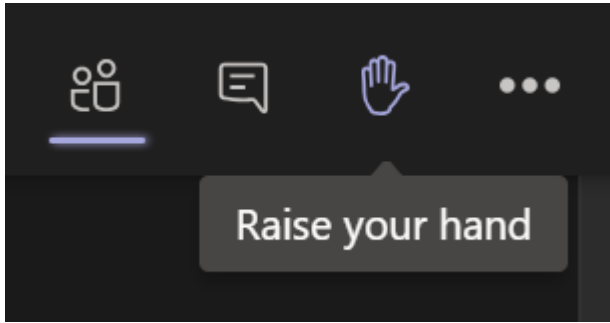


## P412 Digital Meeting Etiquette

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- Welcome to the P412 Workgroup Meeting 1 – we'll start shortly
- No video please to conserve bandwidth
- Please stay on mute unless you need to talk – use the **Raise your hand** feature in the Menu bar in Microsoft Teams if you want to speak



- Lots of us are working remotely – be mindful of background noise and connection speeds

# ELEEXON

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## **P412 Workgroup 1**

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Ensuring non-BM Balancing Services providers pay for non-delivery imbalances at a price that reflects the real-time value of energy

29 October 2020

## Meeting Agenda & Objectives

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- Consideration of the background to P412 and proposed solution
- Consideration of the P412 Terms of Reference
- Review the proposed timetable
- Agree areas for future development at future meetings
- Next steps

Agenda Item	Lead
1. Welcome and Meeting objectives	Elliott Harper (Chair)
2. Background: Clean Energy Package	Grahame Neale (Proposer)
3. What is the issue?	Grahame Neale
4. Terms of Reference	Paul Wheeler (Lead Analyst) & Mark De Souza-Wilson (Design Authority)
5. What is the proposed solution?	Grahame Neale & Mark De Souza-Wilson
6. Applicable BSC Objectives	Paul Wheeler
7. Self-Governance criteria	Paul Wheeler
8. EBGL Article 18 terms and conditions	Paul Wheeler
9. Next steps	Paul Wheeler
10. Meeting close	Elliott Harper



# BACKGROUND: CLEAN ENERGY PACKAGE

**BSC Modification 412:** Ensuring non-BM Balancing Services providers pay for non-delivery imbalances at a price that reflects the real-time value of energy

(Clean Energy Package Articles 5.1/6.5 of the Recast Electricity Regulation)

National Grid ESO



**nationalgrid**ESO

# Clean Energy Package (CEP) Background

- The EU is seeking to meet 2030 and 2050 emissions targets, in a cost-efficient manner.
- This resulted in “The Clean Energy for all Europeans Package” (CEP).
- CEP consists of 8 pieces of legislation, containing over 100 articles, covering a range of topics;
  1. Long-term Capacity
  2. Long-term planning and cooperation between System Operators
  3. Reporting & Settlement
  4. Procurement of Balancing Services
  5. Plus others...
- The Recast Electricity Regulation on the Internal Market for Electricity (RIME) is one of those documents
- BEIS have sent updated Statutory Instruments which seeks to clarify the legal position of in-flight EU regulations under a no-deal Brexit.
- The Recast Regulation on the Internal Market for Electricity will be incorporated by the UK as retained EU law

# Background

- This BSC Modification is being raised based on requirements of the Clean Energy Package, while also aiming to remove some inconsistencies between the BM and non-BM elements of the balancing services market.

- Article 5.1 of RIME states;

"All market participants shall be responsible for the imbalances they cause in the system ('balance responsibility'). To that end, market participants shall either be balance responsible parties or shall contractually delegate their responsibility to a balance responsible party of their choice. Each balance responsible party shall be financially responsible for its imbalances and shall strive to be balanced or shall help the electricity system to be balanced."

- Article 6.5 of RIME states;

"The imbalances shall be settled at a price that reflects the real-time value of energy"

- The definition of market participants in the RIME extends to generators, aggregators, and demand response or storage services.

