ELEXON Report

Meeting Name	BSC Panel
Meeting Date	12 January 2012
Purpose of paper	For Information
Summary	The paper provides a summary of recent issues and developments in the period 9 December to 11 January 2012.

1. Overview

1.1 This paper is provided for the information of the Panel. It presents an overview of activities and developments within ELEXON and the balancing and settlement arrangements and summarises the business of the Panel meeting. At the end of the report a summary of issues under consideration by other industry Codes is presented for information. Detailed information on operational matters will be provided in other reports, particularly the Trading Operations Report.

2. ELEXON News

European Developments

2.1 The European Energy Regulation REMIT (Regulation on Energy Market Integrity and Transparency) was published in the Official Journal of the EU on 8 December. Once published it becomes effective on the 20 day following publication i.e. on 28 December.

2.2 The industry has been considering what they are required to do to meet REMIT's inside information reporting obligations. ELEXON has been in discussion with Ofgem to see to what extent the BMRS and ELEXON Portal might already publish information that may be required of electricity trading parties, or could be extended to do so.

2.3 The data requirements under REMIT are now being strongly linked to separate (non-REMIT) and future legally-binding requirements on generators, suppliers, distribution companies and the System Operator to supply data under the European Fundamental Electricity Data Transparency Guidelines.

2.4 ELEXON has had discussions with National Grid regarding using the BMRS as a conduit for meeting these Guidelines requirements and this has been proposed at the Joint European Standing Group (JESG). However, the separate REMIT inside information reporting requirements, if delivered for electricity via BMRS, are likely to result in earlier BMRS changes, if changes are deemed to be required. We are also looking at the ELEXON Portal as a possible way of publishing REMIT inside information. ELEXON will be joining an Ofgem working group on REMIT meeting in January to see if we can assist the industry in meeting these new obligations.

Electricity Market Reform (EMR)

2.5 On 15 December, DECC published its Technical Update on EMR. We were really pleased to see that DECC has recognised ELEXON's skills and expertise in potentially managing payment mechanisms, and that our excellent track record for delivery has been acknowledged.

2.6 DECC said that a settlement agent such as ELEXON 'which has much of the information, knowledge and skills necessary to manage payments' through a payment model backed by a robust and stable legal framework may be required, alongside the System Operator. The settlement mechanism will limit exposure to default and will be prescribed in law with a timely process for the transfer of obligations in the event of counterparty or supplier default. The document highlights ELEXON's strong track record of calculating and managing complex payments and settlements in a way that minimises the credit risk and impacts for both suppliers and generators.

2.7 We look forward to seeing the more detailed design of the payment models for the Feed in Tariffs (FiT) Contract for Difference (CfD) and capacity mechanisms which will be set out in early 2012, and to working with DECC, National Grid, Ofgem, the industry and others to progress this.

Consultation responses

2.8 ELEXON's responses to consultations, including our response to Ofgem's open letter consultation on the potential expansion of the role of ELEXON which will be published on 6 January can be found here.

Business Strategy

2.9 At the time of writing no written comments have yet been received on ELEXON's draft Business Strategy and Annual Report. A workshop will be held on 9 January for those who responded to our open invitation to come and discuss the strategy with us. A verbal update will be provided to the Panel at its meeting on 12 January.

3. Operational News

BPO Service Level Review

3.1 There is no common underlying cause for the recent higher than average operational issues impacting various areas of the BPO service. We continue to monitor the service closely and actively track issues through regular meeting with the service provider.

Line Loss Factor (LLF) Audit

3.2 All non-compliances identified during the recent LLF audit have been resolved. Matters concerning the consistency of LLF methodologies across the companies have been raised with the distribution companies' Distribution Charging Methodologies Forum.

PARMs Service Breaches

3.3 Recent problems with the PARMs email system (which stopped receiving and generating emails) have been resolved and additional monitoring have been put in place. All impacted customers were contacted directly and were able to make re-submissions before the relevant deadlines.

4. Summaries of Panel Business – Tabled

Report from the Imbalance Settlement Group (ISG)

4.1 At its meeting on Tuesday 20 December 2011, the ISG considered seven decision papers, including one ex-committee paper which was agreed prior to the meeting, and one information paper. Key decisions included approving four Metering Dispensations and two Change Proposals which make amendments to the Market Index Definition Statement.

4.2 Panel paper 191/01a contains a full report of the ISG meeting.

Report from the Supplier Volume Allocation Group (SVG)

4.3 At its meeting on Tuesday 3 January 2012, the SVG considered 3 decision papers and one information paper. ELEXON also highlighted the current Ofgem Smarter Markets' Consultation with responses due back 7 March.

4.4 Further information can be found in the SVG Panel report 193/01b

Report from the Performance Assurance Board (PAB)

4.5 At its meeting on Thursday 15 December 2011 the PAB considered 14 decision papers and noted 1 information paper.

4.6 Further information can be found in the PAB Panel report 191/01c.

Report from the Trading Disputes Committee (TDC)

4.7 The table below summarises the TDC's decision on PFSRs for the stated settlement Days, indicating whether PFSRs were authorised or not.

GSP Group	October 2009
Eastern	Authorised
East Midlands	Authorised
London	Authorised
Merseyside & North Wales	Authorised
Midlands	Authorised
Northern	Authorised
North Western	Authorised
Southern	Not in process
South Eastern	Authorised
South Wales	Authorised
South Western	Authorised
GSP Group	October 2009
Yorkshire	Authorised
South Scotland	Not in process
North Scotland	Not in process

4.8 The TDC were very concerned about the recent instances of National Grid energising sites before they had been properly assessed, resulting in Trading Disputes being raised with very high levels of materiality. The TDC recommended the Panel write to the appropriate Director of National Grid reminding them that these instances were breaches of the Balancing and Settlement Code and highlighting the impact on the market.

