

ELEXON

BSC SANDBOX APPLICATION BSB003 (GOOD ENERGY)

Draft Sandbox Report to the
BSC Panel

Public

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About this report

This is Elexon's draft Sandbox Report to the BSC Panel on whether to recommend approval of BSC Sandbox Application BSB003 (Ofgem ref ERS009).

The **Summary and recommendations** section of this report contains all the key information. You can find supporting detail in the later sections.

Attachment A contains Elexon's full risk assessment.

Attachment B contains the full public industry consultation responses.

If you have any questions, please contact bsc.sandbox@elexon.co.uk.

What is the BSC Sandbox?

Innovators may want to trial an activity or arrangement that would not normally be permitted by the Balancing and Settlement Code (BSC) rules. Through the BSC Sandbox, they can seek a temporary BSC Derogation from having to comply with one or more of these rules.

For each BSC Sandbox Application, Elexon assesses the risks and impacts of the requested BSC Derogation on behalf of the BSC Panel. The Panel makes a recommendation to Ofgem. Ofgem then makes the final decision.

The maximum Derogation Period permitted by the BSC is 3 years. This includes 2 years' maximum for the Trial Period in which the application tests their innovation, plus any additional Transition Period during which they exit from the derogation.

The BSC Sandbox supports Ofgem's wider Energy Regulation Sandbox (ERS), through which all applications are made. Ofgem makes the final decision on all aspects of the ERS application, including any with wider impacts (e.g. requests for derogations from other Industry Codes or licences).

At the end of this report you can find a glossary of terms used in the BSC Sandbox Process. Our [BSC Sandbox webpage](#) gives guidance on the process, including a link to our [BSC Sandbox Guidance Note](#).

Summary and recommendations

The BSC Sandbox Application

Elexon has received the following BSC Sandbox Application:

Summary of BSC Sandbox Application	
BSC Sandbox Application reference	BSB003 (Ofgem reference ERS009)
Name of Sandbox Applicant	Good Energy
Other partners in the BSC Sandbox Application	None
Who is the proposed Derogation Party?	Good Energy
Is the Derogation Party already a BSC Party?	Yes
BSC/Code Subsidiary Document provisions to which Proposed BSC Derogation relates	BSC Section J 'Party Agents and Qualification under the Code' – specifically J4.1.5 & J4.1.6
Type of provisions to which Proposed BSC Derogation relates	Supplier Agent ¹ appointments
Impacts other Industry Code sandboxes?	Yes – Retail Energy Code (REC) Sandbox
Sandbox Applicant's proposed trial scope	100 Metering Systems (MSIDs) initially, scaling up to 100,000 MSIDs over 9 months
Sandbox Applicant's proposed Derogation Commencement Date	October 2022 (specific date to be set by Ofgem)
Sandbox Applicant's proposed Trial Period duration (maximum 2 years)	2 years
Has Sandbox Applicant provided a detailed Transition Plan?	Yes
Sandbox Applicant's proposed Transition Period	1 year
Has Sandbox Applicant provided a progress reporting plan?	No (but see further detail in the reporting section of this report)
Has Sandbox Applicant provided all other requested information?	Yes

¹ Any Party Agent of a Supplier that the BSC requires to be appointed for a Supplier Volume Allocation (SVA) Metering System.

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Assessment against BSC Sandbox Eligibility Criteria

Elexon has assessed the BSC Sandbox Application against the BSC Sandbox Eligibility Criteria:

BSC Sandbox Eligibility Criteria	Y/N	Details						
BSC Derogation provisions correct/complete?	Y	Elexon has not identified any other relevant provisions.						
Materially similar to another BSC Derogation?	N	Application is materially different to previous BSC Sandbox applications.						
Conflicts with any relevant legal requirement?	N	Scope of application does not include any provision from which a BSC Derogation is not permitted.						
Conflicts with other BSC changes?	N	Elexon has not identified any upcoming changes (including the Market-wide Half Hourly Settlement (MHHS) Programme) that would make this application unworkable or unnecessary.						
Facilitates Applicable BSC Objectives?	Y	(a)	(b)	(c)	(d)	(e)	(f)	(g)
		-	-	✓	✓	-	-	-
Material impact on Settlement Risk?	N	Has minor potential impacts on a number of Settlement Risks, but none are material.						
Mitigations/controls in place?	Y	<p>Good Energy proposes to:</p> <ul style="list-style-type: none"> Scale up its trial over 9 months, enabling any learnings/issues to be determined on a smaller number of MSIDs before extending to a larger number. Devise an automated process to ensure that any changes to the Meter Technical Details (MTDs) for the Import Metering System are communicated to all relevant parties to the Export Metering System. 						
Material impact on Elexon processes/systems?	N	Impacts are minimal and relate to receiving reports and monitoring risks/progress in the Derogation Period.						
Levy fees to recoup operating costs?	N	As there are no material costs to Elexon, we do not recommend levying any fees for operating the derogation.						
Material impact on BSC Parties/participants?	N	Elexon believes there will be a small downstream impact on all the Suppliers (and their Supplier Agents) for the Import MSIDs with associated export that are included in the trial.						
Is Trial Period the minimum needed?	Y	Elexon agrees that this is the minimum necessary to achieve the aims of the trial.						
Is trial scope the minimum needed?	Y	Elexon agrees with the proposed scope, subject to the condition below and regular reporting.						
Is Transition Plan robust?	Y	The Transition Plan covers the different possible scenarios for exiting the derogation.						
Is Transition Period the minimum needed?	Y	The Transition Period is tight but, given the 2-year Trial Period, cannot be extended further due to the maximum 3-year Derogation Period permitted by the BSC.						
BSC accession required?	N	Good Energy is the intended Derogation Party and is already a BSC Party.						
Is progress reporting plan sufficient?	N	Good Energy did not include a reporting plan in its application, but has described risk reporting that it intends to carry out internally. Elexon recommends that, throughout the Derogation Period, Good Energy provides quarterly reports to Elexon and the BSC Panel on both risks and progress. Good Energy has agreed to this.						
Apply conditions to BSC Derogation?	Y	Elexon recommends that, as part of the above quarterly reports, Good Energy must demonstrate that success criteria have been met before progressing to the next milestone in scaling up its trial scope/size.						

