Final Modification Report

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

The P444 solution seeks to introduce compensation for Suppliers and Virtual Lead Parties (VLPs) for volumes adjusted by VLPs in the Balancing Mechanism.

The BSC Panel recommends **approval** of the P444 Alternative Modification and **rejection** of the P444 Proposed Modification

The BSC Panel **does** believe P444 impacts the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to impact:

- Suppliers; and
- VLPs.

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Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

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About This Document

This is the P444 Final Modification Report, which Elexon has submitted to the Authority on behalf of the BSC Panel. It includes a summary of the Workgroup's assessment, the Panel's full views and the responses to both the Workgroup's Assessment Consultation and the Panel's Report Phase Consultation. The Authority will consider this report and will decide whether to approve or reject P444.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach. It also summarises the Workgroup's key views on the areas set by the Panel, and contains details of the Workgroup's membership and full Terms of Reference.
- Attachment A contains the draft redlined changes to the BSC for P444.
- Attachment B contains the full responses received to the Workgroup's Assessment Procedure Consultation.
- Attachment C contains the full responses received to the Panel's Report Phase Consultation.

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Not sure where to start?

We suggest reading the following sections:

- Have 5 minutes? Read section 1
- Have 15 minutes? Read sections 1, 7 and 8
- Have 30 minutes? Read all except section 6
- Have longer? Read all sections and the annexes and attachments.
- *You can find the definitions of the terms and acronyms used in this document in the BSC Glossary*[1]

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1 Summary

Why Change?

Under BSC arrangements introduced by P344 'Project TERRE implementation into GB market arrangements' there is no mechanism for compensation of Parties who have been affected by Virtual Lead Party (VLP) activity in the Balancing Mechanism (BM).

As a result, Suppliers are commercially impacted and left with a cost from the Balancing Mechanism that they cannot recover through the central arrangements.

P444 Solution

The P444 solution seeks to introduce compensation for Suppliers and VLPs who are currently left with an undue cost because of VLP volumes in the Balancing Mechanism that they cannot recover.

This Modification would amend BSC systems and processes to introduce a compensation mechanism for Suppliers and VLPs when the National Grid Electricity System Operator (NGESO) dispatches a VLP Bid or Offer in the BM, to ensure a level playing field and enable correct incentives for flexibility.

The Proposer believes that implementing Supplier compensation in the BM would address a defect within the BSC which Suppliers and VLPs are bearing the cost of.

The P444 Proposer notes efficiencies to an aligned implementation with P415 'Facilitating access to wholesale markets for flexibility dispatched by Virtual Lead Parties' but does not believe there is a dependency between this Modification and P415. Where P415 is not approved, the Proposer and Workgroup believe there is there is still a strong case for the approval of P444.

P444 Proposed Solution

Under the Proposed Solution, compensation costs are mutualised, with compensation paid at a price that approximates the Supplier's expected sourcing costs, obtained by using Ofgem's Price Cap Methodology (PCM). The different approach to 'who pays' is the only difference between the Proposed and Alternative Solutions.

Please note that the Proposer of P444 is proposing this solution on the basis that it enables both a Proposed and Alternative solution to be brought before Ofgem to align with P415, which would not be possible otherwise, as described in further detail in section 6. The P415 Proposer **does not** believe that the Proposed solution is a better option that the Alternative, but **does** believe that it is better than the current BSC arrangements.

P444 Alternative Solution

Under the Alternative Solution, VLPs are liable to pay compensation costs for volumes adjusted by that VLP, with compensation paid at a price that approximates the Supplier's

What is a VLP?

A VLP is a distinct type of Party to the BSC that only participates in Settlement by offering balancing energy. BSC Modification P344 created the concept of VLPs to allow independent aggregators to access the BM. P344 introduced a mechanism to adjust each Supplier's position to remove the Account volumes dispatched by VLPs at sites registered to that Supplier.

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expected sourcing costs, obtained by using Ofgem's published Price Cap Methodology (PCM).

Impacts & Costs

We expect P444 to impact:

- VLPs who may be required to pay compensation
- BSC Parties (Suppliers) who may be subject to mutualised compensation costs for VLP activity in the BM; and
- BSCCo who will need to administer compensation payments to/from Parties, potentially as a BSC Trading Charge.

At present, the proposal is to implement P444 alongside P415 to unlock efficiencies associated with implementing similar functionality for the BM and WM, should both Modifications be approved by Ofgem.

As such the following represents the expected total cost of delivering both P444 and P415 simultaneously, subject to their respective approvals.

Costs Estimates			
Organisation	Implementation (£)	On-going (£)	Impacts
Elexon	£2.2-3.2 Million	£10K per year	Systems, documents and processes
Industry	Low	0	Processes
Total	£2.3-3.3 Million	0	

In the absence of P415 (if it is not approved), P444 would need to develop the functionality to introduce the relevant compensation cashflows and reporting for SBMU actions in the BM. Under the Proposed Solution Supplier Final Demand would need to be calculated, whereas the Alternate Solution would be paid for by the VLP at a set price based on a sourcing cost.

Implementation

The Panel recommends an Implementation Date of 7 November 2024 as part of the November 2024 BSC Release. An Ofgem decision is required on or before 6 October 2023 to meeting this Implementation Date.

This aligns with the current plan for implementation of P415, which is desired by the Proposer and Workgroup, in order to unlock efficiencies associated with applying Supplier compensation to both the BM and WM in the same BSC Release.

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Recommendation

The BSC Panel recommend that the P444 Alternative Solution should be **approved**, further information can be found in section 9 ‘ Panel’s Final Discussions’.

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2 Why Change?

What is the issue?

BSC Modification P344 created the concept of VLPs to allow independent aggregators to access the BM. P344 introduced a mechanism to adjust each Supplier's position to remove the Account volumes dispatched by VLPs at sites registered to that Supplier.

However, this does not result in a level playing field between Suppliers and VLPs. This is because when a VLP takes an action on behalf of a Supplier's customer, while the volume of the action is removed from the Supplier's imbalance position, the customer has still used more or less volume than the supplier has forecast. This means that volumes billed between customer and Supplier do not match the volumes against which the Supplier is settled for imbalance, even where the Supplier has correctly hedged the customer's volume.