4.9 Panel paper 193/01d contains a full report of the TDC meeting.

5. Information Relating to Other Industry Codes

Industry Codes Update (CUSC, DCUSA, Grid Code, STC and MRA)

5.1 Since the last ELEXON Report, the following electricity code panels have met:

Table 1 – Code panel meetings since last report

Panel/committee	Meeting date
MDB[1]	15 December 2011
CUSC[2] Modifications Panel	16 December 2011
STC[3] Committee	20 December 2011
DCUSA[4] Panel	21 December 2011

[1] Master Registration Agreement (MRA) Development Board.
[2] Connection and Use of System Code.
[3] System Operator-Transmission Owner Code.
[4] Distribution Connection and Use of System Agreement.

ELEXON

We're also involved in various workgroups under the DCUSA, MRA, CUSC and Grid Code.

5.2 This month's areas of interest are:

- CUSC
    - The Balancing Services Standing Group (BSSG) is considering potential changes to the CUSC's generator compensation arrangements for access interruptions. These currently exclude Partial Shutdowns of the Transmission System, on the basis that the existing BSC arrangements automatically suspend normal market operations during a Partial Shutdown. The BSC's P276[5] Workgroup is developing an additional BSC threshold below which normal market operations would continue during a Partial Shutdown. The BSC Workgroup recommends that, if P276 is approved, consideration should be given to extending the CUSC compensation arrangements to Suppliers and/or generators who lose access to the Transmission System during a Partial Shutdown in which the market is not suspended. The P276 Workgroup notes that there may also be merit in considering the issue of Supplier compensation more generally under CUSC governance. We will attend the January BSSG meeting to advise on the P276 Group's conclusions.
    - We are also aware of separate industry discussions regarding compensation for Emergency Instructions (following those issued to Scottish wind farms during September), and are monitoring any interaction between these, P276 and the BSSG's work.
    - National Grid has issued a consultation to amend its System Management Action Flagging Methodology Statement (introduced by P217[6]) to include Black Start warming in the list of actions which are flagged as system-balancing and thereby tagged out of the BSC pricing calculations. There is no direct interaction with P276.
    - National Grid has raised two proposed CUSC changes relating to Balancing Services Use of System (BSUoS) charging: one to remove BSUoS charges from Interconnector Users, and one to remove BSUoS charges from generators. The first of these changes has an interaction with P278[7] (although the two changes are not dependent on each other). We are also investigating any impact of the proposed changes on the BSC's Residual Cashflow Reallocation Cashflow (RCRC) mechanism. We will attend the CUSC Workgroup meetings for these proposals and will keep you updated on any BSC interactions.
    - The Governance Standing Group is consulting on whether the CUSC should pay the travel expenses of CUSC Panel Members and Workgroup members.
    - Ofgem has rejected the CUSC change to introduce two-thirds majority Panel voting for licence-initiated changes. Ofgem recently rejected similar changes to the BSC and the Uniform Network Code (UNC).

---

[5] 'Introduce an additional trigger/threshold for suspending the market in the event of a Partial Shutdown'.
[6] 'Revised Tagging Process and Calculation of Cash Out Prices'.
[7] 'Treatment of Transmission Losses for Interconnector Users'.

- o As part of Project TransmiT, Ofgem is consulting on proposals to change the formula to set transmission charges for power generators using the high voltage grid.

- Grid Code
  - o ELEXON has responded to the Grid Code's consultation on changes to the 'Data Validation, Consistency and Defaulting Rules' document, which contains the rules used to validate BM Unit data submitted by Parties under the Balancing Codes of the Grid Code. We are supportive of the proposal, but have some comments on the detail of the proposed changes. You can download a copy of our response here
  - o ELEXON has responded to the Grid Code's consultation on changes to the 'Data Validation, Consistency and Defaulting Rules' document, which contains the rules used to validate BM Unit data submitted by Parties under the Balancing Codes of the Grid Code. We are supportive of the proposal, but have some comments on the detail of the proposed changes. You can download a copy of our response here.

- STC
  - o Ofgem has approved a proposal to clarify the role of the Evaluation Phase in the STC change process. This is very similar to the BSC's Assessment Procedure, and the proposal brings the STC process broadly in line with the Workgroup phases under other electricity codes.

Table 2 – Code panel meetings during the next month

Panel/committee	Meeting date
Grid Code Review Panel	18 January 2012
DCUSA Panel	18 January 2012
STC Committee	25 January 2012
MDB	26 January 2012
CUSC Modifications Panel	27 January 2012

Peter Haigh
ELEXON Chief Executive

List of Appendices:
Appendix 1 – Smart Update
Appendix 2 – ELEXON Monthly KPI's

List of Attachments:
Attachment A – 190/01a: Report from ISG
Attachment B – 190/01b: Report from SVG
Attachment C – 190/01c: Report from PAB
Attachment D – 190/01d: Report from TDC
Attachment E – 190/01e: Report from PSRG
Attachment F – 190/01f: Report from the Joint European Standing Group (JESG)