Recommendations

On the basis of its assessment, Elexon recommends to the BSC Panel:

- a) That BSC Sandbox Application BSB003 should be **approved**;
- b) That the BSC Derogation applies to the following provisions:
 - i BSC Section J4.1.5; and
 - ii BSC Section J4.1.6;
- c) That the Proposed BSC Derogation is granted to Good Energy with the following conditions:
 - i Good Energy must demonstrate to Elexon, on a quarterly basis, that success criteria have been met before it progresses to the next milestone in scaling up the number of MSIDs in its trial.
- d) A Trial Period duration of **2 years** beginning on the Derogation Period Commencement Date set by Ofgem;
- e) A Transition Period duration of **1 year**;
- f) Approval of the Transition Plan described in this report; and
- g) That, throughout the Derogation Period, Good Energy should provide Elexon and the BSC Panel with quarterly reports on risks and progress.

As Good Energy is already a BSC Party, no BSC accession process is needed for the Proposed BSC Derogation to be effective.

What is the BSC Sandbox Application requesting and why?

This section gives more detail on the BSC Sandbox Application as submitted by the Sandbox Applicant.

Ofgem has confirmed that the application has been duly made through its Energy Regulation Sandbox (ERS) and that Ofgem's initial ERS triage process has found it suitable/ready for more detailed assessment.

What trial does the Sandbox Applicant want to carry out?

Good Energy's BSC Sandbox Application requests a derogation from the BSC provisions that would otherwise prevent it from appointing different Supplier Agents for the Import and Export MSIDs for Half Hourly (HH) Metering Systems, to apply where Data Communications Company² (DCC) enabled smart meters are installed. Currently they are finding that the existing arrangements around agent appointments are causing them a large and unnecessary administrative burden in making use of the metered export process. This is due to the Import Suppliers Agents either being unwilling to accept a Good Energy appointment, or requiring prohibitively expensive contract terms to provide a service. Being able to appoint different Supplier Agents across Import/Export MSIDs will enable it to remove a barrier preventing the use of Export MSIDs for small-scale microgeneration, ensuring that Feed-In-Tariff³ (FIT) customers are billed and settled on actual Meter readings rather than deemed (estimated) Meter readings.

Good Energy believe that this derogation will allow them to launch their small scale generation product and prove that the use of smart export for microgeneration is viable. The results of the trial would also feed into the cost-benefit analysis of a potential BSC Modification that they are intending to raise.

Good Energy has stated that its success criteria for this trial will be:

- Successfully registering, in bulk, new Export MSIDs for the export registers of smart meters
- Collecting Export register Meter readings via the DCC
- Converting FIT customers from Deemed FIT payments to actual FIT payments
- Identifying when Meter exchanges occur and retrieving Meter details from DCC/the Electricity Enquiry Service⁴ (EES)
- Successfully maintaining accurate Meter details with appointed Meter Operator Agents (MOAs) via workaround

Good Energy believes that these cannot be met under the current BSC requirement to appoint the same Supplier Agents across shared Metering Equipment. It intends to use its trial to unlock a range of benefits spanning Settlement accuracy, customer billing and net zero. These benefits are summarised at a high level below:

- Fairness for customers: Customers will be paid for the amount they export.
- Value: Customers could switch between Smart Export Guarantee⁵ (SEG) and FIT depending on value.
- Improved Settlement: Accurate measurement of the amount of energy exported.
- Products: Provides an opportunity for Suppliers to launch new innovative products.
- Levelisation: Improved accuracy due to payments based on firm Meter reads.

From which BSC rule(s) is the Sandbox Applicant seeking a BSC Derogation?

BSC/CSD provisions from which BSC Derogation sought	Reasons provided by Sandbox Applicant
BSC Section J4.1.5 BSC Section J4.1.6	Where the same Supplier Volume Allocation (SVA) Metering Equipment at a Third Party Generating Plant ⁶ measures both Imports and Exports for Settlement, BSC J4.1.5 requires the Supplier for the Export MSID to appoint the same SVA MOA as that appointed by the Supplier for the Import MSID.

² Runs the telecommunications network that connects smart meters to energy Suppliers.

³ The FIT scheme was designed by government to promote uptake of renewable and low-carbon electricity generation. It requires participating Suppliers to make payments to customers for electricity generated and exported by accredited installations. It closed to new applicants in 2019.

⁴ As defined in the REC and formerly known as ECOES (Electricity Central Online Enquiry Service).

⁵ The SEG was introduced by government in 2020 and requires certain Suppliers to pay small-scale generators for exporting electricity to the grid.

⁶ A Generating Plant that is exempt from the need for a Generation Licence and for which a Party other than the person generating the electricity is responsible for its Exports.

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BSC/CSD provisions from which BSC Derogation sought	Reasons provided by Sandbox Applicant
	<p>Where an associated Outstation is used to transfer both the Import and Export data, BSC J4.1.6 requires the Supplier for the Export MSID to appoint the same Data Collector (DC) as that appointed by the Supplier for the Import MSID.</p> <p>Good Energy believes that complying with these obligations presents a large and unnecessary administrative burden on Suppliers in having to negotiate and secure contracts with the third-party agents of each of their customers' Import Suppliers.</p> <p>Given that customers are freely able to switch their Import Supplier to any other Supplier who may work with different metering agents, this potentially means a Supplier would need to pre-emptively contract with every Data Collector, Data Aggregator and MOA in the market. Of the current pool of Good Energy customers identified as possible smart Export customers, there are 24 DCDAs and 37 MOAs.</p>

[REC Schedule 14 'Metering Operations'](#) lays out Supplier responsibilities with regard to the appointment of Metering Equipment Managers (MEMs, the REC's term for SVA MOAs). This includes the appointment of the same MEM/MOA where the Metering Asset is used for the measurement of both Import and Export, in accordance with the BSC.

