

Consultation on EBGL & NCER impacting in-flight BSC modifications



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Summary

BSC Amendments for Article 18 EBGL terms and conditions and proposed NCER terms and conditions and rules

National Grid ESO (NGESO) is holding a consultation on six amendments to Article 18 terms and conditions for balancing (EBGL) and three amendments to the proposed terms and conditions and rules for the Network Code for Emergency and Restoration (NCER). These GB Balancing and Settlement Code (BSC) modifications have already been approved and consulted on in line with GB framework requirements. The consultation opens on 3rd April 2020 and details are contained within.

For future changes BSC code modification P392 will, once approved, align the amendment requirements of EBGL with those set out in the BSC. In the interim though, for modifications that were in flight and fall within the T&Cs referenced in the mapping for EBGL and the proposed mapping for NCER (Regulations EU 2017/2195 and Regulation 2017/2196 respectively) this confirmatory consultation will ensure alignment with the processes for modification of T&Cs set out in EBGL and NCER. No changes to previously approved solutions are anticipated.

The modification processes set out in EBGL and NCER were included in these European Codes with the intention of ensuring that all member states met a certain minimum standard for engagement with stakeholders. For GB the changes are very minor, the main points being that stakeholders must be consulted on changes for a period of one month (standard consultations normally last at least 15 working days at present), and a prescribed requirement that as would normally happen at present, justification for acting on consultation responses (or not) will be included in any submissions to Ofgem.

Included within this document are summaries of the relevant modifications, with the consultation questions and relevant proforma for responses also described within. The proforma for responses is available alongside this document. National Grid ESO is inviting responses, and the relevant dates for this EBGL consultation are as follows:

- National Grid ESO publishes and circulates consultation: 3rd April 2020
- Consultation closes: 3rd May 2020
- Report sent to Ofgem for consideration: 18th May 2020

For the avoidance of doubt, this is a one-off consultation for the purpose of compliance, to ensure that code modifications whereby the solution has already approved/implemented, or that will be implemented, by 25 June 2020 will have been through an EBGL process. In addition, it is considered a prudent step to consult on the BSC modifications that also impact the proposed NCER terms and conditions and rules.

Subject to the approval of the Code modifications to implement an aligned change process (P392, GC0132 & CMP323), it is expected that all future modifications that affect Article 18 terms and conditions will be subject to a fully aligned GB code modification process that also meets the requirements of EBGL.

If you have any questions on this consultation, in the first instance please contact John Welch at National Grid ESO: code.administrator@nationalgrideso.com or Craig Murray at Elexon: craig.murray@elexon.co.uk.



Introduction

Introduction

Electricity Balancing Guideline (EBGL)

The Electricity Balancing Guideline (EBGL) came into force at the end of 2017 after being established through the Third Energy Package European legislation. Article 18 of the EBGL stipulates that TSOs in EU member states should develop a proposal for a set of terms and conditions for balancing services that are sent to their regulator (Ofgem in GB) for approval. Articles 4, 5, 6 & 10 of the EBGL also stipulate rules for the process for amending terms and conditions for balancing, as well as submitting to the regulator for approval - in addition to the need for a public consultation for a minimum period.

National Grid ESO Article 18 proposal and Ofgem decision

National Grid ESO developed a proposal for terms and conditions for which Ofgem granted conditional approval in October 2019. Due to the structure of the GB market, elements of the proposed terms and conditions are held in existing sections of the GB network codes.

As some of those terms and conditions are part of the GB network codes, proposals for change could be raised to those sections by any signatory of those codes. To ensure third parties could continue to raise modifications to change the affected sections of the GB codes, while still meeting the requirements of the EBGL change process, NGESO raised BSC mod P392, Grid Code modification GC 0132, and CUSC modifications CMP322 & 323 to ensure the GB code modification procedures and EBGL change process were aligned. Ofgem's approval of the terms and conditions for balancing was conditional on the aforementioned code modifications being approved and implemented. Ofgem's decision letter can be found here: [Ofgem decision letter](#). They are due to be approved by 25 June 2020.

Background to this additional EBGL consultation

The nature of the approval of the terms and conditions outlined above means that any modifications approved or due to be implemented between 4th August 2019 and 25 June 2020 will also need to undergo a consultation that meets the requirements of the EBGL, in addition to the consultations that have already taken place through the GB code modifications procedure.

There are currently six GB BSC code modifications that require an additional EBGL consultation for the purposes of compliance. A summary of each of these is presented below.