For example, for a demand side customer where the Supplier hedges perfectly, if an Offer is taken by the VLP and the consumer consumes less energy, the customer's metered consumption is lower than expected, leaving the Supplier long. The P344 mechanism returns the Supplier to a balanced position from the perspective of imbalance settlement, but without a price ascribed to that transfer. The result is that the Supplier has purchased energy and demand response, the latter which cannot be billed to the customer when the meter does not show consumption. That energy has been transferred from the Supplier to the VLP unpriced, who has sold it in the BM for a price.

Similarly, if a Bid is taken for a demand side customer and the customer consumes more energy, the customer's metered consumption is higher than expected, leaving the Supplier short. The P344 mechanism returns the Supplier to a balanced position from the perspective of imbalance settlement, again without a price ascribed to that transfer. The result is that the Supplier bills the customer for consumption showing in the meter which the Supplier did not actually purchase. That energy, which was purchased by the VLP in the BM, has been transferred from the VLP to the Supplier unpriced.

The result is that the VLP gains value in Offers and loses value in Bids, while the Supplier loses value for offers and gains value for bids. The P444 Proposer believes that this is a market distortion.

Relationship with Supplier compensation under P415

P415 proposes to introduce a Supplier compensation mechanism to reimburse the Supplier for VLP-altered wholesale market (WM) volumes to negate any commercial impact. The Proposer believes that both markets should follow the same route and that there are overall efficiencies to implementing Supplier compensation in the BM within a similar timescale as the WM.

While P444 aims to utilise functionality being developed for P415 in so far as that functionality could potentially be extended to the BM, the central argument for this Modification is standalone - there ought to be Supplier compensation for BM transactions, regardless of the eventual Authority decision to approve or reject P415.

Therefore there is no hard dependency between Ofgem approving P415 and approving P444. Rather, P444 could take advantage of the work already undertaken for that

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Modification and proposes an extension of its functionality to go live with P415 to unlock efficiencies.

The P444 Proposer believes (and Elexon agree) that it would be optimal to have both elements considered by Ofgem at the same time and that reflects the timetable proposed for this new Modification.

If both P444 and P415 are approved, there are additional benefits to aligning treatment of Demand Side Response in the WM and BM markets.

What are Secondary BM Units?

Secondary BM Units are registered by VLPs who use them to deliver balancing services, but are not responsible for Energy Imbalances (except where they arise from failure to deliver a balancing service). Each of the Supplier Volume Allocation (SVA) Metering Systems in a Secondary BM Unit must also be included in a Supplier BM Unit.

Background

Wider Access

P344: 'Wider Access and Project TERRE' enabled VLPs to participate in the Balancing Mechanism. P344 allows the separation of normal supply to the customer and the offering of normal flexibility from the customer.

Implemented in 2019, Wider Access is the term used for changes to the BSC and to the National Electricity Transmission System Operator (NETSO) processes to enable customers and independent aggregators – known in the BSC as Virtual Lead Parties (VLPs) - to participate in the Balancing Mechanism (BM).

BSC arrangements have always allowed customers to participate in the BM through their electricity supplier, but Wider Access allowed them to do so through an independent aggregator, or directly themselves (if they accede to the BSC), allowing Balancing-related activities to be separated out from the supply of electricity for other purposes; and ensuring that imbalance arising from either of those activities is allocated to the correct Party.

Wider Access changes to the BSC were implemented under Modification P344 'Project TERRE implementation into GB market arrangements' and provided a means for the registration and qualification of VLPs.

Virtual Lead Parties

A VLP is a distinct type of Party to the BSC that only participates in Settlement by offering balancing energy. An AMVLP is a VLP that uses Asset Metering (also known as behind the boundary Metering) instead of or as well as Boundary Metering as introduced by P375, implemented in June 2022.

The BSC does not currently provide a mechanism for VLPs and AMVLPs to trade in wholesale markets. In recognition of this, a BSC Party who qualifies only in the role of VLP or AMVLP (and not in any of the Trading Party roles that permit access to wholesale markets, such as Generator or Non-Physical Trader) is not subject to the same level of charges and obligations as existing Parties.

A BSC Party who qualifies both as a VLP or AMVLP and as a Trading Party will be subject to the same charges and obligations as other Trading Parties. A VLP is a distinct new type of Party to the BSC that only participates in Settlement by offering balancing energy unlike a trading party that does not take physical action in the market. An AMVLP is a VLP that uses Asset Metering (also known as behind the boundary Metering) instead of or as well as Boundary Metering.

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Supplier compensation under P344

As part of its discussions, the P344 Workgroup identified that it may be appropriate for a payment to accompany the correction of the imbalance position of the Supplier, noting that such payments are permitted under Article 17 of EU Directive 2019/944. However, the P344 Workgroup took the view that compensation for adjustments was a matter between the customer and the Supplier, and did not further explore how to deliver this as part of its BSC solution, given the challenging fixed TERRE deadline and what could be achieved, leaving this topic open for future discussion.

Discussions held as part of P415

One of the key principles developed under the P415 solution was that Supplier should not benefit nor suffer detriment because of the actions of an Independent Aggregator (VLPs) on site. This is why under the P415 Settlement solution the Suppliers Imbalance position is adjusted to account for any Independent Aggregator activity (this expands on the arrangements introduced in P344 solution that adjusts Suppliers for balancing activity).

However this still leaves the Supplier commercially impacted in the likely Demand Side Response (DSR) scenario (i.e. the Independent Aggregator reducing demand at a customer's site). In this scenario the Supplier will have bought energy on the wholesale market (that it expected the customer to use) but can't invoice the customer as they have not used it.

There was widespread support among the P415 workgroup for the view that Supplier compensation should be paid be paid for all VLP activity (i.e. both balancing and wholesale market activity.)

However, Elexon legal advice confirmed that compensating BM volumes is not within scope of the P415 defect. Should Supplier BM compensation be included in the solution and is legally challenged then the challenge is likely to be successful. Therefore the P415 solution should only compensate Suppliers for WM Volumes.

As Supplier adjustments are calculated on a MSID basis the P415 solution needs to distinguish between BM and WM volumes at this level.

As noted previously Suppliers shall only be compensated for Wholesale Market volumes and so BSCCo will need to identify for each SBMU what volumes are to be allocated as balancing volumes and what volumes are to allocated as wholesale market volumes under P415.