Good Energy is therefore requesting a concurrent derogation from both the BSC and REC rules. Elexon has co-ordinated this application with the REC Code Manager using the REC's own Sandbox process.

To whom would the BSC Derogation apply and are they already a BSC Party?

Name of proposed Derogation Party	Already a BSC Party?
Good Energy	Yes

The Proposed BSC Derogation would apply to solely to Good Energy in its capacity as the Registrant of the relevant Export MSIDs captured under the trial.

What is the Sandbox Applicant's proposed Trial Period and trial scope?

Sandbox Applicant's proposed:		Reasons provided by Sandbox Applicant
Commencement Date	October 2022 (specific date to be set by Ofgem)	Good Energy is proposing to commence its trial as soon as reasonably practicable following Ofgem's decision on the application. This will allow it to start identifying learnings, as well as providing and proving the consumer benefits that it expects its trial to deliver, as soon as possible.
Trial Period	2 years	<p>Good Energy is requesting a 2-year Trial Period in which to carry out its trial. This will provide the time needed to assess the trial outputs and allow for organic in-life Meter maintenance to occur. Alongside this, Good Energy can build robust processes that may help define an enduring solution for any BSC/REC Modification Proposal(s) it raises to make the arrangement permanent after the trial.</p> <p>Good Energy has also stated that, as the Meters involved in this trial (DCC-adopted SMETS⁷ Meters) will have been installed relatively recently, there may be a lack of trigger events associated with these Metering Systems (such as Meter changes, or fault rectification) needed to achieve the desired success criteria. As such it has opted for the longest possible Trial Period to maximise the potential trigger events that will be faced throughout the trial.</p>

⁷ Smart Metering Equipment Technical Specifications.

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Sandbox Applicant's proposed:		Reasons provided by Sandbox Applicant
Trial scope	100 MSIDs initially – eventually scaling up to 100,000 MSIDs over 9 months.	<p>Good Energy recognises that this is a much larger scope than has been approved for other BSC Sandbox Applications. However, as with the length of Trial Period above, Good Energy believes this scope is needed to obtain enough significant learnings due to the potential lack of trigger events.</p> <p>Good Energy believes that this presents a very low risk to Settlement.</p>

Good Energy's table below shows how it plans to scale up the number of MSIDs in its trial:

	Roll Out (per month)	Roll Out (Accumulative)
Oct-22	100	100
Nov-22	1,000	1,100
Dec-22	5,000	6,100
Jan-23	10,000	16,100
Feb-23	15,000	31,100
Mar-23	15,000	46,100
Apr-23	17,000	63,100
May-23	17,000	80,100
Jun-23	19,900	100,000

What is the Sandbox Applicant's Transition Plan for exiting the BSC Derogation at the end of the Trial Period?

Does Transition Plan cover how will transition to full BSC compliance if:	Y/N	Details
The trial fails	Y	If the trial is unsuccessful, Good Energy will reflect on the causes for failure and determine if anything could have been done differently to have made it a success. Alongside this internal review, Good Energy will follow the existing process defined within the BSC and REC regarding appointing agents for shared Metering Systems in order to revert all affected MSIDs to a compliant state.
The early cessation process is triggered*	Y	If the early cessation process is triggered, Good Energy will inform Ofgem providing full details of the reason for the trigger. Good Energy will utilise its resources to arrange commercial agreements with agents to comply with the BSC and REC obligations of appointing the same metering agents as the Import supplier for the Metering System sharing the same Metering Equipment. Once these arrangements are in place Good Energy will follow the change of agent procedure. Following this Good Energy will revisit the financial viability of the programme based on agreed commercial terms with agents.
A Modification Proposal is raised to make the arrangement permanent, but isn't approved	N	Good Energy's application does not explicitly state a transition plan for if a BSC Modification Proposal (and any necessary REC change) is not approved. However they have stated in all other elements of the transition plan (including if the Trial Period ends) that they will revert all affected MSIDs back to a compliant state. The Transition Plan ending would also cover a scenario in which a BSC Modification Proposal was not implemented prior to the Trial

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Does Transition Plan cover how will transition to full BSC compliance if:		
	Y/N	Details
		Period ending, so it can be reasonably inferred that Good Energy would also revert to a compliant state should a BSC Modification be rejected.
The timeline for the BSC Derogation expires	Y	Good Energy will review the performance of the trial and share the outputs with Ofgem and other trial participants. If the trial is a success, Good Energy will begin to scale the operation by campaigning to customers offering the new service (provided a related BSC Modification Proposal and any necessary REC change is approved). Good Energy will also continue to work with industry parties to complete the code modifications and discuss further options for an enduring solution. If the trial is unsuccessful, Good Energy will reflect on the causes for failure and determine if anything could have been done differently to have made it a success. Alongside this internal review, Good Energy will follow the process defined to comply with the obligations set out in the BSC and REC regarding appointing agents for Metering Systems with shared Metering Equipment.

* Due to a breach of the BSC Derogation or a material change of circumstances.

In the instances mentioned above resulting in failure of the success outcomes of the trial, or the trial ending before a Modification can be implemented, Good Energy will seek to restore all MSIDs affected under the trial to a state compliant to Section J of the BSC. The trial itself poses a low risk to Settlement as it includes no change to the way data is retrieved and the process of setting these MSIDs back to a compliant state will follow the industry standard agent appointment process. It is therefore reasonable to state that transitioning the MSIDs under the trial back to compliance, should that be necessary, poses little risk to Settlement. However, with a proposed trial scope of 100,000 MSIDs, Good Energy will need to ensure it leaves enough time to complete the necessary agent re-appointments before the derogation expires.

