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## P412 Workgroup 1 summary

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### Summary

#### 1. Welcome and Meeting Objectives

1.1 The Chair welcomed attendees and presented the following meeting objectives to WG Members:

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

#### 2. Background and proposed solution

- 2.1 Background: Clean Energy Package – The Proposer explained that the Clean Energy Package (CEP) is a European Union initiative to meet 2030 and 2050 emissions targets. The CEP consists of 8 pieces of legislation, containing over 100 articles on a range of topics. The Recast Regulation on the Internal Market for Electricity (RIME) forms part of the CEP and will be incorporated by the UK as retained EU law. National Grid ESO have raised this BSC Modification based on the requirements of the CEP, while aiming to remove some inconsistencies between the Balancing Mechanism (BM) and non-BM elements of the Balancing Services market. The key legal text from the RIME is in Article 5.1: “*All market participants shall be responsible for the imbalances they cause in the system*” and Article 6.5: “*The imbalances shall be settled at a price that reflects the real-time value of energy*”. The definition of market participants extends to generators, aggregators and demand response or storage services.
- 2.2 What is the issue? Non-BM under-delivery today – The Proposer explained that the delivery performance of non-BM Balancing Services Providers (BSPs) is compared to requirements in the Balancing Services Contracts, including what happens in the event of under-delivery. Performance is measured against the principles of a minimum % delivery per instruction or 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, but this won't reflect the real time price of energy.
- 2.3 What is the issue? What's happening in Settlements today? – Exelon presented an example of the impact of a non-BM Balancing Service Provider's under-delivery on a Supplier's imbalance position under the current P354 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level' solution. As Applicable Balancing Services Volume Data (ABSVD) uses delivered not instructed volumes in the calculation then in the example demonstrated, both the Supplier and the BSP benefit even though there has been under-delivery.
- 2.4 A WG Member noted that the P412 WG membership consisted primarily of Suppliers and Virtual Lead Parties (VLPs) and asked whether there has been sufficient engagement with non-BM Balancing Services Providers (who are not BSC Parties) who will be impacted by P412. A WG Member explained that the original title of the BSC Modification had been changed at the Panel's request to ensure that the impact on market participants was clear. The Proposer explained that National Grid ESO had engaged with industry before the BSC Modification was raised. Exelon explained that the raising of P412 and the request for WG Members had been publicised via e-mail to the industry distribution list and had been publicised in Newscast (editions [818](#) and [819](#) and [820](#)).

#### 3 Terms of Reference (ToR)

3.1 Specific ToR – Exelon introduced the WG to the P412 Specific ToR for consideration by the WG:

- How P412 will impact the Transmission Licence C16 Statements and Applicable Balancing Services Volume Data (ABSVD) Methodology?

- How, from whom, and when should non-BM Balancing Services instructions be sent to the Settlement Administration Agent (SAA)?
- How should the sending of non-BM Balancing Services instructions be regulated?
- How should SAA be updated with the relevant list of Metering System Identifier (MSID) Pairs?
- What are the implications for customers of adjustments being made to their Supplier's imbalance positions?
- What are the effects on other Balancing Services products as a result of this Modification?

### 3.2 Standard ToR – Exelon introduced the WG to the Standard ToR for consideration by the WG:

- What is the impact of P412 on consumers?
- How will P412 impact the BSC Settlement Risks?
- 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?
- Are there any Alternative Modifications?
- Should P412 be progressed as a Self-Governance Modification?
- Does P412 better facilitate the Applicable BSC Objectives than the current baseline?
- Does P412 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?

## 4 What is the proposed solution?

- 4.1 What has been considered? – The Proposer explained that given the gap between the regulation and the current market arrangements, a change to the current arrangements was required. Three options had been considered by the Proposer: make a change to the processes and functionality introduced through P354, make a change to existing non-BM BSP contracts to penalise under-delivery at the imbalance price (settled directly by National Grid ESO) or a manual approach to the second option that could be delivered quickly.
- 4.2 What is the proposed solution? – Exelon explained the current P354 arrangements and the proposed change to process ABSVD as instructed rather than delivered volumes. This would align the BM and non-BM settlement arrangements.
- 4.3 The WG discussed the proposed solution. A WG Member suggested that as the proposed solution was attempting to replicate the BM, should it be considered that non-BM BSPs move to the BM? A WG Member noted that National Grid ESO's intention is to move non-BM to the BM by 2025, so why doesn't this be developed now as a robust solution? The Proposer noted that this would take time and would be a significant project, but agreed to take this away and check with colleagues within National Grid ESO. It was suggested that there could be a "quick fix" solution to address the compliance issue and then a further change to address the wider issue of non-BM BSPs being brought into the BM in future. Exelon explained that the issue with non-BM under-delivery had highlighted the impact on Supplier's imbalance positions and there would be more of an issue created if both issues are not addressed by P412.
- 4.4 The WG reflected on the discussions, considering that there were two approaches being discussed, to fix the current compliance issue and to look to move non-BM BSPs into the BM. The Chair noted that it was clear what the WG wanted to explore, but that the Proposer wanted to address the compliance issue with this Modification. A WG Member asked Exelon why the P354 solution used delivered rather than instructed volumes. Exelon would investigate and report back to the WG. The Proposer explained that there were two options to recover imbalance, either pass to the Supplier or pass directly to the BSP, based on the MSID pair.

## 5 Further considerations

- 5.1 A WG Member stated that an additional ToR could be on transparency, to enable non-BM activities to be visible to the market as BM actions currently are. Exelon explained that [P399 'Making the identity of Balancing Service providers visible in the Balancing Services Adjustment Data'](#) would introduce more transparency for Balancing

Services data (although this wouldn't provide visibility of instructed volumes). A WG Member mentioned that to make it a level playing field, then non-BM participants should be able to adjust their position, just as participants in the BM can. This could be an additional ToR, but it was noted that this was not in BSCCo's control or vires and would be a consideration for National Grid ESO.

5.2 The Chair pointed the WG to the subsequent slides on Applicable BSC Objectives and EBGL Article 18 terms and conditions for reference, but suggested there was no need for the WG to discuss these at this stage.

## **6 Progression Plan**

6.1 Elexon presented the Progression Plan, explaining that four WGs are due to take place before the P412 Assessment Procedure Consultation. The Assessment Report is due to be presented to the Panel in May 2021 before the Report Phase Consultation, which is expected to be one month due to the consideration of the impact of P412 on the EBGL Article 18 terms and conditions. The Draft Modification Report is due to be presented to the Panel in July 2021 before it is sent to Ofgem for decision.

## **7 Next steps**

- Elexon to investigate the rationale for why the P354 solution used delivered rather than instructed volumes
- The Proposer and Elexon will further develop the solution, based on discussions during the WG, for presentation at the next WG meeting
- The next WG meeting will likely be scheduled w/c 23 November 2020 and a Doodle poll will be sent to WG Members to determine availability