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

This Assessment Procedure Consultation was issued on 25 January 2023, with responses invited by 20 February 2023.

Consultation Respondents

Respondent	Role(s) Represented
Enel X	Virtual Lead Party
Association for Decentralised Energy (ADE)	Trade Body
Flexitricity	Supplier, Virtual Lead Party
National Grid ESO	NETSO

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Question 1: Do you agree with the Workgroup's initial unanimous view that P444 does better facilitate the Applicable BSC Objectives than the current baseline?

Summary

Yes	No	Neutral/No Comment	Other
3	1	0	0

Responses

Respondent	Response	Rationale
Enel X	Yes	We agree that, by removing a distortion, it will further objectives (b) and (c). What's more, by harmonising with P415 (assuming it is implemented), it will further objective (d).
ADE	Yes	We would refer Elexon to our consultation response on P415 'Facilitating Access To Wholesale Markets For Flexibility Dispatched By VLPs' for all below questions. We support the progression of P444 in line with our opinions on P415.
Flexitricity	Yes	Yes – P444 addresses a market distortion that exists following the introduction of P344. BSC Modification P344 created the concept of Virtual Lead Parties (VLPs) to allow independent aggregators to access the Balancing Mechanism (BM). P344 introduced a mechanism to adjust each Supplier's position to remove the volume dispatched by VLPs at sites registered to that Supplier. However, when a VLP takes an action on a Supplier's customer, while the volume of the action is removed from the Supplier's imbalance position, it remains present in the customer's meter. 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. This result of this is that the VLP gains value in Offers and loses value in Bids, which impacts VLPs ability to compete on a level playing field. P444 introduces a compensation mechanism to correct the impact of VLP actions by assigning a price to these volumes. This is similar to the compensation mechanism potentially introduced by

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Respondent	Response	Rationale
		P415 and aligning this compensation mechanism with P415 would be efficient. P444 therefore better facilitates the following BSC Objectives, compared to the current baseline: (b) Because it will allow greater volumes of flexibility from VLPs in the BM, and support flexibility more generally (c) Because it will allow effective competition between VLPs, generators and suppliers (d) Because if implemented alongside P415 it will lead to a more efficient outcome
National Grid ESO	No	As per our response to P415, against objective (b) we do not agree that P444 is better than current baseline. In our response to P415, we detail issues that will arise from supplier compensation which may cause distortions and inefficiencies, we believe this may also carry over in to P444. Please see our P415 responses to Q12-15 for more detail. Against objective (c), whilst we note that this modification may result in better market access for VLPs the consequences of implementation of supplier compensation outweigh the benefits and as such we do not support the implementation of supplier compensation.

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Question 2: Do you agree with the Workgroup that the draft legal text in Attachment B delivers the intention of P444?

Summary

Yes	No	Neutral/No Comment	Other
3	0	0	0

Responses

Respondent	Response	Rationale
Enel X	Yes	Yes, it seems a quite straightforward, when considered as an incremental change over P415.
Flexitricity	Yes	Yes we agree.
National Grid ESO	Yes	We believe the legal text reflects the intent of the proposal

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Question 3: Do you agree with the Workgroup's recommended Implementation Date?

Summary

Yes	No	Neutral/No Comment	Other
3	0	0	0

Responses

Respondent	Response	Rationale
Enel X	Yes	It should be aligned with P415, so long as this doesn't delay P415.
Flexitricity	Yes	We support the earliest possible implementation of this Modification but understand there are efficiencies with implementing alongside P415 so agree with the proposed implementation date.
National Grid ESO	Yes	The suggested implementation date should give sufficient lead time.

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Question 4: Do you agree with the Workgroup's assessment of the impact on the BSC Settlement Risks?

Summary

Yes	No	Neutral/No Comment	Other
2	0	1	0

Responses

Respondent	Response	Rationale
Enel X	Yes	We agree that this modification introduces no additional risks beyond those of the other Wider Access reforms, which are already being tracked.
Flexitricity	Yes	Yes, we agree there would be no impact on BSC Settlement Risks.
National Grid ESO	No comment	No comment

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Question 5: 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?

Summary

Yes	No	Neutral/No Comment	Other
3	0	0	0

Responses

Respondent	Response	Rationale
Enel X	Yes	The proposed legal text does change an EBGL-relevant clause.
Flexitricity	Yes	We believe this modification better supports the EBGL terms and conditions.
National Grid ESO	Yes	The modification clearly impacts EBGL Article 18 so the ESO would agree with this assessment

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

Responses

Respondent	Rationale
Enel X	No
Flexitricity	P444 better supports 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 (f) because it would support demand side and aggregated capacity in particular
National Grid ESO	No

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Question 7: Will P444 impact your organisation?

