

CP Assessment Report

CP1539 'Inclusion of LCCC as an Affected party in Metering Dispensation applications'



Committee

Imbalance Settlement Group
Supplier Volume Allocation Group

Recommendation

Approve

Implementation Date

24 June 2021



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About This Document

This document is the Change Proposal (CP) Assessment Report for CP1539 which Elexon will present to the Imbalance Settlement Group (ISG) and the Supplier Volume Allocation Group (SVG) at their respective meetings on 6 April 2021. The Committees will consider the proposed solution and the responses received to the CP Consultation before making a decision on whether to approve CP1539.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, and proposed implementation approach. It also summarises the ISG and SVG's initial views on the proposed changes and the views of respondents to the CP Consultation.
- Attachment A contains the proposed redlined changes to deliver the CP1539 solution.
- Attachment B contains the full responses received to the CP Consultation.
- Attachment C contains the proposal form for CP1539.

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Why change?

Under [Balancing and Settlement Code Procedure \(BSCP\) 32 'Metering Dispensations'](#) there is currently no mechanism to ensure that the Low Carbon Contracts Company (LCCC) is informed of Metering Dispensation applications related to generation sites where there are Contracts for Difference (CfD) arrangements in place. As such the LCCC may not be aware that Metering Dispensations are being raised that impact CfDs, which are part of the Government's energy policy, so they will not know the application conflicts with what has been specified in the CfD agreement.

Solution

This change proposes to include the LCCC as an Affected party for future Metering Dispensations by including them in the List of Definitions in BSCP32.

It also proposes to modify the BSCP32 section 4.1 application form to seek confirmation from the applicant that they have engaged with the LCCC (where applicable). The solution is intended to make sure the LCCC are informed in advance of a Metering Dispensation application. This will allow the LCCC to consider what impact, if any, the Dispensation could have on its CfDs and will not give the LCCC any other rights /powers or consultation engagement in the Metering Dispensations process.

The LCCC being made aware of an application for a Metering Dispensation being made will allow them to assess any potential issues with the Metering Dispensation with regards to compliance with the CfD and advise the generator accordingly, outside the BSC framework.

Impacts and costs

This CP will impact market participants seeking to apply for Metering Dispensations. It will also impact the LCCC. Implementation costs to be <£1000 for documentation only changes.

Implementation

This CP is recommended for implementation on 24 June 2021 as part of the scheduled June 2021 BSC Release.



What is the issue?

BSCP32 requires Registrants applying for a Metering Dispensation to notify and seek endorsement from Affected parties before an application is submitted, as the arrangements proposed in the Metering Dispensation may have a material impact on an Affected Party. Applicants are asked to include a letter of endorsement (where appropriate) with their application. If it is shown that the views of Affected parties are not sought the Metering Dispensation may be rendered void.

The LCCC does have the option of reviewing published applications (included as published committee papers) and granted Metering Dispensations, though only where the application is not confidential. It would be beneficial for LCCC to be informed of an intended application so this stage is too late for the LCCC to highlight any areas of conflict with the CfD arrangements to the Applicant.

Applications for Metering Dispensations may relate to generation sites where there are also CfD arrangements in place. The LCCC is not currently listed as an Affected party and so there is no mechanism to ensure that they are informed of Metering Dispensations applications at such sites.

As such the LCCC may not be aware that Metering Dispensations are being raised that impact CfDs, which are part of the Government's energy policy, so they will not know if the application conflicts with what has been specified in the CfD agreement.

Background

A Metering Dispensation allows for Metering Equipment to deviate from some or all of the requirements of the applicable Code of Practice. It can be agreed where the reasons for deviation are financial or for reasons of practicality.

CfD is one of the arrangements that came out of the EMR Regulations. CfDs, in the majority of cases, rely on the BSC Settlement Metering System (with the exception of any Private Network Agreement awarded). Under the BSC a Metering System can be subject to a Metering Dispensation and this would also be applicable to the CfD as it relies on the same Metering System.

LCCC's primary role is to manage CfDs with low carbon generators throughout their lifetime, which involves management of the contracts as well as the Supplier Obligation Levy that funds CfD payments.

CfD obligations

There are metering obligations that are required in the CfD Agreement and part of LCCC's role is to confirm that those obligations have been met prior to the generator's Start Date, under CfD, being authorised by LCCC. Where a Metering Dispensation is granted under the BSC it may unintentionally prevent the metering obligations being met under the CfD.

What is a Metering Dispensation?

If you're the Registrant of a Metering System, you can apply for a Metering Dispensation, if for financial or practical reasons the associated Metering Equipment is not compliant with the applicable Code of Practice.



What is the Low Carbon Contracts Company (LCCC)?