Related Modifications

P344, P375 and P376 'Metering behind the Boundary Point'

Elexon note that a lot of the settlement functionality needed to achieve a P444 solution had been implemented by P344: 'Wider Access and Project TERRE' which enables VLPs to participate in the Balancing Mechanism. P344 allows the separation of normal supply to the customer and the offering of normal flexibility from the customer.

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Elexon also note that BSC modifications: P375 'Settlement of Secondary BM Units using metering behind the site Boundary Point' and P376: 'Utilising a Baselining Methodology to set Physical Notifications' introduce functionality that facilitates accuracy in determining settlement of actions the VLP has taken.

- P375 allows metering at the flexible asset; and
- P376 also provides baselining methodologies to separating out normal behaviour from flexibility.

Therefore, the P444 solution will also build upon the functionality of P344, P375 and P376 to reduce cost and promote efficiency.

Desired outcomes

This Modification will introduce compensation for Bids and Offers taken in the BM. That is, it prices the volumes which are transferred between VLP and Supplier under P344.

P444 is intended to promote a level playing field for Suppliers and appropriate incentives for flexibility to act in the BM. In a period in which a customer's consumption is being varied by a VLP so as to meet a BM commitment, the customer's Supplier's position should be unaffected.

The compensation should be two way – both from and to Suppliers and VLPs.

An aligned implementation with P415, if possible, would be preferable to avoid confusion and difficulty that would occur should Supplier compensation be introduced in one market and not another.

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3 Solution

P444 solution

This Modification will introduce a compensation mechanism for Suppliers when a VLP takes a Bid or Offer in the BM, such that a Supplier shall receive no direct detriment (or benefit) from such a service.

The Proposer believes that this is necessary to address a defect introduced by P344 whereby Suppliers participating in the WM are at a disadvantage and that compensation is required to ensure a level playing field within the BM.

To address this defect, P444 proposes that the Supplier shall be compensated for Balancing Market volumes affected by VLP activity.

Supplier Compensation under P415

Under P444 Suppliers will be compensated for Deviation Volumes allocated to VLP Wholesale Market trades

BSC Modification P415 has developed this mechanism and the P444 Workgroup provisionally believe that this is suitable to apply to the BM in addition to the wholesale market.

New Trading Charges

The Daily VLP Compensation Cashflow (SCVp) and the Daily Supplier Compensation Cashflow (SCCp) will be a new Trading Charge. It will be included on Trading Charge Advice Notes that are sent to Suppliers impacted by Independent Aggregator activity in the wholesale market.

New Trading Charges

Period Secondary BM Unit Compensation Volume	x	[Compensation Reference Price]	=	Period VLP Compensation Cashflow	Σ	Daily VLP Compensation Cashflow
Period Supplier BM Unit Compensation Volume	x	[Compensation Reference Price]	=	Period Supplier Compensation Cashflow	Σ	Daily Supplier Compensation Cashflow

Note that depending on the direct of the deviation VLP / Supplier shall be receive a debit or credit.

E.g. VLP reduces load by 10 MWh then VLP would pay compensation to Elexon who in turn would credit the impacted Suppliers.

And conversely if a VLP increases load by 10 MWh then Supplier would pay compensation to Elexon who in turn would credit the impacted VLP.

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Supplier Compensation 1

Under P415's Supplier Compensation 1 (the Proposer's preferred solution, although alignment with P415 is ultimately desired) VLPs are liable to pay for Supplier compensation.

The price at which VLP's are liable to pay Suppliers compensation when Suppliers suffer detrimental impact from an activity VLP benefits from under Compensation 1 represents the likely costs the Supplier would have incurred to source that energy. This Supplier Compensation Reference Price is calculated using the Ofgem price cap under Compensation 1

The figure used will be the single rate metering arrangement with the inclusion of an allowance for:

1. shaping, forecast error and imbalance;
2. transaction costs; and
3. basis risk.

When Ofgem no longer produce a price cap, Elexon will develop the methodology to produce it, so in the event that this cannot be done before the final price cap period expires, the existing price cap will be maintained until such a time that it is no longer required.

The BSC Panel shall agree the Supplier Compensation Price Methodology and which third part service provider should be used to obtain the relevant data for use in settlement.

Supplier Compensation 2

This was considered but ultimately discarded under P415. Please see the P415 report for more detail.

Supplier Compensation 3

Under Supplier Compensation 3 compensation costs are mutualised across all Suppliers but the compensation is paid at a price that represents the average Supplier sourcing costs.

Ofgem Price Cap Methodology

Under both the Proposed and Alternative Solutions the Supplier Compensation Reference Price represents the average Supplier's sourcing costs.

Ofgem's published Price Cap Methodology (PCM) will be used to calculate this figure.

The PCM figure used will be the single rate metering arrangement with the inclusion of an allowance for:

- shaping, forecast error and imbalance;
- transaction costs; and
- basis risk.

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If Ofgem were to no longer utilise a price cap methodology, or if this methodology were no longer suitable, Elexon will develop the methodology to produce the part required by P415, so in the event that this cannot be done before the final price cap period expires, the existing price cap will be maintained until such a time that it is no longer required.

In this circumstance, the BSC Panel shall agree the Supplier Compensation Price Methodology and which third part service provider should be used to obtain the relevant data for use in Settlement. A new Category 3 BSC Document (under the supervision and control of the BSC Panel) will contain the Supplier compensation methodology.

Benefits

In the Proposer's view, the primary benefit of P444 is to rectify a defect introduced by P344 and promote a level playing field among market participants.

Benefits to aligning progression with P415

The implementation of P415 (if approved) would introduce misalignment between treatment of volumes delivered under the WM (post P415) and the BM markets.

In the absence of a solution to apply Supplier compensation in the BM (i.e without P444), Suppliers will be required to distinguish between two sets of volumes and apply different processes to compensation-eligible and compensation-exempt volumes based on which market, which is expected to be extremely challenging.

Without P444, P415 will have to implement system functionality to distinguish between WM and BM volumes for the purposes of compensation. Should Ofgem be supportive of both P444 and P415 and come to its view at the same time, there is an opportunity to avoid these additional system costs which would otherwise be paid by BSC Parties and reduce the overall cost for these two Modifications and come to its view at the same time, there is an opportunity to avoid these additional system costs which would otherwise be paid by BSC Parties and reduce the overall cost for these two Modifications.

