

QUARTERLY REPORT Q1 2018/19: APRIL TO JUNE 2018

The ELEXON Quarterly Report for Q1 2018/19 provides information on the operation, implementation and administration of the BSC, in accordance with section C3.9.1 of the BSC.

The Quarterly Report is divided into three sections:

1. BSCCo Review
2. Operation of the Balancing and Settlement Arrangements
3. Governance and Change

BSCCO REVIEW

This report summarises the operation of the Balancing and Settlement Code (BSC) for the first quarter of the financial year 2018/19, and describes the activities of the BSC Panel and its Committees. The report also reviews ELEXON's performance against the BSCCo Business Strategy and Budget for 2018/19.

In 2018/19, we will focus on ensuring we continue to perform above expectations and deliver under the increasingly multi-dimensional industry demands. Recognising the ever-increasing importance of the ongoing energy industry changes to deliver the Government's ambition on the energy market transformation and on enabling the Clean Growth Plan and Industrial Strategy, we believe there is clear scope for us to contribute to this transformation as trusted code administrator and operator and provider of policy delivery support. We have therefore redrafted our vision to build further on our history of supporting the industry, Government and regulator to achieve better outcomes for market players and consumers.

Our vision: 'By 2025 we will create the leading provider of central services to the GB energy sector, built on the best practice from the ELEXON service culture for the benefit of consumers and market participants.'

We aim to achieve our strategy by fulfilling four strategic priorities designed to improve our service to our customers and stakeholders. These are to:

- **Delivery:** Actively manage our services to ensure that we deliver in a reliable, economic and efficient way.
- **Engagement:** Improve the customer experience and develop richer customer relationships.
- **Improvement:** Enhance and evolve our services to support industry changes and the development of the energy market.
- **Capability:** Invest in our people for the benefit of the industry.

To pursue our vision, we will develop our services and adapt our business to address industry challenges.

We've highlighted some of the key successes below, but you can get a fuller picture of our business activity from the reports presented at each BSC Panel meeting:

- [ELEXON Report 277](#) – 12 April 2018
- [ELEXON Report 278](#) – 10 May 2018
- [ELEXON Report 279](#) – 14 June 2018

QUARTERLY REPORT Q1 2018/19: APRIL TO JUNE 2018

Improving the customer experience

'Introducing ELEXON' seminars

We held two 'Introducing ELEXON' seminars during the first quarter. Both the April and June seminars were fully booked and well attended, and the feedback received was excellent. For our June seminar, we also held a round table discussion on the topic '[Innovation in the electricity Industry: solutions and challenges](#)'.

The event saw Dan Bentham, Head of R&D – Smart Customers at EDF Energy, Daniel Kirk, Head of Innovation Link at Ofgem, Antoine Khalife, Head of Product Strategy and Partnerships at Good Energy, David Richardson, Innovation Lead for Energy Systems at Innovate UK and Peter Frampton, Market Architect at ELEXON discuss the challenges and solutions faced by innovators in today's electricity market.

Developing our services

European Developments

Planning for the implementation of EU Network Codes and Guidelines in GB

Our cross-code European Network Code implementation plan continues to be regularly updated and is available on our website: <https://www.elexon.co.uk/bsc-and-codes/europe/>.

The European Guideline on Electricity Balancing (EB GL)

The implementation of the EB GL continued to drive much of ELEXON's European work in this Quarter.

BSC Modification P360 had been raised by National Grid in September 2017 to help clarify whether the existing BSC rules were compliant with the requirements of EB GL Article 55 that will come into force in December 2018. And in December 2017, ELEXON had applied to Ofgem for a derogation (two year delay) from the EB GL requirements to implement any P360 changes to our imbalance prices. This was to enable any changes required to be made coincident with changes for harmonising imbalance settlement which are likely to be required by end 2020.

On 10 May 2018, Ofgem published its decision to reject the derogation request on the grounds that there was insufficient evidence that the BSC was not compliant with EB GL Article 55. BSC Modification P360 was therefore subsequently withdrawn by National Grid and as no other BSC Party elected to adopt it, P360 was formally closed on 21 May 2018.