Appendix 1 - Smart Update

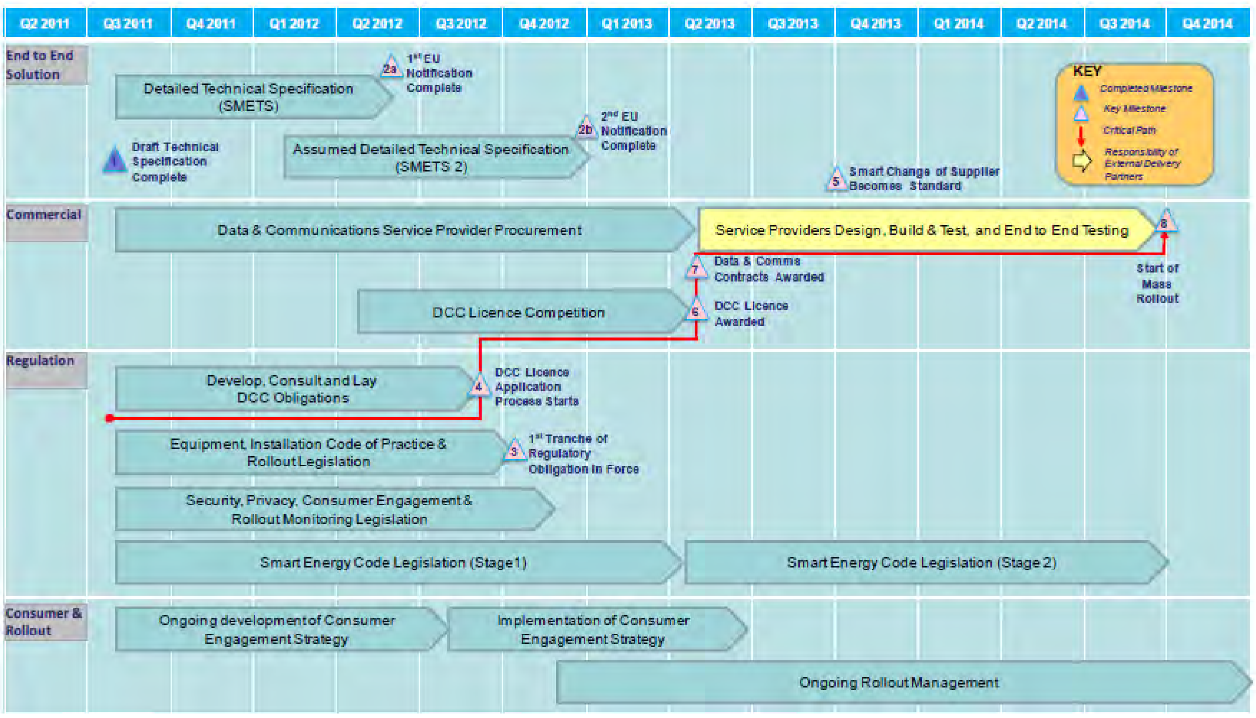
An update on our smart related activities will be provided at the BSC Panel meeting. The highlights of the last month include:

6. Smart Metering

Revised Smart Metering Implementation Programme Plan

6.1 On 23 December DECC published a revised delivery plan for the Smart Metering Implementation Programme (SMIP), describing the key activities through to 2014 (http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/smart-meters/3978-smart-meters-imp-programme-delivery-plan.pdf).

6.2 The document comprises a high level activity diagram (see below) and two pages of commentary.



6.3 The three main areas of change are:

The Development of the Smart Meter Technical Specifications (SMETS): The timescales and approach for developing the technical specifications have been revised. The Government now plans to notify the SMETS to the European Commission in March 2012. This submission will be based on the Industry Draft Technical Specifications (IDTS).

The earlier consultation on the IDTS identified some technical issues (e.g. whether there should be a mandated standard for the Home Area Network (HAN) and further security responsibilities). Work is ongoing to resolve these issues. This additional work will result in a second notification to the European Commission.

The DCC Service Provider Procurements: The plan published in March 2011 was based on the assumption that a single procurement process would be undertaken to select a single national Telecommunications and Data Service Provider. Following consultation, the Government decided to undertake separate procurements for the Data and Telecommunications Services, and to organise the Telecommunications procurement into three lots. This has driven additional activity and impacted the timescales for the award of Service Provider contracts, and the subsequent establishment of the Data and Communications Company (DCC).

The DCC Award Process: The previous plan stated that the DCC award process would commence in Q2 (calendar) of 2012 and complete in Q4 of 2012. This is now scheduled to begin in earnest from Q3 of 2012 and complete in Q2 of 2013. This will impact the planning assumptions that underpin our 2012-13 Budget and we are assessing the impact.

Supplier Exemption Consultation

6.4 On 22 December 2012 DECC issued an open letter consulting on allowing a potential exemption for small Suppliers from certain rollout obligations. The exemption would mean that small Supplier would not need to replace 'Advanced Domestic Meters' installed between March 2012 and the time when the DECC Smart Metering Equipment Technical Specifications (SMETS) come into force. Small suppliers are defined as being those with less than 250,000 customers. Additionally DECC are using the open letter to request data from Suppliers regarding the number and nature of current smart installations.

6.5 We will be considering a response to the open letter. The deadline for responses is 27 January 2012.

7. Smarter Markets

7.1 On the 15 December Ofgem issued a consultation on Promoting Smarter Energy Markets (http://www.ofgem.gov.uk/Markets/sm/strategy/Documents1/Smarter%20Markets%20Strategy%20-%20Consultation%20document.pdf). The exercise is intended to help scope a strategy for how energy markets should develop off the platform of smart metering. It proposes a systematic, evidence-based approach to assessing the nature and timing of potential reforms. The response deadline is 7 March 2012.