LCCC's primary role is to manage CfDs with low carbon generators throughout their lifetime, which involves management of the contracts as well as the Supplier Obligation Levy that funds CfD payments.

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Proposed solution

Include the LCCC as an Affected party

We propose to include the LCCC as an Affected party for future Metering Dispensations by including them in the List of Definitions in BSCP32 paragraph 2.2.

Amend the application form for Metering Dispensations

We also propose modifying the application form contained in BSCP32 section 4.1 to include confirmation that the applicant has engaged with the LCCC (where applicable) and other Affected parties.

This will provide the LCCC with the information it requires to manage compliance under its own framework.

Proposer's rationale

The solution will allow LCCC to request relevant information from the Applicant relating to associated 'aggregation rules' for each Metering Dispensation in situations likely to affect the LCCC as CfD Counterparty. The benefit for LCCC is that it promotes discussion between LCCC and the Applicant to ensure clarity of compliance. It also benefits Applicants and CfD Generators, by reducing the risk that a Metering Dispensation under the BSC is approved, which has the impact of placing the market participant in breach of their CfD obligations. For the avoidance of doubt, the LCCC will have no opinion or engagement in the BSC process of granting a Metering Dispensation, rather it confirms that the Applicant has engaged with all impacted parties from a Metering Dispensation, which includes the LCCC where a site has a CfD agreement.

Metering Systems can be subject to Metering Dispensations under the BSC. Therefore the process outlined in BSCP32 should include terms to ensure the LCCC is made aware of Metering Dispensations applied under the BSC.

Proposed redlining

The proposed redlining to deliver this CP is included in Attachment A.

What is an Affected party?

BSCP32 does not define the term though existing Affected parties for site specific Metering Dispensations include: customers; NETSO; LDSOs; and any Party other than the Registrant responsible for Aggregation Rules relating to such Metering Equipment.

4 Impacts and Costs

BSC Party & Party Agent impacts and costs

Participant impacts

BSC Party & Party Agent Impacts	
BSC Party/Party Agent	Impact
Parties applying for Metering Dispensation	Requirement to complete additional parts of the application form and to engage with LCCC (if applicable)

Participant costs

No participant costs have been highlighted in developing this CP or through the CP consultation.

Central impacts and costs

There will be no increase in workload for Elexon related to this change.

Central impacts

Central Impacts	
Document Impacts	System Impacts
<ul style="list-style-type: none">BSCP32Internal Elexon Local Working Instructions	<ul style="list-style-type: none">None

Impact on BSC Settlement Risks

No impacts on BSC Settlement Risks have been revealed.

Central costs

The central implementation costs for CP1539 will be <£1k for the documentation only changes. There will be no ongoing costs.

Other Market Participant impacts and costs

Other Market Participant impacts

Other market participant impacts	
BSC Party/Party Agent	Impact
LCCC	Applicants will make LCCC aware that they are making a Metering Dispensation application

Other Market Participant costs

No other market participants will incur costs as part of the CP1539 solution.

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5 Implementation Approach

Recommended Implementation Date

CP1539 is targeting implementation on 24 June 2021 as part of the scheduled June 2021 BSC Release.

This is the earliest Release that the CP can be implemented in and will better engage the LCCC as an Affected party in the Metering Dispensations process, ensuring it's aware of site specific Metering Dispensations that have a CfD agreement, in time for Allocation Round 4 in September 2021.

ISG's initial views

At its meeting on [1 December 2020](#), the ISG noted that CP1539 has been raised, and noted the proposed progression timetable, with no additional comments.

SVG's initial views

We presented the Progression Paper to the SVG at its [meeting on 1 December 2020](#). The SVG noted that CP1539 has been raised, and noted the proposed progression timetable and questioned the need for the solution. The SVG noted that the desired outcome could be achieved under [BSC Section V 'Reporting'](#). SVG asked Elexon to acquire a legal view on this matter.

We have since clarified the legal position. BSC Section V5 requires Elexon to provide any data or information to EMRS, LCCC or ESC that they reasonably require in order to discharge EMR Settlement Functions (as set out in the EMR regulatory framework). There is advantage, from a transparency and process perspective, to having LCCC identified as an Affected Party in BSCP32, as it adds clarity to ensure there are provisions in BSCP32 that support the obligations in BSC Section V.

Reliance on BSC Section V assumes Elexon knows that the Metering System does have a Contracts for Difference, which they may not do in the event that LCCC do not make Elexon aware. Under this solution, the requirement to make LCCC aware of the dispensation would lie with the applicant, meaning that LCCC would be made aware of the metering dispensation even if Elexon are not aware of the CfD.

