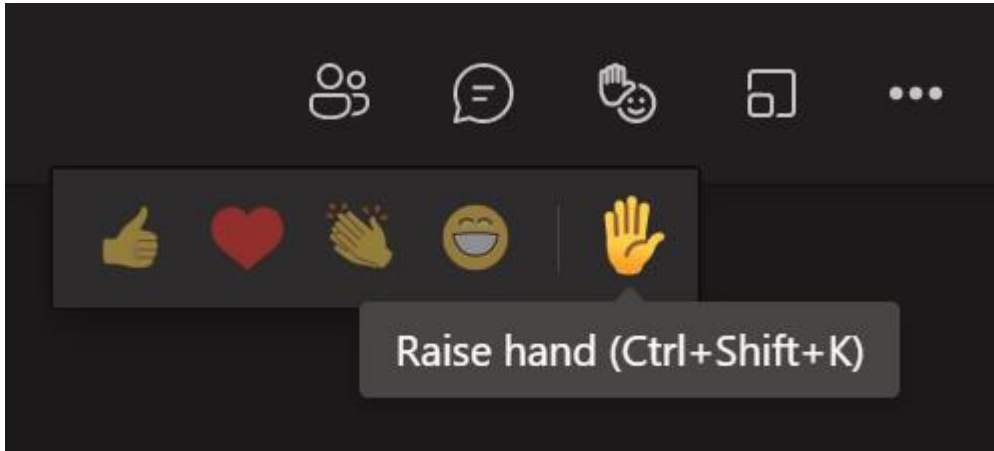


## P332 Digital Meeting Etiquette

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- Welcome to P332 Workgroup Meeting 11 – we'll start shortly
- No video please to conserve bandwidth
- Please stay on mute unless you need to talk – use the **Raise hand** feature in the Menu bar in Microsoft Teams if you want to speak, or use the **Meeting chat**



- Lots of us are working remotely – be mindful of background noise and connection speeds

# ELEXION

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**P332 Workgroup 11**

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Revisions to the Supplier Hub Principle

25 May 2021

# Meeting Agenda & Objectives

- Discuss REC impact on the P332 solution
- Review Terms of Reference, including views against the BSC Objectives
- Next steps

Agenda Item	Lead
1. Welcome and Meeting objectives	Lawrence Jones (Chair)
2. What’s happened since the last meeting?	Paul Wheeler (Lead Analyst) and Matthew McKeon (Design Authority)
3. REC impact on the P332 solution	Paul Wheeler and Matthew McKeon
4. Draft Legal Text and Side Letter	Nicholas Brown (Lead Lawyer)
5. Settlement Risks	Paul Wheeler
6. Terms of Reference review	Paul Wheeler
7. Assessment Procedure Consultation questions	Paul Wheeler
8. Next steps	Paul Wheeler
9. AOB & Meeting close	Lawrence Jones



WHAT'S HAPPENED  
SINCE THE LAST  
MEETING?

## What's happened since the last meeting? (1 of 2)

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- Workgroup Meeting 10 was held on 7 December 2020
- Workgroup Members provided their views against the Applicable BSC Objectives and agreed that P332 could be sent for consultation
- The Workgroup requested that amendments were made to the draft legal text and side letter to reflect that the Agent has been appointed and also registered in SMRS
- The Workgroup requested that limitations to liabilities were added to the side letter
- The Assessment Consultation was drafted and sent to Workgroup Members for review on 12 April 2021

## What's happened since the last meeting? (2 of 2)

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- A number of Workgroup Members raised concerns that about progressing P332 at this time, given that metering activities were expected to move to the REC, pending Ofgem's decision
- Elexon met with the Proposer to discuss his view
- On 30 April 2021, Ofgem published an open letter and it's decision on REC v2.0 and Retail Code Consolidation
- This confirmed that Metering activities will move from the BSC to the REC as part of REC v2.0, which will be effective from 1 September 2021
- This Workgroup meeting today has been scheduled to discuss the change of scope of the solution, which will now apply to SVA HH & NHH DCs only
- We will discuss the revised draft legal text and side letter which has been amended to refer to SVA HH & NHH DCs only





