

















BSC Modification Proposal Form		At what stage is this document in the process?
<h1>P389</h1> <p>Mod Title: Resolution of Capacity Market and Balancing Mechanism registration conflicts</p>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 2px solid green; border-radius: 10px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 01 Modification </div> <div style="border: 2px solid blue; border-radius: 10px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 02 Workgroup Report </div> <div style="border: 2px solid purple; border-radius: 10px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 03 Draft Modification Report </div> <div style="border: 2px solid orange; border-radius: 10px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>There is a conflict between the rules in the Balance and Settlement Code (BSC) and the Capacity Market (CM) rules regarding how Balancing Mechanism (BM) Units are registered. Removing this conflict from the BSC will clarify the arrangements and ensure BSC Parties remain compliant with both the BSC and CM rules.</p>		
	<p>The Proposer recommends that this Modification should:</p> <ul style="list-style-type: none"> Be a Self-Governance Modification Proposal Be sent directly into the Report Phase <p>This Modification will be presented by the Proposer to the BSC Panel on 8 August 2019. The Panel will consider the Proposer's recommendation and determine how best to progress the Modification.</p>	
	<p>High Impact:</p> <p>Nil</p>	
	<p>Medium Impact:</p> <p>Nil</p>	
	<p>Low Impact:</p> <p>Generators, Suppliers (registering on behalf of Generators) Capacity Providers, Electricity Market Reform Services Limited</p>	

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Timetable		
The Proposer recommends the following timetable:		
Report Phase Consultation	12 August 2019 – 23 August 2019	
Draft Modification Report presented to Panel	12 September 2019	
Final Modification Report published	16 September 2019	
		 Contact: Chris Wood
		 <i>bsc.change@elexon.co.uk</i>
		 020 7380 4142
		Proposer: Graz MacDonald, Green Frog Power
		 <i>graz@greenfrogpower.co.uk</i>
		 020 3876 5180
		Proposer's representative: [Insert name]
		 [Insert email]
		 [Insert number]
		Other: [Insert name]
		 [Insert email]
		 [Insert number]
		Other: [Insert name]
		 [Insert email]
		 [Insert number]

1 Summary

What is the issue?

The wording of [BSC Section K 'Classification and Registration of Metering Systems and BM Units'](#) paragraph K3.1.8(b) means that there is potential for ambiguity and confusion for Lead Parties when configuring and re-configuring Capacity Market (CM) Assets.

The wording in K3.1.8 was included to protect Capacity Providers from losing payments in the event of BSC Parties reconfiguring their BM Units for their own purposes (in particular Suppliers reconfiguring their Additional BM Units). However, the Metering options defined within the Capacity Market Rules have changed since K3.1.8(b) was implemented, and use of Additional BM Units is no longer a supported option. As a result:

- Capacity Providers and Lead Parties are no longer subject to the risk that BSC Section K3.1.8(b) was intended to address, and as a result it is superfluous; and
- Some of the Metering options subsequently introduced into the Capacity Market Rules (such as the 'Supplier Settlement Metering Configuration Solution') are not consistent with BSC Section K3.1.8(b), and as a result, some Suppliers are likely to be in breach of this BSC requirement (albeit in a non-material way that has no impact on other parties).

What is the proposed solution?

To prevent potential for confusion between the BSC and Capacity Market Rules, and remove superfluous content from the BSC, we are proposing that BSC Section K3.1.8(b) is removed from the BSC.

2 Governance

Justification for proposed progression

The proposed solution will remove potential ambiguity from the BSC in terms of how Capacity Providers need to configure their CM Assets to remain compliant with the BSC and CM Rules. As it is an operational change to remove ambiguity, there would be no need to make changes to existing arrangements. Nor will planned configurations need to be reconsidered. Given the nature of the proposed change there is no reason why the Authority would need to consider this proposal.