Full text is available here - <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32019R0943&rid=8>



# WHAT IS THE ISSUE?

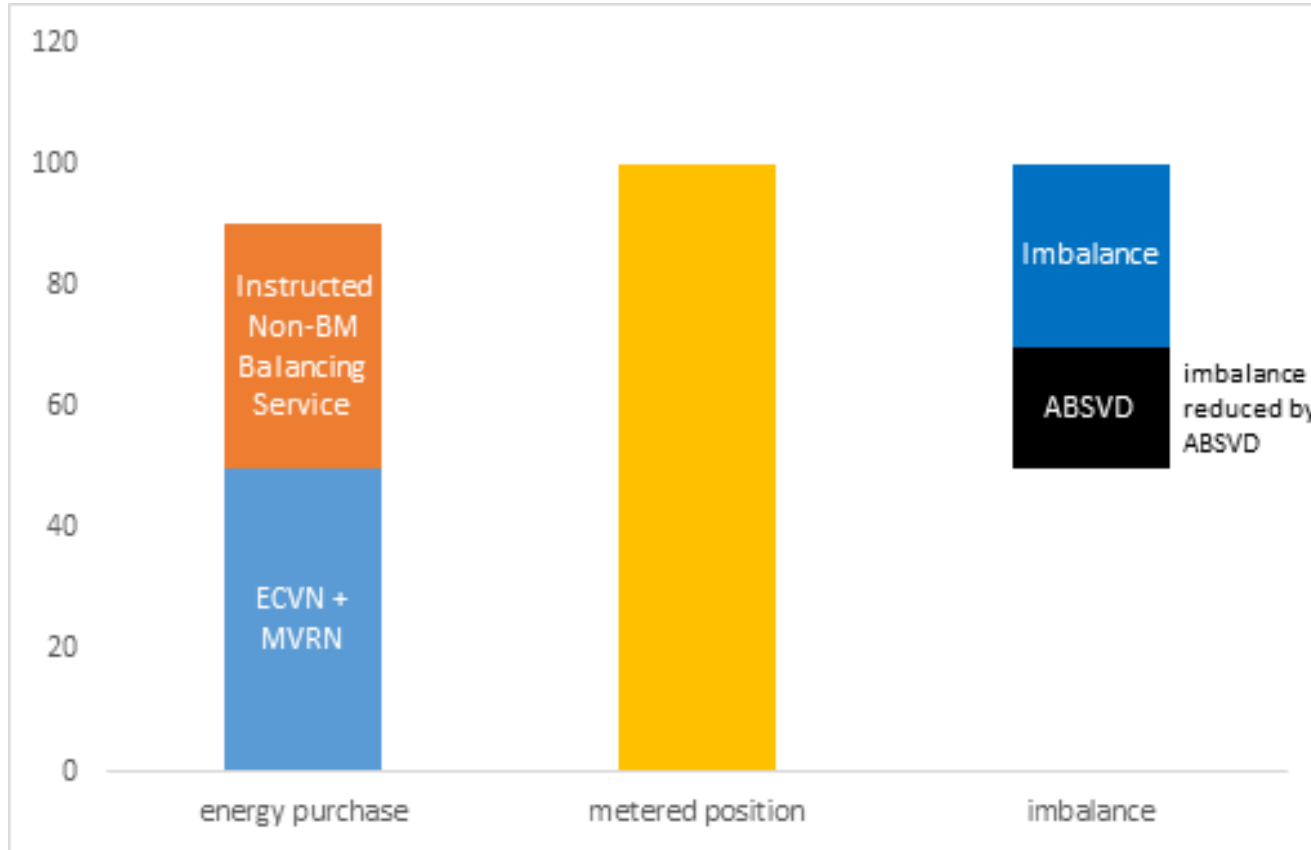


# Non BM Under-delivery today?

- The delivery performance of non-BM Balancing Services Providers is compared to requirements documented in the Balancing Services Contracts, including what happens in any under delivery.
- Each service is slightly different but broadly along these principles;
  1. A minimum % delivery per instruction
  2. A minimum % delivery across all instructions
- Where performance measures are not met (as a result of under delivery), payment is withheld for the under-delivered service and availability payments may also be withheld.
- An example for Non-BM STOR is available here - <https://www.nationalgrid.com/sites/default/files/documents/NBM%20STOR%20Events%20of%20Default.pdf>
- From April 2021, looking to move to simpler performance management rules for some services

