



Consultation Response

By email to olrconsultation@decc.gsi.gov.uk

Ref: **14/D022**

20 March 2014

ELEXON's response to consultation on Offtaker of Last Resort

We welcome the opportunity to respond to this consultation. ELEXON is the not for profit body established to manage the GB electricity Settlement arrangements as set out in the Balancing and Settlement Code (BSC). In addition we will be the Settlement Agent for the EMR, Contracts for Difference and Capacity Mechanism arrangements.

We have restricted our observations to questions which relate to Settlement activities and processes that may support the Offtaker of Last Resort solution.

If you wish to discuss our response please contact Lawrence Jones on 020 7380 4118, or by email at lawrence.jones@elxon.co.uk.

Yours sincerely

David Jones
Senior Regulatory and Market Advisor



A consultation on Offtaker of Last Resort (OLR)

Question 14: Do you agree that splitting the output of large generators (above 100MW) would help increase competition between offtakers when bidding for Backstop PPAs?

ELEXON has previously discussed with DECC how existing electricity mechanisms can support the OLR arrangements.

One registered BSC Party will need to take account for the output from 'large' generation, the Lead Party, who will register the generation as a Balancing Mechanism Unit (BMU).

ELEXON central systems will need to receive notifications of energy contract volumes or meter volume reallocations (where a Lead Party transfers settlement responsibility for energy volumes to a subsidiary Party). If this Party were to split their energy for the purposes of selling smaller packages of energy volumes, the transfer of volumes will need to be managed.

If a Lead Party wishes to use metered volume reallocations to allocate energy from its BMU to other Parties this can only be done by:

- Allocating a fixed volume to another Party; or
- Allocating a fixed percentage to another Party.

We believe only the second approach of allocating a fixed percentage to another Party supports the policy intention. If the fixed volume approach was used this would allocate energy even if no generation had taken place. This could lead to BSC Imbalance issues, and we do not believe this is an appropriate method to facilitate the splitting of output from large generators.

We believe using the 'fixed percentage' approach will support DECC's proposal, by splitting the output in proportion to the capacity of each 100MW tranche. We would like to clarify that this method could result in offtakers being allocated more or less than 100MW. For example, a generator with a 250MW capacity would have its metered output apportioned between three offtakers in proportion to 40/40/20. Should the generator generate 100MWh for a Settlement Period two offtakers would receive 40MWh and the third 20MWh. Conversely, should the generator generate 300MWh for a Settlement Period, two offtakers would receive 120MWh and the third 60MWh. The generator would only receive CfD payments for his maximum installed capacity (250MW), but each offtaker would receive its share of the actual metered volume.



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It is important that the Lead Party correctly allocates volumes correctly to avoid any unintended energy imbalance charges.

Question 19: Do you agree that all licensed suppliers should be obligated to participate in the levelisation process?

ELEXON has no view as to which suppliers should be obligated to participate in the levelisation process. ELEXON is keen to understand whether settlement data will be required to support the calculation of energy volumes for participating suppliers. Currently ELEXON is requested to provide supplier energy volumes to assist Ofgem in its validation for supplier submissions for certain renewable programmes. It would be good to understand if such reporting would be requested under this scheme also.

Question 16: Does our high-level timeline for allocating a Backstop PPA look appropriate?

We would like to comment on the metering considerations needed to meet this timeline. Generators who are Licensed and transmission-connected must register in the Central Meter Registration Service (CMRS). Small embedded generators may also elect to register in CMRS. For any generators who are registered in CMRS, existing BSC processes permit the proposed timelines for allocating a Backstop PPA to be met (either change of BM Unit Lead Party process, or use of the Metered Volume Reallocation Process (MVRN) detailed in our answer to question 14).

Where the generator is embedded with Metering Systems registered in the Supplier Meter Registration Service (SMRS), only a Licensed Supplier may register the meter in SMRS. The DECC CfD Expert Group on Metering published a policy paper on embedded generators, which requires Suppliers to assign these meters to Additional BM Units, which currently take between 42 and 75 days to register. Typically these Metering Systems would be assigned to the Supplier mandatory and existing Base BM Unit. There is therefore a risk that once the OLR is known, there may not be sufficient time to register the required Additional BM Unit before the start of the PPA.

The proposed process from the DECC CfD Expert Group allows for sets of Additional BM Units to be registered in advance of when they may be needed. The idea is that the set contains all the Suppliers that could sign a PPA with the generator. When the Supplier signs the PPA, an Additional BM Unit is ready and available to use. We believe the OLR process should consider including all mandatory offtakers in the 'sets' and ensure that any voluntary offtakers are already part of a set, or can register an Additional BM Unit before the start of the PPA before being accepted into the auction.

Referring to paragraph 8.8, we do not believe using data from the previous Additional BM unit is suitable or practical. Once a PPA becomes effective, and the OLR becomes the registrant of the Metering



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Systems all metered volumes for that meter will flow into the OLR's BSC accounts. Should the Additional BM Unit not be registered in time for the start of the PPA, the metered volumes will be allocated to the Suppliers Base BM Unit and will not be distinguishable from all his other customers' metered volumes.

Consequently, the previous Additional BM Unit will have zero metered volumes allocated to it. It is therefore critical that the Additional BM Unit for the OLR is registered in time for the start of the PPA. Alternatively an alternative means should be developed to provide data for CfD Settlement, for example the Half Hourly Data Aggregator metering option under development for the Capacity market.

For more information on our response, please contact:

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