Article 18 of the EB GL requires National Grid to propose national terms and conditions for imbalance settlement and balancing by 18 June 2018. National Grid issued its public consultation on this in May and ELEXON responded to support the proposal for it to comprise the existing industry framework (including the BSC).

One of the legal requirements of the EB GL is for European TSOs to design and build arrangements for sharing balancing energy. One of these is Project TERRE for Replacement Reserve (RR), which National Grid is part of as it intends to use and share Replacement Reserve in future.

The EB GL requires that European TSOs make their formal proposal for the Replacement Reserve project by 18 June 2018 and ELEXON responded to the consultation on the draft proposal at the beginning of April 2018. Amongst other points we suggested that ELEXON be permitted to join the relevant TERRE expert groups.

ENTSO-E, the European Transmission System Operators' organisation, held a 2-day workshop on many of the implementation projects mandated by the European Electricity Balancing Guideline (EB GL), including the harmonisation of imbalance settlement and Project TERRE, on 20/21 June 2018. ELEXON attended and ELEXON also continued to support the ENTSO-e working group tasked with developing harmonisation of imbalance settlement proposals.

QUARTERLY REPORT Q1 2018/19: APRIL TO JUNE 2018

BSC Modification P354 was approved for implementation by Ofgem on 18 June 2018 for implementation on 1 April 2020. This and the ESO's C16 ABSVD Methodology enable the implementation of Article 49 of the EB GL, which requires imbalance energy to be adjusted for all Balancing Services Providers.

Other Network Codes and Guidelines

BSC Modification P356 was raised to be consistent with the Capacity Allocation and Congestion Management (CACM) Guideline. The objective of P356 is to be consistent with the CACM requirements for the intraday market, in particular when data on interconnector scheduled flows would become available. P356 was approved by the Authority on 14 June 2018.

The European Regulation on wholesale energy market integrity and transparency (REMIT)

On 30 May 2018, the Agency for the Coordination of Energy Regulators (ACER) published an open letter on REMIT inside information reporting.

ACER indicated that it would prefer market participants to use inside information platforms (IIPs, e.g. the BMRS inside information reporting platform) over company websites to report inside information and would 'consider options for future changes, including the possibility of registering IIPs and making the use of these platforms compulsory.'

In mid-June 2018, ELEXON attended a roundtable meeting with ACER and other REMIT IIPs on further potential changes to the requirements for platforms. Any changes determined by ACER are likely to be required in 2019.

Brexit

At the end of April 2018, the European Commission published a stakeholder notice on Brexit and the internal EU energy market. This was one of a series of papers looking at each sector in turn based on the Commission's interpretation of the legal position in a 'no deal' scenario.

This notice covered a number of different aspects such as REMIT, market coupling, etc. and included a statement that 'UK based operators will cease to participate in...the European balancing platforms....' While this would clearly impact our participation in TERRE for example if this scenario came to pass, our view was that the current position is unchanged as we are still currently bound by European legislation and National Grid's plans to participate in TERRE.

Prompted by the earlier European Commission note on 'no deal' Brexit impacts on the energy sector, the House of Lords EU Select Committee wrote an open letter to the BEIS Secretary of State Greg Clark on 9 May 2018, to ask a series of follow-up questions.

The Government responded in June 2018. It said that maintaining affordable energy supplies for both the UK and the EU is a key objective of the future partnership that the UK is seeking with the EU and that it wanted to secure broad energy co-operation with the EU. This would include exploring options for the UK's continued participation in the EU's Internal Energy Market. The Government said that it was undertaking a comprehensive programme of analytical work across a range of scenarios to understand the impacts of these options for consumers.

Clean Energy Package

The European Commission re-affirmed its commitment to adopt the Clean Energy Package of European legislation by end 2018, so before Brexit. ELEXON continued to monitor developments, particularly the possible requirement for mandatory 15 minute settlement, which the European Parliament favoured, although this was not the position of European Member States.