## What is happening in Settlements?

Under the P354 ABSVD arrangements:



In this example

- Supplier buys 50 for customers
- Additional 40 instructed by NETSO
- BSP delivers 20 instead of the instructed 40
- BSP benefits by under delivering
- Supplier benefits by being 30 long rather than only 10 long



# TERMS OF REFERENCE

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## Terms of Reference – P412 Specific ToR

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### P412 Specific ToR

- a) How P412 will impact the Transmission Licence C16 Statements and Applicable Balancing Services Volume Data (ABSVD) Methodology?
- b) How, from whom, and when should non-BM Balancing Services instructions be sent to the Settlement Administration Agent (SAA)?
- c) How should the sending of non-BM Balancing Services instructions be regulated?
- d) How should SAA be updated with the relevant list of Metering System Identifier (MSID) Pairs?
- e) What are the implications for customers of adjustments being made to their Supplier's imbalance positions?
- f) What are the effects on other Balancing Services products as a result of this Modification?

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## Terms of Reference – Standard ToR

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### Standard ToR

- g) What is the impact of P412 on consumers?
- h) How will P412 impact the BSC Settlement Risks?
- i) What changes are needed to BSC documents, systems and processes to support P412 and what are the related costs and lead times? When will any required changes to subsidiary documents be developed and consulted on?
- j) Are there any Alternative Modifications?
- k) Should P412 be progressed as a Self-Governance Modification?
- l) Does P412 better facilitate the Applicable BSC Objectives than the current baseline?
- m) Does P412 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?



# WHAT IS THE PROPOSED SOLUTION?

# What has been considered?

- Given the potential gap between regulation and current market arrangements, a change to the current framework is required.
- Three potential approaches were considered in detail.
  1. Make a change to the Balancing Mechanism processes to accommodate – specifically through an extension to the processes and functionality introduced through P354, which introduced functionality to allow energy differences to be settled through the ABSVD mechanism.
  2. Make a consultative change to existing non-BM balancing service provider contracts to allow any under-delivery against instructed energy to be penalised at any imbalance price (rather than through availability payment clauses). This would be settled directly by NGENSO, rather than by Elexon.
  3. A manual approach to 2) that could be delivered quickly.

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## What is the proposed solution?

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Under the current P354 arrangements:

- NETSO notifies BSCCo, in advance, all MSID Pairs that might be used
- NETSO provides ABSVD as MSID Pair Delivered Volumes
- Central Systems allocates ABSVD to each MSID using the notified ABSVD delivered volumes and the HH metered data (from HHDA).
- NETSO advises if MSID Pair has customer consent for data sharing with supplier
- BSC aggregates MSID ABSVD to supplier BMU level to correct supplier imbalance position

Proposal is to process ABSVD as instructed volumes.

This aligns the settlements arrangements with balancing via the BM (BOA volumes are instructions)





# APPLICABLE BSC OBJECTIVES

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## Applicable BSC Objectives

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- a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence
- b) The efficient, economic and co-ordinated operation of the national electricity transmission system
- 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
- d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements
- 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]
- 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
- g) Compliance with the Transmission Losses Principle

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## Proposer Views: Applicable BSC Objectives

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The Proposer initially believes that P412 would better facilitate Applicable BSC Objectives c) and e)

**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's rationale is that P412 would remove some inconsistencies between imbalance provisions relating to non-delivery for non-BM Balancing Services and those for other Balancing Services

