

P442 Workgroup Meeting 1 Summary

Summary

The meeting objectives were:

- Review the Terms of Reference (ToR) and confirm if any additional topics should be considered
- Review the current proposed solution and views against the ToR

Discussion Points	Current Position
Background and Issue 96	Exelon presented the background to P442, summarised the options considered by Issue 96 and explained the Issue Group's justification for recommending the P442 solution. Following some clarifications, no objections to the Issue 96 recommendations were raised. The proposal to create a new role known as the Exempt Supply Calculation Agent (ESCA – Option 3 from Issue 96) is seen to support wider array of innovation than using, for example, existing HHDCs. ESCA approach puts the control in the hands of those that want to push this forward.
Solution limited to SVA systems – what about CVA?	WG identified that CVA systems are not included and questioned whether this should be considered. The WG felt that there could be CVA customers and generators excluded by this solution. Proposer was happy to consider expanding solution for CVA systems. This will be explored at a future meeting.
Role of HHDCs in the P442 solution – mandatory vs optional	WG felt that HHDC should <u>not</u> be mandated to share data with ESCA, as it could be shared by Suppliers. Additionally, reliance on HHDCs could slow development. HHDCs would be able to become an ESCA and form a commercial arrangement with Suppliers if desired. This also removes a dependency with the MHHS Programme.
Allocation rules	A WG member highlighted that clear and objective allocation rules would be needed to avoid ex-post gaming of volumes. This will be discussed in a future WG meeting.
5MW limit on exempt supply	The WG discussed who has responsibility for ensuring the 5MW limit on exempt supply is adhered to, which is a legal requirement. An initial view given was that this should not be for Exelon to 'police'. This will be considered further as part of assurance and qualification at a future meeting.
Applicable meters	WG agreed that the solution should be applicable to HH capable meters. In the current world, this means DCC smart meters and Advanced Meters. Post-MHHS this means the smart and Advanced segments.
ESCA as Supplier Agent or BSC Party	Some WG members felt it would be difficult to manage behaviour if the ESCA were a Supplier Agent, and that they should be a BSC Party, especially given the risk of criminal act, if not done correctly. This will be considered in a future WG meeting.
SVAA or ESCA applying LLF values	Exelon explained that specialised data flows can be submitted to SVAA, who will apply LLFs, as utilised in other Modifications such as P376, and P383, as this is typically seen as a central role. A WG member questioned whether the ESCA could apply the LLFs instead. This could simplify the solution and would likely quicken the implementation, but would require additional assurance and require the ESCA to collect/receive LLFs and apply them, including mid-year revisions. Several WG members, including the Proposer, felt that the ESCA should be matching with LLFs applied. This will be considered further at a future WG meeting.
Data sharing method	WG discussed whether ESCA should receive data via DTN, DIP, or a method agreed with Supplier. There was a desire to create a solution that would work prior to MHHS and DIP implementation, so a bilateral agreement or use of the DTN may be necessary. Further consideration of use of DTN or DIP needed, including an Impact Assessment.
Retrospection	The Panel asked the Workgroup to consider whether the solution should be applied retrospectively. There is an argument for retrospection, given that the regulations have always been clear that exempt supply should not be part of final demand and subject to EMR levies. However, Exelon highlighted the added complexities/costs this would bring to the solution development, uncertainty for industry (on what charges would be due) and that Ofgem typically set the bar high for approving retrospection. The norm is to apply solutions prospectively from a future agreed Implementation Date. The case for retrospection would need to be made, with evidence and should be explored further at a future meeting.

Central register of ESCA appointments	It was suggested that it could be useful to have a central register of ESCA appointments. Others agreed in principle. However, there would be a cost to maintain a central register, which may not be proportional to the benefit, as the responsibility is with the Supplier and not every Supplier would need an ESCA. A WG member questioned what would happen if a customer switched Supplier without informing them of an exempt supply arrangement if there were no central register. Elexon explained that if the Supplier changed then the exempt supply arrangement would be broken, as the arrangement requires cooperation between the Supplier and exempt supplier. This is the case for other similar arrangements, where, like under P442, the customer should be strongly incentivised to keep Suppliers informed of the need for exempt supply arrangements. It was agreed that any issues to interoperability would be more efficiently dealt with under a separate Modification Proposal.
Energy Imbalance adjustment	A WG member felt this should not be included in P442, as it requires central system changes and is not required for correct reporting to EMRS. Elexon explained that the Imbalance adjustments ensure correct BSC charging where multiple Suppliers were involved in an exempt supply agreement. The WG were concerned about the credit implications and the impact it had on balancing the system. Elexon agreed to create a worked example including cash flows for a future WG meeting. The Proposer felt it was important to allow multiple Suppliers to be involved in the arrangements to avoid a monopoly, but other WG members disagreed. It was suggested that an Alternative solution could be to only address the EMR charging issue and not the imbalance issue.
BEIS call for evidence	Elexon have been in contact with BEIS about the call for evidence regarding exempt supply. Previously, the intention was for the BEIS response to be published by the end of 2022, but this was delayed due to reprioritisation. Work on the BEIS response has resumed but they have been unable to provide an updated publication date yet.

Actions

No.	Action	Owner
1.	Create diagrams to visualise the solution option(s)	Elexon
2.	Conduct Impact Assessments for the P442 proposed solution, one where SVAA applies LLFs and one where ESCA applies LLFs, including ESCA receiving data via DTN and/or DIP.	Elexon
3.	Create worked examples for the Imbalance adjustment proposal including cash flows	Elexon