

By email to: CCLandREGO@Ofgem.gov.uk

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Dear CCL and REGO Team,

ELEXON'S RESPONSE TO 'CONSULTATION ON PROOF OF UK CONSUMPTION OF OVERSEAS ELECTRICITY'

We welcome the opportunity to respond to the above consultation.

In particular, our response relates to Question 1 in the consultation, which asks for views on the types of evidence of UK consumption of overseas electricity that are proposed. And we note your example that notifications of trades "*sent by market participants to the GB settlement party (and confirmed in return by the settlement party) for balancing*" could be used as evidence of implicit purchase of overseas electricity through a UK power exchange.

ELEXON's Role

ELEXON fulfils the role of the Balancing and Settlement Code Company (BSCCo), which means that we are responsible for the operation of the Balancing and Settlement Code (BSC). The BSC is an electricity industry code that sets out the arrangements for participation in the balancing mechanism and the Settlement of balancing mechanism transactions and imbalances in Great Britain. This BSCCo role is (we believe) the "GB settlement party" referred to in your consultation.

Evidence held by BSC Agents

In order for us to calculate imbalances, the BSC requires us to appoint an Energy Contract Volume Aggregation Agent (ECVAA) to whom BSC Parties can provide Energy Contract Volume Notifications (ECVNs) that specify the volume of energy traded with each counterparty. It also requires us to take these notifications into account when calculating each BSC Party's energy imbalances. BSC Parties therefore notify their physical energy trades to the ECVAA, in order that the party purchasing the energy can be credited with the purchased volume in the energy imbalance calculation.

In the context of GB Suppliers purchasing energy through the market coupling arrangements administered by power exchanges, it is generally the power exchange that notifies ECVAA of the volumes purchased by each Supplier, and acts as counterparty to the trade for the purposes of the BSC. ECVAA will provide confirmation of the notified trades to both GB parties (power exchange and Supplier) through the following automated data flows.

- The Notification Report (ECVAA-I014) is sent by ECVAA to each BSC Party at the end of each Settlement Day, and shows final details of notified contract volumes, for each of their Counterparties, in each Settlement Period of the day.
- Depending on the reporting options chosen by the BSC Parties to whom the trade relates, ECVAA may also acknowledge each notification as it's received with an ECVN Acceptance Feedback (ECVAA-I028) data flow. However, it should be noted that the BSC allows contract notifications to be amended up until Gate Closure. This means that an ECVAA-I028 (or any other report issued by ECVAA prior to Gate Closure) cannot be relied upon as evidence of a Party's final position. This makes such reports less adequate as evidence that overseas electricity has been consumed in the UK.

Therefore, in relation to Question 1 in your consultation, we believe that a confirmation report (such as the ECVAA-I014) sent by ECVAA to a GB Supplier would potentially provide adequate evidence of a trade with one of the GB power exchanges participating in market coupling arrangements (and so could form part of the evidence presented by a GB Supplier to demonstrate that overseas electricity was consumed in the UK). However, there are some practical issues that may need to be taken into account by any auditor (or other party) seeking to interpret these reports.

- The BSC does not require power exchanges to separate out notified volumes relating to market coupling from any other volumes they may notify to ECVAA. Assistance from the power exchange that notified the volume to ECVAA could therefore be required to confirm which of the ECVNs should be treated as relevant to market coupling.
- The notification reports sent to BSC Parties by ECVAA contain disaggregated data (at the level of each individual Settlement Period and ECVN), and may therefore be onerous to interpret, unless summarised and aggregated by an appropriate automated process.

The latter point could potentially be addressed by putting in place a process for ECVAA (or BSCCo) to provide Ofgem with a report of aggregated contract notification volumes (rather than relying on Suppliers to provide individual disaggregated reports). This would also provide additional assurance that the data provided had been collated in a consistent and accurate way. We would however need to assess the cost and lead time of introducing such a service, and also whether it would require any change to the existing BSC rules and processes for data reporting.

In conclusion

I hope that these comments are helpful. If you would like to discuss this further, please do not hesitate to contact me on 020 7380 4345, or by email at john.lucas@elexon.co.uk.

Yours faithfully,

John Lucas
Design Authority
ELEXON