LCCC would be informed by the applicant prior to the application for a Metering Dispensation being formally submitted to BSSCo. If Section V allows us a mechanism to notify LCCC it would be too late in the process for the LCCC's needs.

The SVG also believe it to be inappropriate for such a change to be governed under the BSC as opposed to EMR.

CP1539 modifies an existing process (the Metering Dispensation form 4.1 of BSCP32) rather than potentially requiring a more complex solution involving a new process under EMR. Additionally, there is no ongoing increase in cost or workload associated with this solution, as the requirement to inform LCCC lies with the applicant, who is already required to inform other Affected parties. To this extent, it rather explicitly draws out the LCCC as an Affected party in the metering dispensation rather than the applicant informing the LCCC based on its own best judgement.

Metering systems can be subject to Metering Dispensations under the BSC. Therefore the process outlined in BSCP32 should include terms to ensure the LCCC is made aware of Metering Dispensations applied under the BSC.

7 Industry Views

This section summarises the responses received to the CP Consultation. You can find the full responses in Attachment B. There was one respondent representing the role of Meter Operator Agent trade association.

Summary of CP1539 CP Consultation Responses				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the CP1539 proposed solution?	0	1	0	0
Do you agree that the draft redlining delivers the intent of CP1539?	0	1	0	0
Will CP1539 impact your organisation?	0	1	0	0
Will your organisation incur any costs in implementing CP1539?	0	1	0	0
Do you agree with the proposed implementation approach for CP1539?	0	1	0	0
Do you have any further comments on CP1539?	0	0	0	0

Comments on proposed solution

The respondent stated "It is not clear what BSC objective is better supported by the change. If the requirement is to support the LCCC then it can make a requirement under its own governance."

CP1539 alters an existing process (the Metering Dispensation form 4.1 of BSCP32), rather than requiring a potentially more complex solution requiring a new process under EMR. It also places the requirement for informing LCCC on the applicant, not on Elexon, so there is no continuing increase in cost or work load for Elexon. To this extent, we believe the suggested amendment to the process is clearer and thus is an improvement on the current baseline Metering Dispensation process.

Comments on implementation approach

The respondent stated "It is not clear why it is proposed to implement the change outside of the normal BSC release dates".

Elexon notes that this CP is now targeting 24 June 2021 as part of the scheduled June 2021 BSC Release.

Comments on the proposed redlining

The respondent did not agree that the redlining achieves the goal of CP1539, and commented "It is not clear how the ISG or SVG, in considering a Metering Dispensation request, are able to consider any representation of the impact from the LCCC."

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CP1539 does not aim to give LCCC a route to make representations on Metering Dispensations. It only seeks to make LCCC aware of Metering Dispensations and thus does not require the ISG or SVG to consider any comments made by the LCCC.

Additional Comments

The respondent stated "The proposed change simply requires the LCCC to be advised of the Dispensation Application. It does not give them any ability to comment on the application. It is unclear what benefit the CP brings in terms of the BSC Objectives. The arguments presented in the consultation all seem to refer to impacts on the LCCC activity, not the BSC. If the LCCC is interested in changes to a metering system which may impact from a Meter Dispensation, it is not clear why as that requirement has not been included in the LCCC governance arrangements (EMR Regulations) rather than the BSC. If the intention is that the LCCC should be able to comment or even seek to present arguments against a Metering Dispensation then where are those explained."

We believe our response in section 7 of this paper confirms that by explicitly including the LCCC as an Affected party, there is clarity for Metering Dispensation applicants that they should hold discussions with the LCCC where there is a CfD arrangement in place at the site.

8 Recommendations

We invite the **ISG** to:

- **APPROVE** the proposed changes to BSCP32 for CP1539; and
- **APPROVE** CP1539 for implementation on 24 June 2021 as part of the scheduled June 2021 Release.

NOTE that CP1539 will also be presented for decision to the SVG on 6 April 2021.

Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
BSCP	BSC Procedure
CfD	Contracts for Difference
CP	Change Proposal
CPC	Change Proposal Circular
ISG	Imbalance Settlement Group
LCCC	Low Carbon Contracts Company
LDSO	Licensed Distribution System Operator
NETSO	National Electricity Transmission System Operator
SVG	Supplier Volume Allocation Group

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
2	BSCP32 'Metering Dispensations'	https://www.elexon.co.uk/documents/bsc-codes/bscps/bscp32-2/
2	Imbalance Settlement Group	https://www.elexon.co.uk/group/imbalance-settlement-group-isg/
2	Supplier Volume Allocation Group	https://www.elexon.co.uk/group/supplier-volume-allocation-group-svg/
7	Event Page – ISG236	https://www.elexon.co.uk/meeting/isg236/
7	Event Page - SVG238	https://www.elexon.co.uk/meeting/svg238/

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