

## **P415 Workgroup Meeting 6 Summary**

On 3 September 2021, the P415 Workgroup met to review and determine the approach to Supplier Compensation within the Cost Benefit Analysis piece, ahead of presenting this view to the BSC Panel for their consideration.

### **Next Steps**

The BSC Panel considered the P415 CBA at their meeting on 9 September 2021 and Elexon are beginning procurement activities for the eventual CBA.

Elexon have held initial discussions with five service providers to understand capabilities within the market so that procurement activities can start following the Panel's decision and will undertake a Request for Proposal (RFP) process to ensure an appropriate provider is selected through a fair and competitive evaluation.

Further P415 Workgroups will be necessary to revisit credit arrangements and reporting requirements, and these will run parallel to the CBA.

### **CBA Approach: 'bottom up' investment model versus scenario based assumptions**

Having considered Workgroup feedback on the CBA options for P415, CEPA returned to provide clarity and seek guidance on the Workgroup's preferred approach for development of models that assess the additionally of aggregated service variants under options 4 and 5.

CEPA took the group through two different approaches for development of models, scenario based assumptions versus a 'bottom-up' development of inputs/assumptions using bespoke investment model. The Workgroup considered the implications and relative benefits to each approach, highlighting that the 'bottom up' model would take longer and cost more but remained preferable for most of the Workgroup to provide a greater degree of sophistication.

In general, the Workgroup recognised that P415 has the potential to be a very sizeable market change and so it would be worthwhile to undertake the bottom-up analysis, with some members believing the scenario-based approach would not be as effective.

The Workgroup noted that additional data and information would be needed to feed into any 'bottom up' assessment to better understand the fixed and variable costs and revenues of the hypothetical "proxy" aggregator. It was confirmed for the group that this would likely be a "broad-brush" approach by the eventual CBA service provider, and would not necessarily involve making the input data public.

### **CBA Approach: Supplier Compensation**

Noting that the Proposer preferred solution at this point is the approach where VLP remains liable for costs incurred by the Supplier under P415, the group discussed whether mutualised compensation by Suppliers should be a required variant within the CBA.

The Workgroup felt uncomfortable with not continuing to explore both options via the CBA and so both variants should be included on the basis that it does not preclude any approaches from further development and potential presentation of both options to Ofgem as the ultimate decision maker for P415.

### **Supplier Compensation Volumes**

The group considered what volumes should be used to calculate Supplier compensation under P415, also considering whether volumes used to calculate Supplier compensation should include balancing and wholesale market volumes (or not).

Noting that this was unfinished business from previous Modification [P344 'Project TERRE'](#), the group desire clarity from Elexon on whether the scope of the P415 defect (as captured in the Proposal Form) is sufficient to encompass this issue at the next meeting.

### **Credit**

The group discussed whether VLPs should lodge credit under P415 and whether volumes should be estimated for the 5 days where calculations would not be possible.

The group were unable to come to a firm conclusion in this meeting and it was agreed that a worked example would be helpful in the next meeting when the group will return to this topic.

### **National Grid update**

National Grid provided an update to the P415 group, highlighting that the ESO are setting up internal project groups and discovery processes to look at what information control room might need from VLPs active in the WM, with further updates to be relayed to the P415 group. It was noted that the outcome of this process may well lead to CUSC or Grid Code mods eventually to ensure alignment with this potential development to the market.