ELEXON

P441 Workgroup Meeting 1 Summary

Summary

1. Meeting Objectives

The Chair welcomed attendees and presented the meeting objectives:

- Consider the background of P441 'Creation of Complex Site Classes'[1]
- Consider the P441 Terms of Reference
- Consider any potential solution(s) which may require further development for discussion at future meetings
- Confirm the next steps

2. Background, Issue and Solution

2.1 The Proposer's representative explained that P441 came about as a recommendation from Issue 88[2], which was set up to address the lack of clarity on when a Complex Site could be used. Further, the Proposer's representative noted that Complex Site arrangements have been allowed under the BSC although, not clearly defined.

2.2 To address this perceived ambiguity, the Proposer's representative proposed the creation of six Complex Site Classes, highlighting the potential benefits, and welcomed views from the WG members.

2.2.1 One member noted that another benefit that P441 may enable local pricing, which can be decoupled from wholesale energy cost. Another member stated that the intended P441 solution will enable domestic customers to engage with the challenges facing the energy grid. Another member noted that P441 intends to create benefits for various industry roles, however, the WG should ensure that the benefit to industry participants and consumers is clearer highlighted.

3. Terms of Reference

3.1 Elexon explained what the Term of Reference (ToR) represents to the WG, noting that a few WG members were new to the Balancing and Settlement Code (BSC) Modification process. Further, Elexon explained that the ToR was classified as, "specific" and "standard" ToR. Elexon presented the nine specific and six standard ToRs that forms the P441 topics to be discussed as part of the Assessment Procedure (AP). One member requested that this Modification should undergo the Cross Code Working (CCW) arrangements, to ensure all Cross Code impacts are identified and addressed, as required. Elexon noted this and confirmed that a new ToR will be created to consider CCW for this Modification. The Workgroup welcomed and noted this.

3.2 **ToR (m) – Should P441 be progressed as a Self-Governance Modification?**

3.2.1 Elexon presented the Proposer's view, which suggests that P441 should not be treated as a Self-Governance Modification thus, submitted to Ofgem for approval. The Proposer's rationale highlights that P441 will impact on competition, existing or future electricity consumers, and matters relating to sustainable development and security of electricity supply. The WG noted the Proposer's view and rationale, and initially agreed that P441 should not be a Self-Governance Modification.

3.3 **ToR (a) and (b) - Complex Site Class criteria**

3.3.1 Elexon presented the six Complex Site Classes and invited the WG to confirm if the six Classes identified are accurate and sufficient to effect the intended P441 solution. The WG initially agreed to the six Classes identified.

3.3.2 Elexon presented the criteria for each Class and welcomed views from the WG members.

[1] https://www.elexon.co.uk/mod-proposal/p441/
[2] https://www.elexon.co.uk/smg-issue/issue-88/

3.3.3 A member asked if the class exemption review on unlicensed generation and supply, which is being driven by Business Energy and Industrial Strategy (BEIS), could be included as a P441 ToR. The member suggested that the WG should align the definition of "site" under the P441 with the definition in existing class exemptions. Elexon and the Proposer's rep welcomed this view and stated that it will be considered.

3.3.4 Another member suggested that all Classes should include storage and embedded generation as their criteria. Elexon noted this and took an action to update the criteria to make it explicit that storage is included.

3.3.5 The WG initially agreed ToR (a) and (b), which outlines the six Complex Site Classes and their criteria.

3.4 **ToR (f) – Impact of Class 5 Sites on Network Charges and BSC Charges**

Elexon commenced this section of the meeting by asking the WG to consider the below questions in relation to BSC and Network Charges:

a) Is charging on a net basis appropriate (in the context of local exempt supply)? ; and

b) If it is not, is there a solution to allow charging of gross demand and generation values (despite net values entering Settlement)?

3.4.1 **Distribution Use of System Charge (DUoS)** – Elexon highlighted that Suppliers may have an existing mechanism with Licensed Distribution System Operators (LDSOs) to ensure the full recovery of DUoS Charges (demand and generation) in relation to Complex Sites. If so, Elexon asked the WG if this mechanism should be codified. One member noted that the proposed arrangement may impact DUoS charges LDSO's recover, therefore, it is important to engage LDSOs and confirm their view on the proposed arrangements. Elexon noted this and took an action to contact LDSOs/the Energy Network Association (ENA).

3.4.2 **BSUoS and TNUoS Charges** – Elexon explained that the Balancing Services Use of System (BSUoS) and Transmission Network Use of System (TNUoS) Charges were calculated on net demand at the time a Class 5 Complex Site was first discussed under Issue 88, but have since moved to charge on gross demand.

Elexon posed the question to the WG to confirm if net charging of BSUoS and TNUoS is appropriate for Class 5 Complex Sites, and if not, how the National Grid Electricity System Operator (NGESO) will be provided with gross metered data for charging purposes. One member stated there is an ongoing Task Force looking at the future of TNUoS charges, and any changes effected for P441 must consider the principles delivered from the Task Force. The general view from WG members was that netting on TNUoS should not be applied, however, clarity on the provision of data from LSDOs for TNUoS Charging is required. A member from NGESO agreed to take an action to confirm how LDSOs currently provide data for TNUoS charging for these types of site arrangements.