The following is added for clarification:

- As there will be negligible impacts on Capacity Providers and Suppliers only, existing or future consumers will not be materially affected;
- Given the negligible impacts, there will be no competition issues arising;
- This proposal will not affect how the Total System is operated;
- There will be no effect on matters relating to sustainable development, safety or security of Supply or network emergencies. As this is an operational change to remove ambiguity, there will be no effect on the management of the market;
- The BSC's governance procedures will not be impacted in any way; and
- Given that nothing will change in how BM Units and CM Assets are configured, P389 will not cause discrimination between Parties.

Requested Next Steps

This Modification should:

- Be sent directly into the Report Phase; and
- Be progressed as a Self-Governance Modification

The P389 solution is straightforward and, given the lack of any adverse impact on stakeholders, should be sent straight to Report Phase.

3 Why Change?

Background

As the market is evolving, Generators are deploying more and more non-traditional configurations of Plant and Apparatus. These same configurations of Plant and Apparatus are not only used to provide Balancing Services but, are also used (either in entirety or partiality) to provide CM services. It is possible that a BM Unit may be comprised of multiple Generating Units, some of which may constitute a CM Asset. This could be done for a number of reasons including commercial decisions.

On 1 August 2014, the [Government directed](#) amendments to the BSC to include provisions to support EMR. Paragraph K3.1.8(b) was included to protect Capacity Providers who were relying (for purposes of CM Settlement) on having their CM Assets in a dedicated BM Unit¹. This caused potential issues for Capacity Providers on a Supplier to register an Additional BM Unit (ABMU) for their CM Unit. At the time, this was one of the Metering options the Department of Energy and Climate Change (DECC) was considering for Sites with Settlement Metering registered in Supplier Volume Allocation (SVA).

The Capacity Market Rules allow for four types of Metering configuration solution:

1. BM Unit Metering (BSC Metering);
2. Supplier Settlement (non-BM Unit) (BSC Metering);
3. Existing Balancing Services (Capacity Provider (i.e. non-BSC) Metering); and
4. Bespoke (Capacity Provider) Metering

These Metering configurations are approved by the CM Settlement Body. Each Generating Unit CM unit component must have a Metering System that is capable of measuring the net output of the Generating Unit. The Net Output is the gross generation less the demand used by the Generating Unit to produce that generated electricity (the auxiliary load). The auxiliary load is the demand directly used by the Generating Unit during its operation and is the minimum that must be netted off gross generation.

All CM unit components are required to be metered by a Half Hourly Meter (or a Metering System that is half hourly, e.g. a Meter pulsing to an outstation that converts to Half Hourly Settlement Periods), unless in some instances they are existing Balancing Services Customers. A CM unit operating on an unlicensed network or a Demand Side Response CMU may require additional Metering (a bespoke Solution) behind the Boundary Point Meter to demonstrate their capacity obligation. Any situation falling outside the BSC will be covered by the relevant Balancing Services Agreement or bespoke technical requirements; these include splitting out circuits from existing BM Units and difference metering.

K3.1.8(b) states: 'A BM Unit comprised of: ...CM Assets shall be comprised solely of the CM Assets specified in the Capacity Agreement relating to that BM Unit and shall not include any other Plant or

¹ So that the BM Unit Metered Volume calculated by BSC Settlement Systems could also be used to settle their CM Unit

Apparatus.’ For BSC Section K3.1.8(b) to apply, the BSC definition of CM Assets must be met. Specifically, ‘...the Capacity Provider has elected to use a BSC metering option...’. There is no definition of ‘BSC metering option’ but it is interpreted to mean a situation where a Metering System used for Settlement purposes is also used for CM purposes.

What is the issue?

In September 2014, DECC consulted on [Capacity Market Supplementary Design Proposals](#), which introduced a number of new metering options into the CM Rules:

- Three new ‘Metering Configuration Solutions’, which provide capacity providers with alternatives to registering a BM Unit corresponding to the CM Unit; and
- Metering options for a CM Unit that is a subset of a BM Unit².

This consultation confirmed that BM Units associate with CM Generation did not need to be made up only of CM Assets e.g. ABMUs would not be required for SVA-registered CM Units, which negated the original purpose for including BSC Section K3.1.8(b) in the BSC. It also introduced BSC Metering Options where the CM Unit was not required to have its own BM Unit, creating an inconsistency between the BSC and CM Rules.

