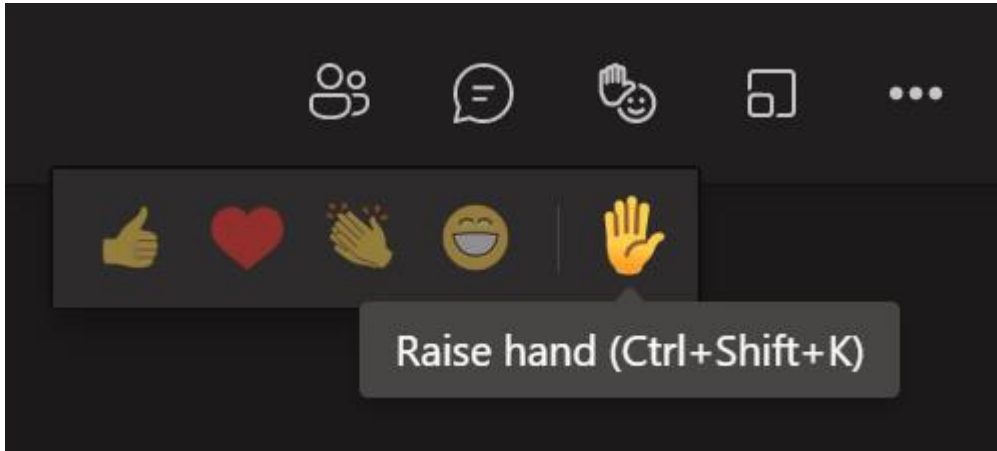


P442 Digital Meeting Etiquette

- Welcome to the P442 Workgroup meeting 1 – we'll start shortly
- No video please to conserve bandwidth
- Please stay on mute unless you need to talk – use the Raise hand feature in the Menu bar in Microsoft Teams if you want to speak, or use the Meeting chat



- Lots of us are working remotely – be mindful of background noise and connection speeds

ELEXION

P442 Workgroup 1

‘Reporting to EMRS of chargeable volumes
for SVA Metering Systems that record both
exempt and licensed supply’

15 February 2023

Meeting Agenda

Objectives for this meeting:

- Review the ToR and confirm if any additional topics should be considered
- Review the current proposed solution and views against the ToR

Agenda Item	Lead
1. Welcome and meeting objectives	Lawrence Jones (Chair)
2. Overview of the issue	Lorna Lewin (Market Design)
3. Proposed solution	Lorna Lewin
4. Review of Terms of Reference (ToR)	Jenny Sarsfield (Lead Analyst)
5. Current views against ToR	Lorna Lewin and Jenny Sarsfield
6. Next steps	Jenny Sarsfield
7. Meeting close	Lawrence Jones



OVERVIEW OF THE ISSUE

Background

- Licensed Suppliers are required to pay a number of charges on electricity they supply to premises in Great Britain, including charges for:
 - Contracts for Difference (CFD); and
 - Capacity Market (CM)
- The BSC Panel agreed (8 November 2018 - [284/07](#)) to delegate to SVG the power to agree that SVA Metering Systems should be treated as recording **exempt supply** and therefore should not be subject to EMR Charges
- Currently, an exempt supply application could relate to either:
 - An Import Metering System (with evidence that the exempt supplier would always be generating enough electricity to meet the demand); or
 - An Export Metering System (with evidence that the exempt supplier would have enough customers to use the generation)
- In December 2020, Elexon agreed to examine whether improvements could be made to the interim SVG process to better facilitate applications
- In addition, the Panel also requested that enduring solutions be investigated, to consider options to handle Metering Systems which are recording a mixture of exempt and licensed supply

Issue 96

- Issue 96 explored several potential enduring solutions for reporting of exempt supply
- Option 1: using existing rules for Shared SVA Meter Arrangements ([BSCP550](#)) to split metered data between exempt and licenced supply
 - Lacks flexibility and does not adequately address limitations of the current interim solution
- Option 2A: using Shared SVA Meter Arrangements with an amendment to remove the requirement that two or more Suppliers be involved
 - Does not adequately address the exempt supply issue but was progressed and implemented as P425 for other reasons
- Option 2B: using Shared SVA Meter Arrangements with an amendment to allow a new type of Allocation Schedule, in which the Supplier tells the HHDC which Export Metering Systems are providing power to which Import Metering Systems without specifying the kWh value
 - Not suitable for more complex exempt supply arrangements and
- Option 2C: using Shared SVA Meter Arrangements with an amendment to allow a new type of Allocation Schedule and to create a new third party role to calculate the volumes of licenced and exempt supply
 - Less flexible than Option 3 but would still require a Modification and HHDC system changes, so could not be progressed faster
- Option 3: Modification to allow a new third party role to be involved ex post in splitting metered volumes into exempt and licensed supply
 - Allows for the full range of exempt supply arrangements, from one to one matching through to complex peer-to-peer trading platforms
 - Would see the development requirements fall upon the innovating parties rather than HHDCs