Proposed Transition Period	Reasons provided by Sandbox Applicant
1 Year	<p>Good Energy has requested a 1-year Transition Period to ensure that, should the trial fail, enough time is available in order to carry out the transition back to compliance. This will include liaising with Import Suppliers and their preferred agents and processing the necessary Change of Agent activity.</p> <p>Should the success outcomes of the trial be met, the 1-year Transition Period will be the minimum needed to allow for progression and implementation of a BSC Modification (and any necessary change to the REC). Good Energy has recognised that this would still be a tight timescale and have stated that if early learnings can be gained from the trial, and should the trial be operating successfully, a BSC Modification could be raised before the end of the Trial Period itself – to allow enough time for the Modification to be raised and implemented before the Transition Period ends and the derogation expires.</p>

Does Transition Plan cover how the Sandbox Applicant will:	Y/N	Details
Apply for an extension to the Transition Period, if needed, while any Modification Proposal is progressed? (subject to the overall 3-year limit)	N	As Good Energy has requested the maximum 3-year total Derogation Period, no further extensions are permitted under the BSC Sandbox process.

What is the Sandbox Applicant's plan for monitoring and reporting progress to Elexon?

Proposed report frequency	Proposed report content	Reasons provided by Sandbox Applicant
None	None Proposed	Whilst the initial Sandbox application did not suggest explicit reporting to Elexon, it did state that Good Energy will report on risks internally within its organisation. Elexon recommends that, throughout the Derogation Period, Good Energy provides quarterly reports to Elexon and the BSC Panel on risks and progress. Good Energy has agreed to this approach.

Elxon's assessment against the BSC Sandbox Eligibility Criteria

This section gives Elxon's assessment against the BSC Sandbox Eligibility Criteria.

Elxon believes this BSC Sandbox Application **meets** all the required criteria.

Does the Proposed BSC Derogation relate to the correct BSC rules?

Elxon agrees that the provisions from which the BSC Derogation is requested are correct and complete for the purposes of fulfilling the Sandbox Applicant's needs.

Are there any interactions with other BSC Derogations or BSC changes?

Elxon has considered whether the Proposed BSC Derogation:

- Is materially similar to any other BSC Derogation
- Relates to any rules from which a BSC Derogation is not permitted
- Could have its implementation constrained or negated by any in-progress or approved BSC changes.

Interaction with	Y/N	Details
Other BSC Derogations	N	N/A
Any relevant legal requirement?*	N	N/A
Other BSC Modification Proposals or Change Proposals	N	This application was discussed with the MHHS design team and there is nothing currently proposed by MHHS to address Good's central issue (the need to appoint the same agents for an export supply as those appointed to the associated import). Therefore this is still a valid Sandbox in the context of HH. Arguably the MHHS solution makes this appointment easier but doesn't affect the requirement to appoint the same agents which is Good Energy's main concern. The MHHS solution potentially makes the requirement to match the Supplier Agents less necessary so any future BSC Modification may be more likely to succeed.

*BSC Section H10.4.3(d) gives a list of rules that cannot be subject to a BSC Derogation. You can find an explanation of these under the term 'relevant legal requirement' in the glossary at the end of this report.

Does the trial facilitate the Applicable BSC Objectives?

Elxon has assessed the BSC Sandbox Application against the Applicable BSC Objectives as follows:

Applicable BSC Objective	Impact	Reasons for impact
(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral	No impact
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral	No impact
(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	Positive	By removing a barrier to the registration of Export MSIDs for the Settlement of microgeneration, the use of metered Export in the FIT scheme will become a more viable solution to other Suppliers looking to register Export MSIDs for Smart Metering Equipment, thus stimulating competition.
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Positive	Removing a barrier to the registration of Export MSIDs will result in more energy being accurately metered and settled as opposed to 'deemed', which will improve Settlement accuracy.

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Applicable BSC Objective	Impact	Reasons for impact
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral	No impact
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral	No impact
(g) Compliance with the Transmission Losses Principle	Neutral	No impact

Elxon believes that the BSC Sandbox Application **would** therefore better facilitate the achievement of the Applicable BSC Objectives.

What are the impacts, risks and costs?

Elxon has carried out both risk and impact assessments of the Proposed BSC Derogation. As part of its assessment, Elxon has sought views from the Performance Assurance Board (PAB) and BSC participants.

1) Impact on Settlement Risk and mitigation, including Performance Assurance Board's views

Elxon has assessed the BSC Sandbox Application against the BSC's Risk Evaluation Register as follows:

Settlement Risk relevant to this BSC Sandbox Application	Impact?	Controlled / mitigated?	Details
SVA Metering Point is registered incorrectly or not at all, such that metered data is not collected or aggregated	Yes	Yes	<p>The Supplier/MOA appointed to the Export MSID may not have knowledge of the attributes associated with the Metering Equipment associated with that MSID. This may cause delays or errors in the registration of the Export MSID.</p> <p>Good Energy proposes to devise an automated solution using downloaded extracts from EES and DCC to identify any attributes or changes to the Metering Equipment associated with the Import MSID. This process will mitigate the risk that the standing data items between the Import and Export MSID become out of sync.</p>
Changes to SVA Metering Equipment are not notified, such that all members of the Supplier Hub do not use the current Meter Technical Details	Yes	Yes	<p>There is a risk that the Import Supplier/MOA makes changes to the SVA Metering Equipment that Good Energy does not recognise, meaning that the MTDs for the Import and Export MSIDs become misaligned.</p> <p>Good Energy proposes to devise an automated solution using downloaded extracts from EES and DCC to identify any attributes or changes to the Metering Equipment associated with the Import MSID. This process will mitigate the risk that the standing data items between the Import and Export MSID become out of sync.</p>

