

## P462 Workgroup - Terms of Reference

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|----------------|-------------------------|------------------|---------------|
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### 1. P462 Workgroup Terms of Reference

- 1.1 The P462 Workgroup will consider Modification Proposal P462 'The removal of subsidies from Bid Prices in the Balancing Mechanism' in accordance with the [Modification Workgroup terms of reference](#) and this appendix.
- 1.2 The Workgroup will carry out an Assessment Procedure for P462 in accordance with BSC Section F2.6.
- 1.3 The Workgroup membership will comprise of any relevant experts and interested parties as agreed by the BSC Panel.
- 1.4 The Workgroup will produce an Assessment Report for the BSC Panel to be presented no later than 13 February 2025.
- 1.5 The Workgroup will consider the following areas and include these in its Assessment Report:
  - a) What are the impacts of P462 on existing CfD contracts?
  - b) Should the distribution of subsidy replacement costs go to intended cost centres? (E.g., not BSUoS?)
  - c) What data should be reported on BMRS/IO14 to support this Modification?
  - d) What is the scope for the CBA to ensure that wider impacts to industry and end consumers are considered? Is it appropriate that these wider impacts are considered in the CBA?
  - e) What are the wider impacts of this Modification? Are the Workgroup comfortable with the wider consequences from implementing this Modification?
  - f) Consider actions already in place when cash-out goes negative. What happens when there are negative BM prices?
  - g) Which subsidies are in scope of this Modification? What would be the appropriate pricing for each type of subsidy (assuming interaction with subsidy calculated on metered output)?
  - h) Consider interaction with REMA.
  - i) Consider the process and governance required for additional data requirements for settlement.
  - j) Would the solution have the desired effect on bidding behaviour?
  - k) How would this solution interact/deal with supplier BMUs?
  - l) Consider the potential tax implications of P462 for the Electricity Generator Levy
  - m) Is the BSC an appropriate route to amend the issue identified in P462?
  - n) How will P462 impact the BSC Settlement Risks?
  - o) What changes are needed to BSC documents, systems and processes to support P462 and what are the related costs and lead times? When will any required changes to subsidiary documents be developed and consulted on?
  - p) Are there any Alternative Modifications?
  - q) Should P462 be progressed as a Self-Governance Modification?
  - r) Does P462 better facilitate the Applicable BSC Objectives than the current baseline?

- s) Does P462 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?
- t) Does P462 impact on the consumer benefit criteria:
  - i) Improved safety and reliability
  - ii) Lower bills than would otherwise be the case
  - iii) Reduced environmental damage
  - iv) Improved quality of service
  - v) Benefits for society as a whole