Summary

High	Medium	Low	Other
0	1	1	1

Responses

Respondent	Response	Rationale
Enel X	Low	So long as P415 is implemented, the additional work for P444 will be minimal. In fact, having the settlement of different types of dispatch settled on the same basis will simplify some processes.
Flexitricity	Medium	Yes – it will have a positive impact as it will allow us better participate in the BM
National Grid ESO	Other	We are supportive of greater competition and participation to help drive the most optimal cost for consumers. We consider that increased VLP participation should encourage more efficient use of the system, as well as reducing barriers to entry and widening of the market, which in turn will enable additional volumes of demand flexibility. However, as currently defined, this modification would not require VLPs to provide data to ESO or their supplier. Without this data, additional demand flexibility will simply manifest as additional demand uncertainty when operating the system. For example, additional reserve capacity required to manage the increased uncertainty in demand will significantly increase costs and offset the potential benefits of the solution this runs contrary to the investments in Forecasting that were made in BP1 and continue to be made in BP2 and is to the detriment of the end consumer.

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Question 8: How much will it cost your organisation to implement P444?

Summary

High	Medium	Low	Other	None
0	0	1	1	1

Responses

Respondent	Response	Rationale
Enel X	Low	We do not foresee any material implementation costs, so long as P415 is also implemented.
Flexitricity	N/A	NA – we believe the change will have a net positive impact, so costs are negative
National Grid ESO	None	No cost impact anticipated

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Question 9: What will the ongoing cost of P444 be to your organisation?

Summary

High	Medium	Low	None	Other
0	0	1	1	1

Responses

Respondent	Response	Rationale
Enel X	Low	So long as P415 is also implemented, P444 will reduce, rather than increase the administrative burden on VLPs.
Flexitricity	Other	We expect to have ongoing FTE to support wholesale trading and operational activities. This will be spread across a number of teams and support existing functions.
National Grid ESO	None	No ongoing cost impact anticipated

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Question 10: How long (from the point of approval) would you need to implement P444?

Responses

Respondent	Response	Rationale
Enel X	4 Months	There is nothing in the proposal that would require a long lead time for us.
Flexitricity	1-2 Months	Our expected lead time would be low (1-2 months) as we are already trading in the BM.
National Grid ESO	-	We believe the suggested lead time should be sufficient

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Question 11: If you are a VLP, what volumes of flexibility have you delivered and how this might change over the next 10 years? This information will help establish the impact on Suppliers.

Responses

Respondent	Response
Enel X	So far, we have delivered very little in the balancing mechanism, because we have been waiting for the implementation of P376. We expect to grow our participation substantially. For context, our capacity market portfolio is in the hundreds of MW; we would expect a fair proportion of our capacity market customers to also be interested in balancing mechanism participation.
Flexitricity	NA – this is commercially sensitive information
National Grid ESO	Not Applicable

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Question 12: Would the addition of Supplier compensation into the BM under P444 change your organisation's investment plans or otherwise induce a change to your business model?

Summary

Yes	No	Unsure	Other
1	1	0	1

Responses

Respondent	Response	Rationale
Enel X	No	No
Flexitricity	Yes	It would allow us to better participate as a VLP in the BM.
National Grid ESO	Other	We have highlighted our concerns around supplier compensation in our response to P415

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Question 13: Do you agree with the Workgroup that there would still be value in progressing P444 even if P415 is not approved?

Summary

Yes	No	Unsure	Other
1	1	1	0

Responses

Respondent	Response	Rationale
Enel X	No	We don't think it's worthwhile considering a scenario in which P415 is not approved.
Flexitricity	Yes	Yes, we believe this change should be seen as standalone. There is a strong case for amending the BM VLP arrangements, even if changes to allow VLPs into the wholesale market are not made. Where P415 is not implemented, Supplier Compensation Method 1 from P415 should be implemented.
National Grid ESO	Other	We are agnostic on this point due to broader concerns around supplier compensation.

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Question 14: Do you have any further comments on P444?

Responses

Respondent	Response
Enel X	No
Flexitricity	Yes – we favour Supplier Compensation Method 1 from the P415 solution. The other compensation methods risk causing a market distortion. However this is primarily a question for the P415 Modification. Above all, the compensation methods should be aligned between wholesale and BM.
National Grid ESO	No thank you

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