

Modification proposal:	<b>Balancing and Settlement Code (BSC) 357: 'Removal of GC/DC tolerance parameters from BSC Section K' (P357)</b>		
Decision:	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>		
Target audience:	National Grid Transmission Plc (NGET), Parties to the BSC, the BSC Panel and other interested parties		
Date of publication:	13 December 2017	Implementation date:	22 February 2018

## Background

The Generation Capacity (GC) and Demand Capacity (DC) must be declared for each BSC Season by the Lead Party for each Balancing Mechanism (BM) Unit in accordance with BSC Section K. The declared value is either the maximum expected positive (indicating generation) or negative (indicating demand) Metered Volume for a single Settlement Period falling within the relevant BSC Season. Together, the GC/DC values form part of the calculation of Credit Assessment Energy Indebtedness (CEI) and Credit Cover Percentage (CCP). Having submitted GC/DC values, a Party must re-declare its GC/DC values in order to remain compliant with the BSC should its Metered Volumes exceed the tolerance parameters specified in Section K3.4.3. Given the fact that the GC/DC tolerance parameters are specified in the BSC, any changes to the GC/DC tolerance parameters can only be made by raising a BSC Modification.

## The modification proposal

SSE plc raised P357 on 6 September 2017. P357 proposes to remove the GC/DC parameters from BSC Section K 'Classification and Registration of Metering Systems and BM Units'. The proposer states that this will enable the values to be more easily reviewed from time to time by the Panel or its delegated committee, in accordance with a guidance document that will detail the principles for review and approval.

Having been determined by the Panel or its delegated committee, the Balancing and Settlement Code Company (BSCCo) would publish the parameters on the BSC website. The Panel or, if delegated, the Imbalance Settlement Group (ISG) would review these parameters from time to time as it sees fit, with an initial review scheduled one year post-implementation of this Modification Proposal.

Furthermore, P357 proposes that appropriate guidance should be established so that the governance and principles for setting and reviewing GC/DC Limits are clearly and openly documented. Overall, this solution seeks to avoid the need for a Modification to be raised each time the tolerances need to be updated. The proposer therefore contends that the modification would better facilitate BSC objective (d)<sup>3</sup>.

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> BSC Objective (d) Promoting efficiency in the implementation of the balancing and settlement arrangements.

## **BSC Panel<sup>4</sup> recommendation**

At the BSC Panel meeting on 9 November 2017, the BSC Panel unanimously considered that P357 would better facilitate the BSC objectives and the Panel therefore recommended its approval. The BSC Panel unanimously agreed that the P357 Proposed Modification better facilitates Applicable BSC Objective (d).

## **Our decision**

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 10 November 2017. We have considered and taken into account the responses to the industry consultations<sup>5</sup>, which are attached to the FMR<sup>6</sup>. We have concluded that:

- implementation of the P357 modification proposal will better facilitate the achievement of the applicable objectives of the BSC;<sup>7</sup> and
- directing that the modification P357 be made is consistent with our principal objective and statutory duties.<sup>8</sup>

## **Reasons for our decision**

We consider this modification proposal will better facilitate BSC objective (d) and has a neutral impact on the other applicable objectives.

### ***(d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements***

We have noted the comments from the workgroup members and respondents that the Proposed Modification will improve efficiency in the BSC arrangements as a Modification Proposal would no longer be required to amend the GC/DC tolerance parameters. This could provide greater flexibility in the governance of the tolerance parameters. One respondent highlighted the fact that the solution to P357 will align the GC/DC arrangements with the practice for other arrangements such as the Credit Assessment Price (CAP), whereby the value can be amended without a Modification Proposal.

While we note that the current values have had limited review, and have not changed since the introduction of P186 'Rationalising the criteria for the submission and re-declaration of Demand & Generation Capacities'<sup>9</sup> in September 2005, we agree that greater flexibility in the governance of the tolerance parameters would be beneficial. P357 allows the BSC Panel, or a delegated committee, more flexibility to review and update the tolerance limits in response to changing circumstances without the need for a Modification Proposal to be raised each time. We consider this approach proportionate in

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<sup>4</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and Standard Special Licence Condition C3 of the Electricity Transmission Licence available at: [www.epr.ofgem.gov.uk](http://www.epr.ofgem.gov.uk)

<sup>5</sup> The responses to the industry consultations were supportive to the implementation of P357.

<sup>6</sup> BSC modification proposals, modification reports and representations can be viewed on the Elexon website at <https://www.elexon.co.uk/mod-proposal/p357/>

<sup>7</sup> As set out in Standard Condition C3(3) of NGET's Transmission Licence: <https://epr.ofgem.gov.uk>

<sup>8</sup> 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.

<sup>9</sup> Ofgem's decision and notice in relation to the Modification Proposal P186 "Rationalising the criteria for the submission and redeclaration of Demand and Generation Capacities" can be found at: <https://www.ofgem.gov.uk/sites/default/files/docs/2005/09/11520-p186-d.pdf>

this case, and note it is consistent with the approach for other arrangements such as the process for setting the CAP. We welcome that it is intended that appropriate guidance on the new process and principles for reviewing the GC/DC limits will be provided.

### **Decision notice**

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority hereby directs that modification proposal BSC P357: *Removal of GC/DC tolerance parameters from BSC Section K* be made.

**Ryan McLaughlin**

**Head of European Wholesale Markets, Wholesale Markets**

Signed on behalf of the Authority and authorised for that purpose