

To: Victoria Moxham, BSC Panel Secretary

CC: System Operator, Transmission
System Owners, Generators, Suppliers,
Traders, Consumers and Other Interested
Parties

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Date: 15 October 2015

Dear Victoria

Decision to approve the Loss of Load Probability (LoLP) Calculation Statement

Background

BSC Modification P305, approved¹ by Authority in April 2015, required the Panel to establish a LoLP Calculation Statement setting out the methods used by NGET to calculate LoLP values, as developed by the P305 Workgroup. The Statement has since been prepared by National Grid² and consulted on by Elexon³.

BSC Panel recommendation and the Authority's decision

At the September 10th meeting, the BSC Panel recommended that the Authority approve the Statement.

Noting responses to Elexon's consultation, and the BSC Panel views and recommendation of approval, the Authority's decision is to approve the Statement.

The Authority has taken into account responses to Elexon's consultation and the views and recommendation of the BSC Panel in reaching its decision. In its view the statement has been made in accordance with and contains the necessary information required by the BSC. It thus facilitates the benefits of BSC Modification P305, as set out in the Authority's decision letter in respect of that modification. The Authority considers that approving this Statement is in accordance with its statutory duties⁴.

Next steps

Following this decision, the lookup table⁵ will be published on the Elexon Portal and the Statement will be added to the BSC Baseline Statement, and will become effective from 5 November 2015.

¹ <https://www.ofgem.gov.uk/publications-and-updates/balancing-and-settlement-code-bsc-p305-electricity-balancing-significant-code-review-developments>

² https://www.elexon.co.uk/wp-content/uploads/2014/10/36_244_11_LOLP_Calculation_Statement_PUBLIC1.pdf

³ <https://www.elexon.co.uk/news/review-of-draft-loss-of-load-probability-calculation-statement/>

⁴ Detailed mainly in the Electricity Act 1989

⁵ The values in the lookup table represent the combinations of De-rated Margin and LoLP that the Transmission Company will use for determining final LoLP values when calculating Reserve Scarcity Prices in advance of introduction of the dynamic method in 2018. The table will enable Parties to forecast LoLP based on forecasts of De-Rated Margin calculated by National Grid and published on the Balancing Mechanism Reporting System.

We note the statement will be reviewed by the Panel from time to time or where considered necessary. We suggest that the opportunity be used on these occasions to consider whether the economic and efficient operation of the system and the consumer interest may be served by among other things:

- independent scrutiny of the method – such as by a renowned academic,
- greater sophistication in modelling of availability factors such as their relationship with weather or scarcity,
- provision of dynamic indicative LoLPs from an earlier date than May 2018, such as from November 2017.

Yours sincerely,

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