Modification proposal:	**Balancing and Settlement Code (BSC) P237: Standard BM Unit configuration of Offshore Power Park Modules (P237)**		
Decision:	The Authority[1] directs that this proposal be made[2]		
Target audience:	National Grid Electricity Transmission Plc (NGET), Parties to the BSC and other interested parties		
Date of publication:	12 November 2009	Implementation Date:	5 working days after Authority decision

Background to the modification proposal

The Balancing and Settlement Code (BSC) sets out a series of conditions that Plant and/or Apparatus which is connected to the transmission system and which exports and/or imports electricity must satisfy in order to constitute a Balancing Mechanism Unit (BM Unit)[3]. The BSC also sets out the types of Plant and/or Apparatus which meets these conditions and which constitutes a single BM Unit with a '**standard'** BM Unit configuration. Amongst these types of Plant and/or Apparatus are Power Park Modules (PPM)[4].

Each Power Park Module ordinarily constitutes a single BM Unit. However, if the conditions for constituting a single BM Unit are not met, the party responsible for registering BM Units (the Lead Party) may apply to the BSC Panel[5] for approval of a **'non-standard'** BM Unit configuration[6].

Depending on the operational configuration of Plant and/or Apparatus chosen by a generator, it may be required to register more than one BM Unit. The BSC requires that various activities are undertaken in relation to **each** BM Unit, including:

- generators: must submit separate Physical Notifications (PNs) and other associated data, e.g. Bids and Offers;
- the Transmission Company (NGET): must process each PN; and,
- Elexon and BSC Agents: must register each individual BM Unit and associated BM Unit parameters such as generation/demand values in central BSC systems.

Each of these activities carries associated costs, making non-standard configurations more expensive than standard configurations.

Offshore

On 24 June 2009 (Go Active) the Government introduced a new regulatory regime for offshore electricity transmission, facilitated by a number of changes to industry codes

[1] The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.
[2] This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.
[3] A BM Unit is a physical or virtual boundary point for the measurement of the electricity transfer registered to a BSC Party. It can be a generator, a large user of electricity, registered for an interconnector or a representative of a Supplier's customers in a particular region of the UK. Sections K3.1.1, K3.1.2 and K3.1.4 of the BSC refer.
[4] Power Park Module is the collective name for generating units powered by an intermittent power source, e.g. wind.
[5] The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC.
[6] Section K3.1.6 of the BSC refers.

made under its powers provided by the Energy Act 2004[7]. For example, the purview of the BSC arrangements now extend offshore and existing BSC obligations will in future therefore apply to offshore generators connecting to an offshore transmission system when the regime is fully implemented[8].

Changes were also made to the Grid Code, which covers all material technical aspects relating to connections, operation and use of the transmission system. In particular, the technical requirements for PPMs were amended to distinguish between onshore and offshore units[9]. When taken in conjunction with the BSC's existing BM Unit rules mentioned above, this may mean that offshore generators have to register more BM Units than are actually required by NGET to run the transmission system.

The proposer considers that in addition to the inherent costs, such inefficiencies may cause operational difficulties for offshore generators and potentially hinder the development of existing and future offshore projects.

The modification proposal

Prior to the Go Active date, a BSC Standing Group[10] considered the possible impacts of extending the BSC arrangements offshore, in particular on the obligations regarding metering and BM Unit registration. The group recognised that while the Grid Code changes mentioned above were correct from a technical perspective, it had the unintended consequences of creating the potential inefficiencies mentioned above, which could unduly disadvantage offshore intermittent generators.

P237 was therefore raised in response to a recommendation[11] by that Issue Group. It seeks to allow offshore generators the option to register a single BM Unit for all their offshore PPMs instead of a single BM Unit for each individual PPM, where the Lead Party requests this and NGET agrees to the request. The proposer considers that this modification would remove the need to register unnecessary BM Units and consequently remove the need to submit PNs, Bid-Offer Acceptances and other associated parameters for any additional BM Units.

Other benefits associated with P237 identified by the proposer include the facilitation of short-notice operational configuration of Plant/Apparatus and the removal of the need to make regular changes to BSC aggregation rules.

P237 would, according to the proposer, allow an offshore generator to retain the choice to register more than one BM Unit should it wish to do so.

BSC Panel[12] recommendation

The BSC Panel considered the Final Modification Report (FMR) for P237 at its meeting on 8 October 2009. The Panel unanimously agreed that P237 would better meet Applicable BSC Objectives b, c and d and therefore recommended approval of P237. The FMR provides details of the Panel's views.

[7] Section 90 of the Energy Act 2004 enables the Secretary of State to make changes to the licences and industry codes to introduce the offshore transmission regime, and were therefore limited to offshore only.
[8] Anticipated to be summer 2010.
[9] Further details are provided in the Final Modification Report for P237
[10] Standing Issue Group 37: Boundary Point Metering and BM Unit Issues in Section K.
[11] Another BSC modification proposal, P238, was also raised in response to a separate recommendation by the Issue 37 Group and has been assessed in parallel with P237
[12] The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC.

The BSC Panel noted that there would be benefits to P237 and P238 being implemented in parallel[13].

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the FMR dated 8 October 2009. The Authority has considered and taken into account the responses to Elexon's[14] consultation which are attached to the FMR[15]. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the BSC[16]; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties[17].

