

## **P415 Meeting Summary**

Another well-attended Workgroup ensured that good discussions were held on the questions and issues that underpin P415 and agreement was reached on the high level principles that the eventual solution should measure itself against. Further detail on the requirements under which VLPs should operate in the Wholesale Market will be discussed and developed at future meetings, however the group have begun to touch on some known, existing issues that sit outside the BSC but are fundamental to P415. Additionally, the group began to discuss issues related to visibility of trades, how and when trades should be recorded, the need to minimise barriers to entry and how qualification processes may function. The concept of the “Deviation Volume” that represents a deviation from the baseline was also further developed.

### **Visibility of Trades**

In order to balance the Transmission System, the System Operator needs to know what generators intend to generate, and what Suppliers intend to consume, for each Settlement Period. The SO needs this information before the start of the Settlement Period so that it can understand the Transmission System imbalance, plan how to balance it, and take balancing actions.

The National Grid representative confirmed their stance that they wish all parties to stick as close as possible to their traded position, as failure to do this could result in ineffective balancing actions taken by the ESO, which would result in additional costs to BSUOS for market participants.

Noting that Generators and Suppliers submit Physical Notifications (PNs) for each Balancing Mechanism Unit (BMU) to the SO for each Settlement Period, and that any parties not active in the BM are not required to submit a PN, the group considered how an overriding principle of “National Grid do not want to be surprised by any action taken after Gate Closure” could apply to VLPs.

To aid discussions, the Workgroup were presented with some examples and agreed that VLPs would use the existing ECVN / MVRN functionality to align with existing Wholesale market players (covering trade capture and trade position calculation).

The group discussed information transparency from a Supplier perspective. It was noted that this element had been discussed in P344 Workgroup meetings, with the outcome being that the Supplier doesn't need to know in advance what is going happen at that site because the adjustment will be the same as the VLP action, so that remain neutral.

A Supplier representative struggled to see how the relationship between a Supplier, customer and VLP would work under this model. He did not understand how a Supplier would access information that it needs to make sure it has a correct contract position in the forward market, where both the Supplier and VLP will potentially be trading on behalf of a customer's flexible assets on a site.

The Proposer confirmed that he believed the Supplier should operate under the assumption that flexible assets are not going to be dispatched - in instances where they are dispatched that will be covered by the P415 adjustment.

Ultimately, the solution should allow the supplier to act without prior knowledge of VLP activity, safe in knowledge they will not be held responsible for any deviations caused by this VLP and they can trade as forecasted, relying on the P415 mechanism rather than trusting in relationship between a Supplier and VLP.

## Potential self-balancing

Noting that VLPs are not currently required to submit PNs and that therefore there is no current mechanism or obligation to notify when a VLP is active, the Proposer stated that he would be willing to allow additional procedural requirements on VLPs when it comes to notification of activity. It should be noted that this is not a VLP-specific issue and pertains to all distributed asset BMU (e.g. additional BMUs)

The purpose of P415 is not to allow actions be taken post Gate Closure and this is a pragmatic offer that would hold VLPs to a slightly higher standard but gives additional assurance to industry that a potential perceived loophole for post Gate Closure dispatches by VLPs will be impossible under P415.

## Barriers to entry

The group considered whether a VLP would be likely to either trade exclusively in either the Wholesale Market or the Balancing Mechanism, but not both.

For theoretical VLPs who would trade only in the BM and not trade in the Wholesale Market in the future, the group are keen to avoid having to force them to build new systems or undergo additional qualification processes to accommodate P415, seeing this as a potential barrier to market entry for those who want to remain “vanilla” VLPs.

Therefore, keeping these functional areas separate in regards to qualification requirements was agreed to be a reasonable starting position.

## Deviation Volumes

The group discussed the best way to reference the volumes that would be introduced by P415, i.e the deviation that the VLP has taken an action to deliver.

These volumes had previously been referred to as ‘flexible volumes’ in the absence of anything felt to be more suitable. One member suggested that ‘flexible volumes’ could cause confusion by incorporating Time of Use changes from a Supplier or other forms of flexibility and others agreed that it should change to emphasise that they are different from one another and to distinguish what the supplier’s view of a site is versus what the VLP has delivered from that site.

‘Deviation Volumes’ was suggested and generally agreed to be adopted for referencing P415 volumes going forward.

## BSC Wholesale Market Arrangements

Elexon presented a summary of current BSC arrangements when it comes to interaction with the Wholesale Market. It was noted that these BSC arrangements is quite limited in terms of how Parties are required to notify Elexon through submissions of what trades they have agreed. There are two “tools” that Parties can use - ECVNs that notify Elexon of the volumes of energy bought and sold between two Energy Accounts, and MVRNs that notify Elexon of one party transferring Metered Volumes from a BMU to another Party’s energy account, effectively transferring responsibility for those volumes from one Party to another.

The group considered whether, in principle, it would be useful for VLPs to be able to use each option.

One member felt that it would be impossible for VLPs to use MVRNs, as the party responsible for MVRNs is also responsible for the BMU. Secondary BMUs are the only BMUs that can capture these Deviation Volumes, because the Supplier is responsible for the entire Metered Volume and therefore has no need to use Secondary BMUs.

One way forward could be to expand the definition of what an MVRN's function is, or alternatively create a new notification along the lines of a "flexible volume reallocation notification" as a parallel mechanism, and this will be explored in a later meeting.

### **Non-BSC non-commodity charges**

The Workgroup discussed liability for non BSC non-commodity charges (such as TNOUS and BSOUS) that are currently applied to the Supplier and end consumer, and what happens when the Supplier position is corrected.

One VLP/Supplier representative noted that, in the Balancing Mechanism, the VLP provides aggregated metered metering data to Elexon confirming the action they took in comparison to the BM instruction (the BOA). This member felt that the same concept should be carried into P415, where the VLP is not affecting the Supplier's position but the VLP should be held accountable for any position they have traded and if they have caused an imbalance as a result of that.

Elexon took an action to review this point and come back with a discussion point in the next Workgroup.

### **Agreed P415 Principles**

1. VLPs shall trade aggregated 'Deviation Volumes' on the wholesale market in the same manner as existing Parties i.e. VLP will have no advantage over existing Trading Parties and be subject to same rules and requirements
2. The VLP shall be the Balancing Responsible Party (BRP) for any wholesale market 'flexible volumes' trades. Neither the counterparty nor registered Supplier shall bear any liability for delivery of the trade.
3. 'Deviation Volumes' are a measurable commodity similar to traditional 'Metered Volumes' in that they both represent in an import/export MWh deviation to the Total System
4. VLPs shall be able to trade 'Deviation Volumes' in the wholesale market and provide other flexibility services during the same Settlement Period
5. The registered Supplier at a site used by a VLP shall not benefit nor suffer detriment from BSC calculated cashflows due to VLP wholesale market activity

### **Next Steps**

Elexon will continue to document the emerging questions and issues surrounding assessment of this Modification, ensuring that issues outside the BSC are made visible to the appropriate body. Now that the high level principles have been discussed, we will aim to move to a finer level of detail in the future Workgroup meetings.