

## P380 'Revision to Replacement Reserve Bid Data deadline submission requirements'

Recent changes to the Replacement Reserve Implementation Framework (RRIF), specifically the Transmission System Operator (TSO) energy bid submission gate closure time for [Replacement Reserves](#) (RR), mean that National Grid as the GB Electricity System Operator (ESO) will not be able to be compliant with the Balancing and Settlement Code (BSC) obligations introduced under [Modification P344 'Project TERRE implementation into GB market arrangements'](#).

This Modification proposes to modify the P344 wording of BSC Section Q 'Balancing Mechanism Activities' to ensure National Grid ESO's continued compliance with the BSC and the RRIF.



ELEXON recommends P380 is progressed directly to the Report Phase with an initial recommendation to approve

This Modification is expected to impact:

- National Grid ESO
- ELEXON as the Balancing and Settlement Code Company (BSCCo)

## Contents

<b>1</b>	<b>Why Change?</b>	<b>3</b>
<b>2</b>	<b>Solution</b>	<b>5</b>
<b>3</b>	<b>Proposed Progression</b>	<b>7</b>
<b>4</b>	<b>Likely Impacts</b>	<b>9</b>
<b>5</b>	<b>Recommendations</b>	<b>11</b>
	<b>Appendix 1: Glossary &amp; References</b>	<b>12</b>

## About This Document

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 14 February 2019. The Panel will consider the recommendations and agree how to progress P380.

There are three parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress.
- Attachment A contains the P380 Proposal Form.
- Attachment B contains the draft legal text to implement the P380 solution.



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287/04

P380

Initial Written Assessment

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7 February 2019

Version 1.0

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Page 2 of 13

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# 1 Why Change?

## Background

Project TERRE (Trans European Replacement Reserves Exchange) is a balancing product implementation project, developed by a group of European Transmission System Operators (TSOs), including National Grid. It will fulfil incoming legal requirements on TSOs included in the European Electricity Balancing Guideline (EB GL). The EB GL requires those TSOs that use Replacement Reserve (RR) to implement and make operational a new European platform for the exchange of energy.

The central European RR platform (termed LIBRA) will be capable of gathering all the RR requirements from TSOs' local balancing markets and provide an optimised allocation of RR across TERRE participating TSO regions, meeting those TSOs' RR balancing energy needs.

As part of the design of European electricity balancing product TERRE, the Europe wide proposed implementation approach is contained in the Replacement Reserve Implementation Framework (RRIF). The Regulatory Authorities (for the GB market, Ofgem) for the TERRE participating regions reached agreement for the RRIF on 14 December 2018, and the proposal was formally approved by Ofgem on behalf of the GB market on 18<sup>th</sup> December 2018.

Across all Transmission System Operators (TSOs) involved in TERRE, the RRIF sets the TSO energy bid submission gate closure time for [Replacement Reserve](#) (RR) at 40 minutes prior to the start of the Replacement Reserve Auction Period (RRAP).

The TSO energy bid submission gate closure time obligation will be implemented through the GB TERRE implementation Modification [P344 'Project TERRE implementation into GB market arrangements'](#) and is outlined in [Balancing & Settlement Code \(BSC\) Section Q 'Balancing Mechanism Activities'](#), paragraph 6.1.11A.

## What is the issue?

The wording, introduced into the BSC by P344 at the time of the draft RRIF, is inconsistent with the final version of the RRIF which was approved after the TERRE Modification. The legal text of P344 will be implemented on 28 February 2019 and Project TERRE will go-live for use in GB system balancing in December 2019.

The approved changes to BSC Section Q under P344 require the data to be sent to the BMRA 15 minutes after Gate Closure, which is set at 60 minutes before the start of the RRAP during the initial 12 months of operation of the RR Platform, and 55 minutes thereafter. This equates to 45 minutes before the start of the RRAP for the first 12 months, and 40 minutes thereafter. The current approved legal text for P344, if implemented in its current form on the Implementation Date of 28 February 2019, for use on the operational go-live date of December 2019, would mean that National Grid ESO's IT systems would not be compliant with the RRIF.