While the Proposer and Workgroup believe in the benefits and efficiencies achieved by a parallel implementation with P415, in the case that P415 is withdrawn or rejected the Proposer believes that solving the P444 defect and introducing Supplier compensation into the BM remains a good idea on its own, and therefore that P444 can be treated as a standalone change if necessary but wants to verify this via the Assessment Consultation.

Legal text

The Legal Text to deliver the intent of P444's Proposed and Alternative solutions can be found in Attachment A.

Are there any (other) alternative solutions?

The P444 Proposer and Workgroup wish for the P444 solution to align with whichever P415 solution variant is progressed and approved by Ofgem. When P415 came to a decision on whether to raise an Alternative Solution and, if so, which variant to adopt, the P444 solution mirrored these arrangements to enable an aligned approach. Even if P415

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does not get approved, P444 would have the same proposed and alternative methodologies.

P415 (and therefore P444) Outcome

P415 and P444 Proposed Solution

Under the P415 and P444 Proposed Solutions, also referred to as Supplier Compensation 3:

- Compensation costs are mutualised across all Suppliers; and
- Compensation paid at a price that approximates the average Supplier sourcing costs.
- It should be noted that the Proposers of P415 and P444 are proposing this solution on the basis that it enables both a Proposed and Alternative solution to be brought before Ofgem, which would not be possible otherwise, as described in further detail in section 6. The P415 and P444 Proposers prefer that compensation is paid by the VLP and does not believe that the Proposed solution is a better option than the Alternative, but do believe that it is better than the current BSC arrangements in each case.

P415 and P444 Alternative Solution

Under the P415 and P444 Alternative Solutions, also referred to as Supplier Compensation 1:

- VLPs are liable for compensation costs; and
- Compensation is paid at a price that approximates the average Supplier sourcing costs

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4 Impacts & Costs

Estimated implementation costs of P444

- High: >£1 million
- Medium: £100-1000k
- Low: <£100k

At present, the Proposer and Workgroup wish to implement P444 alongside P415 to unlock efficiencies associated with implementing similar functionality for the BM and WM in the same release, should both Modifications be approved by Ofgem.

As such the following represents the expected total cost of delivering both P444 and P415 simultaneously.

Implementation cost estimates			
Organisation	Item	Implementation (£)	Comment
Elexon	Systems	£2.2-3.2 Million	Create new cashflows and allocate compensation as well as reporting. For the Proposed Solution, it would be necessary to calculate a Supplier Final Demand proportion. The Alternate Solution will use a sourcing cost charged to the VLP
	Documents	£2K	
	Other		
NGESO	Systems	Systems	None anticipated
	Other		
Industry	Systems & processes	Low	Based on limited responses to the consultations
	Total	£2.3-3.3 Million	

In the absence of P415 (if it is not approved), P444 would need to develop the functionality to introduce the relevant compensation cashflows and reporting for SBMU actions in the BM. Under the Proposed Solution Supplier Final Demand would need to be calculated, whereas the Alternate Solution would be paid for by the VLP at a set price based on a sourcing cost.

Estimated on-going costs of P444

On-going cost estimates		
Organisation	Costs (£)	Comment
Elexon	£10K per year	Management of new trading charge, Supplier Compensation Reference Price and impact on Market Entry, Qualification, Registration.

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On-going cost estimates		
Organisation	Costs (£)	Comment
NGESO	None anticipated	
Industry	Low	Extrapolated from limited response to CBA Call for Evidence
Total	Low ongoing costs anticipated	Based on limited responses to the consultations

P444 impacts

Impact on BSC Parties and Party Agents		
Party/Party Agent	Impact	Estimated cost
Virtual Lead Party	Depending on eventual P444 solution, VLPs may need to pay compensation to Suppliers for actions taken in the BM. This could be payable directly by VLPs or mutualised among Suppliers. When a supplier benefits, the VLP will be paid compensation by the benefiting supplier, or that compensation will be paid to all mutualised suppliers	L
Supplier	Under P444, Suppliers would receive compensation to address the commercial detriment they incur on VLP-adjusted BM volumes and have to pay compensation when they benefit.	L

Impact on the NETSO
Impact
No impact expected

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Impact on BSCCo		
Area of Elexon	Impact	Estimated cost
Performance Assurance	P444 will result in a new Trading Charge to account for adjusted BM volumes. The Performance Assurance Framework (PAF) is in place to provide assurance that Calculations and allocations of energy and the associated Trading Charges are performed within the BSC requirements. Risk 25 assesses the Balancing Services provided by Virtual Lead Parties allowing error to enter Settlement, such that the energy volumes required for Settlement are incorrect or missing	L

Impact on BSC Settlement Risks
Any risks to be tracked under Risk 25; the new risk assesses the Balancing Services provided by Virtual Lead Parties allowing error to enter Settlement, such that the energy volumes required for Settlement are incorrect or missing

Impact on BSC Systems and process	
BSC System/Process	Impact
SAA	Amendments to facilitate the calculation of application of compensation to Suppliers in the BM.
SVAA	Calculation of deviation volumes due to VLP activity in the BM

Impact on Code	
Code Section	Impact
BSC Section N	Addition of the new cashflows
Section S-2 (Alternate)	Calculation of gross demand for each Supplier BM Unit Provision of gross demand to SAA Calculation of non-final gross demand for each supplier BM Unit Provision of non-final gross demand to SAA
Section T (Proposed)	Reference to a new methodology to obtain the supplier compensation reference price Allowing the Panel to own and update the methodology Receiving Gross and Non-Final demand data from SVAA Calculation of supplier final demand proportions and compensation cashflows

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Impact on Code	
Code Section	Impact
Section T (Alternate)	Reference to a new methodology to obtain the supplier compensation reference price Allowing the Panel to own and update the methodology Calculation of compensation cashflows Addition of the new cashflows

Impact on EBGL Article 18 terms and conditions
This Modification is not expected to impact Balancing under the BSC but does impact the BSC provisions that constitute EBGL Article 18 Terms and Conditions, as described in BSC Section F, Annex F-2. We believe these amendments do not materially amend the EBGL Article 18 Terms and Conditions for the reasons given below.