**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]**

The Proposer's rationale is that P412 will bring GB arrangements into closer alignment with the Clean Energy Package Regulation



# SELF- GOVERNANCE CRITERIA

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## Self-Governance criteria

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A proposal that, if implemented

- (a) does not involve any amendments whether in whole or in part to the EBGL Article 18 terms and conditions, except to the extent required to correct an error in the EBGL Article 18 terms and conditions or as a result of a factual change, including but not limited to:
  - (i) correcting minor typographical errors;
  - (ii) correcting formatting and consistency errors, such as paragraph numbering; or
  - (iii) updating out of date references to other documents or paragraphs;
- b) 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.



# EBGL ARTICLE 18 TERMS AND CONDITIONS

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## EBGL Article 18 Terms and Conditions

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### Does P412 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?

- Some BSC provisions constitute EBGL Article 18 terms and conditions as approved by Ofgem
- BSC provisions became EBGL provisions too on 25 June 2020, alongside P392 'Amending the BSC change process to incorporate the delegation of NGENSO's powers and obligations under the EBGL to change EBGL Article 18 terms and conditions'
- P392 included a new Annex F-2 in Section F - a table showing which BSC provisions also constitute Article 18 terms and conditions
- P392 amended the BSC Change process to also fulfil the EBGL change process and incorporate delegations from NGENSO to Elexon and the BSC Panel
- Modifications that wholly or partially amend BSC provisions that also constitute EBGL Article 18 terms and conditions must follow the amended BSC Change process
- Modifications may add new BSC provisions that also constitute EBGL Article 18 terms and conditions held within the BSC – “extending” the mapping

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## EBGL Article 18 Terms and Conditions

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### The amended BSC Change Process

- Impact on the EBGL Objectives shall be considered by Elexon/Proposer/WG
- One calendar month Report Phase Consultation
- Reconvene WG to provide justification for including/not including consultation comments
- Panel agrees EBGL impacts and above justification
- Panel sends FMR to Ofgem to fulfil BSC and EBGL processes



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## Self-Governance criteria - EBGL Article 18 terms and conditions of balancing

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Any Modification that seeks to amend BSC provisions constituting European Balancing Guideline (EBGL) Article 18 terms and conditions related to balancing cannot be progressed as Self-Governance. This is because the EBGL requires any Amendments to those terms and conditions to undergo a separate EBGL Amendment process, requiring the Modification to be approved by Ofgem.

We have identified a number of documents listed below which may be impacted by P412. The documents highlighted in bold are those documents from the list which are sections of the BSC which contain paragraphs which constitute EBGL Article 18 terms and conditions

**BSC Section J ‘Party Agents and Qualification Under the Code’**

**BSC Section Q ‘Balancing Services Activities’**

**BSC Section S ‘Supplier Volume Allocation’**

BSC Section S, Annex S-2 ‘Supplier Volume Allocation Rules’

BSC Section V ‘Reporting’

BSC Section X ‘Definitions and Interpretation’

BSC Section X, Annex X-2 ‘Technical Glossary’

Therefore at this stage we believe that P412 will not be suitable for Self-Governance as it potentially impacts EBGL Article 18 terms and conditions on balancing



# PROGRESSION PLAN & NEXT STEPS

## Progression Plan and Next Steps

Event	Date
Workgroup Meeting 1	29 October 2020
Workgroup Meeting 2	w/c 23 November 2020
Workgroup Meeting 3	w/c 14 December 2020
Workgroup Meeting 4	w/c 1 February 2021
Assessment Procedure Consultation	24 February 2021 – 17 March 2021
Workgroup Meeting	w/c 29 March 2021
Present Assessment Report to Panel	13 May 2021
Report Phase Consultation	20 May 2021 – 21 June 2021
Present Draft Modification Report to Panel	8 July 2021
Issue Final Modification Report to Authority	15 July 2021

# ELEXON

THANK YOU

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**Paul Wheeler**

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29 October 2020