Settlement Reform and support for Ofgem projects

Settlement Reform

QUARTERLY REPORT Q1 2018/19: APRIL TO JUNE 2018

One of the key outputs of Ofgem's Significant Code Review on Electricity Settlement Reform is the development of a Target Operating Model (TOM) for Market-wide Half Hourly Settlement.

ELEXON continues to lead the Design Working Group's (DWG's) development of the TOM requirements. In April 2018, we submitted a report to Ofgem setting out five 'skeleton' (high-level) TOMs. Following Ofgem's approval, we issued these for industry consultation during April/May 2018. The responses confirm that the DWG has not missed any other TOM or significant aspects of design. They also demonstrate that there is no industry consensus at this stage on an overall preferred TOM. As a result, the DWG is taking all of the TOMs forward for further detailed design and evaluation during the remainder of 2018. To assist it, the DWG has established four workgroups to develop requirements in different subject areas.

Faster and More Reliable Switching

ELEXON is providing support to Ofgem during the Detailed Level Specification (DLS) phase of the switching programme, having previously done so during the 'Blueprint' phase. This includes providing subject matter expertise to the Design and Delivery Teams and supporting three industry stakeholder groups – the External Design Advisory Group (EDAG), the Delivery Forum and the Regulatory Design Forum.

Ofgem has reached an initial view on its preferred reform package following analysis of the Request For Information (RFI) responses. This will include a Central Switching Service (CSS), but exclude a cross-fuel Market Intelligence Service (MIS). Ofgem will consult on its preferred reform package and its preference for a dual fuel Retail Energy Code in September.

Demand Side Flexibility (DSF) and Smart Grids

ELEXON has continued to explore the implications of Demand Side Flexibility (DSF) for future market scenarios. We have been supporting the National Grid led Power Responsive work on both Flexibility and Storage. We have also contributed to the first special advisory board for the Electricity Networks Association's (ENA's) work programme on developing the role of Distribution System Operator.

ELEXON has spoken to a number of parties looking to innovate in areas such as storage, community energy and electric vehicle infrastructure. We participated in the private seminar, run by the Westminster Energy Forum on Smarter Energy Systems (Integrating Renewables, Demand Side Support, Smart Cities, Networks & Distribution). Additionally, we presented at the Decarbonised Energy and Water Conference on the Balancing mechanism and ELEXON's work in trying to remove barriers to small-scale participation.

QUARTERLY REPORT Q1 2018/19: APRIL TO JUNE 2018

Industry consultations

We responded to six industry consultations over the quarter:

- [ELEXON response to National Grid consultation on terms and conditions for balancing](#)
- [ELEXON response to WPD consultation on Signposting System Needs](#)
- [ELEXON response to SSE Networks/EA Technology consultation on an interim solution for managed electric vehicle charging](#)
- [ELEXON response to BEIS consultation on proposals regarding smart appliances](#)
- [ELEXON response to Energy UK consultation on Acceptable Smart Charging Standards](#)
- [ELEXON response to Ofgem's consultation on the RIIO-2 Framework](#)

All our responses are published on the [Industry Insights](#) page of the ELEXON website.

QUARTERLY REPORT Q1 2018/19: APRIL TO JUNE 2018

OPERATION OF THE BALANCING AND SETTLEMENT CODE ARRANGEMENTS

You can find further details about our operational performance, including performance against our key performance indicators in the ELEXON reports presented to the BSC Panel every month:

- [ELEXON Report 277](#) – 12 April 2018
- [ELEXON Report 278](#) – 10 May 2018
- [ELEXON Report 279](#) – 14 June 2018

We report operational issues that affect customers in [ELEXON Circulars](#).