Impact on EBGL Article 18 Terms and Conditions

The drafting of the P444 Legal Text impacts several BSC provisions that constitute EBGL Article 18 Terms and Conditions listed in BSC Section F Annex F-2. This impact will be consulted on as part of the Report Phase Consultation, with a concurrent EBGL consultation on the P444 proposal to run for one calendar month.

Within the redlining there is one clause, within one document, that have an impact on the EBGL Article 18 Terms and Conditions within the BSC. Due to this, the redlining will be issued for a one-month EBGL industry consultation to meet the EBGL change process obligations.

BSC Section	Clauses Impacted
Section S	11

Impact of the Modification on the Relevant EBGL Objectives:	
Relevant Objective	Identified impact
(a) Fostering effective competition, non-discrimination and transparency in balancing markets;	**Positive**
(b) enhancing efficiency of balancing as well as efficiency of European and national balancing markets;	Neutral
(c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;	Neutral
(d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;	Neutral

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Impact of the Modification on the Relevant EBGL Objectives:	
(e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue distortions within the internal market in electricity;	Neutral
(f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;	**Positive**
(g) facilitating the participation of renewable energy sources and support the achievement of the European Union target for the penetration of renewable generation.	Neutral

The Workgroup consider that P444 is consistent and with the overall objectives and positive against (a) and (f), by making the overall arrangements for VLP activity fairer under the BSC, ensuring that they compete on a level playing field with other market participants.

Impact on Code Subsidiary Documents	
CSD	Impact
New Category 3 BSC Document	A new subsidiary document containing the Supplier compensation methodology

Impact on Core Industry Documents and other documents	
Document	Impact
Ancillary Services Agreements	None anticipated
Connection and Use of System Code	
Data Transfer Services Agreement	
Distribution Code	
Grid Code	
Retail Energy Code	
Supplemental Agreements	
System Operator-Transmission Owner Code	
Transmission Licence	
Use of Interconnector Agreement	

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Impact on a Significant Code Review (SCR) or other significant industry change projects
There is no impact on any open SCR. Ofgem confirmed this view on 8 September 2022.

Impact of the Modification on the environment and consumer benefit areas:	
Consumer benefit area	Identified impact
1) Improved safety and reliability The Proposer believes that greater volumes in the BM will lead to greater reliability.	**Positive**
2) Lower bills than would otherwise be the case The Proposer believes that greater competitive pressure in the BM will lead to lower BM prices.	**Positive**
3) Reduced environmental damage Add rationale and comments here	Neutral
4) Improved quality of service Add rationale and comments here	Neutral
5) Benefits for society as a whole Add rationale and comments here	Neutral

Responses to the Assessment Consultation

Do you agree with the Workgroup's assessment that P444 does impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC?

Yes	No	Neutral/No Comment	Other
3	0	0	0

Respondents agreed with the Workgroup's assessment, noting there would clearly be EGBL impacts. The P444 Proposer reiterated that P444 better supports the EBGL objectives:

(a) because it supports a level playing field in the BM;

(b) because greater levels of competition and volumes in the BM would lead to greater market efficiency;

(e) because it would lead to lower barriers of entry and increase liquidity in the BM; and

(f) because it would support demand side and aggregated capacity in particular.

What are the consumer benefit areas?

1) Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?

2) Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?

3) Will this proposal support:

i)new providers and technologies?

ii) a move to hydrogen or lower greenhouse gases?

iii) the journey toward statutory net-zero targets?

iv) decarbonisation?

4) Will this change improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.

5) Are there any other identified changes to society, such as jobs or the economy.

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Responses to the Assessment Consultation

Do you agree with the Workgroup's assessment of the impact on the BSC Settlement Risks?			
Yes	**No**	**Neutral/No Comment**	**Other**
2	0	1	0

Respondents either agreed or remained neutral in considering the Workgroup's assessment of the impact on the BSC Settlement Risks.

Will P444 impact your organisation?			
High	**Medium**	**Low**	**Other**
0	1	1	1

A VLP responded that, so long as P415 is implemented, the additional work for P444 will be minimal and that having the settlement of different types of dispatch settled on the same basis will simplify some processes. Another VLP identified a positive impact as it will allow them to better participate in the BM.

How much will it cost your organisation to implement P444?			
High	**Medium**	**Low**	**None/Other**
0	0	1	2

No material costs were identified by respondents. A VLP reported that they believed the change would have a net positive impact, so costs would in fact be negative.

What will the ongoing cost of P444 be to your organisation?			
High	**Medium**	**Low**	**None/Other**
0	0	1	2

Low, if any, ongoing costs were reported. It was noted that, so long as P415 is also implemented, P444 will reduce, rather than increase the administrative burden on VLPs. A VLP called out additional ongoing FTE to support wholesale trading and operational activities but was comfortable with this.

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How long (from the point of approval) would you need to implement P444?
1-4 Months

Respondents reported lead times of a few months to prepare for implementation of P444, if approved.

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5 Implementation

Recommended Implementation Date

The Workgroup and BSC Panel recommends an Implementation Date for P444 of:

- 7 November 2024 as part of the Standard November 2024 BSC Release

To support this release date, Elexon require a decision from the Authority to approve on or before 6 October 2023.

This aligns with the current plan for implementation of P415, which is desired by the Proposer and Workgroup, in order to unlock efficiencies associated with applying Supplier compensation to both the BM and WM in the same BSC Release.

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6 Workgroup's Discussions

The P444 Workgroup met on 7 October and 7 December 2022, 28 February and 28 March. These were run as joint meeting days with P415 to efficiently utilise industry expertise around the related topics between the 2 Modifications.

As P444 aims to utilise functionality being developed for P415 in so far as that functionality could potentially be extended to the BM, the Workgroup noted that many of the relevant discussions had been held under P415. For a greater understanding of the rationale that lead to the development Supplier compensation requirements (including their variants), please see the P415 Solution Summary and reports on the P415 webpage.

Alignment with P415

The P444 Proposer and Workgroup believe that P444 should adopt the Supplier compensation mechanism functionality being developed for WM activity under P415 and propose that it be applied to the BM under P444.

There are several variants of Supplier compensation being considered under P415 and while the Proposer prefers Supplier Compensation 1, they ultimately want overall alignment with P415, whichever variant is chosen or approved by Ofgem.

