer considers that P383 would better facilitate this objective. The Workgroup concluded that, to the extent that P383 is necessary to support the implementation of the CMP280 WACM and CMP281, it believes that P383 is essential to promoting effective competition in the generation of electricity. The Workgroup and Panel both voted unanimously that P383 would better facilitate this objective.

We consider that P383 is neutral against objective (c).

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<sup>12</sup> <https://www.ofgem.gov.uk/publications-and-updates/clarifying-regulatory-framework-electricity-storage-licensing>

CMP280 and CMP281 have the potential to address the current disadvantage faced by some storage sites compared with other types of generators and flexibility providers, and therefore have the potential to promote effective competition. However, P383's primary function is as an enabler of those proposals, and treated alone, does not have the potential to affect competition in the generation of electricity. We will consider the impact on effective competition as appropriate against the CUSC charging objectives when assessing CMPs 280 and 281.

Two respondents noted that the draft legal text only referred to suppliers as the potential registrants for a storage facility operator, and does not take into account the role of Virtual Lead Parties (VLPs).<sup>13</sup> ELEXON responded by confirming that VLPs are not subject to TNUoS or BSUoS charges. As such only suppliers have a direct interest in the storage facilities' imports (and exports) which they are responsible for and for which they will be charged TNUoS and BSUoS. We agree that the P383 solution is appropriate for TNUoS and BSUoS charges for storage operators. It is not intended to preclude an SVA storage facility from having a concurrent relationship with a supplier and a VLP.

***(d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements***

The proposer considers that this modification would better facilitate this objective, and the Workgroup unanimously agreed. The reasons given include that P383 builds on existing processes and makes best use of existing and forthcoming processes and systems. The Panel voted unanimously that this would better facilitate the objective.

We agree that P383 would better facilitate objective (d).

Our view is that it is efficient to build on existing processes and methodologies. This modification alone does not alter the charging regime; it simply puts in place the administrative information in order that charges can be applied in specific ways to storage facilities that may be eligible for exemption from some BSUoS and/or TNUoS charges (subject to the approval of CMP281 and CMP280 respectively).

The generation of electricity is changing; becoming less centralised and more diverse. As a result, there is a need for additional disaggregation of data to support how generation is metered and charged. Where Bilateral Contractual Arrangements are in place and NGESO has a relationship with the generator and/or storage facility owner, NGESO has visibility of this metered activity, where storage is participating in the balancing mechanism or through its Central Volume Allocation registration. But where such arrangements do not exist, for storage metered within SVA, this proposal develops a process to enable visibility of metered activity.

The Workgroup discussed the idea of a 'common registry' to store details of particular metering systems that are relevant for a number of proposed modifications. This could avoid duplication of effort, but it requires industry participation to develop, if appropriate. We note that ELEXON has agreed to provide timely visibility of proposed changes to Balancing Services Code Procedures as part of the implementation, and that any further

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<sup>13</sup> A VLP may register Secondary Balancing Mechanism (BM) Units for the purposes of bidding into the TERRE product. One function of Secondary BM Units is to allow Virtual Lead Parties to aggregate a number of sites across multiple Suppliers in order to provide balancing services. More information is available here: <https://www.elexon.co.uk/news/questions-answers-terre-wider-access/>

changes would be subject to further consultation and require the BSC Panel or a Panel committee's approval before such changes could be finalised and implemented.

We also note that processes proposed by P383 are part of an iterative process in improving metering arrangements, which have the potential to support future developments.<sup>14</sup>

The P383 legal text refers to a definition of SVA storage facility/operator from the CUSC. This definition is not currently in the CUSC but is proposed to be introduced by CMP319, which is another enabling modification for CMP280 and CMP281, and is currently with us for decision.<sup>15</sup> In the particular circumstances of this case, we are satisfied that referring to this proposed definition does not impact our assessment that P383 better facilitates the BSC objectives. Should we decide to approve CMP280 WACM and/or CMP281 and the associated CMP319, which proposes to introduce the definition, we could do so according to a timetable that is consistent with the implementation of P383 by 1 April 2021.

***(e) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency***

The proposer considers that this modification would be neutral against this objective, and the Workgroup unanimously agreed. The Panel also agreed that the modification is neutral for objective (e).

NGESO raised concerns that P383 could be negative against objective (e), given that the Clean Energy Package states that "...network charges shall not discriminate either positively or negatively against energy storage".<sup>16</sup> The Workgroup concluded that NGESO's point is relevant to the package of cross-code storage charging modifications, but not directly to P383 in isolation. This is because P383 by itself does not set or levy network charges.

We agree with the Workgroup and Panel that P383 is neutral against objective (e). As stated above, P383 is an enabler for other modifications, and does not on its own have the potential to discriminate (positively or negatively) against storage facilities. We will address the Clean Energy Package point in our assessment of CMP280 and CMP281.

**Decision notice**

In accordance with Standard Condition C3 of the Transmission Licence, the Authority hereby directs that modification proposal BSC P383: *Enhanced reporting of demand data to the NETSO to facilitate CUSC Modifications CMP280 and CMP281* be made.

**Andrew Self**

**Deputy Director, Electricity Access & Charging**

Signed on behalf of the Authority and authorised for that purpose

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<sup>14</sup> See, for example, P395: <https://www.elexon.co.uk/mod-proposal/p395/>

<sup>15</sup> <https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc/modifications/consequential-changes-section-11-cusc>

<sup>16</sup> <https://ec.europa.eu/energy/en/topics/energy-strategy/clean-energy-all-europeans>