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Settlement Risk relevant to this BSC Sandbox Application	Impact?	Controlled / mitigated?	Details
A fault with SVA Metering Equipment is not resolved, such that metered data is recorded incorrectly or cannot be retrieved	Yes	Yes	<p>There is a risk that the Import Supplier/MOA make changes to the Metering Equipment following a fault rectification that is not recognised by Good Energy.</p> <p>Good Energy's appointed Export MOA will not be responsible for any physical works on the Metering Equipment – this will be the responsibility of the Import MOA as the asset owner.</p> <p>Good Energy proposes to devise an automated solution using downloaded extracts from EES and DCC to identify any attributes or changes to the Metering Equipment associated with the Import MSID. This process will mitigate the risk that the standing data items between the Import and Export MSID become out of sync.</p>
SVA Metered data is not retrieved, such that the proportion of estimated data being used in Settlement contributes to performance standards not being met	Yes	Yes	<p>There is a risk that changes to the Metering Equipment made by the Import Supplier/MOA are not recognised by Good Energy, resulting in Good Energy not being able to retrieve data from the Meter.</p> <p>Good Energy proposes to devise an automated solution using downloaded extracts from EES and DCC to identify any attributes or changes to the Metering Equipment associated with the Import MSID. This process will mitigate the risk that the standing data items between the Import and Export MSID become out of sync.</p>

The primary risks of this BSC Sandbox Application identified by Elexon through its Risk Assessment are described briefly below.

- a) The risk that both MOAs carry out metering activities (fault rectification, Meter exchanges) on a Meter under single ownership.
- b) The risk that metering activities, once carried out by one MOA, are not communicated to the Import/Export Supplier, the corresponding MOA, or any other relevant Party.

Risk A is mitigated by the fact that the appointed Export MOA will not be required to carry out any physical activities (e.g. Meter exchanges, fault rectification). Any changes to the Metering Equipment will be undertaken by the Import Supplier's appointed MOA.

Risk B is mitigated as Good Energy proposes to conduct daily checks on the EES and use daily data download checks from the DCC to check for any updates to the Meter or Meter setup. This will allow Good Energy to proactively recognise any changes to the asset and chase for relevant updates.

The historical data collection risks of appointing different agents to shared Metering Equipment that are prevalent in the Advanced metering market (such as dual agents attempting data retrieval at the same time and attempting to affect Meter clock resets) do not apply to DCC-adopted SMETS Meters.

Elexon therefore believes that that the Proposed BSC Derogation **would not** cause any undue risks to Settlement that cannot be mitigated or controlled.

You can find Elexon's full risk assessment in Attachment A.

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Elxon has also sought the Performance Assurance Board's (PAB's) views on whether the BSC Sandbox Application would impact Settlement Risk. The table below summarises the PAB's comments.

PAB comment	Elxon's response
A PAB Member asked if it is possible that a metering fault could occur on the Export registers only, leading to a fault being raised to the Export Supplier (Good Energy) and by extension the Export Supplier's appointed MOA. As Good Energy have stated that its appointed MOA will not be contracted to attend site and conduct works on the Metering Equipment, an 'Export only' risk may not be rectified.	Good Energy does not foresee any scenario in which a fault could occur on a DCC-adopted SMETS Meter that would impact the Export Metering System but not the Import Metering System. Elxon agrees with this assumption.

2) Impact on Elxon central systems and processes

The table below sets out the impacts and any costs to Elxon of operating the Proposed BSC Derogation.

Elxon	Impact?	Materiality	Cost (£)	Details	Levy fees to recoup costs?
Processes	Y	L	Minimal	Minor effort to receive Good Energy's quarterly reports, monitor progress and update the BSC Panel. To form part of Business as Usual processes/costs.	N
Systems	N	N/A	N/A	N/A	N

3) Impact on BSC Parties and consultation responses

This table summarises the impact of the Proposed BSC Derogation on BSC participants.

Participant	Impact?	Materiality	Details
BSC Parties	Y	N/A	Elxon believe that this derogation will have a small downstream impact on all the Suppliers (and their Supplier Agents) of the import MSIDs with associated export included in the trial.
Party Agents	Y	N/A	Elxon believe that this derogation will have a small downstream impact on all the Suppliers (and their Supplier Agents) of the import MSIDs with associated export included in the trial.
NETSO	N	N/A	N/A

Elxon issued the Sandbox Application for a joint BSC/REC 10 Working Day industry consultation. The tables below summarise the views and comments received.

Summary of industry consultation				
Consultation area	Yes	No	Neutral / No comment	Other
Impacted by Proposed BSC Derogation	1	0	1	0
Agree that equivalent/concurrent REC derogation should be granted	1	1	0	0

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We received two responses:

- One respondent (identified as Respondent 1 in the table below) stated that they would be impacted by the proposed trial in their capacity as Supplier Agent, but agreed that the application should be granted. This response is confidential and has not been published on our website or provided to the Panel; however we will share it with Ofgem.
- The other respondent (identified as Respondent 2 in the table below) responded as a consultant and so did not note a direct impact on them. However, they disagreed with the application, providing justification that is summarised below. You can find this consultation response in Attachment B.