Issue 96

- The Workgroup recommended that a Modification be raised to allow the Supplier, or a third party acting on their behalf, to be involved ex-post in splitting metered volumes recorded on an SVA Metering System into exempt and licensed supply (Option 3)
- This new role would be known as the Exempt Supply Calculation Agent (ESCA)
- The intention of the recommended solution is to allow a peer-to-peer trading platform to allocate customers and exempt Suppliers ex post (based on data retrieved from meters) without needing to become a Qualified HHDC
- The Issue 96 Workgroup recommended that:
 - Mitigation for impacts to imbalance should be included
 - The ESCA should require qualification
 - Additional Supplier assurance should not be required
 - ESCA should be able to receive data from Suppliers or HHDCs
- These decisions are to be validated by this Workgroup as the solution is developed further



PROPOSED SOLUTION

Proposed Process for P442

- Modification to allow allocation carried out ex-post by the ESCA, the Supplier or a third party acting for them
- The process of matching Import and Export data ex post is carried out by ESCA, not by the HHDC, and does not make use of Shared SVA Meter Arrangement processes

REF	WHEN	ACTION	FROM	TO	INFORMATION REQUIRED	METHOD
1.1	As required	Exempt and License Suppliers agree arrangements	Suppliers			Internal process
1.2	As required	Suppliers inform ESCA of the exempt arrangements (Arrangements will be unique between parties. For example, a Supplier might provide trading arrangements or Peer to Peer Trading platform)	Suppliers	ESCA	<ul style="list-style-type: none">• Export MPANs and associated Import MPANS (exact nature of this data depends on how complex the supply arrangement is)• Export Max. quantity	As agreed between parties
1.3	Following 1.1 & 1.2 (if HHDC is providing metered data)	License Supplier(s) to inform HHDC to provide metered data to ESCA	Suppliers	HHDC	<ul style="list-style-type: none">• Import and Export HH metered data	To be agreed by workgroup

- Should it be mandated for HHDC to share data with ESCA?
- Should all HHCDs be able to do this (would have to be part of HHDC qualification) or is it a value add service that not all HHDCs have to support?

Proposed Process for P442

REF	WHEN	ACTION	FROM	TO	INFORMATION REQUIRED	METHOD
1.4	Ex. Post (when meter is read)	Metered data sent to ESCA	Supplier or HHDC	ESCA		To be agreed by workgroup
1.5	Ex. Post (in time for II run, and subsequently if metered data changes)	ESCA will use metered data and trades to split exempt and licensed volumes	ESCA			Internal process
1.6	Ex. Post (in time for II run, and subsequently if metered data changes)	ESCA sends exempt and licensed volumes to SVAA	ESCA	SVAA	<ul style="list-style-type: none">• Import MPAN• Export MPAN• Exempt volume• License volume	To be agreed by workgroup
1.7	Following 1.6	SVAA checks Import and Export volumes match	SVAA			Internal process
1.8	In each Volume Allocation Run, in accordance with SVAA Timetable	SVAA calculates LLFs	SVAA		<ul style="list-style-type: none">• SVAA to apply LLF's	Internal process

Proposed Process for P442

REF	WHEN	ACTION	FROM	TO	INFORMATION REQUIRED	METHOD
1.9	In each Volume Allocation Run, in accordance with SVAA Timetable	SVAA aggregates exempt supply volume to BM Unit and sends to SAA	SVAA	SAA		Current process
1.10	In each Settlement Run, in accordance with Settlement Timetable	SAA to adjust Suppliers Energy Imbalance positions	SAA			Internal process
1.11	In each Settlement Run, in accordance with Settlement Timetable	SAA to subtract exempt volume from licensed supplier's gross demand data	SAA			Internal process
1.12	In each Settlement Run, in accordance with Settlement Timetable	SAA sends gross demand data to EMRS	SAA	EMRS		Current process