7.2 The document outlines a number of potential areas for reform. For each, it sets out a proposition; provides some background information; explains how the area is likely to be affected by the roll-out of smart metering; identifies possible constraints within the current market arrangements; and outlines some associated issues. In turn the questions seek views on the propositions; corroboration of the cited market constraints; confirmation that the right sources of costs and benefits have been identified; authentication of the identified issues; and provide an opportunity to suggest other areas for reform.

7.3 Six of the eight proposals mirror views that we have championed over several years. The proposals are:

Enabling Retail Market Development through increased / new mechanisms:

1. Time of use tariffs
2. Demand-side response
3. Energy Services
4. Payment Methods

Improving Market processes through evolving elements of the market mechanisms:

5. Settlement Arrangements (adoption of HH electricity settlement)
6. Change of Supplier process (next day)
7. Data Processing & aggregation (centralising the roles)
8. Code Consolidation (evolving the SEC into a retail code)

7.4 We will develop a comprehensive and supportive response which we will share with the industry.

8. Smart Grids

Smart Grid Forum

8.1 The DECC/Ofgem Smart Grid Forum has structured its work programme into five workstreams:

WS1 – Assumptions and scenarios	(DECC led)
WS2 – Evaluation Framework	(Ofgem led)
WS3 – Developing Networks for Low Carbon	(DNOs led)
WS4 – Closing Doors	
WS5 – Ways of Working	

8.2 Workstream 3 has recently published a detailed report, “Developing Networks for Low Carbon” http://www.ofgem.gov.uk/Networks/SGF/Documents1/Smart%20Grid%20Forum%20Workstream%203%20Report%20071011%20MASTER.pdf.

8.3 This report, prepared by the Electricity Network Association members, identifies twelve technical ‘solution sets’ that will need to be developed between now and 2030. Workstream 2 will provide a commercial evaluation model to test the solution sets recommended in workstream 3.

8.4 The report suggests that at least half of the solution sets will require new commercial arrangements (see table below). As understanding of the shape of the required commercial frameworks evolves, the ELEXON smart programme will assess whether ELEXON should seek a more formal position in the debate. The short term mechanism for testing new commercial frameworks is likely to be Ofgem’s Low Carbon Network Fund.

SOLUTION SETS	Year	New Commercial Needs	Application
(1) SMART D-NETWORKS 1 (Supply & Power Quality)	2020	0	(data from smart meters and home devices)
	2030	1	home devices provide power quality services
(2) SMART D-NETWORKS 2 (Active Management)	2020	0	Mainly Proof of Concept initially; ad hoc frameworks
	2030	2	DR services for networks and data DSO/DNO/TSO
(3) SMART D-NETWORKS 3 (Intelligent Assets)	2020	0	(data from smart meters and home devices)
	2030	0	
(4) SMART D-NETWORKS 4 (Security & Resilience)	2020	2	(data from smart meters and home devices)
	2030	3	Demand/DG/ Storage/ V2G interactions for network islanding
(5) SMART T-NETWORKS (Enhancements)	2020	1	Mainly Proof of Concept initially; ad hoc frameworks
	2030	3	TSO aggregation of consumer DR/ DG/ Storage/ V2G
(6) Smart EV Charging	2020	2	basic smart charging for EVs domestic, street, and car parks
	2030	3	full smart charging for EVs domestic, street, and car parks inc V2G

SOLUTION SETS	Year	New Commercial Needs	Application
(7) Smart Storage	2020	2	basic commercial frameworks for home and 3rd party devices
	2030	3	full commercial frameworks for home and 3rd party devices
(8) Smart Community Energy	2020	2	basic aggregation/ local trading within communities
	2030	3	advanced aggregation/ local trading/ between communities
(9) Smart Buildings & Connected Communities	2020	1	DR/ DG/ Storage services traded by buildings and private networks
	2030	3	DR/ DG/ Storage services traded by buildings and private networks
(10) Smart Ancillary Services (Local & National)	2020	2	TSO aggregated DR/ DG/ Storage services from LV & MV
	2030	3	Comprehensive TSO/DSO procured national services inc V2G
(11) Advanced Control Centres	2020	0	Control Centres will be impacted by the other services described above
	2030	0	
(12) Enterprise-Wide Solutions	2020	0	Enterprise solutions may adapt or create frameworks
	2030	0	

No impact	0	
Limited impact	1	existing system functionality, development and replacement
Moderate impact	2	new commercial arrangements required - basic eg availability/use fees
High impact	3	new commercial arrangements required - comprehensive eg Data Handling/Data Analysis/Funds transfers/trading pe

SUMMARY OF THE INITIAL ASSESSMENT

		2020	2030
No impact	0	5	3
Limited impact	1	2	1
Moderate impact	2	5	1
High impact	3	0	7

GB Electricity Demand Project

8.5 We met with Sustainability First to discuss the GB Electricity Demand Project. This project is seeking to identify the potential for demand response and to identify the mechanisms for enabling it. Our current input is centred on explaining the available data and the current market mechanisms.