# REC IMPACT ON THE P332 SOLUTION

## Ofgem's Authority Led SCR Modification (1 of 3)

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- Ofgem raised P420 'Retail Code Consolidation Significant Code Review' on 10 May 2021 and the Draft Authority Led SCR Modification Report was presented to the BSC Panel on 13 May 2021
- P420 is being raised to ensure the BSC aligns with Ofgem's Retail Code Consolidation Significant Code Review, which consolidates a number of existing codes into the REC. The proposed changes have a direct impact on the BSC in terms of the transfer of the SVA Metering arrangements from the BSC to the REC and cross-code change procedures, as well as consequential changes reflecting the close down of the MRA
- P420 makes the necessary changes to reflect the code governance changes implemented through the Retail Code Consolidation SCR. Specifically, it will:
  1. Ensure the BSC reflects the close down of the MRA.
  2. Transfer operational procedures relating to Metering Point Lifecycle from the MRA to the BSC.
  3. **Make the necessary changes to transfer SVA Metering arrangements to the REC, and facilitate a transition period for metering assurance.**
  4. Insert the required drafting to give effect to the CCSG, which will be established under the REC to better facilitate cross-code change



## Ofgem's Authority Led SCR Modification (2 of 3)

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Key points from the P420 Proposal Form which are relevant to today's discussion:

- While the BSC has existing assurance regimes applicable to metering arrangements, the liabilities lie with suppliers, rather than the metering agents themselves, under the 'supplier hub' model
- Ofgem considers that it is preferable and beneficial to the wider market to place any liabilities as closely as possible on the organisations who are responsible for a given activity, i.e. placing liabilities on MEMs for their performance around maintaining meter technical details
- As MEMs will be parties to the REC in their own right, they will also be subject to the Performance Assurance function under the REC
- This means that the REC Performance Assurance Board (PAB) will be able to directly assure MEM activity, rather than being reliant on incentives in the commercial contracts between suppliers and MEMs to sufficiently incentivise good performance

## Ofgem's Authority Led SCR Modification (3 of 3)

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Key points from the P420 Proposal Form which are relevant to today's discussion:

- In summary, the proposed changes to SVA metering governance and assurance will ensure that SVA MEMs have a single set of obligations placed on them, and that they can be held directly to account for their performance against those obligations
- Although the risks associated with metering agents and accuracy of meter technical details are ultimately risks to settlement (and therefore have until now been assured under the BSC), Ofgem considers that these risks are ultimately best mitigated by direct assurance on MEMs, which will be facilitated under the REC Performance Assurance Framework

## Change to the P332 solution

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- The P332 proposed solution had required all existing and new SVA HH & NHH MOAs and DCs to sign the side letter
- However, SVA MOAs (MEMs) will be Parties to the REC and also be Qualified under the REC
- SVA MOAs will still be recognised as a Party Agent under the BSC, but they won't be Qualified under the BSC and there will be no MOA processes in the BSC as the processes in BSCP514 are moving to the REC
- Therefore the P332 solution has been amended in accordance with the Proposer's current thinking and will now only apply to SVA HH & NHH DCs



# DRAFT LEGAL TEXT AND SIDE LETTER

## Draft Legal Text – appointed and registered

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### Appointed and registered

- The draft legal text has been amended to explain that the Agent has been appointed and also registered in SMRS
  - 1.2.9 In relation to a Metering System, in respect of which an SVA Data Collector has been appointed **and is registered under the SMRS**, and the Supplier that is the Registrant of such Metering System:

## Draft Side Letter – limitations on liabilities

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### Limitation on liabilities

- The side letter has been amended to include limits on liabilities and the acknowledgement that no types of claims are excluded (i.e. Quantum Meruit – “a reasonable sum of money to be paid for services rendered or work done when the amount due is not stipulated in a legally enforceable contract” is allowed)

Other than as expressly set out in this Letter Agreement, nothing in this Letter Agreement shall exclude any right of Relevant Party Agents and Suppliers to bring a claim against the other howsoever such claim arises.

No Relevant Party Agent or Supplier shall in any circumstances be liable in respect of any breach of this Letter Agreement to the other for:

- (a) any loss of profit, loss of revenue, loss of use, loss of contract, loss of goodwill, or increased cost of working; or
- (b) any indirect or consequential loss.