The requirement in K3.1.8(b) hampers both the Capacity Provider and Supplier in how they can configure the CM Assets in relation to the relevant BM Units. K3.1.8(b) causes confusion in whether Plant and Apparatus configurations are compliant, which can lead to delays in decision making when considering appropriate configurations.

4 Code Specific Matters

Technical Skillsets

Knowledge of EMRS

Knowledge of BM Unit registration

Knowledge of BSC Metering

Reference Documents

BSC Section K

BSCP15

CM Metering guidance

[The Electricity Capacity Regulations 2014](#)

² e.g. where the BM Unit contains Generating Units that form a CM Unit, and additional renewable Generating Units that are not part of the CM Unit

5 Solution

The proposed solution is to delete BSC Section K3.1.8(b) in its entirety.

Electricity Market Reform Settlement Limited (EMRS) provides substantial [guidance](#) to Capacity Providers and requires the energy flow from CM Assets to be metered or capable of being measured accurately so that Capacity Provider's obligations under the Capacity Agreement can be fulfilled. This enables accurate measurement of a CM Asset's Generation, making BSC Section K3.1.8(b) superfluous.

The BSC incorporates provisions to prevent a Generating Plant being configured in a way that enables the flow of energy to/from the Total System without accurately accounting for it in Settlement e.g. K3.1.9 requires a BM Unit's Lead Party to report changes in configuration.

P389 is not suggesting an amendment to EMR policy, merely that the restriction imposed in K3.1.8(b) is removing it from the BSC. The P389 solution should be seen as an operational change in stakeholders' interests rather than a change of policy.

6 Impacts & Other Considerations

Impacts

This Modification will have a positive effect on:

- Suppliers
 - It will remove an unnecessary restriction on the configuration of CM Assets in respect of their BM Units and risk of being inadvertently non-compliant
- Capacity Providers
 - It will remove ambiguity for potential reconfiguration of CM Assets within CM Rules

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

We do not believe this proposal will impact any of the open SCRs and request that this Modification be exempt from the SCR process.

It is not envisaged that this Modification will impact other significant industry change projects.

Consumer Impacts

As P389 is only expected to have positive impact, there will be no detrimental consumer impact.

Environmental Impacts

As P389 is only expected to have positive impact, there will be no detrimental environmental impact.

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	Positive
(g) Compliance with the Transmission Losses Principle	Neutral

Applicable BSC Objective (d) – Removing potential confusion from the BSC, with no adverse impact on Parties or other industry participants, will make the BSC more efficient to navigate.

Applicable BSC Objective (f) – By removing ambiguity from the BSC it will make it easier for Capacity Providers to engage in the CM as well as making EMRS' checks and controls simpler, thus making it easier to administer the operation of a CM pursuant to EMR legislation.

8 Implementation Approach

P389 should be implemented as so as reasonably practicable within the standard Release cycle. This is an operational change to remove ambiguity so, while there is no immediate need to change the BSC, there is nothing to be gained from waiting either and we suggest that this opportunity to remove ambiguous language for the benefit of Parties is taken advantage of. We do not anticipate there being any lead-time required by industry participants resulting from the implementation of this Modification. We therefore suggest an implementation date of:

- 7 November 2019 as part of the November 2019 BSC Release

9 Legal Text

Text Commentary

BSC Section K3.1.8(b) should be removed and BSC Section K 3.1.8 reconfigured so that there is no sub-paragraph.

Suggested Text

We would suggest that the new BSC Section K paragraph K3.1.8 should be as indicated below but would request that this is confirmed (and formal legal text drafted) by ELEXON prior to their presentation of the Initial Written Assessment to the BSC Panel on 8 August 2019.

A BM Unit comprised of CFD Assets shall be comprised solely of the CFD Assets specified in the Contract for Difference relating to that BM Unit and shall not include any other Plant or Apparatus (the "Relevant CFD Assets").

10 Recommendations

Proposer's Recommendation to the BSC Panel

The BSC Panel is invited to:

- Agree that P389 be progressed as a Self-Governance Modification; and
- Agree that P389 be sent directly into the Report Phase.