To facilitate this, the Proposer and Workgroup want an aligned, coordinated decision from Ofgem so that P444 is correctly aligned with whichever variant is preferred.

Raising an Alternative Solution

As per the defined process in Section F 'Modification Procedures', an Alternative solution can only go forward if a majority of the group believe that is better than the proposed.

As described in greater detail in the reports for P415, ahead of the vote to raise Supplier Compensation 3 as a formal Alternative for P415, Ofgem had explained to the group that their preference was for multiple variants of the P415 Solution (i.e a Proposed and Alternative solution) to be passed through to them to allow them as full a picture as possible when deciding on the Modification.

A Workgroup member raised Compensation 3 as a formal P415 Alternative Solution and the group voted as to whether they agreed it was better than the Proposed solution, however only a minority agreed that it would be better and therefore this Alternative was not raised.

At this point, the Ofgem representative for P415 reiterated that they would have preferred an Alternative to be raised (though accepting of the restrictions around process regarding the bringing forward of any Alternative) but also clarified for the group that the lack of any alternative options could increase the risk of Send Back or rejection from the Authority, which would ultimately risk delivering P415 and P444 to desired timescales.

The group noted that the failure to raise an Alternative presented a risk in this regard and so, to allow for an Alternative solution that met the process requirements for the Alternative to be better supported by a majority of the Workgroup than the Proposed, the P415 Proposer states that they would like to "switch" the Proposed solution so that this becomes Compensation 3 (mutualised, price paid at approximation of sourcing cost) and the group would then vote to raise Compensation 1 (VLP pays compensation at approximation of sourcing cost) as the Alternative solution.

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This vote proceeded and a majority of the group voted that they believe the now-Alternative (Compensation 1) to be better than the now-Proposed (Compensation 3) and thus enable the presentation of both these options to the BSC Panel and Ofgem and reduce the risk of any further delay.

The P444 Proposer agreed to the same set of actions in order to align the two Modifications and allow a P444 Alternative to be raised.

To reiterate: as with P415, the P444 Proposed Solution became the Compensation 3 variant, with the Alternative Solution as Compensation 1.

Understanding the impacts and additional consultation questions

In order to better understand the materiality of this issue, the Workgroup note that more input should be sought from Suppliers and VLPs to better understand the issue, impacts and benefits case to making this change via the Assessment Consultation.

In the 2nd Workgroup meeting, a member asked whether there was any additional information on the likely impact to Suppliers and in particular Supplier systems. Elexon noted that because Supplier systems are all different, it would be hard to take an accurate and confident view, but pointed out that compensation comes in the form of trading charges (imbalance charges), so those systems may need to be amended.

The Assessment Consultation provides Suppliers and VLPs with a chance to feed in the impacts they expect to help assess P444, which is captured via the question below. In particular the group encourage Suppliers to give feedback via the consultation on what they would need to do so that the impacts can be better understood.

As part of the P444 Terms of Reference, the group were invited to consider whether any data on what volumes of energy have been used by VLPs to establish the impact on Suppliers and how this might change over the next 10 years?

The P444 group were not aware of any data that could help to answer this point, and wish to use the consultation to seek information from VLPs on what volumes of flexibility they have delivered (and how they might expect this to change), in order to better understand the impact on Suppliers.

Responses to the Assessment Consultation

To establish the impact on Suppliers, if you are a VLP, what volumes of flexibility have you delivered and how this might change over the next 10 years?

A VLP noted that so far, they had delivered very little in the balancing mechanism because they had been waiting for the implementation of P376. They expected to grow their participation substantially. For context, their capacity market portfolio is in the hundreds of MW. The respondent added that they would expect a fair proportion of their capacity market customers to also be interested in balancing mechanism participation.

The P444 Proposer, also a VLP, felt that they were not able to provide further information as this would risk sharing commercially sensitive information.

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Will P444 affect market participants' business models?

Noting that organisations active in the BM have invested in the status quo (i.e an environment with no compensation), one Workgroup member felt it would be valuable to consult on the question of whether P444 could change their investment plans or induce a change to their business models.

Responses to the Assessment Consultation

Assessment Consultation Responses: Would the additional of Supplier compensation into the BM under P444 change your organisation's investment plans or otherwise induce a change to your business model?			
Yes	**No**	**Neutral/No Comment**	**Other**
1	1	0	1

One VLP replied that it would not change their plans, while another replied that it would influence them positively to allow them to better participate as a VLP in the BM.

Assessing P444 as a standalone change

While the Proposer and Workgroup note the benefits and efficiencies achieved by a parallel implementation with P415, in the case that P415 is withdrawn or rejected the Proposer believes that solving the P444 defect and introducing Supplier compensation into the BM remains a good idea on its own, and therefore that P444 can be treated as a standalone change if necessary but wants to verify this via the Assessment Consultation.

Do you agree with the Workgroup that there would still be value in progressing P444 even if P415 is not approved?			
Yes	**No**	**Neutral/No Comment**	**Other**
1	1	1	0

A respondent who is also the Proposer of P415 responded that they think it would be worthwhile considering a scenario in which P415 is not approved.

The P444 Proposer responded to confirm that, yes, they believe this change should be seen as standalone as there is a strong case for amending the BM VLP arrangements, even if changes to allow VLPs into the wholesale market are not made. The Proposer reiterated that in the case that P415 is not implemented, Supplier Compensation Method 1 from P415 should be implemented for P444.

NGESO responded to say they remained agnostic on this point due to broader concerns around supplier compensation, as described elsewhere in this document and in the P415 reports.

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7 Workgroup's Conclusions

The Workgroup (8 voting members) provided its views on both the P444 Proposed and Alternative Modifications against the Applicable BSC Objectives.

The **majority** of the Workgroup believes that P444 **Alternative** Modification would overall better facilitate the Applicable BSC Objectives compared with both the existing baseline and Proposed Modification and so should be approved.