QUARTERLY REPORT Q1 2018/19: APRIL TO JUNE 2018

GOVERNANCE AND CHANGE

Modifications

Three new Modification Proposals were raised:

- [P366](#) 'Change to Supplier Charge SP08a calculations to account for small scale non-domestic Non Half Hourly hard-to-read Meters'
- [P367](#) 'Removal of obsolete Supplemental Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR) arrangements'
- [P368](#) 'Amendments to Section Z to better facilitate the production of the Risk Evaluation Methodology, Risk Evaluation Register and Risk Operating Plan'

One Modification Proposal was withdrawn: [P360](#) 'Making the BSC's imbalance price compliant with the European Balancing Guideline'

Three Modification Proposals were approved by the Authority:

- [P354](#) 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level'
- [P356](#) 'Aligning the BSC with Grid Code Modification GC0099 'Establishing a common approach to interconnector scheduling consistent with the single intraday market coupling processes set out within Regulation (EU) 2015/1222 (CACM)'
- [P365](#) 'Enabling ELEXON to tender for the Retail Energy Code (REC)'

One Modification Proposal was approved by the Panel under the Self-Governance arrangements:

- [P367](#) 'Removal of obsolete Supplemental Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR) arrangements'

Change Proposals

Two Change Proposals were raised:

- [CP1506](#) 'New Interconnector fuel type'
- [CP1507](#) 'Updates to BSCP520 to align with working practices and UMSUG recommendations'

Two Change Proposals were approved:

- [CP1503](#) 'Changes to European Transparency Regulation data to align with latest ENTSO-e Manual of Procedures'
- [CP1504](#) 'Amend BSCP201's references to dual/single pricing following implementation of P305'

Issues

Two new Issues were raised:

- [Issue 70](#) 'Settlement of Secondary BM Units using metering at the asset'
- [Issue 71](#) 'Introduction of a baselining methodology as an alternative to Physical Notifications'
- [Issue 69](#) 'Performance Assurance Framework Review' remains open.

BSC Panel and Committee Activity

As well as considering the Modifications in the section above, the Panel:

QUARTERLY REPORT Q1 2018/19: APRIL TO JUNE 2018

- Approved the questions included in the consultation proforma regarding the proposed changes to the Credit Assessment Price (CAP) Review Process and approved the amended version of the CAP Review Guidance Document for implementation from 1 June 2017.
- Approved four changes to the SVG membership.
- Approved one change to the TDC membership.
- Approved three changes to the PAB membership.
- Approved the Tender Framework Statement to allow re-procurement activity for the Technical Assurance Agent to commence and appointed Stuart Cotten as the Panel Project Observer to oversee the procurement process.
- Approved the Terms of Reference for the Load Flow Model (LFM) Reviewer service, as required by the P350 'Introduction of a seasonal Zonal Transmission Losses scheme' solution and approved the award of the Model Reviewer contract.
- Endorsed the award of the Transmission Loss Factor Agent (TLFA) services contract.
- Approved the TLFA Service Description and LFM Specification with the effective date of 12 May 2017
- Agreed to delegate ownership of the TLFA Service Description and LFM Reviewer Specification to the ISG and agreed the circulation of the proposed methodology for setting Load Periods (LPs) and Sample Settlement Periods (SSPs) to be used in the derivation of Zonal Transmission Loss Factors, as required by P350 'Introduction of a seasonal Zonal Transmission Losses scheme' for consultation.
- Approved the proposed scope of the Funding Shares Audit.
- Noted the update from ELEXON on its bid for the Gas Assurance work and noted the views of the ELEXON Board on the Gas Assurance bid communicated from the Chairman.
- Noted the BM Audit Approach and clean Audit opinion for the period 1st April 2016 to 31st March 2017.
- Noted ELEXON's update on Ofgem's Code Administration Survey and ELEXON's next steps to continue to build on the results.
- Noted TAA Annual Report.
- Noted the BSC Auditor's unqualified Audit opinion for 2016/17 Audit Year.

Imbalance Settlement Group (ISG):

The ISG continues to oversee and contribute to the development of the CVA arrangements. The ISG:

- Approved the following non-standard Balancing Mechanism (BM) Units:
 - Approved one non-standard BM Unit configuration for the two remaining Gas Turbine Generating Units associated with Peterborough Power Station
 - Approved two non-standard BM Units for Beatrice Offshore Windfarm Ltd's Plant and Apparatus associated Offshore Transmission Module (OTM)1
 - Approved two non-standard BM Units for Beatrice Offshore Windfarm Ltd's Plant and Apparatus associated OTM2
 - Approved one single non-standard BM Unit for Beatrice Offshore Windfarm Ltd's onshore and offshore LV Apparatus
 - Approved a single non-standard BM Unit for the Brockloch Rig wind farm