9. Smart Budget

9.1 Our expenditure this year (2011/12) up to the end of December is:

	Released Funds	Committed Funds	Reported Last Month
Smart Support[8]	£280k	£198k	£150k
Smart Opportunities[9]	£36k	£32k	£19k
TOTAL	£316k	£230k	£145k

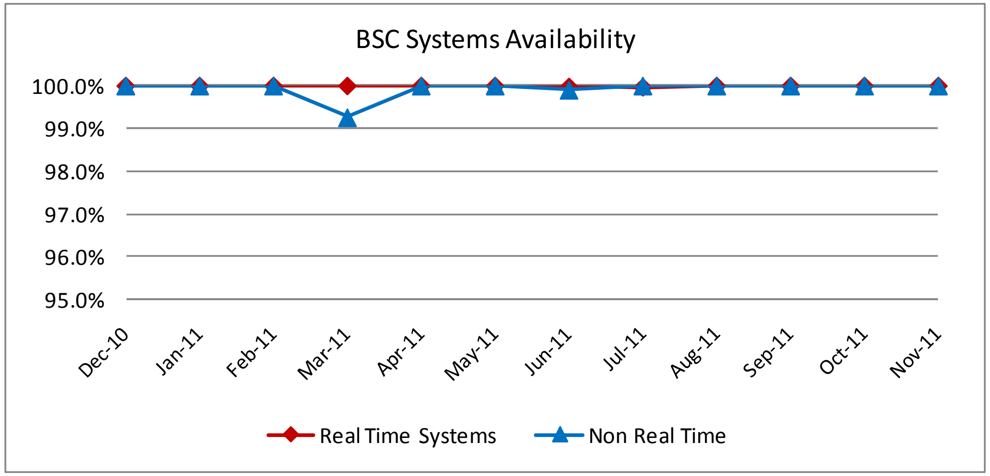
9.2 We continue to maximise the use of our internal resources and so limit external expenditure. Since previously reported, we have incurred additional spend in both Smart Support and Smart Opportunities. In Smart Support we continue to consider the implications of security obligations in a smart world and to back fill for operational resources supporting SMIP and evolving the BSC activities. The additional expenditure in Smart Opportunities is solely related to external legal advice required to support ELEXON's governance and vires consultation and implementation planning: a share of these costs having been allocated to the smart opportunities budget. We will need additional funds to be released to cover ongoing spend in this area.

9.3 As reported last month, we will continue to use external support to in the form of specialist advisors to focus on ensuring that the DCC and its associated services are appropriately specified for success as inefficient or ineffective arrangements could severely compromise the data quality of the SVA arrangements, thereby impacting settlement and the associated data feeds into DUoS and TUoS billing. We will continue to communicate key findings with the SMIP and the smart community. All spend will be subject to the existing smart expenditure controls.

[8] Comprising Smart 1 – Evolving the BSC Arrangements & Smart 2 - Supporting the SMIP
[9] Comprising Smart 3 – Progressing the new Smart Opportunities

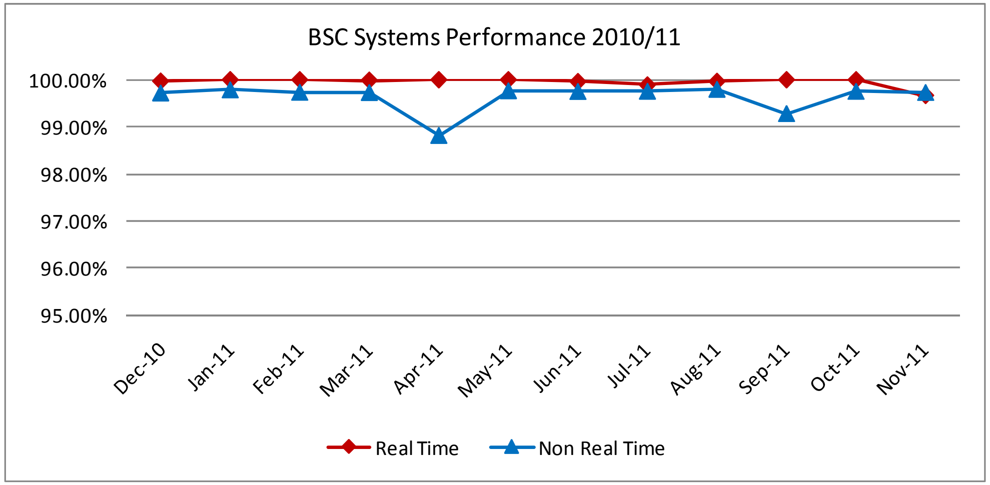
ELEXON Key Performance Indicators

November 2011



BSC Systems Availability

During November 2011 there were no service breaches affecting the BSC system availability.