Members' views against each of the Applicable BSC Objectives are summarised below:

Does the P444 Proposed Solution better facilitate the Applicable BSC Objectives?		
Obj	Proposer's Views	Other Workgroup Members' Views[1]
(a)	• Neutral	• Neutral
(b)	• **Positive**	• **Neutral (majority)**
(c)	• **Positive**	• **Neutral/Negative (split)**
(d)	• Neutral	• Neutral
(e)	• Neutral	• Neutral
(f)	• Neutral	• Neutral
(g)	• Neutral	• Neutral

Proposed Solution

The Proposer believes that the Proposed Solution better facilitates BSC Objectives (b) and (c) and is better against the overall BSC baseline (the status quo). As described previously, the P444 Proposer prefers the Alternative Solution.

Only a **minority** of Workgroup members (1 other member) agreed with this assessment of (b) and (c) and that the Proposed Solution was overall better against the baseline.

Objective (b) - The efficient, economic and co-ordinated operation of the National Electricity Transmission System

The Proposer believes that the operation of the electricity system will be supported as a result of more efficient BM arrangements and greater participation in the BM under the Proposed Solution.

A **majority** of members (5) believed that P444 is neutral against this objective, on the basis that VLPs already have access to the BM market under current arrangements.

[1] Shows the different views expressed by the other Workgroup members – not all members necessarily agree with all of these views.

What are the 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 administrating 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

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Objective (c) - Promoting efficiency in the implementation of the balancing and settlement arrangements

The Proposer believes that greater volumes of available capacity in the BM will lead to greater competitive pressure and promote a level playing field for competition under the Proposed Solution.

The rest of the Workgroup were split. 3 members voted that they believed the Proposed Solution to be overall neutral, on the basis that VLPs already have access to the WM market and they couldn't identify a significant benefit that the Proposed Solution would bring to the current arrangements.

Another split (3 members) felt that the Proposed solution would be overall detrimental to this objective and the current arrangements as a whole, noting concerns over the impact the Proposed Solution could have on competition on the Supply side - by mutualising a risk that Suppliers can't manage, then putting the cost of that risk onto Suppliers to pay for competition.

One of these members did not support any form of supplier compensation on the basis that they believed it would harm competition.

Does the P444 Alternative Solution better facilitate the Applicable BSC Objectives?		
Obj	Proposer's Views	Other Workgroup Members' Views[2]
(a)	• Neutral	• Neutral
(b)	• **Positive**	• **Positive/Negative (split)**
(c)	• **Positive**	• **Positive (majority)**
(d)	• Neutral	• Neutral
(e)	• Neutral	• Neutral
(f)	• Neutral	• Neutral
(g)	• Neutral	• Neutral

Alternative Solution

A **majority** (5 members) of the Workgroup believe that the Alternative Solution better facilitates the BSC objectives against the overall BSC baseline (the status quo).

The P444 Proposer aligns to this view and prefers the Alternative Solution.

Objective (b) - The efficient, economic and co-ordinated operation of the National Electricity Transmission System

3 members voted that they believed the Alternative Solution to be positive against objective (b), for the same reasons as given for the Proposed but with several additional

[2] Shows the different views expressed by the other Workgroup members – not all members necessarily agree with all of these views.

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members believing the Alternative better supported this objective than the Proposed by more fairly allocating costs and clarifying who is responsible for paying them.

Another split (3 members) felt that the Alternative solution would be overall detrimental to this objective and the current arrangements as a whole, due to encouraging less participation and creating a barrier to entry for VLPs due to the extra cost they would incur.

Objective (c) - Promoting efficiency in the implementation of the balancing and settlement arrangements

A **majority** (5 members) of the Workgroup believe that the Alternative Solution better facilitates the objective (c), for the same reasons given for the Proposed Solution but with several additional members believing the Alternative better supported this objective than the Proposed by creating a more level playing field.

A **minority** (3 members) disagreed and felt the Alternative Solution is detrimental to this objective, on the basis that they believe it creates a barrier to existing VLPs.

Which solution should be approved?

For the reasons given above, the **majority** of the Workgroup (5 members, including the P444 Proposer) believe that the P444 **Alternative Modification** would overall better facilitate the Applicable BSC Objectives compared with both the existing baseline and Proposed Modification and so should be **approved**.

Responses to the Assessment Consultation

Do you agree with the Workgroup's initial majority view that P444 does better facilitate the Applicable BSC Objectives than the current baseline?			
Yes	**No**	**Neutral/No Comment**	**Other**
3	1	0	0

Please note that at the time of the Assessment Consultation for P444, an Alternative solution had not been formally raised. These responses relate to the Compensation 1 solution (now the Alternative solution), which at the time was the sole P444 Solution.

A majority of respondents agreed with the initial view that P444 would better facilitate the objectives than the current baseline.

Arguments to support this view centred on removing a distortion, believing P444 would further objectives (b) and (c) within the code.

It was also noted that aligning this compensation mechanism with P415 would be efficient, because if Ofgem make an aligned decision and the two Modifications can be implemented alongside one another it will lead to a more efficient outcome.

NGESO replied to state that they did not agree. As per their response to P415, against objective (b) they did not agree that P444 is better than current baseline, citing issues that will arise from supplier compensation which may cause distortions and inefficiencies.

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8 Panel's Initial Discussions

The P444 Assessment Report was presented to the Panel at its meeting on 13 April 2023 (337/06). The Panel agreed to progress the Modification to the Report Phase.

Initial Recommendations

The Panel were relatively split on whether the P444 Proposed Solution does better facilitate Applicable BSC Objective (b). The Panel overall believed that P444 is **positive** against Applicable BSC Objective (b).

A **majority** of Panel members agreed that the P444 Proposed Solution **does not** better facilitate Applicable BSC Objective (c). 3 Panel members voted that the Proposed is better against (c), while 3 votes believed it to be neutral, and 2 votes believed it to be negative (detrimental to the objective).

A **majority** of Panel members agreed that the P444 Alternative Solution does better facilitate Applicable BSC Objective (b), and the Panel **unanimously** agreed that the P444 Alternative Solution does better facilitate Applicable BSC Objective (c).

The Panel **unanimously** agreed that the P444 Alternative Modification is better than the P444 Proposed Modification and that the Alternative Solution should be approved (with the Proposed Solution rejected).

The Panel **unanimously:**

- agreed that P444 should not be treated as a Self-Governance Modification;
- agreed that P444 does impact the EBGL Article 18 Terms and Conditions;
- agreed the Implementation Date;
- agreed the legal text; and
- agreed that P444 should be submitted to the Report Phase.