Due to fair competition and the risk of insider trading, it would not be acceptable for the data to be made available on a GB specific platform before being made available on the European wide LIBRA platform, and so National Grid ESO would only be able to send the data to BMRA at the same time as LIBRA, 40 minutes before the start of the RRAP.



### What are Replacement Reserves?

Replacement Reserves (RR) mean the active power reserves available to restore or support the required level of Frequency Restoration Reserves (FRR) to be prepared for additional system imbalances, including generation reserves. They are balancing energy products with a >15 minute lead time.



### What is Gate Closure Time?

Gate Closure Time (GTC) in regards to a Settlement Period refers to the spot time one hour before the spot time at the start of that Settlement Period.



### What is a Transmission System Operator?

An organisation responsible for operating and ensuring the maintenance of and, if necessary, developing the Transmission System in a given area and, where applicable, its interconnections with other systems, and for ensuring the long-term ability of the system to meet reasonable demands for the transmission of electricity.

287/04

P380

Initial Written Assessment

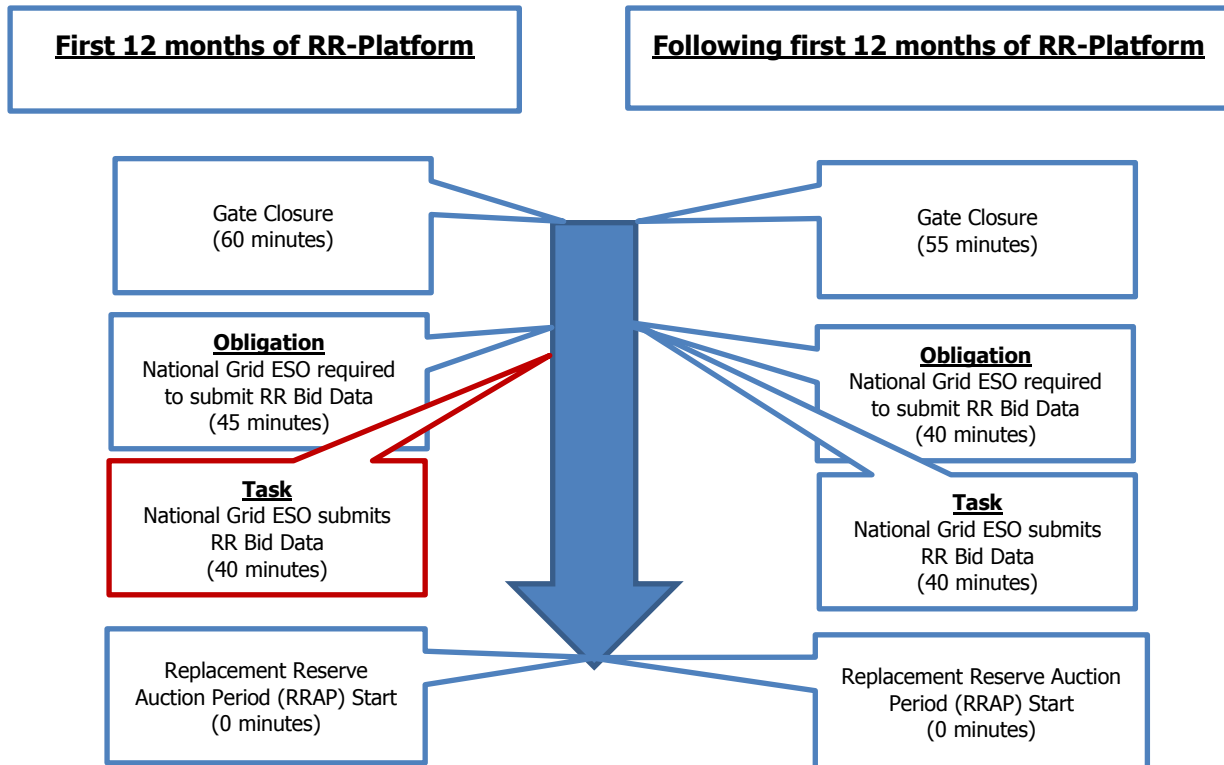
7 February 2019

Version 1.0

Page 3 of 13

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Modification P344 introduced BSC obligations on National Grid ESO to send RR Bid Data to the [Balancing Mechanism Reporting Agent \(BMRA\)](#) at set times between Gate Closure and the start of a RRAP. These set times, as well as changes proposed by this Modification in red, are outlined below:





### What are the Applicable BSC Objectives?

- (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 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 administering 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

287/04

P380  
Initial Written Assessment

7 February 2019

Version 1.0

Page 5 of 13

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## Proposed solution

The final version of the RRIF, which entered into force on 18 December 2018, requires that the RR Bid Data will be sent by National Grid ESO to BMRA 40 minutes before the start of the RRAP.

To avoid National Grid ESO being non-compliant with BSC Section Q during the initial 12 months, the wording of paragraph Q 6.1.11A needs to be revised. By amending the legal text to state '40 minutes before the start of each RRAP' instead of '15 minutes following Gate Closure', National Grid ESO will be able to comply with the RRIF.

This Modification will ensure that the current technical/system solution being developed by National Grid ESO to implement P344, which will send data to LIBRA and BMRA at the same time, is compliant with P344 during the first 12 months of operation of the RR Platform, as well as thereafter.

## Proposed legal text

The approved wording from P344 states in BSC Section Q, 6.1.11A;

