

P379 HIGH LEVEL SCOPE

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Purpose of paper For Information

Classification Public

Summary As requested at the March 2020 BSC Panel meeting this paper provides the high level approach, including the scope, to conducting the P379 cost benefit analysis (CBA). The CBA will inform the merits of continuing with the P379 Modification. The timeline for running and issuing the CBA has been pushed back at least three months in response to the Panel's COVID-19 prioritisation approach. The exact timings will be confirmed at a later date via the monthly Change Report.

1. Background

- 1.1 The P379 Business Requirements (Attachment A) outline the detailed requirements for the P379 solution. The P379 solution will enable customers to buy electricity from more than one Supplier, without the need for the Suppliers involved to negotiate with each other on a case-by-case basis. The P379 Workgroup have discussed two proposed models (Option 1 and Option 2) for implementing the P379 solution. At a high level, Option 1 uses the BSC central systems to perform the meter splitting calculations. Option 2 decentralises some calculations to the customer's Primary Supplier's Half Hourly Data Collector (HHDC) acting in the capacity of a calculation entity.
- 1.2 For the solution to be effective, Suppliers will need to introduce appropriate processes to ensure they gather and provide required data into settlement, and react to the outputs of the splitting calculations in an appropriate way.
- 1.3 There will also be other Code Modifications to fully enable a P379 solution. In particular, changes would be needed to the Master Registration Agreement (MRA), and potentially to network charging agreements under the Distribution Connection and Use of System Agreement (DCUSA) and the Connection and Use of System Code (CUSC) and Smart Metering specifications under the Smart Energy Code (SEC).

2. Cost Benefit Analysis Approach

- 2.1 The P379 solution will be evaluated on benefits and costs to the electricity industry and customers to help inform any continued work on the Modification and support Ofgem's decision making process. The scope and approach of the CBA is provided in Attachment B. We are building on guidance from the [Treasury Green Book](#), and will follow the process used for the [P272](#) CBA.
- 2.2 Benefits will, in general, be hypothetical as many of the business cases are unable to operate in the current market, due to the barriers the Modification is attempting to address. ELEXON will engage with organisations exploring these potential products and services to understand the impact of the P379 solution on their operations and customers.
- 2.3 The following benefits will be assessed under the P379 solution:
 - Increased competition for customer supply volumes;

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- New service offerings for customers such as community energy schemes and peer to peer trading;
- Increased deployment of smart energy technologies at grid-edge; and
- Increased consumer engagement.

- 2.4 Benefits cases should be supported by technical reports, academic papers and international studies where possible. During the benefit consultation we will arrange at least one workshop, taking into account the COVID-19 BSC change prioritisation approach, to gather benefits cases and determine additional categories, to feed into the analysis. The consultation will also encourage submission of 'other' benefits cases not already captured.
- 2.5 Industry Parties and Agents will incur costs for implementing the P379 solution. Costs of implementing P379 should be provided as well as on-going costs to operate the P379 systems and processes. We will request costs in much the same way as we normally do for industry impact assessments, but will provide more granular categories of costs, as detailed in Attachment B, and invite representations of other costs not covered by a category.
- 2.6 Costs and benefits will be assessed over a pre-defined time scale of ten years (as is standard in analysis of this type and in line with the Treasury Green Book), and will be scaled to derive whole industry costs and benefits according to methodologies that we will consult on prior to requesting data. This means that the figures should represent costs to the whole of industry, even if not all Parties respond.
- 2.7 P379 is being assessed against the current baseline. However, a more realistic assessment would consider the effects of the Faster Switching SCR, the TCR SCR, MWHHS, and any information that comes to light regarding the Future Retail Market Review. We will attempt to account for known changes in the analysis.
- 2.8 Currently, we plan to issue the CBA in September 2020 for eight weeks. In light of the evolving COVID-19 emergency, the high-level plan, in Attachment B, will be kept under review.

3. Recommendations

- 3.1 We invite you to:
- a) **AGREE** the approach and scope, as detailed in Attachment B, of the P379 CBA; and
 - b) **NOTE** the contents of this paper.

Attachments

Attachment A – P379 Business Requirements

Attachment B – P379 CBA high level scope

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