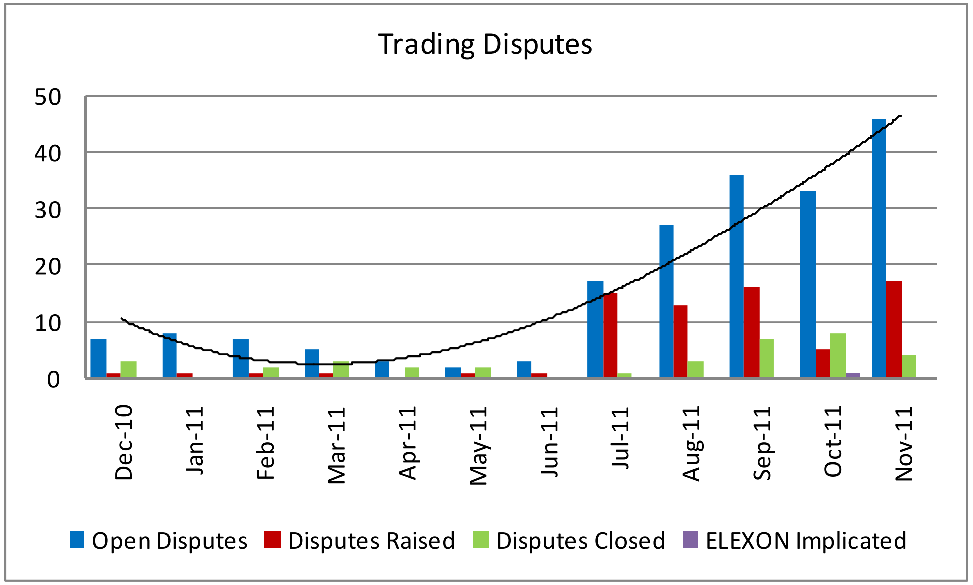


BSC Systems Performance

On Saturday 12 November 2011 there was a seven hour interruption to the live BMRA data feed. During the interruption no data was received from National Grid to the BSC Central Services live site. A few hours later, the backlog of files had been processed and BMRA was up to date again. As a result of this, the scope of the next BSC Central Services Disaster Recovery Test, due to take place early 2012, will be amended to include some additional tests on the infrastructure.

For Board and External Publication.

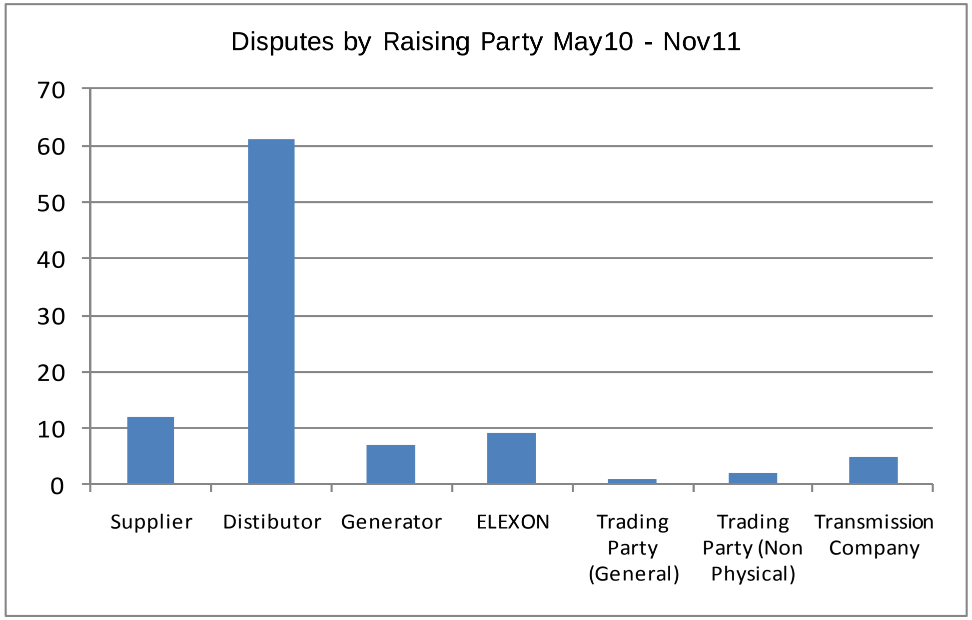
Service Quality/Processes



Trading Disputes

Trading Disputes can be raised by any BSC Party, including ELEXON, and are assessed by the Trading Disputes Committee (TDC).

There were 17 new disputes opened and 4 closed in November. For the 2011/12 financial year, 68 new disputes have been raised and 27 closed leaving 46 open.



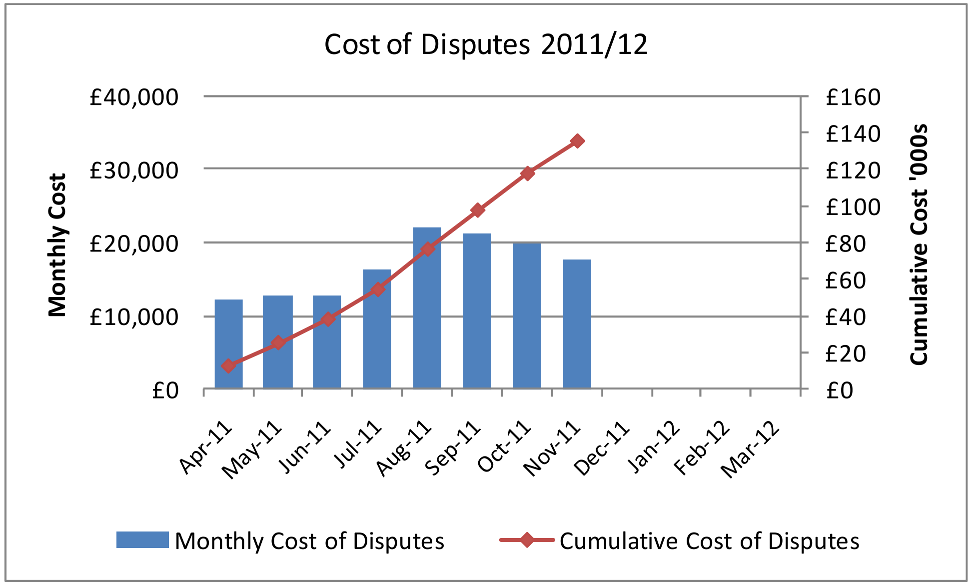
Disputes by Raising Party Type

This KPI shows all Disputes since May 2010 by the type of participant who raised the Dispute. A Distribution Business had indicated that approximately 60 Trading Disputes will be raised as a consequence of site visits. 53 Disputes have been received (July – 15, August – 13, September 15, November 10).

