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## P412 WG 3 summary

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### Summary

#### 1 Meeting Objectives

- Review of the P412 solution options which have been considered
- Next steps

#### 2 Recap of Workgroup 2

2.1 Five solution options which had been considered by National Grid ESO (NGESO) were presented to the WG, along with the advantages and disadvantages of each option:

1. P354 with Mandatory Data Sharing
2. P354 with Optional Data Sharing
3. NGESO Pass-through
4. New Party role
5. Non-BM Balancing Services Providers move to the BM

2.2 The Proposer's preferred solution is Option 2 as it was consistent with Ofgem's decision on sharing of customer data being optional and it could be delivered quicker than some of the other options.

2.3 The WG favoured a variation of Option 3 as it would separate imbalance and non-delivery and ensure that non-BM Balancing Services Providers would be responsible for non-delivery.

#### 3 What's happened since the last Workgroup Meeting?

3.1 Elexon and National Grid ESO have been considering the legal and technical issues with the five potential solution options:

- Does the potential solution meet the requirements of the [Clean Energy Package](#) (in particular, the recast Electricity Regulation)?
  - "All market participants shall be responsible for the imbalances they cause in the system"; and
  - "The imbalances shall be settled at a price that reflects the real time value of energy".
- What legal and technical changes (documents/systems/processes) would be required to implement the solution options?
- How long would it take to implement the solution options (and how much would it potentially cost)?

3.2 Elexon and NGESO met with the Ofgem representative for P412 in December 2020 to provide an update on the first two WG meetings and the development of the Modification.

#### 4 What solution options have been considered?

4.1 Elexon and NGESO presented the five solution options to the WG.

4.2 It was noted that Option 1 and 2 would charge imbalances at the right price and the solution was fairly simple as it was a tweak to the P354 solution, to calculate Applicable Balancing Services Volume Data (ABSVD) using instructed rather than delivered volumes. However, balance responsibility would be delegated to the Supplier, so the Balancing Services Provider (BSP) has no choice to delegate to a Balance Responsible Party (BRP) of its choice and the Supplier has to accept the delegation. This makes it difficult for the Supplier to be balanced and there is no incentive on the BSP to deliver as instructed.

4.3 Option 3 would require calculation of imbalance and non-delivery per MSID, which is a change from the current approach of aggregating data and would therefore require significant changes to documents, systems and processes. It would mean that the BSP is held responsible (via the contract with NGESO), but would raise similar

concerns as Options 1 and 2 in terms of the lack of choice in relation to delegation of balance responsibility. Elexon suggested that NGESO would have to take on 14 BMUs to which the non-delivery charges would be assigned, however, a WG Member pointed out that these would not have to be full BMUs and could be secondary BMUs or similar. There would also be Credit Cover considerations if NGESO would be passing through the charges from Elexon to non-BM BSPs and concerns that there could be a conflict of interest.

- 4.4 Option 4 would require creation of a new role in the BSC, similar to Virtual Lead Parties (VLPs). A WG Member noted that the VLP Qualification process is extensive, so would be a significant step for non-BM BSPs taking on this or a similar role. Elexon noted that the Performance Assurance Board might not support a change to the Qualification process. It was noted that the Government's [Energy white paper: Powering our net zero future](#) was trying to make it easier to participate in the market and remove barriers to entry.
- 4.5 Option 5 would bring all non-BM BSPs into the BM, however, this was a longer term approach, which NGESO noted would require significant changes as part of the review of the BM, which may not be implemented until 2028. As the compliance issue is on the Proposer, it was noted that they might not want to delay.
- 4.6 A WG Member explained that non-BM BSPs could join the BM now and this would not require a BSC change, or the non-delivery could be resolved within NGESO's non-BM contracts and therefore no BSC change would be required.
- 4.7 A WG Member asked if it would be an option for the Proposer to seek a derogation. The Proposer's view was that it would require a change to Statutory Instruments. Elexon noted that Article 5.2 of the retained recast Electricity Regulation states that a derogation from balance responsibility could only be granted for in limited and specific circumstances, including for "demonstration projects for innovative technologies". The Ofgem representative provided his view that a derogation could not be provided just because a solution can't be found, it could only be granted in accordance with the provisions of the Clean Energy Package.

## 5 Next Steps

- 5.1 The Proposer explained that he was exploring options to resolve the compliance issue, including outside of the BSC. The Proposer is planning to have further discussions with NGESO senior management and with Ofgem and will aim to have an answer by the next WG at the end of March or beginning of April. Elexon noted that under the current progression plan, the Assessment Report is to be presented to the May Panel meeting, after the Assessment Consultation. If an extension to the Assessment Procedure is to be required, it should be requested at the April Panel meeting.