

# CONSULTATION ON USE OF UNUSED BSC PROVISIONS

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<b>Target Audience</b>	BSC Trading Parties
<b>Date Published</b>	10 06 2019
<b>Deadline for responses</b>	05 07 2019
<b>Classification</b>	Public
<b>Summary</b>	A consultation to discover industry opinion on removing unused or expired provisions from the BSC.

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## 1. Introduction

- 1.1 ELEXON would like to understand current industry views on certain unused or redundant provisions in the BSC. We are interested in views on whether some or all of the obligations mentioned in this consultation should remain in the BSC.
- 1.2 The consideration to remove unused provisions came about as part of our continued focus on the efficiency of the Code, as well as through our preparations for the Foundation Programme.
- 1.3 The foundation programme is a multi-year programme to re-architect our central systems, which have served the industry well since their introduction in 2001 under the NETA programme. The first release will deliver P344 (TERRE) on hybrid architecture. The programme has been designed as a phased approach to leverage the BSC change investment to minimise the overall cost and risk to Parties and to spread the cost across financial years to reduce the financial impact of BSC costs. Upon completion, the Foundation architecture will deliver a flexible, scalable and open platform to provide market entry, settlement and data insight services to meet the future needs of a changing energy market.
- 1.4 The consideration to remove expired BSC provisions came about in discussions about streamlining the BSC to make it more accessible for stakeholders.
- 1.5 After careful consideration, the areas that have been identified for removal are:
  - Joint BM Units
  - Quiescent Physical Notifications
  - Dual Notifications
  - Party and NETA Funding
  - BSC Section I – Transitional Arrangements for Implementation of BETTA
  - Pool Supplement
- 1.6 We believe the first three items are redundant and the last three items have expired. Joint BM Units, Quiescent Physical Notifications, Dual Notifications are all unused provisions within the BSC. They have not been used in live operation as the broader industry arrangements needed to make use of them are not defined, or industry decided not to make use of the provision once it was implemented.
- 1.7 ELEXON considers that it would be inefficient and ineffective to develop functionality for these provisions within Foundation Architecture unless industry consider that it will prove useful in the future.
- 1.8 Party and NETA Funding, BSC Section I and Pool Supplement are all areas of the BSC that have expired as they were used in the transition from old nationalised markets. ELEXON considers that these areas should be removed from the BSC because they no longer serve a function.
- 1.9 As part of the continued focus on Code efficiency and preparations for the Foundation Programme, we are considering other areas of the Code to see whether they remain fit for purpose or could be streamlined.

# CONSULTATION ON USE OF UNUSED BSC PROVISIONS

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- 1.10 Removing unused and expired provisions from the BSC will contribute to the simplification of the BSC. Simplifying the BSC in this manner would be the first step in streamlining the BSC, which is ELEXON's ultimate aim to deliver benefit to BSC Parties, through a more simple to understand BSC.

## 2. Joint BM Units

- 2.1 Joint BM Units were introduced into the BSC and Grid Code legal text as part of the New Electricity Trading Arrangements (NETA) in 2001, as BM Units registered by different Lead Parties that cannot be despatched independently.
- 2.2 The concept of a 'Joint BM Unit' was intended to allow for the situation where customers with Non Half Hourly (NHH) Teleswitch Meters are participating in the BM. The Teleswitch infrastructure does not allow individual customers to be controlled; any instruction must be issued to a 'Teleswitch Group', and will affect all customers whose Meters are configured to belong to that Group. This potentially includes customers in different Suppliers' BM Units. The idea was that a number of BM Units registered by different Suppliers, but linked to the same Teleswitch Group could be defined as 'Joint BM Units', which are linked together. If the Electricity System Operator accepts a Bid Offer from one, they also have to accept a Bid Offer from the others.
- 2.3 However, the idea has not been fully implemented. Although the BSC and Grid Code outline the idea, they do not define how Joint BM Units may work. There are no agreed requirements for despatch of Joint BM Units and, after discussions with National Grid, no evidence has been found of such despatch processes being developed or implemented.
- 2.4 If Suppliers did try to register BM Units as Joint BM Units, National Grid would not be able to make use of them because the National Grid processes to treat BM Units as a joint pair do not exist. So if Suppliers did try to register BM Units as Joint BM Units no use would be made of the data.
- 2.5 Moreover, teleswitch is a legacy technology that the Energy Networks Association (ENA) is phasing out. The ENA have extended support to 2020 to coincide with the end of the Smart Meter rollout, but the aging nature of the technology used to transmit signals means that it cannot be extended indefinitely.
- 2.6 Although the Central Registration Agent (CRA) system includes functionality for registering Joint BM Units, Parties have never used it, and it serves little purpose as the broader industry arrangements needed to make use of Joint BM Units are not defined.
- 2.7 We believe we should remove these arrangements from BSC sections K, Q and S. We also believe industry should consider removing related arrangements in the Grid Code.
- 2.8 We are delivering new Central Systems over the next few years as part of our Foundation Programme. We have determined that Joint BM Units will not be included in the first release of these central systems. We propose that Joint BM Unit functionality is removed from the BSC altogether and therefore the functionality should not be built into our new systems.

