

Updated process for agreeing whether SVA Metering Systems should be treated as recording volumes of exempt supply

Supplier Volume Allocation Group (SVG)

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Summary **This paper provides an update on decisions taken by the BSC Panel, following the referral to it in August 2020 of an application for an SVA Metering System to be treated as exempt supply.**

1. Background

- 1.1 In January 2019, the SVG [agreed a process](#) for exempt suppliers (or licensed Suppliers acting on their behalf) to apply to have SVA Metering Systems recognised as recording exempt supplies (for purposes of reporting licensed Suppliers' gross demand to the Electricity Market Reform (EMR) Settlement Services Provider). This was intended to be an interim process, to be operated until an enduring solution (capable of handling a wider variety of exempt supply arrangements) could be introduced through a BSC Modification.
- 1.2 In August 2020, the second ever application to this process was discussed at SVG, and referred to the BSC Panel (as SVG could not reach a unanimous decision). The application was then discussed at the August 2020 meeting of the BSC Panel, and a decision deferred while Elexon investigated a number of questions raised by the BSC Panel.
- 1.3 In November 2020, we took a paper to the BSC Panel (308/06: '[Update on reporting of exempt supply volumes to EMRS](#)') addressing the issues raised at the August 2020 meetings of SVG and the BSC Panel. It also discussed some of the options for enduring solutions, and explained that (to date) no Modification Proposal has been raised to progress them.

2. Summary of BSC Panel decisions

- 2.1 Following discussion of paper 308/06, the BSC Panel agreed that the SVG should:
 - a) continue to operate a process for identifying Metering Systems that record exempt supply; and
 - b) require a declaration from a director of the exempt supplier, identifying the class or individual exemption that applies, and confirming that its conditions are (or will be) met.
- 2.2 The BSC Panel also agreed that the SVG process should only treat a Metering System as exempt, if the circumstances under which it may record licensed supply are genuinely unusual, i.e. not circumstances that would be expected to arise in the normal operation of the business. This decision removes any need to set a percentage threshold (e.g. that historically 95% of the energy recorded on an SVA Metering System should be exempt supply, in order for it to qualify).
- 2.3 For example:
 - a) An exempt supplier who supplied their customers using electricity from a single generating unit would be unlikely to meet the test for treating their customers' Metering Systems as exempt supply. This is because all

generating units have to be taken offline for maintenance now and again, as a normal part of their operation. During these periods of maintenance, the customers would be taking top-up supply from a licensed Supplier;

- b) However, the exempt supplier might meet the test for treating the Export Metering System as exempt supply. Provided they could demonstrate that their customer Metering Systems were sufficiently diverse to consume all of the Export under any circumstance that would arise in the normal operation of their businesses; and
- c) An exempt supplier operating a portfolio of generating units, and able to demonstrate that they always had sufficient capacity to supply their customers (even during scheduled maintenance of their generating units) could potentially meet the test for treating the customers' Metering System as exempt supply.

2.4 The BSC Panel recognised that, unfortunately, this approach will close the interim process to some exempt suppliers who previously might have expected to be able to use it. The BSC Panel has asked us to look at options for progressing a Modification Proposal to implement an enduring solution.

3. Application process

3.1 When this process was established (in January 2019), we suggested that it would be premature to operationalise the process of applying to SVG (e.g. by creating a *pro forma* for applications), as it was a new process, and we needed to learn how it could best be made to work.

3.2 The volume of applications to date has been very low, but there does now appear to be more interest in the process. We are expecting an application to be considered this month (in the Confidential session), and another next month. We therefore propose learning from the SVG discussion of these applications, and then beginning to formalise the new process. For example, this could be by creating a *pro forma* that applicants can use for the director's declaration, and guidance on the evidence required to demonstrate that an SVA Metering System records exempt supply under all circumstances that would be expected to arise in the normal operation of the business.

4. Recommendations

We invite you to:

- a) **NOTE** that on 12 November 2020, the BSC Panel agreed that the SVG should:
 - i continue to operate a process for identifying Metering Systems that record exempt supply;
 - ii require a declaration from a director of the exempt supplier, identifying the class or individual exemption that applies, and confirming that its conditions are (or will be) met; and
 - iii only treat a Metering System as exempt if the circumstances under which it may record licensed supply are genuinely unusual, i.e. not circumstances that would be expected to arise in the normal operation of business.

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