Reasons for the Authority's decision

One of the changes made at Go Active was the introduction of the definition of 'Offshore Power Park Module' in the Grid Code. The requirement for such a new definition was identified with the assistance of an industry working group and reflected the uncertainty in respect of the ownership boundary arrangements that may be sought by offshore generators. This new definition of Offshore PPM did not introduce additional generator choice in the configuration of Plant and/or Apparatus which it registers as a BM Unit. However, it did clarify the basis on which the existing Grid Code obligations would apply in cases where a generator had agreed a non-standard ownership boundary with NGET.

In anticipation of multiple transmission owners offshore, it was considered that additional clarity within the Grid Code was needed to ensure that offshore generators were able to assess likely consequences of choosing a non standard option. Our view is that the change made to the Grid Code at Go-Active did not change the default principles of ownership that are defined in the Connection and Use of System Code (CUSC), but provided additional clarity about treatment of non standard boundary arrangements.

We note that choice in respect of ownership boundary arrangements continues to be available to intermittent onshore generators (the CUSC allows onshore and offshore PPMs to stipulate their commercial boundary in their bilateral agreement). However, we do recognise that this choice is being utilised by Offshore PPMs more frequently than Onshore PPMs.

We note the comments made by NGET in its analysis and impact assessment that the changes proposed by P237 will not adversely affect its ability to discharge its obligations under its transmission licence and that it will streamline processes associated with the receipt of transmission data and simplify the process of issuing bid-offer acceptances. We agree with the Panel and respondents that the changes proposed by P237 will resolve inefficiencies for some offshore intermittent generators, depending on the operational configuration of Plant and/or Apparatus and will prevent the BSC's BM Unit requirements from becoming an unnecessary barrier to offshore intermittent generators.

[13] Although assessed in parallel, P237 and P238 are standalone modification proposals.
[14] The role and powers, functions and responsibilities of Elexon are set out in Section C of the BSC.
[15] BSC modification proposals, modification reports and representations can be viewed on the Elexon website at www.elexon.com
[16] As set out in Standard Condition C3(3) of NGET's Transmission Licence, see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=4151
[17] The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

We note that under the CUSC, the default principles of ownership do not differentiate between offshore and onshore generators.

Applicable BSC Objective b (the efficient, economic and co-ordinated operation of the National Electricity Transmission System)

We consider that P237 facilitates the economic, efficient and co-ordinated operation of the National Electricity Transmission System (NETS), particularly through reducing the volume (and associated costs) of information that needs to be submitted by the offshore generator and processed by NGET to the level required for the operation of the NETS.

Applicable BSC Objective c (promoting effective competition in the generation and supply of electricity)

Whilst we recognise that the intent of the proposal was to remove a perceived disadvantage to offshore generators, we have not been convinced that there is a significant disadvantage given the opportunity to apply for non-standard configurations.

We acknowledge the Panel's view that P237 provides benefits for offshore generators. Whilst we recognise the value of additional certainty for generators, we are unsure about how much certainty P237 provides. As previously discussed, both onshore and offshore generators have a choice in the configuration of Plant/Apparatus they can register as a BM Unit. Under prevailing BSC rules a generator is able to apply to the Panel for a non-standard BM Unit configuration, and in reaching its decision the Panel would seek NGET's agreement. While there is no evidence that NGET has been withholding agreement to such non-standard configurations, it remains the case that its agreement will still be requirement under this proposal.

The crux of our consideration under objective c) is that while P237 proposes that two or more offshore PPMs can be registered as a **standard** single BM Unit, similar circumstances onshore would continue to form a **non-standard** BM Unit configuration. It is therefore unclear to us whether this is simply replacing one relative disadvantage with another. However, to the extent there is any impacts upon competition we consider that they would be marginal.

Applicable BSC Objective d (promoting efficiency in the implementation of the balancing and settlement arrangements)

We consider that P237 promotes efficiency in the implementation of the BSC ensuring that BSC Agents are not required to register excessive numbers of BM Units, thus avoiding the costs associated with managing BM Unit data in the BSC systems.

Conclusion

While we remain unconvinced that this proposal would better facilitate competition, we are satisfied that it would not hinder it. We recognise that the focus of the Issues Group and subsequently its recommendations was on offshore; the scope of the modification was therefore similarly restricted. To the extent that onshore intermittent generators feel their circumstances are sufficiently similar to those mentioned above and may also warrant a standard BM registration, they are at liberty to raise a modification proposal to that effect.

We also consider that the efficiency benefits of P237 to offshore intermittent generators are manifest, with elexon estimating that the proposal could allow offshore intermittent generators to avoid up to £3.8million of set up costs (based on potential installed

capacity of 33GW of offshore wind generation). As mentioned above, there will also be savings to NGET, elexon and its agents.

We note the Panel's opinion that there would be benefits to P237 and P238 being implemented in parallel. We recognise that the reduction in the number of BM Units which are registered due to the introduction of P237 (with attendant cost savings) may further reduce the number of meters that offshore intermittent generators are required to install and maintain which would also bring further cost savings[18].

We therefore consider that any concerns we may have over this proposal in relation to onshore intermittent generators would not warrant its rejection, and the forfeit of the tangible costs savings mentioned above, particularly given the alternative remedy of further proposals.

Decision notice

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority, hereby directs that modification proposal BSC P237: Standard BM Unit configuration of Offshore Power Park Modules be made.

Robert Hull
Acting Managing Director - Commercial
Signed on behalf of the Authority and authorised for that purpose.

[18] Please refer to our decision on P238 for further information on the costs savings that can be recognised from reducing the number of meters an offshore generator needs to install on an offshore platform.