

P379 Meter Splitting Impact Assessment – Call for evidence Cover Letter

Elxon

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CALL FOR EVIDENCE

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1. CONTEXT

CEPA has been appointed by Elexon to carry out a cost benefit analysis of BSC Modification P379. More information about P379 can be found on the P379 webpage² and in the Second P379 Interim Report presented to the Panel in March 2020 (300/10)³.

Modification P379 has been raised on the basis that it will address a significant barrier to competition in the market rules. These currently prevent multiple Suppliers competing for behind the Meter energy volumes measured at the same Settlement Meter at the BSC Boundary Meter Point. The existing arrangements effectively mean there is a monopoly of one party – the default Supplier – over a consumer's energy volumes behind a Settlement Meter at any given time. This may act as a barrier to the development of local energy markets and supply innovation.

However, P379 may also create potentially significant costs for energy Suppliers and for other businesses in the industry. These may include one off costs related to implementation as well as ongoing costs to enable multiple Suppliers at a single BSC Boundary Meter Point.

This call for evidence seeks to inform our understanding of the costs which P379 could introduce for Suppliers; both existing Primary Suppliers and prospective Secondary Suppliers. We ask all Suppliers with an interest in P379 to submit cost estimates and supporting evidence to the best of their ability. We are also requesting input on potential benefits of P379, which will be supported as part of a workshop.

We will work with Elexon to carry out a comprehensive review of all submissions and will place more weight on submissions that are substantiated and with a clear evidence base. As well as economists, our team includes expertise in energy industry operations and IT. Alongside Elexon's experience in dealing with Suppliers and supplier cost estimates, this insight will allow us to sense check and challenge submissions.

2. GUIDANCE FOR PROVIDING A SUBMISSION

All existing and prospective Suppliers with an interest in P379 should submit a response using two templates:

- **P379 Consultation Questions – Supplier Costs, Qualitative Response Template (Word):** Existing and prospective suppliers with an interest in P379 to complete these Consultation Questions using the form provided. To ensure that submissions can help to inform our assessment of costs, we ask that responses be substantiated with accompanying justification and evidence wherever possible. We will put more weight on responses that are supported with such an evidence base. This form should only be used to provide qualitative responses to each question.
- **P379 Consultation Questions – Supplier Costs, Quantitative Response Template (Excel):** All submissions should be accompanied by a completed Quantitative Response Template which should include all numerical cost estimates. For the avoidance of doubt, justification and evidence to support these quantitative cost estimates should be included in the Qualitative Response Template (Word based). Where numerical cost estimates are not included in the Quantitative Response Template, they may not be considered as part of the CBA.

All existing Suppliers should provide cost estimates and supporting evidence in relation to the questions targeted at Primary Suppliers. We ask that all those with a potential interest in taking up opportunities to act as a Secondary Supplier also provide cost estimates and supporting evidence in relation to those questions targeted at Secondary Suppliers. We expect that several existing Suppliers will consider opportunities to act as a Secondary Supplier should P379 be implemented. Where this is the case, we ask that cost estimates and supporting evidence are provided in response to both sets of questions.

² <https://www.elexon.co.uk/mod-proposal/p379/>

³ <https://www.elexon.co.uk/meeting/bsc-panel-300/>

We expect that costs will consist of both up front implementation / one-off costs as well as ongoing costs to maintain capabilities for secondary supply. We ask that submissions separate these cost categories wherever possible.

We also envisage that some costs may be scalable depending on the likely take-up of secondary supply opportunities. For Primary Supplier responses, we ask that cost estimates are provided assuming take-up levels of 0.1%, 1% and 10% of existing customer numbers. If you are unable to include this sensitivity analysis in your response due to time constraints, we ask that you focus on the central case (1%).

For Secondary Supplier responses, cost estimates should be provided assuming take-up of: less than 10,000 customers; between 10,000 and 100,000 customers; and more than 100,000 customers.

3. SUPPORTING DOCUMENTS

Alongside these submission templates, Elexon has also published three additional documents to support respondents in submitting a response:

- **P379 Cost/Benefit Analysis (CBA) High Level Approach:** CEPA has provided input into the high-level cost and benefit assessment methodologies set out in this scoping document. This should be read alongside the Consultation Questions.
- **P379 Draft Business Requirements:** These requirements were developed by the P379 workgroup on behalf of the P379 Proposer GridBeyond. They represent the solution that BSC Central System costs are being assessed against, and should be the requirements used to determine costs for BSC Parties. The requirements are not final, but are not currently anticipated to change significantly if P379 were to be implemented.
- **P379 Interim Assessment Reports:** These are published for information alongside the call for evidence documents. The reports cover the workgroup discussions to date, and describe the solution which has been developed into the business requirements.

As set out in the 'High Level Approach' document, we envisage that several parties other than Primary and Secondary Suppliers will be affected by P379 should it be implemented. These stakeholders are likely to include:

- Half Hourly Meter Operator Agents;
- Half Hourly Data Collectors (HHDCs);
- Half Hourly Data Aggregators (HHDA)s;
- The new Contract Notification Agents (CNA);
- Ofgem;
- Elexon, as the BSC Company;
- The Smart DCC;
- Licensed Distribution Network Operators; and
- RECCo.

In addition to responses from primary and secondary Suppliers, we request submissions of cost estimates from other affected parties and include the opportunity to respond to questions included in the consultation. Elexon will also engage directly with some affected parties to seek an estimate of potential cost impacts.

4. ASSESSMENT OF BENEFITS

In order to develop our cost/benefit analysis, we will be comparing the expected costs of P379 against potential benefits. The 'High Level Approach' document sets out the areas of potential benefit that we intend to consider. We note that many of these benefits areas are very difficult to quantify. Where this is the case, we will carry out qualitative assessment to consider:

- the mechanism which may allow for P379 to realise such benefits;
- the barrier which prevents these benefits from being realised currently; and
- whether there are alternative solutions that could achieve similar objectives.

While the focus of this call for evidence is on Supplier costs, we will be holding a stakeholder workshop in December in which we will be discussing the methodology used for assessment of benefits with stakeholders, and gathering evidenced figures if available. We also provide an opportunity for stakeholders to submit their views on potential sources of benefit and supporting data/information through responses to the consultation.

5. RESPONSE SUBMISSION

Responses should be submitted to bsc.change@elexon.co.uk and the deadline for submitting your response is **Friday 15 January 2021**.

All responses should include a completed Qualitative Response Template and Quantitative Response Template containing numerical cost estimates wherever possible. While we will consider all responses, we will apply a heavier weighting to those responses that provide substantiated numerical cost estimates.

ELEXON and CEPA can treat any information provided as confidential if you request this, although all information will be provided to the Gas and Electricity Markets Authority (GEMA) as provided for in the BSC. Any information that you wish to be treated as confidential should be clearly marked as such.



UK

Queens House

55-56 Lincoln's Inn Fields

London WC2A 3LJ

T. +44 (0)20 7269 0210

E. info@cepa.co.uk

www.cepa.co.uk



cepa-ltd



@cepald

Australia

Level 20, Tower 2 Darling Park

201 Sussex St

Sydney NSW2000

T. +61 2 9006 1307

E. info@cepa.net.au

www.cepa.net.au