P444 'Compensation for Suppliers and Virtual Lead Parties for Virtual Lead Party actions in the Balancing Mechanism (BM)'

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Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

This Report Phase Consultation was issued on 17 April 2023, with responses invited by 17 May 2023.

Consultation Respondents

Respondent	Role(s) Represented
E.ON UK	Supplier
Association for Decentralised Energy (ADE)	Trade Body (The ADE is the UK's leading decentralised energy advocate, focused on creating a more cost effective, low-carbon and user-led energy system. The ADE has more than 160 members active across a range of technologies, including both the providers and the usersof energy equipment and services. Our members have particular expertise in demand side energy services including demand response and storage, combined heat and power, heat networks and energy efficiency.)
Drax BSC Parties (including Opus Energy and Drax Energy Solutions)	Generator, Supplier, ECVNA, MVRNA

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Question 1: Do you agree with the Panel's initial unanimous recommendation that the P444 Alternative solution should be approved?

Summary

Yes	No	Neutral/No Comment	Other
2	1	0	0

Responses

Respondent	Response	Rationale
E.ON UK	Yes	Views have not changed since response to Assessment Consultation (Supportive of Compensation 1 - VLP pays Supplier compensation)
ADE	Yes	Views have not changed since response to Assessment Consultation (Supportive of Compensation 1 - VLP pays Supplier compensation)
Drax BSC Parties	No	We do not believe this solution is cost-effective, proportionate or practical. Significant work is still required, alongside P415, to ensure that a cost-effective solution is developed, that ensures a level playing field is achieved, and doesn't introduce unnecessary risk and costs to industry participants. The P444 solution as currently designed does not adequately compensate Suppliers for the associated risks of VLP actions. It also underestimates the scale of changes required to Supplier systems. As set out in our response for P415 above, proposed changes would result in a need for more granular forecasting on a site basis and more complex hedging requirements with associated system and process impacts. Also as set out above, the solution as currently drafted is open to potential abuse/gaming. The Day Ahead Price could be different to the price that a Supplier may have originally locked for this volume where hedging years in advance. The wholesale element of the price cap and the price cap itself will have changed and, although reflective of the market conditions, Suppliers may not get the full value that they originally forecast for this volume. For all the reasons set out above, we believe that P444 would be negative towards: • Objective b) - "The efficient, economic and co-ordinated operation of the National Transmission

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Respondent	Response	Rationale
		System" - because we do not agree that P444 is better than the current baseline. As detailed above, there are a number of issues regarding the proposed Supplier compensation together with the potential for abuse/gaming by VLPs. P444 as currently proposed introduces significant complexity and risk of consumer harm for an unquantified and non-specific benefit. • Objective 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" - given the potential for abuse/gaming by VLPs and non-level playing field of Supplier impacts, including to systems, processes and credit cover. • Objective d) – "Promoting efficiency in the implementation and administration of the balancing and settlement arrangements" - given the added complexity associated with the solution.

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Question 2: Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P444 for the Proposed and Alternative Modifications?

Summary

Yes	No	Neutral/No Comment	Other
2	1	0	0

Responses

Respondent	Response	Rationale
E.ON UK	Yes	Views have not changed since response to Assessment Consultation (Supportive)
ADE	Yes	Views have not changed since response to Assessment Consultation (Supportive)
Drax BSC Parties	No	Although we support mechanisms to enhance and extend the value and access of consumer flexibility in the wholesale market, and with increased engagement of demand side response we not believe that P444 achieves this in a proportionate, practical and efficient way. We believe that further review and cost benefit analysis is required.

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Question 3: Do you agree with the Panel's recommended Implementation Date for P444?

Summary

Yes	No	Neutral/No Comment	Other
2	1	0	0

Responses

Respondent	Response	Rationale
E.ON UK	Yes	Views have not changed since response to Assessment Consultation (Supportive)
ADE	Yes	Views have not changed since response to Assessment Consultation (Supportive)
Drax BSC Parties	No	We believe that, for the reasons as set out in our response above, considerable work is still required in order to ensure that a practical and cost-effective solution is developed, and which does not introduce unnecessary risk to industry participants. Once this has been achieved, we would require at least 12 months lead time following an Authority Decision in order to implement required changes to our systems and processes.

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Question 4: Do you agree with the Panel's initial view that P444 should not be treated as a Self-Governance Modification?

Summary

Yes	No	Neutral/No Comment	Other
3	0	0	0

Responses

Respondent	Response	Rationale
E.ON UK	Yes	Views have not changed since response to Assessment Consultation (Supportive)
ADE	Yes	Views have not changed since response to Assessment Consultation (Supportive)
Drax BSC Parties	Yes	Given the impacts and complexities associated with P444, and the risks that the current solutions introduce, we agree with the unanimous Workgroup and Panel opinion that it should not be treated as a Self-Governance Modification.

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Question 5: Do you agree with the Panel's initial consideration that P444 does impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC?

Summary

Yes	No	Neutral/No Comment	Other
3	0	0	0

Responses

Respondent	Response	Rationale
E.ON UK	Yes	Views have not changed since response to Assessment Consultation (Supportive)
ADE	Yes	Views have not changed since response to Assessment Consultation (Supportive)
Drax BSC Parties	Yes	We have no comments at this time.

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Question 6: Do you have any comments on the impact of P444 on the EBGL objectives?

Summary

Yes	No
0	3

Responses

Respondent	Response
E.ON UK	None
ADE	None
Drax BSC Parties	None

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Question 7: Do you have any further comments on P444?

Summary

Yes	No
0	3

Responses

Respondent	Response
E.ON UK	None
ADE	None
Drax BSC Parties	None

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