Respondent 1

Consultation comment	Elexon's response
<p>As DC, we have experience of the issues raised should two DCs be appointed to a remotely readable Advanced meter, however, we agree with the view that as these will be a DCC enrolled meters, the issues will be mitigated as only the DCC will be requesting the data.</p>	<p>Elexon note this opinion and that it concurs with our own Risk Assessment.</p>
<p>In some systems, Import/Export MPANs are treated as singular MPANs, especially in the case of HH Supplier-Serviced, where no MTDs are received. Therefore, these Settlement Systems would be unaffected by the Sandbox. The lack of received MTDs in HH Supplier Serviced mitigates any issues for DC not having the correct metering details, for NHH DC, any delay in receiving the updated MTDs would be quickly identified and action taken on receipt of non-validating MSN received within read data.</p>	<p>Elexon note that the risk of misaligned MTDs could be further mitigated by internal systems and processes should they follow the processes described in this comment.</p> <p>This may not be the same for all industry participants but the applicant has also built mitigations for the misalignment of MTDs as described earlier in this report.</p>
<p>As MOA, we can see the concern over two MOAs for one asset, however, an MOA could work with Export Suppliers to ensure that Service Reference and Service Level References accurately reflected the requirements needed on an appointment-by-appointment basis. The contract references would effectively indicate that the appointed MOA were to be 'holders' of information and would not be required to physically act as MOA. Providing clear paths of communication between us and our Export Suppliers would mitigate the risk of a delay in updating the held metering information should any action be taken by the Import MOA.</p>	<p>This method of ensuring that MOAs appointed to the Export MSID seems sensible and would further mitigate any risk of the 'non-asset owner' MOA attempting to carry out physical works on the Metering Equipment.</p> <p>We will pass this comment to Good Energy as a potential option for further mitigation during its trial.</p>
<p>Principally, as a Supplier Agent, we have no concerns over allowing different Agents to be appointed on the Import/Export DCC adopted SMETS meters and we would support this Sandbox.</p>	<p>The support for this application is noted.</p>
<p>Without applying a derogation/Sandbox to REC schedule 14 alongside the Elexon Sandbox Trial Good Energy would effectively be going against the rules laid out by REC schedule 14 and would therefore not be meeting their obligations, which in turn could result in action being taken against Good Energy by the Retail Energy Code.</p> <p>Both Elexon and the Retail Energy Code must work together to allow the Sandbox to go ahead.</p>	<p>Good Energy have applied for derogations from both the REC and the BSC, which are being progressed simultaneously. Responses to this consultation will be shared with the REC Code Manager.</p>

Respondent 2

Consultation comment	Elexon's response
<p>The underlying concerns raised by this Sandbox application were considered at length by Issue 91⁸ - Registration and Settlement of Smart Export Guarantee (SEG) sites. Interim and longer term solutions were considered. The longer term solution developed through the MHHS activity is to require/force the same MEM to be appointed to the import and export MPAN. The MHHS design also addresses the exchange of SMETs meter MTD in a much more efficient way than today - this was one of the conclusions of Issue 91. There is therefore no benefit in "trailing" a Sandbox solution for an activity that already has a revised design under MHHS, as there will not be any opportunity/ desire/ business case to change anything in the currently arrangements as the result of a 'Sandbox Trial'.</p>	<p>This application was discussed with the MHHS design team and there is nothing currently proposed by MHHS to address Good's central issue (the need to appoint the same agents for an export supply as those appointed to the associated import). Therefore this is still a valid Sandbox in the context of HH. Arguably the MHHS solution makes this appointment easier but doesn't affect the requirement to appoint the same agents which is Good Energy's main concern. The MHHS solution potentially makes the requirement to match the Supplier Agents less necessary so any future BSC Modification may be more likely to succeed.</p>
<p>CP1558 - 'New Registration data items to facilitate MHHS' is addressing some of the concerns raised under Issue 91, in that it creates a clear and explicit link between the import & export MPANs. This has been approved and will be implemented into Registration Systems in June 2023. This was a key concern raised under Issue 91 to enable the Supplier (either import or export) to know whether an export MPAN was actually existed and was registered, and then enable through EES to determine the relevant participants.</p>	<p>Elexon does not see a direct link between CP1558 and this BSC Sandbox Application.</p> <p>CP1558 is seeking to add new data items (Import/Export identifier included) into registration systems such as EES. Whilst this will improve the identification of associated Import/Export MSIDs, it does not address the key issue identified under this BSC Sandbox Application of Export Suppliers being forced to appoint and contract with an Import Supplier's chosen Supplier Agents.</p>
<p>The document correctly identifies that the role of the MEM for export MPAN management should not result in any physical site work. Smart meter faults/replacement/etc. should always be performed by the import MEM, at the request of the import supplier. Any problems/concerns with the metering equipment identified by the export Supplier, would be referred to the import Supplier and import (& export) MEM.</p> <p>Non routine issues like crossed meters, theft and correction of metering errors should be dealt with by a single MEM consistently for the import and export MPAN. Having two different MEMs appointed has the risk of different inconsistent settlement outcomes.</p> <p>Routine issues like changes to meters should be performed by the single MEM appointed by import and export MEM, who can then be informed immediately of any changes through the normal BAU processes.</p>	<p>Good Energy's proposed trial solution maintains the Import Supplier's MEM carrying out all physical works on the Metering Equipment.</p> <p>Both Good Energy's application and Elexon's risk assessment have highlighted the risk of Settlement standing data (such as MTDs) becoming misaligned, however controls have been built into the trial solution to mitigate against this.</p> <p>Ultimately ensuring that the MTDs related to both associated MSIDs is a key success criteria for this trial. Should this identified risk materialise into an issue it could potentially lead to a failure of the trial and the triggering of the Transition Plan.</p>

⁸ [BSC Issue 91 'Registration and Settlement of Smart Export Guarantee \(SEG\) sites'](#).

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Consultation comment	Elexon's response
<p>Using a Sandbox derogation to address some of the concerns raised in Issue 91 may well lead to a series of identical applications from other participants. Although the Sandbox process prevents identical applications, there may be a series of applications with slight variances.</p>	<p>All new BSC Sandbox Applications are assessed by Elexon and one of the assessment criteria is whether the application is materially similar to a previous application. Should a new application be received that was materially similar to this one, we would flag this to the BSC Panel and Ofgem.</p>
<p>It is debatable whether this should be a BSC or more appropriately a REC derogation.</p>	<p>The requirement to appoint the same Supplier Agents for Shared Metering Equipment sits in both the BSC and the REC. Good Energy has applied for a derogation from the REC requirement as well as this BSC Sandbox Application.</p>
<p>In conclusion, I do not support this Sandbox application. It does not appear to fit within the criteria for a Sandbox and it ignores forthcoming changes already defined in CP1558 & MHHS negates any beneficial 'lessons' that could be learnt from a trial.</p>	<p>Elexon notes the respondent's view that this BSC Sandbox Application should not be supported.</p>

Elexon's views on the Trial Period duration and scope

Elexon has assessed whether the proposed duration and scope for the Trial Period are the minimum necessary to test the Sandbox Applicant's innovation.