Background to the NCER element of the consultation

In addition, the NCER sets requirements for terms and conditions to act as a system restoration provider and a system defence providers (NCER Article 4) and rules for market suspension and restoration (NCER Article 36) and rules for imbalance settlement and the settlement of balancing energy and imbalance settlement during market suspension (NCER Article 39). National Grid ESO has proposed mapping some of these terms and conditions and rules to the BSC.

The NCER has a similar change process to that of the EBGL in respect of these rules, terms and conditions. Indeed, those rules developed under NCER Articles 36 and 39 become part of the EBGL Article 18 terms and conditions once they are approved by Ofgem pursuant to EBGL Article 18(2).

Three of the modifications set out in this consultation will also impact either the proposed NCER terms and conditions or rules. Therefore, this consultation is also being made to ensure that, if needed, these modifications will also have met the requirements of the NCER change process before implementation.

Modifications summary and consultation

Forthcoming changes/ modification summary

The following BSC modifications will change the conditionally approved baseline sections of the BSC that will constitute the EBGL article 18 terms and conditions and/or the proposed rules and terms and conditions of the NCER. A brief summary of each BSC modification follows, and the link to the associated BSC modification documentation is also included.

1) [P354 'Use of ABSVD for non-BM Balancing Services at the metered \(MPAN\) level'](#) (BSC documentation link)

Reason for change

Suppliers' Energy Accounts are not adjusted for non-Balancing Mechanism (BM) Balancing Services, which results in a 'spill payment', which BM Balancing Services Providers are not allowed. Where Balancing Services provided to the Transmission Company (TC) are instructed outside of the BM, i.e. where the Balancing Services provider is not a BSC Party or is a BSC Party but does not specify a BM Unit to assign the Applicable Balancing Services Volume Data (ABSVD) to, ABSVD cannot be notified against BM Units, and so is not included in Settlement. In this circumstance, the Balancing Services provider is paid at the agreed utilisation price, but the Energy Account of the Supplier responsible for the Energy Imbalances they cause does not have the associated energy removed, resulting in an incorrect Energy Imbalance position. This additional imbalance of energy results in an additional payment to the Supplier, which they may share with the Balancing Services provider. This effectively allows some BSC Parties and all non-BSC Parties acting as Balancing Services providers to take account of a second income stream, which is seen as discriminatory. Where BSC Parties that provide Balancing Services specify a BM Unit for the allocation of ABSVD, the ABSVD will be included in Settlement, and the BSC Party's imbalance position will be correct (unless the BSC Party opts-out of receiving ABSVD under BSC Section Q6.4.5 of the BSC).

Approved solution

For all Balancing Services provided to the TC (in accordance with its ABSVD Methodology) where the ABSVD cannot be assigned to a BM Unit, P354 will require the TC to provide ABSVD for each applicable Settlement Period to BSC Systems as a Delivered Volume for each Metering System Identifier (MSID) Pair (always one Import Meter and in most cases one Export Meter1) at a Boundary Point (a "MSID Pair Delivered Volume").

The TC will be required to notify BSC Systems of all MSID Pairs that may be used for the provision of non-BM Unit ABSVD before it starts to send MSID Pair Delivered Volumes. Each MSID in a MSID Pair will be an 'Eligible MSID'. The BSC Systems will then allocate ABSVD to each MSID in a MSID Pair using the MSID Pair Delivered Volume and the Half Hourly (HH) metered data for the MSID, which would be provided by Half Hourly Data Aggregators (HHDAs).

The TC must specify in the MSID Pair data whether the Customer has consented to the relevant Supplier receiving the MSID ABSVD for each Eligible MSID, through a "Customer Consent Flag" and BSC Systems will only issue the data to Suppliers where consent has been given. Please note that the Customer consent for an Eligible MSID may change from time to time.

The BSC Systems will aggregate the MSID ABSVD to Supplier BM Unit level and use this to correct the Supplier's Energy Imbalance position. Supplier BM Unit Non-BM ABSVD will be included in the

SAA-I014 Settlement report variant 1 (to BSC Parties) and variant 2 (to the TC, BSCCo and available to licensees). Supplier BM Unit Non-BM ABSVD will not be published on the Balancing Mechanism Reporting Service (BMRS). Instead, the Supplier BM Unit Non-BM ABSVD data will be included in an ELEXON monthly report where the Delivered Volumes will be reported at market level in an anonymised form.