The Transmission Company raised 5 Disputes during November in relation to emergency de-energisation instructions.

For Board and External Publication.

Service Quality/Processes



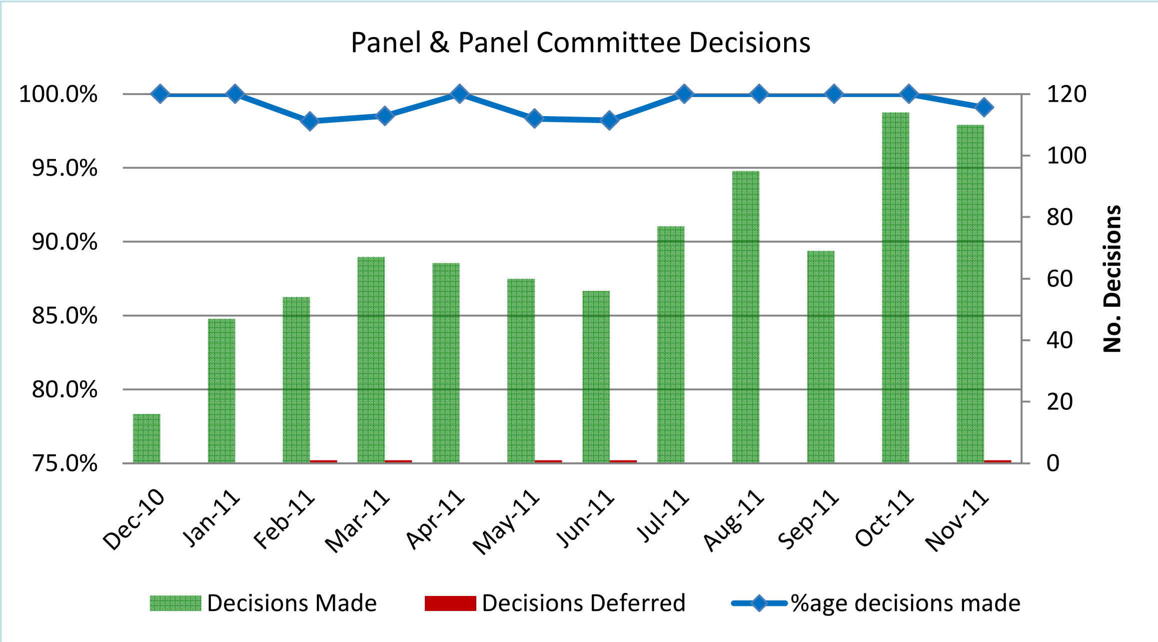
Cost of Processing Disputes

Within the Metering and Disputes team there are two dedicated resources dealing with Trading Disputes with, going forward, some flexibility for others to help out.

The costs for November 2011 represent 31 man days of dedicated resource. There is an additional 2.5 man days for the ongoing Erroneous EAC/AA Trading Dispute plus 2 man days covering the administration around the monthly TDC meeting. A total of 35.5 man days expended for November. Using a day rate of £500 gives a monthly cost of £17,750.