Trial Period:	Sandbox Applicant's proposal	Elexon's recommendation	Reasons
Duration	2 years	2 years	<p>Elexon notes Good Energy's justification for requesting a 2-year Trial Period.</p> <p>The 2-year period will allow Good Energy to scale the trial over 9 months, minimising the risk of a catastrophic failure of the trial by commencing it with too large a scope.</p> <p>The proposed Trial Period also allows enough time for Good Energy to gain significant learnings from the trial, as combined with the proposed scope the MSIDs associated with the trial should see the required number of necessary trigger events.</p>
Scope	<p>Oct 2022: 100 MSIDs</p> <p>Nov 2022: 1,100 MSIDs</p> <p>Dec 2022: 6,100 MSIDs</p> <p>Jan 2023: 16,100 MSIDs</p> <p>Feb 2023: 31,100 MSIDs</p> <p>Mar 2023: 46,100 MSIDs</p> <p>Apr 2023: 63,100 MSIDs</p> <p>May 2023: 80,100 MSIDs</p> <p>Jun 2023: 100,000 MSIDs</p>	As requested	<p>Whilst Elexon notes that the proposed scope is larger than previous BSC Sandbox Applications, Good Energy has stated that the scope is necessary to maximise the potential for enough trigger events to occur as required to meet the trial's success criteria.</p> <p>Given this, and the low risk to Settlement of the design of the trial, Elexon is satisfied that the larger scope does not pose a greater risk to Settlement and supports the requested scope.</p>

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Elxon's views on the Transition Plan and Transition Period

Elxon has assessed the robustness of the Sandbox Applicant's Transition Plan for returning to full BSC compliance at the end of the Trial Period – including whether it appropriately minimises Settlement Risk. Elxon has also assessed whether the proposed Transition Period is the minimum needed to achieve this compliance.

Is Transition Plan robust?	Reasons
Yes	<p>Should the success criteria be met throughout the lifecycle of the trial, Good Energy will raise a BSC Modification Proposal (and any necessary REC change) to remove or amend the current requirement to appoint the same Supplier Agents for shared Metering Equipment. Good Energy will raise the Modification at the earliest opportunity (where enough learnings from the trial have been gained to support the Modification) to ensure that it can be progressed and implemented before the Transition Period ends.</p> <p>Should the trial fail to meet its success criteria, Good Energy has identified that all the associated MSIDs will need to revert to a state of compliance. This will involve the appointment of all associated Import Suppliers' Supplier Agents to Good Energy's Export MSIDs. Due to the number of MSIDs in the proposed trial scope, Good Energy will need to ensure that it leaves enough time to complete the appointment process before the derogation expires.</p>

Transition Period:	Sandbox Applicant's proposal	Elxon's recommendation	Reasons
Duration	1 Year	1 Year	<p>In the event that the trial fails, a 1-year Transition Period will allow sufficient time for Good Energy to identify, liaise with and appoint the associated Import Supplier's Supplier Agents to all relevant Export MSIDs under the trial.</p> <p>In the event that the trial is successful, a 1-year Transition Period will allow Good Energy to progress a BSC Modification Proposal (and any necessary REC change) through to implementation. Good Energy has recognised that the Transition Period could potentially be a short time period in which to progress a Modification, and as such are intending to raise the Modification at the earliest reasonable opportunity and potentially during the Trial Period.</p>

What conditions, monitoring and/or reporting are needed?

As Good Energy is already a BSC Party, no BSC accession process is needed for the Proposed BSC Derogation to be effective.

Elxon recommends that Good Energy provides Elxon and the BSC Panel with the following type and frequency of reports, if Ofgem grants its Proposed BSC Derogation:

Progress report frequency	Progress report content	Reasons
Quarterly	Good Energy should report to Elxon and the BSC Panel on risks and progress against the success criteria.	By receiving quarterly reports on both the impact against the perceived risks and progress against the defined success criteria, Elxon will be able to monitor any adverse impacts to Settlement that may arise and ensure that the scaling of the trial at defined points does not impose undue risk to Settlement.

These may form part of any other reports requested by Ofgem, if appropriate.

Elxon believes that the further conditions below are needed to minimise the impact or risk of the Proposed BSC Derogation.

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Recommended condition	Reasons
Good Energy must demonstrate to Elexon, on a quarterly basis, that success criteria have been met before it progresses to the next milestone in scaling up the number of MSIDs in its trial	By ensuring that the defined success criteria have been met before progressing to scaling the trial to the next stage, this will mitigate the concern at the larger proposed scope of the trial by proving that the scope at the current stage of the trial has been successful and has not caused issues or risk to Settlement.