For BSUoS, the majority of WG members were comfortable with netting and did not believe that any changes were required to the process for submitting data to NGESO for BSUoS charging purposes. The WG agreed no action on BSUoS.

3.4.3 **Distribution Line Loss Factors –** Elexon explained the current mechanism, stating that netting of Import and Export affects allocation of losses, if the Import and Export are at different voltage levels, and therefore have different Line Loss Factors (LLFs). Elexon demonstrated a diagram and a sample calculation to clarify this to the WG. Elexon's view was that the current arrangement (in which the Half Hourly Data Collector (HHDC) does not make any adjustment for differences in LLFs) should be utilised for Class 5 Complex Sites, and posed a question to the WG to confirm this creates an issue and undermines the benefit of Class 5 Complex Sites.

A member opposed this view, noting that when the solution is ramped up by industry, issues around LLFs may undermine the intended benefit. Another member noted that the final solution must be pragmatic to handle the perceived scaling issues. Elexon noted this view.

Further, Elexon commented on the netting calculation, suggesting that a potential solution to the LLF issue would be to apply an adjustment in the Complex Site Rule itself. These adjustments would fall in the remit of the HHDCs but noting that this approach may have a high level of complexity for the HHDC, particularly if they were required to calculate adjustments using the actual LLFs published by the LDSO (which HHDCs do not currently use or load). The WG concluded that this would be disproportionately burdensome, but that consideration should be given to having the HHDC adjust for difference in voltage levels using an average (constant) adjustment factor. The WG agreed to explore this option (and the option of continuing the current arrangement) when considering ToR(c) **"What Metering System IDs (MSIDs) need to registered for each Complex Site Class".**

3.4.4 **GSP Group Correction Factor (GSPGCF)** – Elexon explained the current process and highlighted that netting of Import and Exports affects the GSPGCF, which is similar to LLFs as described above. Elexon asked the WG if it was appropriate that energy netted in a Class 5 Complex Site should avoid GSP Group correction. One member noted the same scaling issues, mentioned above in 3.4.3, will apply here. Although, another member agreed that netting should exclude the GSPGCF, the majority believed that this Charge will be better explored in the **ToR (c) "What Metering System IDs (MSIDs) needs to be registered for each Complex Site Class"**, to which Elexon agreed and noted.

3.4.5 **Transmission Losses and BSC Charges** – Elexon explained that Transmission Losses and BSC Funding Shares are calculated on net volumes (rather than gross), so will be unaffected by the netting of Import and Export in a Class 5 Complex Site. One member noted that some could unintentionally benefit from the netting arrangement. Elexon noted that this is traditionally known as an embedded benefit which other embedded generation has gained from historically. The proposed solution under P441 would not change this, so it doesn't matter whether they are a Complex Site or not.

Elexon suggested that this section is reviewed on **ToR (c) "What Metering System IDs (MSIDs) needs to be registered for each Complex Site Class"**, to which the WG agreed.

Actions

No.	Action	Owner
1.	Update the criteria for all classes to include storage and embedded generation.	Elexon
2.	Contact LDSOs/ENA and confirm their view on the proposed arrangement for DUoS charging	Elexon
3.	Contact the TMA to understand the current process used for providing gross data to LDSOs for the use of DUoS charging where an Energy Local scheme applies.	Elexon
4.	Confirm the TNUoS Charging arrangements between NGESO and LDSOs	JH (NGESO) and Elexon
5.	Add a new ToR to consider Cross Code Working (CCW) under P441	Elexon
6.	Share the P442 'Reporting chargeable volumes for exempt and licensed supply'[3] progression plan with the WG	Elexon

Appendix 1: P441 Workgroup 1 attendance

Name	Organisation
Mary Gillie	Energy Local
Joseph Henry	NGESO
Lee Stone	EON Energy
Phillip Russel	TBC
Tim Lunel	Low Carbon Hub
Mark Bygraves	Siti grid
Ian Hall	IMserv
Andrew Colley	SSE

[3] https://www.elexon.co.uk/mod-proposal/p442/

Meg Wong	Stark
Carrie-Anne Lewis	SMS
Felix Wight	Repowering
Benny Talbot	Community Energy Scotland
Andy Knowles	Utilita
Jonathan Dawes	Stark
Simon Hagan	IMserv
Charles Bradshaw-smith	SmartKlub
George Barnes	Retail Energy Code (REC)
Keren Kelly	Elexon (Chair)
Stanley Dikeocha	Elexon (Lead Analyst)
John Lucas	Elexon (Design Authority)
Christopher Day	Elexon (Subject Matter Expert)
Rashmi Radhakrishnan	Elexon (Observer)