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## P441 Workgroup Meeting 8 Summary

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### Summary

#### 1. Meeting Objectives

The Chair welcomed attendees and presented the meeting objectives:

- Review any comments on the draft P441 redlining – completed for current solution, pending any changes because of further analysis
- Determine whether there is an Alternative Modification and solution the Workgroup wishes to progress – in-progress
- Confirm the Workgroup's initial views against the Applicable BSC Objectives – on-hold pending further analysis and consideration of the solutions
- Confirm the questions required for the Assessment Procedure Consultation – on-hold pending further analysis and consideration of the solutions

#### 2. Workgroup (WG) meeting 7 summary and action updates

- 2.1 Elexon distributed the legal text prior to the WG. No comments were received.
- 2.2 A WG member queried the definition of Primary Substation and whether this should include 11kV for an audience not familiar with P441. Elexon noted if this is not defined in the BSC then it should be included as part of the solution.
- 2.3 The National Grid Electricity System Operator (NGESO) representative raised concern that the notes from the previous meetings had not accurately captured their comments. The chair reminded the group that the notes are sent to all workgroup members and published on the website, and we always welcome feedback on them. The notes focus on outcomes and decisions rather than detailed notes of the discussions (which will be reflected in the Modification Report, which are sent for Workgroup preview). The chair agreed Elexon would work with NGESO to ensure they were content with the previous meeting's notes.

#### 3. BSUoS Charging Impacts

##### 3.1 Impact on TNUoS:

- 3.1.1 NGESO believed P441 could potentially introduce TNUoS benefits or reductions as well as BSUoS as the same data is used to calculate both charges.
- 3.1.2 A WG member confirmed slides had been presented in WG meeting 2, 3 and 4 reflecting the potential impact on TNUoS.
- 3.1.3 NGESO advised the potential TNUoS benefits could place customers in a lower residual band (as P441 nets the volumes).
- 3.1.4 The data for banding comes from DNO's as they are responsible for distribution connected sites.
- 3.1.5 If the meters have maximum import capacity the banding is measured against the import capacity over a number of years. They will be in the lower banding if netting import/export.
- 3.1.6 If not maximum import capacity, the banding will be based on consumption. Netting will have an impact on aggregated consumption submitted to NG and so could result in benefits for Metering Systems within a Class 5
- 3.1.7 NGESO confirmed they could continue to bill BSUoS and TNUoS as long as they have data via a P210 under the currently proposed P441 solution, if netting were to occur this wouldn't entirely be gross data..
- 3.1.8 It was suggested that there could be different issues for domestic versus non-domestic
- 3.1.9 Elexon advised the solution could be changed so there is no BSUoS or TNUoS benefit but was not clear if this would be accepted by the WG, as it would add significant complexity to the solution.

3.1.10 It was reiterated, as it has been discussed extensively at previous meetings, that as the solution stands, P441 would reduce BSUoS charges. The majority of the Workgroup were ok with this as they thought the overall costs of managing the system would also be reduced by P441 and therefore the P441 benefits outweighed any concerns of a new type of BSUoS benefit.