ELEXON Key Performance Indicators

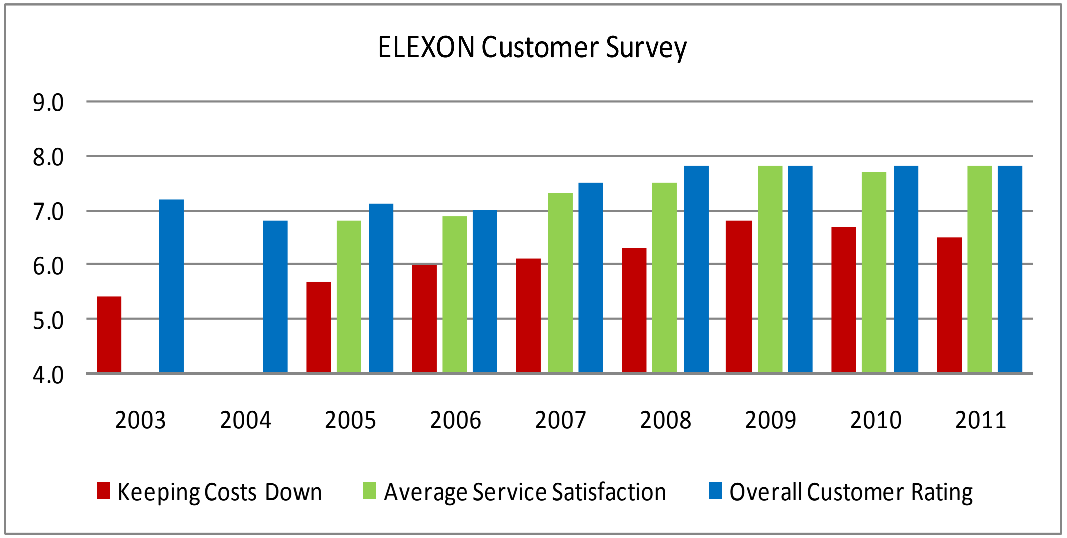
November 2011



Panel & Panel Committee Decisions

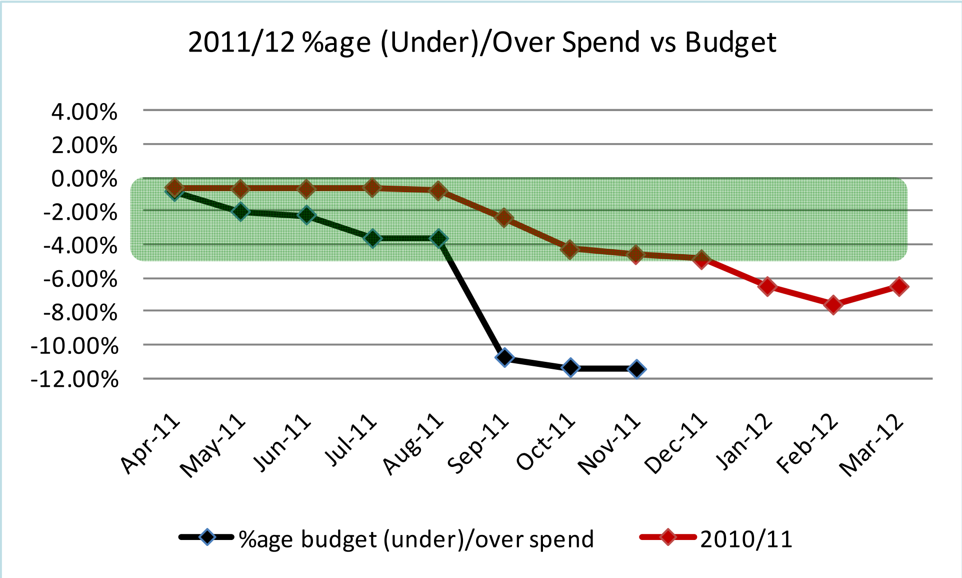
For the month of November 109 of the 110 decisions submitted to the Panel and its committees were made.

Service Quality/Processes



ELEXON Customer Survey

This graph has been updated to include the 2011 Customer Survey. ELEXON's scores for 2011 are overall 7.8 (unchanged), average service satisfaction 7.8 (+0.1), and keeping costs down 6.5 (-0.2).



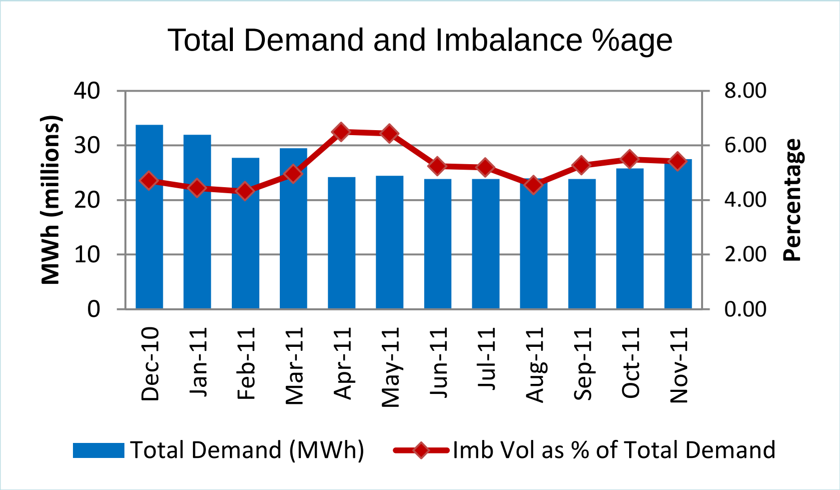
Spend against Budget 2011/12

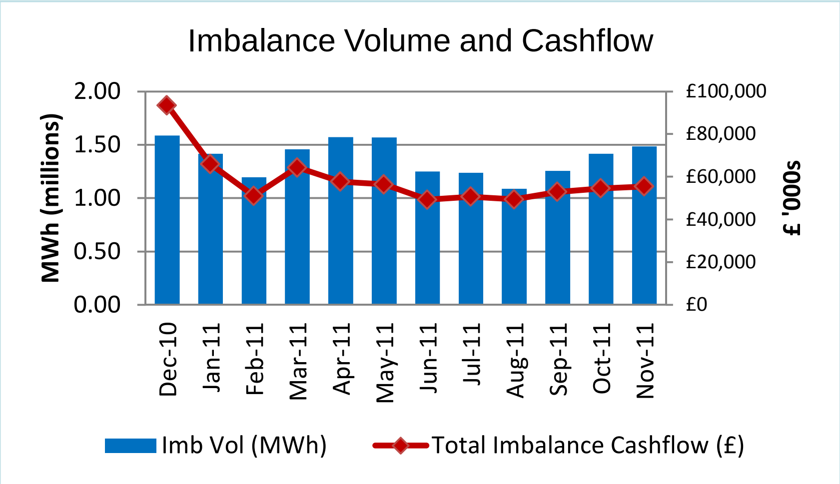
The budget under spend for the financial year was 11.5%. 1.1% of under spend relates to a reduction in demand led work which is driven by industry. The operational under-spend is 3.9% ((1.7% relates to lower than expected NGC pension deficit repair and employer contribution).

Contracted costs for the year were 0.9% below budget (0.7% relates to releasing the provision for TAA contract re-procurement & transition). SMART costs are 5.6% under budget.

Staff Capability & Financial

ELEXON Key Performance Indicators November 2011





Value of Imbalance Settlement

These graphs are for information only to put ELEXON's role in context. The graph below is also reported in the Trading Operations Report.

Service Quality / Processes