QUARTERLY REPORT Q1 2018/19: APRIL TO JUNE 2018

- Approved a single non-standard BM Unit status for the Rampion Offshore Wind Farm operator's Plant and Apparatus associated with T_ RMPNO-1
- Approved a single non-standard BM Unit status for the Rampion Offshore Wind Farm operator's Plant and Apparatus associated with T_ RMPNO-2
- Approved a single non-standard BM Unit status for Plymouth Rock Power Station
- Approved one non-standard BM Unit configuration for the four remaining Gas Turbine Generating Units associated with Brigg Power Station
- Agreed an eleven-month extension to the due date of the condition on D/460 until 31 March 2018
- Approved Metering Dispensation D/475 on a temporary two-year basis
- Approved the proposed new set of generic SECALF values (and corresponding changes to the CALF Guidance document), for use from the Autumn 2017 BSC Season onwards
- Approved the revised Working Day CALF and Non-Working Day CALF value for a specific BM Unit for the period 1 June 2017 to 31 August 2017
- Approved the BSC Configurable Items (CIs) amended for the June 2017 Release with an effective date of 29 June 2017
- Approved the following Change Proposals (CPs):
 - Approved CP1486 for implementation on 29 June 2017 as part of the June 2017 Release
 - Approved CP1485 'Validation of power transformer and cable/line loss adjustments' for implementation on 2 November 2017 as part of the November 2017 Release
 - Approved CP1488 'Align the NETA IDD spreadsheets with the live implementation of the SAA-I014 flow' for implementation on 2 November 2017 as part of the November 2017 Release'.

Supplier Volume Allocation Group (SVG):

The SVG continues to oversee and contribute to the development of the SVA arrangements. The SVG met twice during the quarter and:

- Oversaw the progression of approximately 30 changes to Market Domain Data
- Approved CP1505 'Allowing 'off site' Commissioning of current transformers preinstalled in cut outs or switchgear at manufacture for use in Low Voltage (LV) installations', for implementation in the November 2018 Release
- Approved two Metering Dispensation on a temporary basis
- Agreed that the conditions associated with a live Metering Dispensation had been fully met
- Approved changes to the Unmetered Supplies Operational Information Document

Trading Disputes Committee (TDC):

The TDC:

- upheld eight Trading Disputes
- rejected two Trading Disputes.

Performance Assurance Board (PAB):

In addition to normal work, the PAB:

QUARTERLY REPORT Q1 2018/19: APRIL TO JUNE 2018

- Approved the 12 applications for Qualification as HH and NHH Suppliers
- Approved one transfer of Qualification
- Approved the escalation of BSC Parties to PAB for the following non-compliances:
 - P272/322: five Parties
 - SR0081: three Parties
 - SR0074: two Parties
 - P283: two Parties
- Approved ELEXON to contact MOAs regarding MOCOPA accreditation; MOAs that do not have MOCOPA accreditation or are not active may choose to pursue the Surrender of Qualification process
- Approved the spend to create a BUSRR for sub-100kW Half Hourly (HH) Settlement Performance (Measurement Class E Settlement Performance)
- Approved the monthly Grid Supply Point (GSP) Group liability cap for each GSP Group for the April 2017 to March 2018 reporting periods
- Approved the individual Supplier Serial charge value for each Serial for the April 2017 to March 2018 reporting periods
- Approved ELEXON raise two CPs to make amendments to BSCP537 Appendix 1 'Self-Assessment Document' including questions around Meter Operation Code of Practice Agreement (MOCOPA) accreditation
- Noted the Draft BSC Audit Report 2016/17
- Noted the TAA Draft Annual Report 2016/17
- Noted the updates made to the activity proposed to remedy the Market Issues in PAB194/06 'Proposed activity to remedy Market Issues'
- Endorsed the draft RER for 2018/19
- Agreed to publish the draft RER 2018/19 for industry consultation
- Determined that the remedial activity for 'Market Issue 03: Use and Accuracy of Information within D0215' is prioritised