P379 MEETING 3 SUMMARY

MEETING NAME	P379 Workgroup Meeting
Meeting number	3
Date of meeting	18 April 2019
Venue	Conference Room ELEXON Ltd, 4th Floor, 350 Euston Road, London, NW1 3AW/Teleconference
Classification	Public

MEETING SUMMARY

1. Meeting Objectives

1.1 The Chair noted that the purpose of the meeting was to finish discussions on the Exempt Supply Use Case.

1.2 To provide more background information on Exempt Supply requirements Ofgem presented on the Exempt Supply framework and how this works within the current market. In addition ELEXON provided an overview of the existing options for non-licenced entities selling power over the Distribution Network Operator's (DNO) network and how the P379 solution could potentially work.

2. Introduction to the Supply Exemptions - Ofgem

2.1 The P379 Ofgem representative Kevin Baillie provided an overview of Exempt Supply arrangements covering the undermentioned points:

- The Electricity Order 2001 was made to minimise the burden of regulation on persons operating in a limited manner in the generation, supply and distribution of electricity.
- The Order includes separate Schedules for generation, distribution and supply, each of which includes a number of different Classes of exemption.
- It covers Who and What is exemptible and the classes of exempt supply. It is noted that the services provided by a Supplier depend on class and business model.
- Class A and the codes - Supplying over the public network requires Suppliers to become party to and comply with Codes. The MRA, DCUSA and BSC require that all suppliers are licenced. For this reason exempt supply over the public network requires a Third Party Licensed Supplier to provide relevant code-related services to the exempt supplier.
- There are limited obligations on unlicensed Suppliers but it should be noted that unlicensed is not the same as unregulated. Under exempt Supplier obligations parties are required to notify the licenced Supplier when taking over a premises. However, there is no specified form of providing the notification. In terms of monitoring Class A is invisible to Ofgem. The Third Party Licenced Supplier (TPLS) would know if an exempt Supplier has taken over an account and not Ofgem or the DNO.
- The National Terms of Connection (NTC) agreement covers third party and unlicensed Supplier arrangements.

2.2 A member questioned how battery storage interacted with Supply Licence Exemptions. The Ofgem representative noted the question but Ofgem is still developing an answer to this.

2.3 The member also pointed out that the inability to generate more than 2.5 MWh could be small in the P379 context. It was clarified that you can generate more than 2.5 MWh but can't supply more than 2.5 MWh.

2.4 The proposer suggested that the Exempt Supply regime is not fit for purpose, there needs to be a more complete review of requirements. Current arrangements are anomalous, there is a grey area around how the off market segment operates. The P379 arrangements primarily intended to rationalise already existing arrangements with the man purpose of enabling new markets. The key issue is how the current regime impacts on the ability of a consumer to enter into multiple relationships. The WG should ensure that the P379 solution can be tested against the modification objectives.

2.5 It was noted that it is difficult to put requirements on exempt Suppliers. Changing exempt supply arrangements will mean licence/policy changes. The WG agreed that licence changes are outside the P379 solution and should be dealt with separately. However, recommendations from this Mod can be passed to Ofgem and BEIS for consideration. This is subject to how the P379 discussions progress and if this can be fed into the Ofgem and BEIS review of Future of Retail Markets. The group noted that there are ongoing discussions and project work on the Future of Retail Markets. Ofgem offered to provide an update on ongoing discussions and take questions on this.

ACTION 1

2.6 A member pointed out that the solution should be consumer focused when looking at Use Cases and business requirements. The proposer emphasised that the Mod is looking to address the consumer's ability to choose to enter into multiple relationships with different Suppliers and energy services behind the meter.

2.7 A member pointed out that while community energy schemes are willing to pay necessary charges, becoming a licenced supplier on a national scale is very complex, has high cost and is a barrier to entry as well as an entirely different business. The proposer wished to develop proportional arrangements with the P379 solution. The aim is to develop multiple supply arrangements with the right level of charges (including indirect) allocated to an entity. It should be clear what the pricing mechanism is.

3. Exempt Supply and Modification P379

3.1 ELEXON provided an overview of the existing options for selling power on the DNO network, covering sleeving and white label arrangements.

3.2 While the EV Use Case is more straight forward, the exempt supply case is not as obvious. In reviewing the exempt supply Use Case the WG needs to consider the contractual framework over the DNO network and how balance responsibility should be allocated between the primary Supplier and exempt Supplier. Discussions on balance responsibility are planned for the following WG meeting.

3.3 Within the current arrangements exempt supply requires the following:

- a Third Party Licenced Supplier(TPLS)
- a bilateral agreements for each customer
- The customer's additional energy is supplied by the TPLS with whom the generator has an agreement – the customer has no access to the competitive market.

3.4 With P379, arrangements will be carried out under BSC Governance. The Meter-splitting process should be codified, looking at how volume spilt is dealt with at the Boundary Meter.

3.5 A member questioned whether exempt generators should be allowed to register their own generation. ELEXON clarified that it is possible but with imbalance issues there may be a need for a partnered Supplier to provide certain services.

3.6 It was suggested that the MRA could be changed to allow exempt parties to register in their own right. The group noted that potential changes to impacted codes will be determined at future WG meetings.

3.7 The proposer noted that the Mod is looking at how volume is dealt with at the meter. With exempt supply, meter volume will be split with no associated physical device. The WG should determine how energy will be effectively allocated between Suppliers through the Boundary Meter. P379 is wide in scope but the solution is not limited to use cases.

4. Use Case 2 – Exempt Supply

4.1 ELEXON provided an overview of Use Case 2 (Exempt Supply) and the WG discussed the following points on the proposed solutions:

4.2 **Line Loss Factor –** How will Line Loss Factors (LLFs) be allocated? Existing LLFs will be applied as part of the P379 solution. LLFs could be assigned back to the generator. A Workgroup member questioned how GCF and LLF would be assigned appropriately. ELEXON committed to bringing this for discussion at a further workgroup.

ACTION 2

4.3 **Balance Responsibility –** To help understand balance responsibility the WG needs to look at more complex use cases. Including looking at consumer site spills in the context of LLF regime. The WG should ensure the solution can deal with complicated arrangements. ELEXON confirmed there will be a more detailed look at balance responsibility at following meetings.

4.4 **Address who has the priority if customers buy more energy than they need from multiple suppliers –**This is a commercial issue. The WG members acknowledged they will need explore simple use case to see what works. Future use cases could look at more than one community energy scheme or secondary Supplier implicating roles and responsibilities and the Customer Notification Agent (CNA) role.

ACTION 3

4.5 **What happens if generated volume is greater than consumed? -** ELEXON explained that this can be a risk where the CAN is notifying the absolute volume. This is complex to resolve and needs to be addressed as part of the solution.

ACTION 4

5. Any Other Business

5.1 A member volunteered to present on current Community Energy Scheme arrangements and ongoing activities as this will need be addressed in the P379 solution. The proposer is happy to have further discussions on community energy schemes.

ACTION 5

5.2 **Mod progression -** The P379 Interim report is expected at the June 2019 BSC Panel meeting. Given the ongoing WG discussions, there is no clear solution for P379 yet. The website is to be updated to reflect the progression of P379. In addition it will be made clear in the Interim report to the Panel. The P379 timetable will also be updated.

ACTION 6

P379 MEETING 3 SUMMARY

- **Next meeting**
    - The next P379 Workgroup meeting is scheduled for 21 May 2019.