Initial Discussions

The Panel noted concern that few replies to the P444 APC had been received. Elexon sympathised, noting that this could have been an effect of issuing two large consultations (especially the longer and more complicated P415 consultation) in tandem. Elexon also noted that some respondents had chosen to respond to P415 to make their feelings known on both solutions. A Panel member (who was also a member of both the P415 and P444 Workgroups) confirmed that for many industry respondents the thinking was consistent for both Modifications, with the arguments and opinions effectively applying for each.

The Panel queried whether anything could be done to bring forward the Implementation Date of P444, one year from the point of approval by Ofgem. The Panel acknowledged that the complexity of interactions between the various BSC systems requiring amendment to deliver P444 made it extremely challenging to bring this date forward any more. Elexon also clarified that there was no significant implementation impact difference between the Proposed and Alternative solutions that would mean that one was quicker to implement than the other in this regard. Elexon further highlighted that there was significant work needed to deliver the P415/444 solutions, as indicated by the cost levels, and as such

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November 2024 was a realistic and reasonable point at which there is certainty that the solutions can be delivered.

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9 Report Phase Consultation Responses

This section summarises the responses to the Panel's Report Phase Consultation on its initial recommendations. You can find the full responses in Attachment C.

Three responses were received, from Suppliers and a Trade Body. Aside from one Supplier who had not replied to the Assessment Consultation (but had been present at the P444 Workgroups), all respondents had previously replied to a P444 consultation.

Summary of P444 Report Phase Consultation Responses				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the Panel's initial unanimous recommendation that the P444 Alternative solution should be approved?	2	1	0	0
Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P444 for the Proposed and Alternative Modifications?	2	1	0	0
Do you agree with the Panel's recommended Implementation Date?	2	1	0	0
Do you agree with the Panel's initial view that P444 should not be treated as a Self-Governance Modification?	3	0	0	0
Do you agree with the Panel's initial consideration that P443 does impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions related to balancing held within the BSC?	3	0	0	0
Do you have any comments on the impact of P444 on the EBGL objectives?	0	3	0	0
Do you have any further comments on P444?	0	3	0	0

There were mixed views, which are summarised below, on the Panel's initial views.

Views on Panel's initial recommendation that the P444 Alternative solution should be approved

Two respondents agreed with the view that the P444 Alternative solution should be approved and their arguments were in line with those they had previously given in both the Assessment Consultation and the P444 Workgroup.

One respondent who had not replied to the Assessment Consultation but had been present at the P444 Workgroups believes that P444 should not be approved, feeling that the P444 and P415 solutions as currently designed do not adequately compensate Suppliers for the associated risks of VLP actions.

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Redlined changes to the BSC

Two respondents agreed with the Panel that the redlined changes to the BSC deliver the intention of P444. One respondent replied negatively and explained that this was because they did not support the P444 solution as a whole.

Implementation Date

Most respondents agreed with the Panel with the Panel's recommended Implementation Date for P444, with one respondent believing (as with their response on P415) that the Modification needed additional development time.

Self-Governance

Respondents agreed with the Panel that the P444 should not be treated as a Self-Governance Modification and should therefore be sent to the Authority for decision.

EBGL impacts

Respondents agreed with the Panel's initial consideration that P444 does impact the EBGL Article 18 terms and conditions held within the BSC. No further comments were offered.

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10 Panel's Final Discussions

The Panel considered the P444 Draft Modification Report at its meeting on 8 June 2023[3]. The Panel made no additional comment on P444.

The Panel provided their final views against the Applicable BSC Objectives, the Proposed Implementation Date, Draft Legal Text, EBGL impacts and whether P444 should be Self-Governance.

Final Recommendations

The Panel **unanimously** agreed that P444 Proposed **does better facilitate** Applicable BSC Objectives (b), that the Alternative solution better facilitates Applicable BSC Objectives (b) and (c).

The Panel **unanimously** agreed that the P444 Alternative Modification is better than the P444 Proposed Modification and that the Alternative Solution should be **approved** (with the Proposed Solution rejected).

The Panel **unanimously:**

- agreed that P444 should not be treated as a Self-Governance Modification;
- agreed that P444 does impact the EBGL Article 18 Terms and Conditions;
- agreed the Implementation Date;
- agreed the legal text; and
- agreed that P444 should be submitted to Ofgem

[3] https://www.elexon.co.uk/meeting/bsc-panel-339/

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11 Recommendations

The BSC Panel recommends to the Authority:

- That the P444 Alternative Modification should be **approved** and that the P444 Proposed Modification should be **rejected**;
- That P444 **does** impact the EBGL Article 18 terms and conditions held within the BSC;
- That P444 is neutral against the EBGL objectives;
- An Implementation Date for P444 of:
    - **7 November 2024** and part of the Standard November 2024 BSC Release if a decision is received on or before 6 October 2023; and
- The Legal Text for P444.

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Appendix 1: Workgroup Details

Workgroup's Terms of Reference

Specific areas set by the BSC Panel in the P444 Terms of Reference	Conclusion
Should P444 adopt the Supplier compensation mechanism functionality being developed for WM activity under P415?	Yes, it is appropriate
Is there any data on what volumes of energy have been used by VLPs to establish the impact on Suppliers and how this might change over the next 10 years?	The Workgroup seek additional information via the Assessment Consultation
How will P444 impact the BSC Settlement Risks?	No direct impact to Settlement risks, but emerging risks will be tracked
What changes are needed to BSC documents, systems and processes to support P444 and what are the related costs and lead times? When will any required changes to subsidiary documents be developed and consulted on?	Described above
Are there any Alternative Modifications?	Described above
Should P444 be progressed as a Self-Governance Modification?	Described above
Does P444 better facilitate the Applicable BSC Objectives than the current baseline?	Described above
Does P444 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?	Described above

Assessment Procedure timetable

P444 Assessment Timetable	
Event	Date
Panel submits P444 to Assessment Procedure	1 September 2022
Workgroup Meeting 1	7 October 22
Workgroup Meeting 2	7 December 22
Assessment Procedure Consultation	January – February 2023
Workgroup Meeting 3	28 February 2023
Workgroup Meeting 4	28 March 2023
Panel considers Workgroup's Assessment Report	April 2023

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