## 3. Quiescent Physical Notifications

- 3.1 A Party's right to use Quiescent Physical Notifications to the extent provided in the Grid Code is outlined in [BSC Section Q](#). The Grid Code allows parties to submit 'Quiescent Physical Notifications' for a BM Unit, and if they do the BSC requires the Balancing Mechanism Reporting Service (BMRS) to publish the data.
- 3.2 Quiescent Physical Notifications were introduced as part of the NETA programme and were intended to facilitate BM participation by BM Units that contained both controllable and non-controllable Plant and/or Apparatus.

# CONSULTATION ON USE OF UNUSED BSC PROVISIONS

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- 3.3 However, the Settlement and despatch arrangements to allow this to happen are not defined, and the Grid Code states that Quiescent Physical Notifications values must be zero. These provisions may therefore be redundant.
- 3.4 Furthermore, ELEXON plan to introduce new solutions to address the problem of BM participation by sites with non-controllable load. This includes behind the Meter arrangements that [P375 'Settlement of Secondary BM Units using metering behind the site Boundary Point'](#) is developing.

## 4. Dual Notifications

- 4.1 Dual notifications are given effect in [BSC Section P 1.1.1 \(b\) \(ii\)](#) and further elaborated throughout Section P, in particular 2.4 and 3.4 which outline 'matching requirements' and in [BSCP71](#), which outlines the processes used by Notification Agents.
- 4.2 Dual Notifications enable two Parties engaged in a transaction to each submit a copy of the transaction via different Energy Contract Volume Notification Agents (ECVNAs). Energy Contract Volume Aggregation Agent (ECVAA) then matches these volumes. This can reduce the risk of Parties registering erroneous transactions in settlement.
- 4.3 [Dual Notification of Contract Position](#) intended to address the perceived defect identified under [Modification P004](#). It was the view of the P98 Proposer that only having the single notification option introduced the risk of unlimited Settlement liability. This would occur if one Party erroneously or maliciously falsely notified against another.
- 4.4 The Proposer considered that, in removing this risk, the Modification Proposal would promote effective competition by encouraging and facilitating trading and reducing barriers to market entry. The Proposer also considered that dual notification would increase liquidity closer to real time in the markets, as it would provide a more robust trading mechanism.
- 4.5 Following Workgroup consultations, two thirds of respondents did not wish for Ofgem to approve P098; two thirds of the Settlement Standing Modification Group (SSMG) agreed that Ofgem should not approve P098. The majority of respondents and SSMG members were concerned about the implementation and operation costs of the solution.
- 4.6 The Panel agreed with the recommendations of the SSMG and did not recommend Dual Notifications be implemented, noting that the costs were high.
- 4.7 The Authority determined that despite cost concerns, Proposed Modification P98 would better facilitate the achievement of the Applicable BSC Objectives. They noted that in order to promote effective competition in the generation and supply of electricity, it was important that the BSC removed artificial barriers to entry within the wholesale trading arrangements. Ofgem decided these outweighed the costs imposed both centrally and to Parties in implementing dual notifications.
- 4.8 We understand Ofgem's rationale for introducing dual notifications. However, the functionality has not been used in live operation since its implementation. The BSC could be streamlined by removing dual notifications and not implementing them in the Foundation Architecture.
- 4.9 We note that original implementation is a sunk cost, and ongoing maintenance cost in legacy architecture is low. However, there would be some cost associated with developing functionality for these provisions within Foundation Architecture. ELEXON have not obtained a quote from our service provider for developing this functionality within Foundation Architecture. One can be obtained if the responses to this consultation believe it necessary.