### 3.2 Requirement for analysis of BSUoS impacts:

- 3.2.1 Elexon confirmed conversations had been held with Ofgem over how Complex metering sites would be reflected in BSUoS charges. Elexon advised it is likely Ofgem will require more rigorous investigation into the solution given P441 potentially reintroduces an 'embedded benefit' that had previously been removed.
- 3.2.2 Ofgem confirmed they would like some analysis on P441 to help make a decision on the Modification. They advised they were not trying to prevent Mod going through, but as a by-product of how charging mechanisms work other customers would be affected by the solution, even if the consequences are unintentional.
- 3.2.3 Ofgem advised analysis and evidence should include:
- a) How Load Matching occurs
  - b) How the solution helps NGENSO balance the system
  - c) Cost savings for ESO
  - d) The distributional charging impacts on consumers (complex-sites vs. non-complex sites) from class 5 sites
- 3.2.4 WG members asked for Ofgem input into completing the analysis. Ofgem queried whether they could provide input as they ultimately have to make the decision on the modification, but would confirm this following the WG. Elexon advised the request is for Ofgem to confirm any requirements gathered prior to carrying out analysis are suitable to help Ofgem make a decision on the Modification, and not for them to input into the actual analysis.
- 3.2.5 NGENSO confirmed they are supportive of local balancing, but had concerns about wider charging implications. NGENSO are keen to ensure Ofgem have the correct information they require to make a decision. They advised they may make resource available to assist with analysis. The chair thanked Ofgem and NGENSO for their offer of support and said Elexon would be in touch on this.
- 3.3 Ofgem confirmed their view was that any solution that has a reduction in costs or elements of cost avoidance would result in other consumers picking up the costs.
- 3.3.1 The proposer confirmed the intention of P441 was not suggesting network costs weren't paid at all. The Proposer was open to finding a solution that would stop any gaming (deliberate or otherwise). She was of the view that it would be very difficult to game in practice. One option could be to restrict the use of class 5 sites, for example.
- 3.3.2 A WG member queried this viewpoint and stated they did not think the solution was "a zero sum game", advising embedded generation is required to avoid expanding the network and everyone should pay less as a result of P441. It was not right to compare the P441 arrangements to the previous embedded benefits, as the nature of the relationship between the generator, Supplier and consumer was fundamentally different. Historically, embedded benefits applied indiscriminately, whereas P441 would only allow a benefit where there was local supply and demand. Ofgem, explained that it was interested about any benefits and costs that Suppliers (and others) could realise, even if not the intention of the Modification i.e., unintended benefits or opportunities to manipulate or game the rules in their favour, 'vulnerabilities of gaming.' There was general support for P441 and the benefits expressed by members, but further evidence and analysis is needed to support the claimed benefits.
- 3.3.3 Elexon advised if it was not the case BSUoS costs are intended to be avoided, the solution can be changed although this may require changes to BSC and NGENSO systems. Further, it was Elexon's view that the current solution did leave open the possibility of Suppliers mass adopting the solution to its own gain, without necessarily realising the benefits expected.
- 3.4 Elexon confirmed any analysis undertaken will require the Modification timeline to be extended. Elexon will work with DCUSA and REC to realign timelines and request an extension to P441 from the BSC Panel.
- 3.5 Ofgem referenced a number of modifications had been raised following the Targeted Charging Review, including one example where consumers still had to pay final demand charges.
- 3.6 Ofgem confirmed its intention was that everyone had to pay for the network in a fair and equitable way.