*"Not later than 15 minutes following Gate Closure for each Replacement Reserve Auction Period, the Transmission Company shall send to the BMRA the Replacement Reserve Bid Data for each BM Unit for which it has received or determined such data."*

It is proposed that this wording is replaced as follows;

*"Not later than ~~15 minutes following Gate Closure for~~ 40 minutes before the start of each Replacement Reserve Auction Period, the Transmission Company shall send to the BMRA the Replacement Reserve Bid Data for each BM Unit for which it has received or determined such data."*

Implementation of this solution is a document only change, with no associated BSC Central System changes.

## Applicable BSC Objectives

Impact of the Modification on the Applicable BSC Objectives:	
Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	<b>Positive</b>
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	<b>Positive</b>
(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	<b>Positive</b>

(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]	<b>Positive</b>
(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	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

The Proposer has provided the following rationale against the Applicable BSC Objectives:

#### **Applicable BSC Objective (a)**

The Transmission Company has a license obligation to remain compliant with GB and European industry codes, including the BSC and RRIF. Failure to implement this Modification would result in the Transmission Company being non-compliant with these industry codes which could lead to enforcement action against the Transmission Company.

#### **Applicable BSC Objective (b)**

The National Grid IT solution for implementing P344 has been designed to meet the RRIF. It has been identified that the BSC provisions don't align to the provisions outlined in the RRIF. If this Modification were not be approved, it would result in the non-compliance listed under Applicable BSC Objective (a) (and the associated costs of such enforcement action) or additional time and cost to revise the IT solution to ensure that it is compliant with the current BSC wording, potentially delaying implementation of the P344 solution. This Modification will ensure efficient operation of the National Electricity Transmission System (NETS) by not delaying the benefits of the P344 solution.

#### **Applicable BSC Objective (d)**

This Modification would ensure the BSC aligns to the RRIF, thus creating clarity for National Grid ESO.

#### **Applicable BSC Objective (e)**

This Modification would have the same benefit as outlined for Applicable BSC Objective (a).

### **Implementation approach**

Implementation of this Modification Proposal must be no later than the operational go-live date of the TERRE balancing product (expected December 2019) to avoid a compliance breach by National Grid ESO. We therefore recommended that this Modification be implemented on 27 June 2019 as part of the June 2019 BSC Release, to provide certainty in advance of TERRE go-live, that the P344 solution is not adversely affected. It's in the interests of providing clarity at the earliest opportunity, that the June 2019 BSC Release is favoured over the November 2019 BSC Release.