## Draft Legal Text and Side Letter

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- The draft legal text and side letter have been amended to remove references to SVA HH & NHH Meter Operator Agents

### Draft Legal Text extract

- 1.2.9 In relation to a Metering System, in respect of which an SVA ~~Meter Operator Agent or~~ Data Collector has been appointed and is registered under the SMRS, and the Supplier that is the Registrant of such Metering System:

### Draft Side Letter extract

We are writing this letter pursuant to the requirement in relation to SVA ~~Meter Operator Agents and~~ Data Collectors (“Relevant Party Agents”) pursuant to paragraph 3.3.6A of Section J that as a condition of Qualification they enter into this Letter Agreement with BSCCo.





# SETTLEMENT RISKS

# What is the P332 impact on Settlement Risks/Performance Assurance Framework?

- As the P332 solution impacts on Supplier and Agent BSC obligations, Elexon’s initial view is that P332 will impact a number of Settlement Risks
- Where a variety of Settlement Risks are impacted, this is classified as a Risk Event
- Elexon’s initial assessment is that P332 will impact the following Risk Event:

Area	Event	Consequence / risk management impact
001 - Agents	Lack of (strong) commercial contract between Supplier and SMRS-registered Agent, e.g. where the customer has directly appointed agents - Customer Preferred Agents	Could prove harder to resolve issues. Suppliers report it may be harder to influence Settlement performance. Some HHDCs may not undertake manual reads where the meter is unable to remotely dial. Some HHMOAs do not install alternative comms on sites where the cost of doing so is prohibitive. Some HHDCs are not completing HHDC Annual Site visits.

- Risk Event 001 was added to the Risk Evaluation Register 2019/20, added after approval from PAB in January 2019
- The P332 solution will help to mitigate Risk Event 001





# TERMS OF REFERENCE REVIEW

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## Terms of Reference

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### P332 Specific ToR

- a) What issues are caused by customers choosing Agents?
- b) What is the materiality of the issues?
- c) What means are presently available to address the issues?
- d) What is the best way in principle to address the issues?

### Standard ToR

- e) What is the most appropriate Implementation Date?
- f) What changes are needed to BSC documents, systems and processes to support P332 and what are the related costs and lead times?
- g) Are there any Alternative Modifications?
- h) Does P332 better facilitate the Applicable BSC Objectives compared with the current baseline?
- i) Does P332 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?

# Terms of Reference Summary

Item	Status
P332 Specific Terms of Reference	Complete – subject to WG review today
Costs and impacts	Initial assessment, but require industry assessment via AC
EBGL Article 18 impacts	Yes
Self-Governance?	Complete – not SG due to EBGL impacts
Any Alternative Modifications?	None raised yet
Views against Applicable BSC Objectives	Reseek Initial views at this WG

## Implementation date

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- The Proposer suggests that the implementation date is **5 WDs** after Ofgem's decision
- The Proposer suggests that Agents would then have **6 months** to sign the side letter
- The Final Modification Report is due to be sent to Ofgem by 20 October 2021, assuming that the Workgroup agree today for P332 to go for Assessment Consultation
- Ofgem's KPI for decision is 25 days, so a decision could be received in November / December 2021 → side letter required to be signed around May / June 2022

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## Costs and impacts

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### Costs:

- This is a document only change. No system changes are required for this Modification
- The cost of updating BSC documents will be less than £1k
- Any ongoing operational costs will be identified in the reissued Detailed Internal Impact Assessment

### Likely impacts:

- BSC Section J 'Party Agents and Qualification Under the Code'
- Qualification side letter: Qualification Deed pursuant to BSC Section J3.3.6
- Suppliers, SVA HH & NHH DCs

**We will consult with industry to understand the potential costs and impacts on Suppliers and Agents**



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## Self-Governance criteria - EBGL Article 18 terms and conditions of balancing

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In addition to the Self-Governance criteria, any Modification that seeks to amend BSC provisions constituting European Balancing Guideline (EBGL) Article 18 terms and conditions related to balancing cannot be progressed as Self-Governance. This is because the EBGL requires any Amendments to those terms and conditions to undergo a separate EBGL Amendment process, requiring the Modification to be approved by Ofgem.