The TC will be allowed to only provide MSID Pair data for those Balancing Services where they have received MSID Pair Delivered Volumes data from Balancing Services providers during the first year from the P354 Implementation Date (after that, the TC must provide MSID Pair Delivered Volumes data for all Balancing Services). This acknowledges that MSID Pair Delivered Volume data may not be available from Balancing Services providers whose contracts with the TC predate the P354 decision.

The opt-out provision under BSC Section Q6.4.5 will be removed to ensure the P354 is compliant with Article 49 of the European Electricity Balancing Guidelines (EB GL).

2) [P385 'Improving the efficacy and efficiency of the Section H Default provisions'](#) (BSC documentation link)

Reason for change

The BSC Panel has the ability to take mitigating action and provide financial protection to Parties when an Event of Default is triggered. The current arrangements are overly complex and prolong the period before an Event of Default (EoD) is declared until it is often too late.

The frequency of BSC Parties failing to pay their debts and, as a consequence defaulting on the BSC, has increased in 2018. This results in unpaid Trading Charges being mutualised across other BSC Parties. After a period of 10 years without a Supplier of Last Resort event, there was a single occurrence in 2016 followed by seven events in 2018 and over five in 2019 so far.

Implemented Solution

P385 will introduce two new Events of Default and change two existing Events of Default, with the aim of reducing the time between a Party failing and potential remedial action by the BSC Panel.

- A new EoD for Parties failing to pay Trading Charges on time on three or more occasions in rolling 30-day calendar period.
- A new EoD for Parties who have publicly announced they are ceasing to trade.
- Reduction to parameters in so that a Relevant Credit Default Series is reduced to three occasions in six months, on any Level 1 or 2 Credit Default with no cooling off period.
- Reduction to parameters in Section H.3.1.1(b) (iii) for failure to pay BSCCo charges from fifteen to five Working Days, with an additional trigger if a Party defaults on BSCCo charges three times in a rolling twelve-month period.

Parameters for certain EoDs will be removed from Section H and place them under BSC Panel control, giving the Panel the power to approve changes to rates and timescales that trigger certain Events of Default, subject to industry consultation.

The Workgroup recommended and the Panel approved that the EoD within scope of P385 are removed from Section H and published on the BSC Website.

3) [P386 'Corrections to P344 legal text'](#) (BSC documentation link)

Reason for change

P344 'Project TERRE implementation into GB market arrangements' was implemented on 28 February 2019, as part of the February 2019 BSC Release. This was a substantial change, impacting 88 BSC documents. As the P344 implementation activities have progressed, inaccuracies, manifest errors and minor ambiguities have been identified that did not accurately reflect the Workgroup's intentions. This Modification will ensure that the legal text accurately reflects

the P344 Workgroup's intended solution, as approved by the BSC Panel and the Authority, as detailed in the P344 Business Requirements.

Implemented Solution

Clarifications and corrections will be made to the P344 legal text to ensure clarity and alignment with the Workgroup intentions as reflected in the Workgroup agreed business requirements.

4) [P388 'Aligning the P344 and P354 Solutions'](#) (BSC documentation link)

Why Change?

The P344 and P354 solutions when combined create duplicate, incoherent and contradictory sets of obligations and defined terms. If the solutions are not aligned the legal integrity of the BSC deteriorates and there is a risk that erroneous data is entered into Settlement.

Implemented Solution

Align the P344 and P354 solutions, defined terms and processes to enable the receipt, storage and processing of both Secondary Balancing Mechanism Unit (SBMU) related data and Applicable Balancing Services Volume Data (ABSVD).

This solution would enable aligned processes for:

- MSID Pair Delivered Registration
- MSID Pair Delivered Volume Allocation
- Delivered Volume Aggregation

5) [P394 'Removal of Unused BSC Provisions'](#) (BSC documentation link)

Reason for Change

This Modification seeks to remove redundant processes no longer utilised by market participants. This simplification will result in more efficient Balancing and Settlement arrangements for BSC Parties in complying with and understanding Code provisions.

Further, it will ensure BSC Central System developments through the Foundation Programme (a large-scale project to re-develop BSC Central Systems onto a more flexible platform) are progressed in the most cost-efficient manner, for the benefit of market participants.