287/04

P380

Initial Written Assessment

7 February 2019

Version 1.0

Page 6 of 13

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### What is the Self-Governance Criteria?

A Modification that, if implemented:

(a) 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.

### Proposed progression and justification

This Modification does not require consideration by a Workgroup as the requirement is clearly defined within the final RRIF. Therefore, this Modification is self-evident as it will align the BSC to the RRIF requirements, ensuring that National Grid ESO remains compliant with the RRIF.

At the time the draft version of the RRIF was submitted on 18 June 2018, BSC Modification P344 had already been developed and progressed through BSC change process governance.

Subsequent discussions between ELEXON and National Grid ESO following the publication of the final RRIF identified that the proposed solution for P344 is inconsistent with the final RRIF, and minor changes to the BSC legal text are required to re-align the BSC with the RRIF.

### Next steps

This Modification should:

- be sent directly into the Report Phase for a 10 Working Day industry consultation over the period 18 February 2019 – 1 March 2019.

### Workgroup membership

As it is proposed that this Modification proceeds directly to the Report Phase, a Workgroup will not be convened to develop the solution. However, if the BSC Panel wishes to convene a Workgroup to discuss the solution to this Modification Proposal, the following Workgroup expertise shall be required:

- Knowledge of the TERRE balancing product.

### Self-Governance

We believe this Modification should progress under Self-Governance arrangements as the solution does not materially impact the Self-Governance Criteria.

287/04

P380

Initial Written Assessment

7 February 2019

Version 1.0

Page 7 of 13

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## Timetable

We recommend P380 is progressed directly to the Report Phase as a Self-Governance Modification, following the proposed timetable outlined below:

Proposed Progression Timetable for P380	
Event	Date
Present Initial Written Assessment to Panel	14 February 2019
Report Phase Consultation	18 February 2019 – 1 March 2019
Present Draft Modification Report to Panel	14 March 2019
Final Modification Report published	18 March 2019
Self-Governance Appeal Window (15 Working Days)	14 March 2019 – 3 April 2019

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287/04

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P380  
Initial Written Assessment

---

7 February 2019

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Version 1.0

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Page 8 of 13

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## 4 Likely Impacts

We will be required to implement the new legal text, but there will not be any impact on BSC Central Systems, as the Systems have already been designed in a manner to accommodate the amendments proposed under this Modification.

As a single document requires updating to deliver the solution to this Modification Proposal, the central implementation costs will be £240, one ELEXON Working Day of effort.

We do not anticipate there to be any market participant impacts or costs arising from the implementation of the solution to this Modification Proposal.

### Impact on BSC Parties and Party Agents

Party/Party Agent	Potential Impact
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No impact	
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### Impact on Transmission Company

National Grid ESO's IT solution for implementing P344 has been designed to meet the RRIF. Therefore, aligning the BSC to the RRIF does not impact National Grid ESO systems, as the structure and format of the data are not changing. However, if this Modification were not to be implemented, National Grid would be non-compliant with the BSC Section Q Paragraph 6.1.11A.

### Impact on BSCCo

Area of ELEXON	Potential Impact
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ELEXON will need to implement this Modification to ensure that NGESO remains compliant with the BSC and RRIF.	
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### Impact on BSC Systems and processes

BSC System/Process	Potential Impact
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No impact identified.	
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### Impact on Code

Code Section	Potential Impact
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BSC Section Q 'Balancing Mechanism Activities'	Amending paragraph 6.1.11A to state '40 minutes before the start of each Replacement Reserve Auction Period (RRAP)' in place of '15 minutes following Gate Closure for each RRAP'.
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287/04

P380  
Initial Written Assessment

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7 February 2019

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Version 1.0

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Page 9 of 13

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#### Impact on a Significant Code Review (SCR) or other significant industry change projects

We don't believe that this Modification impacts any ongoing SCR. We requested SCR exemption from the Authority on 5 February 2019.