## 5. Party and NETA Funding

# CONSULTATION ON USE OF UNUSED BSC PROVISIONS

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- 5.1 [BSC Section D](#) sub section 5 outlines Party Funded Costs with further provisions outlined in Annex D5. Annex D3 2.1 and 2.2 outline Specified NETA Funding Charge.
- 5.2 Party Funded Costs entitled some Parties to receive repayments from other Parties or classes of parties, in relation to the Go-Live Date, the Beta Effective Date and the Scottish Distributors Start Date. The Party Funded Schemes have now ended.
- 5.3 Specified NETA Funding Charge was a charge for each Trading Party determined as the Trading Party's Main Funding Share for the relevant month of the Monthly NETA Recovery Amount. This ended in March 2005.
- 5.4 ELEXON propose that we remove Party Funded Costs and Specified NETA Funding Charge from the BSC as they are have expired, and have therefore become redundant. This would serve to streamline the BSC.

## 6. Section I

- 6.1 BSC [Section I](#) was implemented as a temporary section to bring Scottish electricity trading arrangements into the BSC, expiring in 2005. As such, the majority of Section I is no longer relevant.
- 6.2 There are certain provisions within Section I that we should retain under other areas of the BSC. However, these do not need the context of the rest of Section I. These are:
- Section I 6.3 requires ELEXON to maintain a list of BM unit configurations.
  - Section I 6.4 requires ELEXON to keep a list Trading Unit configurations.
  - Section I 6.5 requires ELEXON to keep a list of metering dispensations.
- 6.3 ELEXON believes these obligations should be retained within the BSC, but that Section I should be removed. Section I Tables A, B and C will also need to be retained and will be encompassed in other areas of the BSC, as appropriate.
- 6.4 Removing the majority of Section I would streamline the BSC.

## 7. Pool Supplement

- 7.1 The Pool Supplement was a temporary transition document that laid out provisions for the run off settlement relating to trading under the Pooling and Settlement agreement up to the Go Live Date for the BSC and expired upon actual Go Live in 2001.
- 7.2 As this is now a redundant BSC obligation, the BSC could be streamlined by removing Pool Supplement from the BSC.

## 8. Removal of these unused or redundant functionalities

- 8.1 ELEXON would like to understand industry views on the removal of the above provisions from the BSC. We are in the process of completing a remodel and update of the BSC central systems, the Foundation Programme to deliver a flexible, scalable and open digital platform for our Settlement and balancing services. As part of that process and in the interests of streamlining and simplifying the BSC, we believe that it would be prudent for these changes to be agreed by BSC Parties.
- 8.2 We also believe removing unused and expired provisions from the BSC will contribute to the simplification of the BSC, moving the BSC towards ELEXON's ultimate aim of delivering benefit to BSC Parties through a more simple to understand BSC.
- 8.3 The removal of these provisions would also better facilitate Applicable BSC Objective (d) as it will streamline and simplify the BSC, which will make the BSC more accessible and relevant for Parties. Additionally it will support a more efficient and effective implementation of our new digital platform.

# CONSULTATION ON USE OF UNUSED BSC PROVISIONS

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- 8.4 We understand why these aspects of the BSC were first implemented. However, as the provisions are unused we can streamline the BSC by removing these obsolete or redundant provisions and benefit by not having to implement them into the Foundation Architecture programme.
- 8.5 The cost to remove the provisions from the BSC has been estimated to be around £840 (subject to internal impact assessment following consultation responses). ELEXON believe that the redundant and expired parts should be removed prior to transfer under the Foundation Programme for the reasons set out above.

## 9. Questions

- 9.1 Please send your response to [bsc.change@elexon.co.uk](mailto:bsc.change@elexon.co.uk). We request that any responses are received by 05/07/2019 on the response forms provided.
1. Do you agree that the removal of redundant or expired provisions would be beneficial to market participants?
  2. Do you agree that following items should be removed from the BSC:
    - Joint BM Units?
    - Quiescent Physical Notifications?
    - Dual Notifications?
    - Party and NETA Funding?
    - BSC Section I?
    - Pool Supplement?
  3. Do you believe that there are other provisions that are expired or redundant within the BSC?

### **For more information, please contact:**

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