P442 and MHHS Interactions

- P442 has a requirement for HHDCs to send metered data to the ESCA (when asked to do so by the Supplier)
- In MHHS this will be a new requirement for the **Advanced Data Services (ADS)** and **Smart Data Services (SDS)**
- Data Services could send metered data to the ESCA via:
 - Data Transfer Network (DTN) - mandated or other means as agreed with Supplier
 - Data Integration Platform (DIP) - mandated or other means as agreed with Supplier
 - As agreed with Supplier
- There would be a requirement for the ESCA to register to access the DIP and or DTN
- P442 has a requirement for SVAA to receive exempt supply volumes from the ESCA, adjust the volumes for LLFs, apply GSPGCP, aggregate and send to the SAA
- Elexon proposes to implement this requirement using the **Data and Calculation Platform (DCP)** - this follows the similar requirements for modifications P344, P354 and P395
- We are still seeking clarity on what impact this will have but if an MHHS CR will be required if it will be mandatory for HHDCs to share data



TERMS OF REFERENCE

P442 Terms of Reference

- The ToR, as presented to the Panel, are:
 1. What are the specific requirements of the ESCA role, including system requirements?
 2. What outputs are required from ESCAs, including formats and submission process?
 3. Is any monitoring required for data submitted to the BSC systems by an ESCA?
 4. What assurance requirements should there be for the ESCA role?
 5. What arrangements are appropriate for adjusting the Energy Imbalance positions of Licensed Suppliers?
 6. What data will be made publicly available?
 7. Should the arrangements be retrospectively applied?
 8. How will P442 impact the BSC Settlement Risks?
 9. What changes are needed to BSC documents, systems and processes to support P442 and what are the related costs and lead times?
When will any required changes to subsidiary documents be developed and consulted on?
 10. Are there any Alternative Modifications?
 11. Should P442 be progressed as a Self-Governance Modification?
 12. Does P442 better facilitate the Applicable BSC Objectives than the current baseline?
 13. Does P442 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?
- Is there anything else this Workgroup should consider?