#### Impact on Consumers

The day to day operation of Balancing and Settlement would remain unaffected so there would be no direct impact to consumers.

#### Impact on the Environment

We do not expect the solution to this Modification to adversely impact the environment.

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287/04

P380  
Initial Written Assessment

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7 February 2019

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Version 1.0

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Page 10 of 13

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## 5 Recommendations

We invite the Panel to:

- **AGREE** that P380 progresses directly to the Report Phase;
- **AGREE** that P380:
  - **DOES** better facilitate Applicable BSC Objective (a);
  - **DOES** better facilitate Applicable BSC Objective (b);
  - **DOES** better facilitate Applicable BSC Objective (d); and
  - **DOES** better facilitate Applicable BSC Objective (e);
- **AGREE** an initial recommendation that P380 should be **approved**;
- **AGREE** an initial view that P380 should be treated as a Self-Governance Modification;
- **AGREE** the draft legal text;
- **AGREE** an initial Implementation Date for P380 of:
  - 27 June 2019 (June 2019 BSC Release); and
- **NOTE** that ELEXON will issue the P380 draft Modification Report (including the draft BSC legal text) for a 10 Working Day consultation and will present the results to the Panel at its meeting on 14 March 2019.

## Appendix 1: Glossary & References

### Acronyms

Acronyms used in this document are listed in the table below.

Acronym	
Acronym	Definition
BM	Balancing Mechanism
BMRA	Balancing Mechanism Reporting Agent
BSC	Balancing and Settlement Code
ESO	Electricity System Operator
FRR	Frequency Restoration Reserves
NETS	National Electricity Transmission System
RR	Replacement Reserves
RRAP	Replacement Reserve Auction Period
RRIF	Replacement Reserve Implementation Framework
TERRE	Trans European Replacement Reserve Exchange
TSO	Transmission System Operator

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287/04

P380

Initial Written Assessment

---

7 February 2019

Version 1.0

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Page 12 of 13

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## External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
1, 3	Replacement Reserves	<a href="https://www.emissions-euets.com/internal-electricity-market-glossary/424-frequency-containment-reserves-frequency-restoration-reserves-frr-replacement-reserves-rr">https://www.emissions-euets.com/internal-electricity-market-glossary/424-frequency-containment-reserves-frequency-restoration-reserves-frr-replacement-reserves-rr</a>
1, 3	P344 'Project TERRE'	<a href="https://www.elexon.co.uk/mod-proposal/p344/">https://www.elexon.co.uk/mod-proposal/p344/</a>
3	BSC Section Q 'Balancing Mechanism Activities'	<a href="https://www.elexon.co.uk/future-change-bsc/bsc-section-q-2/">https://www.elexon.co.uk/future-change-bsc/bsc-section-q-2/</a>
3	Balancing Mechanism Reporting Agent (BMRA)	<a href="https://www.elexon.co.uk/operations-settlement/bsc-central-services/balancing-mechanism-reporting-agent/">https://www.elexon.co.uk/operations-settlement/bsc-central-services/balancing-mechanism-reporting-agent/</a>
8	Targeted Charging Review	<a href="https://www.ofgem.gov.uk/electricity/transmission-networks/charging/targeted-charging-review-significant-code-review">https://www.ofgem.gov.uk/electricity/transmission-networks/charging/targeted-charging-review-significant-code-review</a>
8	Electricity Balancing Review	<a href="https://www.ofgem.gov.uk/electricity/wholesale-market/market-efficiency-review-and-reform/electricity-balancing-significant-code-review">https://www.ofgem.gov.uk/electricity/wholesale-market/market-efficiency-review-and-reform/electricity-balancing-significant-code-review</a>
8	Switching Review	<a href="https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-significant-code-review-launch">https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-significant-code-review-launch</a>