Glossary and attachments

Explanation of terms used in the BSC Sandbox process

Term/acronym	Meaning
Accede/ Accession	The process of becoming a BSC Party. Depending on the nature of its innovation trial, a Sandbox Applicant must either: <ul style="list-style-type: none"> Partner with one or more existing BSC Parties to whom the Proposed BSC Derogation will apply; or Be, or become, a BSC Party in its own right for its Proposed BSC Derogation to be effective.
Applicable BSC Objectives	Set out in Standard Condition C3 of the Transmission Licence. Used by the BSC Panel and Ofgem to assess BSC Sandbox Applications as well as permanent changes to the BSC rules.
Balancing and Settlement Code (BSC)	A multi-party legal document that defines the rules and governance for electricity balancing and settlement processes in Great Britain.
BSC Derogation	Means temporary permission not to comply with one or more BSC rules. Can be from rules in the BSC and/or its Code Subsidiary Documents.
BSC Panel	The BSC's governing committee.
BSC Party	A signatory to the BSC who has to comply with the BSC rules.
BSC Sandbox	A facility that enables organisations to apply for BSC Derogations to support innovation trials.
BSC Sandbox Application	An application to Ofgem's Energy Regulation Sandbox (ERS) that Ofgem has confirmed as duly made, and which requires a BSC Derogation.
BSC Sandbox Eligibility Criteria	Criteria against which Elexon and the BSC Panel must assess a BSC Sandbox Application. Includes the Applicable BSC Objectives.
BSC Sandbox Procedure	The formal procedure by which Elexon processes BSC Sandbox Applications. Supports the BSC Sandbox rules set out in Section H10 of the BSC. ⁹
BSC Sandbox reference	A reference used by Elexon to sequentially number each BSC Sandbox Application. Each BSC Sandbox Application will also have an Ofgem ERS reference.
Change Proposal	A proposal to make a permanent change to the rules in one or more Code Subsidiary Documents.
Code Subsidiary Document (CSD)	A lower-level document forming part of the BSC, e.g. BSC Procedures (BSCPs).
Condition	One or more conditions applying to a BSC Derogation. For example, this could be a reporting requirement or a limitation on a trial's scope or duration. Ofgem can remove a BSC Derogation (on the BSC Panel's recommendation) if the Derogation Party breaches a condition.
DCUSA	Distribution Connection and Use of System Code. Has its own sandbox process. ¹⁰
Derogation Party	The BSC Party, or Parties, to whom a BSC Derogation (and any related conditions) applies.
Derogation Period	The total amount of time for which a BSC Derogation is granted (maximum 3 years from the Derogation Period Commencement Date). Includes both the Trial Period (maximum 2 years) and any Transition Period.
Derogation Period Commencement Date	The date set by Ofgem on which the derogation begins, representing the start of the Derogation Period.
Derogation Period End Date	If no Modification Proposal has been implemented to make the trial arrangement permanent, then this is the last date on which the derogation is in place and represents the end of the Derogation Period. Cannot exceed 3 years from the Derogation Commencement Date.
Draft Sandbox Report	Elexon's report to the BSC Panel on whether it should recommend approval of the BSC Sandbox Application.
Early cessation	The process by the BSC Panel can recommend that Ofgem removes a BSC Derogation. This could be due to a breach of conditions, or a material change in circumstances that means it no longer meets the BSC Sandbox Eligibility Criteria.

⁹ You can find both the BSC Sandbox Procedure and BSC Section H here: <https://www.elexon.co.uk/bsc-and-codes/>.

¹⁰ <https://www.dcusa.co.uk/sandbox-register/>

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Term/acronym	Meaning
Elexon	The BSC Code Manager in its capacity as the BSC Company (BSCCo).
Final Sandbox Report	The BSC Panel's report to Ofgem on whether it should approve the BSC Sandbox Application.
Industry Code	A multi-party gas or electricity code/agreement maintained in accordance with a licence granted by Ofgem.
Innovation	In the context of the BSC Sandbox, a pre-competitive and time-limited trial of an innovative product, service, methodology or business model in a live market environment.
Modification Proposal	A proposal to make a permanent change to the rules in the BSC. If a Derogation Party wants to make their trial arrangement permanent, they must raise a Modification Proposal by the end of the Trial Period. If the Modification Proposal is approved, the arrangement then becomes available to all BSC Parties.
NETSO	National Grid Electricity System Operator Limited.
Ofgem's Energy Regulation Sandbox (ERS)	Ofgem's wider sandbox facility through which all sandbox applications are made. If a duly-made ERS application requires a BSC Derogation, Ofgem tells Elexon and we start the BSC Sandbox Application process.
Partner	A partner in the Sandbox Applicant's innovation trial.
Performance Assurance Board (PAB)	A subcommittee of the BSC Panel that looks after Settlement Risks and associated assurance arrangements.
Proposed BSC Derogation	The BSC Derogation being sought through a BSC Sandbox Application.
REC	Retail Energy Code. Has its own sandbox process. ¹¹
Relevant legal requirement	Rules from which a BSC Derogation cannot be granted. Includes: all electricity licence conditions; other Industry Codes; any British or European Act of Parliament, regulation, licence or Ofgem / government directive (including European Network Codes); BSC provisions introduced by the Secretary of State for Electricity Market Reform (EMR); and the BSC Sandbox provisions themselves.
Risk Evaluation Register ¹²	Sets out the nature and significance of each Settlement Risk.
Sandbox Applicant	The lead applicant in an ERS Application / BSC Sandbox Application.
Settlement	The BSC process for determining and settling charges for any differences between: <ul style="list-style-type: none"> • The electricity that generators and Suppliers have bought/sold ahead of time; and • The electricity that they (or their customers) have actually generated/consumed.
Settlement Risk	A risk of any failure or error in the BSC's Settlement process, as set out in the Risk Evaluation Register.
Transition Period	The part of the Derogation Period, following the Trial Period, in which the Derogation Party exits from the BSC Derogation using their Transition Plan. Must initially be the shortest period necessary, but the Panel can later extend it with Ofgem's approval or direction (subject to the overall 3-year limitation on the Derogation Period).
Transition Plan	The Sandbox Applicant's plan for exiting from the BSC Derogation by the Derogation Period End Date, either by ceasing to be a BSC Party or returning to full BSC compliance.
Trial Period	The part of the Derogation Period in which the Derogation Party tests their innovation. Must be the shortest period necessary and cannot exceed 2 years from the Derogation Period Commencement Date. If the Derogation Party wants to make their trial arrangement permanent, they must raise a Modification Proposal by the end of the Trial Period.

Attachments

Attachment A: Contains Elexon's full assessment of any risks posed by the BSC Sandbox Application.

Attachment B: Contains copies of the full public responses received to Elexon's industry consultation.

¹¹ <https://recportal.co.uk/rec-user-guides>

¹² <https://www.elexon.co.uk/reference/performance-assurance/performance-assurance-processes/>