- 3.7 A WG member confirmed that benefits from P441 should come from the relationship between the Generator and Customer. Elexon advised this was not referenced as part of the current solution.
- 3.8 A WG member queried if the Modification process would be delayed if analysis was undertaken, or whether there was any flexibility to continue as planned. Elexon advised if analysis is required, it was better to do this prior to going out to consultation to inform the solution of the output, noting if a consultation was issued and any material update was required to the solution, another consultation period would be required. Therefore, the current timeline would need to be extended and would be subject to the scope of the analysis and evidence to be conducted.
- 3.9 The scope of the analysis would need to define the scenarios to model/test and specify the evidence to collect from industry e.g., how many class 5 sites and the associated energy volumes.
- 3.10 Potential Analysis Requirements:**
- 3.10.1 A WG member raised a concern there are potential unintended consequences of P441 and this would not be captured in any analysis undertaken. They questioned what solution options could be put in place to manage this.
- 3.10.2 The proposer advised analysis needs to include how P441 lowers the costs of network charges.
- 3.10.3 The proposer stated any modelling should include how consumer behaviour can shift usage to realise benefits.
- 3.10.4 A WG member stated any analysis should include guidance on the benefits involved and an exploration of the model. If there was an opportunity for 'gaming' how could this be achieved and is there mitigation that can be included in the solution e.g. by more closely defining a Complex site. It was also suggested to include worked examples, scenarios with renewables and no-renewables.
- 3.10.5 Elexon questioned if there were concerns around Suppliers 'gaming' the solution it would be useful to understand from WG member's examples of legitimate schemes that should be included.
- 3.10.6 Ofgem asked for any modelling to not just include balancing but also how and when demand customers need to take demand from the Total System as opposed to the local generation. Elexon confirmed any demand taken directly from the system and not from the generator would be charged on gross energy volumes as it is today
- 3.10.7 A WG member queried if funds were available to undertake any analysis. Elexon confirmed funds are available as part of the Modification process and should be sufficient for this requirement.
- 3.11 Potential CUSC mod:**
- 3.11.1 Elexon advised that any potential modelling is unlikely to identify rational for zero BSUoS charges. This will increase the complexity of solution and would likely require a S14 CUSC change, and if this is the case queried whether it was worth raising a CUSC Mod now as any analysis undertaken is likely to be at CUSC level & there may be existing expertise from the BSUoS taskforce that could help complete this. The CUSC Mod would need to consider how to amend the BSUoS (and TNUoS) charging to allow for the BSUoS 'benefit' or to make clear it should not be allowed.
- 3.11.2 Ofgem provided a steer that it would not recommend to raise a CUSC Mod at this stage. This view was shared by others in the group, feeling it was premature to raise a CUSC Mod until the 'ask' and the CUSC 'issue' were better defined and understood.
- 3.11.3 NGESO advised whilst a CUSC Mod could be raised, there was existing knowledge and expertise within the P441 WG that could help to complete this, rather than starting from scratch to inform a new WG of progress to date.
- 3.11.4 NGESO advised there is a forum for users to attend prior to raising a Mod, Transmission Charging Methodology Forum ([TCMF](#)), who could help to provide feedback on P441.
- 3.11.5 TCMF meetings are monthly, the next one is 5<sup>th</sup> October 2023, with paper day being 28<sup>th</sup> September 2023. The proposer agreed to work with Elexon and NGESO to provide some slides to present to the group at the next opportunity, likely to be November at the earliest, detailing:
- a) An update on P441 progress
  - b) The requirement from Ofgem to undertake some analysis
  - c) A request for feedback

3.11.6 NGENSO confirmed any updates to the CUSC charging methodology need to be approved by October 1<sup>st</sup> for implementation on April 1<sup>st</sup> of the following year e.g. a Change would need to be approved by 1<sup>st</sup> October 2024 to be implemented on 1<sup>st</sup> April 2025, per CUSC Modification CMP292. The Workgroup noted this and Elexon said this would be factored into the P441 Implementation Date and approach.

#### 4. Alternative Modifications

4.1 A WG member advised that a potential alternative solution was to restrict what P441 applies to.

#### 5. Initial views against the Applicable BSC Objectives

5.1 The chair decided given the requirement to undertake further analysis of the solution, there would be no benefit to holding a vote against the BSC Objectives or the other 'routine' Terms of Reference.

#### 6. Next steps

6.1 Draft requirements for P441 analysis.

6.2 A follow up WG will be arranged to discuss the initial set of analysis requirements.

6.3 Slides to be drafted to present to TCMF.

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#### Actions

| No. | Action   | Owner                               |
|-----|--|-------------------------------------|
| 1.  | Present P441 to TCMF and potential CUSC Mod needed to seek feedback.   | Elexon/Proposer/National Grid       |
| 2.  | Elexon to update REC & DCUSA on progress and confirm impacts on joint timelines.   | Elexon                              |
| 3.  | Initial set of requirements for P441 solution analysis to be drafted. Ofgem to confirm input they can provide to sign off of requirements. | Elexon/Proposer/National Grid/Ofgem |
| 4.  | Elexon to request P441 extension from BSC Panel.   | Elexon                              |
| 5.  | Meeting to be arranged to discuss ToR (f) between NG, Elexon and Proposer (to ensure happy with previous meeting notes from meeting 7).    | Elexon, National Grid, Proposer     |
| 6.  | Elexon to confirm definition of Primary substation   | Elexon                              |