Implemented Solution

This Modification proposes to remove unused BSC provisions in relation to:

- Dual Notifications;
- Quiescent Physical Notifications;
- Joint BM Units;
- Party and NETA Funding;
- BSC Section I – Transitional Arrangements for the Implementation of BETTA;
- Pool Supplement;
- Manual Credit Qualification; and to correct known
- Housekeeping changes to the impacted section and documents

Amendments were made to the legal text and redlining to fully and better deliver the P394 proposal, following feedback received from the Report Phase Consultation. These amendments will:

- Keep provisions related to Credit Qualification that are still needed;
- Clarify in the Interface Definition Documents which Credit Qualification data flows will be redundant; and

- Amend BSC Sections K and L to ensure the continued legality of existent registrations established as part of the implementation of BETTA. This will allow us to remove the remaining content from BSC Section I.

6) [P403 'BSC Arrangements in the events that the TERRE Market is suspended by National Grid ESO'](#) (BSC documentation link)

Reason for Change

There are currently no Settlement provisions within the BSC for the event that National Grid Electricity System Operator (NGESO) decides to suspend the Trans European Replacement Reserves Exchange (TERRE) market. Market Participants would therefore not have clarity that the TERRE arrangements are suspended nor how balancing and Settlement would work in that situation.

Solution (in the Report Phase so will not be amended)

This Modification proposes to amend the BSC to define rules for:

- TERRE-related data in the event of system outages;
- TERRE-related Settlement processes in a TERRE Market suspension scenario; and
- TERRE-related Settlement processes in a contingency scenario.

Mapping table

BSC Modification	Impacted BSC Section	
	EBGL impact	NCER impact
P354 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level'	Q6.4	-
P385 'Improving the efficacy and efficiency of the Section H Default provisions'	H3	-
P386 'Corrections to P344 legal text'	J3, K8	-
P388 'Aligning the P344 and P354 Solutions'	S10, S11	S10, S11
P394 'Removal of Unused BSC Provisions'	K3.3, P2, P3, Q6.2, G3	G3, K3.3
P403 'BSC Arrangements in the events that the TERRE Market is suspended by National Grid ESO'	G3, Q4.3, Q5A	G3, Q4.3, Q5A

National Grid ESO view

National Grid ESO is of the view that these modifications make amendments to the conditional Article 18 terms and conditions, which have been through the BSC process and national consideration, are consistent with the objectives of EBGL, not detrimental to its requirements and should be made.

In addition, Modifications P394 and P403 impact the draft proposals for NCER rules (specifically Sections G3, Q5A, which would become Article 18 Terms and Conditions once approved) and Modifications P388 and P394 amend the proposed NCER terms and conditions to act as a system restoration provider and as a system defence provider and should be made.

As such, we are circulating details of these changes for a confirmatory EBGL and NCER consultation to supplement the BSC modification consultations that have already been held as part of the BSC modification process.

Consultation questions

National Grid ESO is inviting responses to the following questions on these amendments:

1) Do parties disagree with National Grid ESO's view that the BSC modifications identified in this document (which, with the exception of P403, have been approved or implemented under the BSC) should also amend the EBGL Article 18 terms and conditions for balancing and/or the proposed rules and terms and conditions of the NCER? If so, please provide rationale.

2) Would parties like to make any other comments?

If parties wish to respond to this consultation, the proforma is available alongside this document. Completed proformas should be sent to code.administrator@nationalgrideso.com.

Next steps

The consultation closes on 3rd May 2020. National Grid will review any responses received and will send a report to Ofgem for consideration and approval by 18th May 2020.

If you have any questions on this consultation, in the first instance please contact John Welch at National Grid ESO: code.administrator@nationalgrideso.com or Craig Murray at Elexon: craig.murray@elexon.co.uk

Appendix 1 - Response Proforma Contents

Response Pro-forma

National Grid Electricity System Operator (National Grid ESO) invites responses to this consultation by **3rd May 2020**. The responses to the specific consultation questions (below) or any other aspect of this consultation can be provided by completing this proforma.

Please return the completed proforma to code.administrator@nationalgrideso.com

Respondent:

Company Name:

Does this response contain confidential information? If yes, please specify

Consultation Questions

Question No.	Question	Response (Y/N)	Rationale/Comment
1	Do parties disagree with National Grid ESO's view that the BSC modifications identified in this document (which, with the exception of P403, have been approved or implemented under the BSC) should also amend the EBGL Article 18 terms and conditions for balancing and/or the proposed rules and terms and conditions of the NCER? If so, please provide rationale.		
2	Would parties like to make any other comments?		