Section J 3.3 is identified as impacted by P332. The relevant EBGL sections are:

- Section J:
  - Sub-Sections: **3.3**, 3.6, 3.7, 3.8
- P332 therefore impacts EBGL Article 18 terms and conditions on balancing
- Elexon believe that P332 is neutral against the EBGL Objectives, but as Section J 3.3 is impacted, we need to follow the EBGL process

## Self-Governance criteria

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- P332 cannot be Self-Governance as it impacts on the EBGL Article 18 terms and conditions
- Section J 3.3 is identified as impacted by P332
- The Proposer believed that, even without Article 18 impact, P332 should go to Ofgem for decision as it materially impacts on competition because it will enable Suppliers to better manage Agents with who they don't have a commercial contract



# APPLICABLE BSC OBJECTIVES

## Applicable BSC Objectives

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- a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence
- b) The efficient, economic and co-ordinated operation of the national electricity transmission system
- 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
- d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements
- 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]
- f) Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation
- g) Compliance with the Transmission Losses Principle

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## Proposer Views: Applicable BSC Objectives

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The Proposer initially believed that P332 would better facilitate Applicable BSC Objectives c) and d)

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

The Proposer contends that this Objective would be better facilitated because the Modification would ensure customers would receive comparable levels of service regardless of whether their Agent is customer appointed or Supplier appointed. In addition, the Proposer contends that P332 would mean that Suppliers are not disadvantaged commercially by the appointment of Agents by customers .

d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements

The Proposer contends that this Objective would be better facilitated because Agents who have signed the proposed side letter would lead to a more consistent level of performance by Agents.

Applicable BSC Objectives – initial views at Workgroup 9/10

Member	(c)	(d)
Steven Bradford (Proposer)	+	+
Seth Chapman	N	-
Jonathan Moore	N	+
Dermot Hearty	+	+
Tom Chevalier	N	-
Gavin Somerville	N	+
Derek Weaving	N	+
Jacqui Barton	N	N
Lee Stone	N	+
Mark Bellman	+	+
Nik Wills	N	N
Robert Thomas	N	+
Clare Hannah	N	-
Phil Russell	N	-



# Applicable BSC Objectives – summary

Workgroup views (WG9/10)	(c)	(d)
Positive	3	8
Neutral	11	2
Negative	0	4

A majority of Workgroup Members were Neutral against (c) and Positive against (d) in both votes  
A minority of Workgroup Members were Positive against (c) and Negative against (d) in both votes

Do the Workgroup’s views against the Applicable BSC Objectives change if the P332 solution applies to SVA HH & NHH DCs only?





# CONSULTATION QUESTIONS

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## Standard Consultation Questions

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- Do you agree with the Workgroup's initial view that P332 [does/does not] better facilitate the Applicable BSC Objectives than the current baseline?
- Do you agree with the Workgroup that the draft legal text delivers the intention of P332?
- Do you agree with the Workgroup's recommended Implementation Date? 5 WDs after Ofgem approval
- Do you agree with the Workgroup that there are no other potential Alternative Modifications within the scope of P332 which would better facilitate the Applicable BSC Objectives?
- Do you agree with the Workgroup's assessment of the impact on the BSC Settlement Risks?
- Will P332 impact your organisation?
- Will your organisation incur any costs in implementing P332?
- How long (from the point of approval) would you need to implement P332, taking into consideration time given to sign the side letter?
- Do you have any further comments on P332?

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## Additional Consultation Questions

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- What, if any, additional Assessment Consultation questions are needed?
- Do you agree with the Workgroup that the solution should apply to all SVA HH & NHH DCs?
- Do you agree with the obligations that the Workgroup are placing on SVA HH & NHH DCs in the side letter?
- Do you agree with the Workgroup that the draft side letter delivers the intention of P332?
- We invite the Workgroup to suggest any further Consultation Questions



# PROGRESSION PLAN & NEXT STEPS

## Progression Plan and Next Steps

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- Workgroup summary will be issued by 28 May 2021
- Workgroup to review amendments to Assessment Consultation (2 WDs) w/c 31 May 2021 (note 31 May 2021 is a bank holiday)
- Assessment Procedure Consultation 15 WD – from 7 June 2021 to 25 June 2021
- Workgroup meeting to review consultation responses w/c 5 July 2021
- Workgroup to review Assessment Report w/c 12 July 2021
- Assessment Report presented to BSC Panel on 12 August 2021
- Report Phase Consultation from 18 August 2021 to 20 September 2021 (needs to be one month due to EBGL)
- Possible WG within a week or so from end of RPC
- Draft Modification Report present to BSC Panel on 14 October 2021
- Final Modification Report submitted to Ofgem for decision by 20 October 2021

# ELEXON

## THANK YOU

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**Paul Wheeler**

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25 May 2021