

## **P415 Workgroup Meeting 7 Summary**

On 28 October 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**

Further P415 Workgroups will be necessary to revisit the method for separating WM and BM volumes and consider a proposed methodology for calculating a Supplier compensation price.

### **Supplier Compensation Volume Update**

The group heard Elexon's legal opinion that the scope of P415 is not sufficient to introduce Supplier compensation in the BM, and therefore another Modification would need to be raised to cover this element.

The group considered the timelines and impacts associated with either raising a Modification to run concurrently with P415 (that could unlock efficiencies in implementation) or after P415 has received a decision from Ofgem, preferring to wait until Ofgem makes a positive decision on the issue of Supplier compensation before undertaking any further work on this aspect.

### **P415 Credit Arrangements**

The group considered 3 options for VLP Credit Arrangements under the P415 solution.

Under Option 1 VLPs would lodge cover for an estimate of their net exposure, this was felt to best uphold principle 5 'the VLP shall be subject to same rules and requirements where appropriate' and represents (of all the options) the best estimate of debt to be accrued.

Under Option 2 VLPs would have to lodge cover for all contracted volumes. This would be easy to implement but would result in an increase of credit cover needed to be lodged and could be considered a barrier to entry for VLPs.

Under Option 3, the Credit Energy Indebtedness value would be set to zero and therefore result in a reduction of credit cover needed to be lodged. The group did not consider this to be appropriate as in case of VLP default the market shall be liable for any missing credit cover and liability for debt accrued would be placed on other market participants.

Therefore the group agreed and determined that Option 1 is the preferred P415 Credit Assessment Energy Indebtedness (CEI) solution for P415.

## **Supplier Compensation Price Methodology**

The group considered the proposed methodology for calculating a Supplier compensation price.

This would define how a reasonable representation for the sourcing costs of a Supplier for a 'given time period' is to be calculated and will be represented by a single £ / MWh value.

The group noted that the proposed methodology would define the required data and the data sources, define how data is to be validated and erroneous / duplicated data is to be removed, define exception scenarios and defaulting rules and be its own Code Subsidiary Document (CSD) and so have appropriate change governance procedures applicable.

Noting that this element would be impact assessed to ensure that it is a cost effective solution, the group wish to better understand indicative costs associated with this approach and Elexon will investigate to see what information can be shared with the Workgroup at this stage.

## **P415 Supplier Reporting Requirements**

The group noted that Ofgem have previously expressed the view that the customer consent model (whereby the customer must consent to the relevant supplier receiving granular data) is preferable to mandatory sharing (whereby customer consent would not be required for suppliers to receive this data) via their decision on P344 'Project TERRE'. This is consistent with a decision on a very similar issue of data sharing for P354 (specifically ABSVD MSID data).

Having considered this information, the group think it would not be prudent to go against Ofgem's previous decision by including mandatory information sharing as a feature of P415.

A majority of the Workgroup agreed that correction and compensation under P415 means that Suppliers would not be impacted by VLP activity and therefore have less need for individual site-level data, although a Supplier representative disagreed that this would not be useful or desired for these organisation

## **Next Steps**

Further P415 Workgroups will be necessary to revisit the method for separating WM and BM volumes and consider a proposed methodology for calculating a Supplier compensation price.