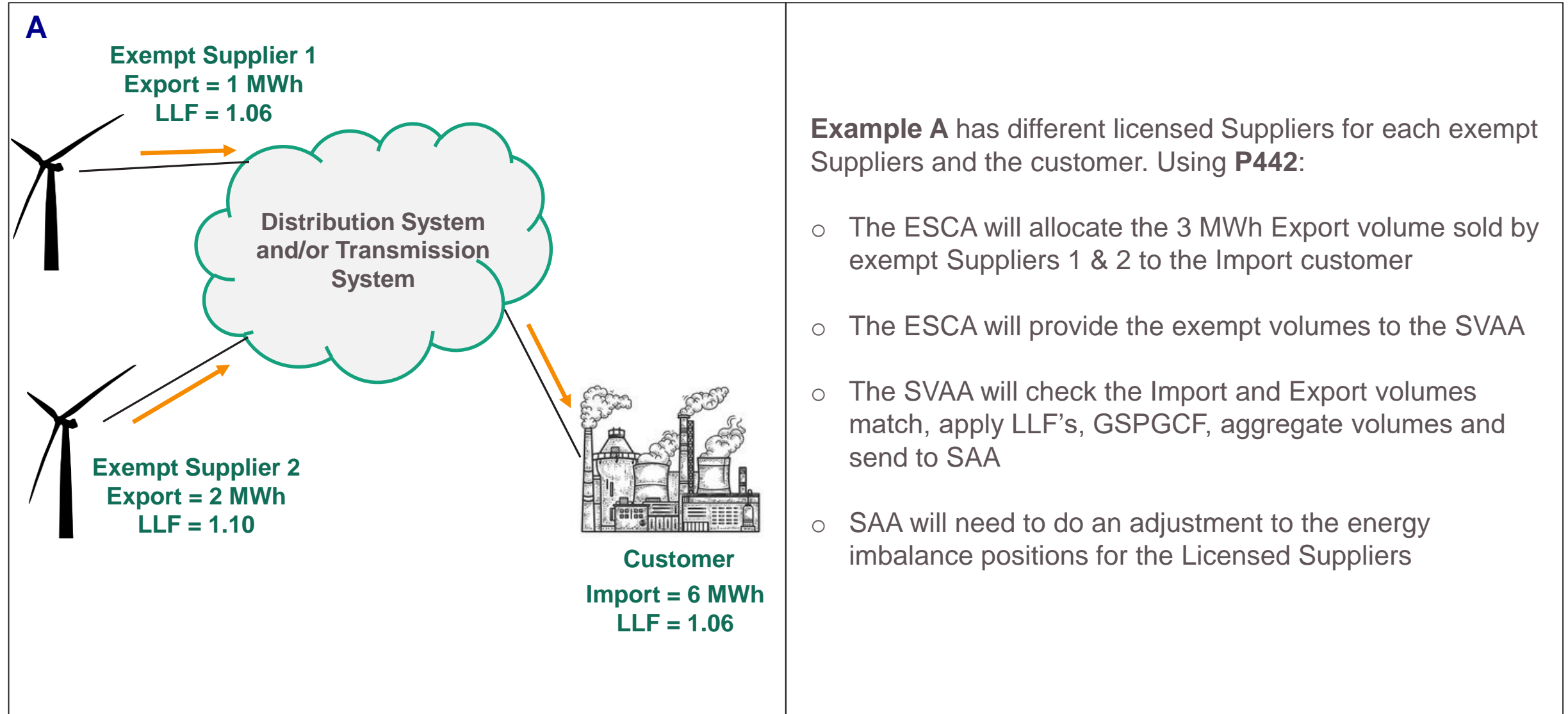


CURRENT VIEWS AGAINST TOR

ESCA Role

- P442 introduces a new third party role, the Exempt Supply Calculation Agent (ESCA), to calculate the volumes of licensed and exempt supply, and submit them to central BSC Systems
- The ESCA would perform the calculation based on Settlement metered data provided by the HHDC or Supplier
- The SVAA will be responsible for:
 - Checking Import and Export volumes match
 - Applying line losses, GSP Group correction factors and aggregating exempt volumes
 - Sending exempt volumes to SAA
- Key assumptions underlying the ESCA role are as follows:
 - The ESCA role could be a licensed Suppliers facilitating the exempt supply arrangement, or a third party acting on their behalf
 - Import and Export MSIDs must have the same ESCA appointed
 - There is no requirement for a central register of ESCA appointments
 - Metered data used by the ESCA to calculate exempt supply volumes must be sourced from the HHDC system
 - The BSC will specify key Settlement requirements for the ESCA role

What arrangements are appropriate for adjusting the Energy Imbalance positions of Licensed Suppliers?



Should the arrangements be retrospectively applied?

- Elexon believe that the arrangements should not be retrospectively applied because:
 - This would be complicated and time-consuming to do correctly
 - Retrospectively applying rules could not address the issue of delayed business plans and missed opportunities
 - Ofgem guidance is that retrospective Modifications should be avoided as they undermine market confidence

How will P442 impact the BSC Settlement Risks?

- Elxon believe P442 may impact for following Settlement Risks:
 - [029 CVA Risk: SAA Calculations and processing](#)
 - [034 CVA Risk: SVAA Data Processing and Transfer](#)

What changes are needed to BSC documents, systems and processes to support P442?

- Elxon currently believe that the following BSC Sections and systems will be impacted:
 - Section J 'Party Agents and Qualification Under the Code' - Amendments to define the new ESCA role, and associated requirements for Qualification
 - Section S 'Supplier Volume Allocation' - Amendments to define the Settlement requirements that ESCAs must meet
 - Annex S-2 'Supplier Volume Allocation Rules' - Amendments to define the calculations performed by SVAA with exempt supply volumes provided by ESCAs
 - Section T 'Settlement and Trading Charges' - Amendments to define the adjustments to Suppliers' Energy Imbalance positions arising from exempt supply volumes
 - Annex X-1 'General Glossary' - Amendments to include appropriate definitions
 - Annex X-2 'Technical Glossary' - Amendments to include appropriate definitions
 - SVAA - There will be an impact on the Data and Calculations Platform (DCP), which is the IT system used by the SVAA to aggregate data relating to SVA Metering Systems
 - SAA - There will be an impact on the SAA system, which calculates chargeable supply volumes for reporting to EMRS, and Energy Imbalance charges for licensed Suppliers
- Estimate of <£10k for updating the documents (BSC Sections and CSDs)

When will any required changes to subsidiary documents be developed and consulted on?

- The intention is for some subsidiary documents, as agreed by the WG, to be developed during the Assessment Phase
- The rest of the subsidiary documents will be developed and consulted on during the Implementation Phase
- Elxon believe the following subsidiary documents may be impacted:
 - BSCP01 'Overview of Trading Arrangements'
 - BSCP38 'Authorisations'
 - BSCP507 'Supplier Volume Allocation Standing Data Changes'
 - BSCP502 'Half Hourly Data Collection for SVA Metering Systems Registered in SMRS'
 - BSCP508 'Supplier Volume Allocation Agent'
 - BSCP537 'Qualification Process for SVA Parties, SVA Party Agents and CVA Meter Operators'
 - BSCP602 'SVA Metering System & Asset Metering System Register'
 - Self Assessment Document
- Elxon suggests that BSCP502, BSCP537, and BSP602 be drafted during the Assessment Phase and reviewed by the WG

Are there any Alternative Modifications?

- Alternative options for an enduring exempt supply solution were considered by Issue 96
- This was the preferred option to progress as it provided the most flexibility

Should P442 be progressed as a Self-Governance Modification?

- P442 should not be progressed under Self-Governance as it does not meet the [Self-Governance Criteria](#)
- Enabling efficient peer-to-peer exchange would materially impact competition
- P442 should therefore be submitted to Ofgem for decision

Does P442 better facilitate the Applicable BSC Objectives than the current baseline?

- The Proposer believes the P442 will better facilitate the following Applicable BSC Objectives:
- Applicable BSC Objective (b) - The efficient operation of the National Electricity Transmission System
 - Enable efficient peer-to-peer exchange in the local energy markets, reducing the losses on the National Electricity Transmission System
 - Stimulate a micro finance environment for independent distributed electricity generators and consumers with their own generation assets to develop more renewable assets at the distribution level
 - Data recorded from distributed generation assets will provide significant insight into different locality for the National Electricity Transmission System
- Applicable BSC Objective (c) - Promoting effective competition
 - Provision of an environment where distributed electricity generators can secure higher fixed rates for their micro- to small-scale renewable assets will promote effective competition in the sale and purchase of electricity
 - Promote effective competition in the installation of different distributed generators of electricity by various consumers in order to offset their consumption volume with their self-generation volume.
- Applicable BSC Objective (d) - Promoting efficiency in the implementation of the balancing and settlement arrangements
 - The most efficient balancing and settlement happens at the local level, and P442 will provide the highest benefit to the peer-to-peer exchange between generators and consumers at the same locality
 - The solution will also improve the administrative efficiency of the BSC arrangements by removing the need for the interim solution for exempt supply operated by the SVG, which is time-consuming for applicants, for SVG, and also for the BSC Panel

Does P442 impact the EBGL provisions held within the BSC?

- P442 is expected to impact the EBGL Article 18 terms and conditions as specified in the mapping given in [Section F Annex F-2](#)
- Specifically, it will impact the Settlement calculations
- It is not anticipated to impact the terms and conditions



NEXT STEPS

Next steps

- Summary of any actions from this meeting
- Meeting notes to be sent to Workgroup Members by 21 February
- P442 Workgroup Meeting 2 to be scheduled
- Any Other Business

MEETING CLOSE

ELEXON

THANK YOU

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15 February 2023

Self-Governance Criteria and Applicable BSC Objectives

Self-Governance Criteria:

- Does not involve any amendments whether in whole or in part to the EBGL Article 18 terms and conditions; except to the extent required to correct an error in the EBGL Article 18 terms and conditions or as a result of a factual change, including but not limited to:
 - Correcting minor typographical errors;
 - Correcting formatting and consistency errors, such as paragraph numbering; or
 - Updating out of date references to other documents or paragraphs;
- Is unlikely to have a material effect on:
 - Existing or future electricity consumers; and
 - Competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
 - The operation of the national electricity transmission system; and
 - Matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
 - The Code's governance procedures or modification procedures; and
- Is unlikely to discriminate between different classes of Parties.

Applicable BSC Objectives:

- a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence
- b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System
- c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity
- d) Promoting efficiency in the implementation of the balancing and settlement arrangements
- e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]
- f) Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation
- g) Compliance with the Transmission Losses Principle