BSC Modification Proposal Form	At what stage is this document in the process?

P430

Mod Title: 'Allow Suppliers to use metering behind the site Boundary Point'

01 Modification
02 Workgroup Report
03 Draft Modification Report
04 Final Modification Report

Purpose of Modification:

To extend the solution to Approved Modification P375 'Settlement of Secondary BM Units using metering behind the site Boundary Point' to allow Suppliers to register Asset Meters and allocate Asset Metering System Identifier (AMSID) Pairs to Secondary Balancing Mechanism (BM) Units.

This change would address an unintended distortion in the market and enable the wider provision of Balancing Services to the system by enabling Suppliers to use metering equipment "behind" the defined Boundary Point for Settlement purposes.

Is this Modification likely to impact any of the European Electricity Balancing Guideline (EBGL) Article 18 Terms and Conditions held within the BSC?

☒ Yes ☐ No

The Proposer recommends that this Modification should:

- not be a Self-Governance Modification Proposal
- be assessed by a Workgroup and submitted into the Assessment Procedure

This Modification will be presented by the Proposer to the BSC Panel on 9 December 2021. The Panel will consider the Proposer's recommendation and determine how best to progress the Modification.

High Impact:

- N/A

Medium Impact:

- Suppliers
- SVA Half Hourly Meter Operator Agents (SVA HH MOAs)
- Supplier Volume Allocation Agent (SVAA)

Low Impact:

- N/A

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Contents

1 Why Change? 3

2 Solution 4

3 Relevant Objectives 5

4 Potential Impacts 6

5 Governance 9

Timetable

The Proposer recommends the following timetable:

Initial consideration by Workgroup	January 2022
Further Workgroup meetings (initially expect three)	February 2022 – May 2022
Assessment Procedure Consultation	June 2022
Workgroup consideration of Consultation responses	July 2022
Workgroup Report presented to Panel	11 August 2022
Report Phase Consultation	16 August 2022 - 29 August 2022
Draft Modification Report presented to Panel	08 September 2022
Final Modification Report submitted to Authority	14 September 2022

Any questions?

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1 Why Change?

What is the issue?

P375 was approved by Ofgem on 24 February 2021 with an implementation date of 30 June 2022. The change was designed to allow Settlement from metering behind the Boundary Point from Asset Metering Virtual Lead Parties (AMVLPs) acting as Balancing Services Providers (BSPs). However, AMVLPs are not the only BSPs acting in the market, as this role is also undertaken by Suppliers.

We agree with the issues identified by P375 and with the Asset Metering System Identifier (AMSID) based solution developed for P375, but we believe that Suppliers should also be allowed to use the new processes, rather than exclusively AMVLPs.

The P375 solution will only allow AMVLPs to register Asset Metering Systems in order to obtain AMSID Pairs and to allocate those AMSID Pairs to Secondary Balancing Mechanism Units (SBMUs). Therefore, in our view, the P375 solution is incomplete and should be extended to also apply to Suppliers to avoid a distortion in the market that gives one industry Party role an advantage over another, when both can provide Balancing Services from behind the Meter.

P375 did briefly address the point of Primary BM Units in the Final Modification Report, asserting that there is nothing to stop Suppliers registering as an AMVLP role and registering Asset Metering Systems and allocating AMSIDs to a SBMU.

In our view, this statement is problematic for several reasons:

1. The AMVLP registration process is expected to take between 3 to 5 months to complete and requires resource from both the applicant and Elexon. This effort is not trivial and completing the AMVLP registration would confer very little advantage to an existing Supplier.
2. Suppliers are already providing Balancing services with Primary BM Units and may have already undertaken the registration and testing processes with National Grid Electricity System Operator (NGESO). Transitioning to become an AMVLP at this time would become an unnecessary burden.
3. The Supplier Party role is a legitimate provider of Balancing Services and should be treated equally alongside other roles providing Balancing Services. This is an essential part of maintaining healthy competition in the BSP sector.

For avoidance of doubt, this proposal is not seeking to criticise the P375 modification; on the contrary, it is supportive of its aim to better implement Settlement of Balancing Services behind the Meter. The intention is, in effect, to extend the scope of P375 to include Suppliers.

Desired outcomes

The desired outcome is to allow Suppliers to provide Balancing Services using metering behind the site Boundary Point that aligns as closely with the P375 solution as possible. This close alignment is desirable to minimise distortions across the market.

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2 Solution

Proposed Solution

Suppliers should be allowed to perform all of the activities that an AMVLP will be allowed to perform on the implementation of P375. In summary, these are:

- Register Asset Metering Systems with the Supplier Volume Allocation Agent (SVAA);
- Receive AMSID Pairs from the SVAA;
- Allocate AMSID Pairs to Secondary BM Units; and
- Provide Balancing Services through Secondary BM Units

Benefits

This change will address an unintended distortion in the market and enable the wider provision of Balancing Services to the system by enabling Suppliers to more easily participate as BSPs without having to go through the convoluted and time consuming AMVLP process. Suppliers frequently have access to behind the Meter assets due to the nature of their relationship with their sales clients, and this will therefore be an important additional resource for NGESO and, from a competition point of view, will level the playing field.

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3 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	**Positive**
(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	**Positive**
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	**Positive**
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

This Modification will better facilitate Applicable BSC objective (b) as it will make possible benefits to system management at the local level and thus enable better judgements on residual balancing by NGESO. This Modification, in conjunction with the introduction of AMVLPs under P375, will also create the potential for greater participation in the BM, thus supporting system operation by providing the NGESO with a greater range of options for economic and efficient system balancing. By creating greater efficiency at local level and through the interaction with system operation, this Modification is consistent with Ofgem's initiatives to achieve more efficient whole system outcomes.

The Modification would better facilitate applicable BSC Objective (c) as it will remove barriers to competition in the energy markets. The current de facto single ownership of the Meter volumes prevents competition being facilitated behind the Meter and greatly limits the development of innovation that could ultimately benefit consumers. Removing this barrier would better facilitate competition between Suppliers and other providers operating in the market, including in the provision of new services facilitated by this Modification.

This Modification promotes greater efficiency under objective (d) because any Supplier who is offering a flexibility service to NGESO from a 'behind the Meter' asset, where the overall site supply through the grid connection point is from a different Supplier, has a complex reconciliation exercise to perform with that Supplier as a consequence of not being able to benefit from the provisions of P375. This change will enable the secondary Meter data to be settled separately, thus removing the need for such reconciliation service. The Modification would also ensure alignment of AMVLP and Supplier provisions.

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4 Potential Impacts

Impacts on Core Industry Documents

Impacted Core Industry Documents			
☐Ancillary Services Document	☐Connection and Use of System Code	☐Data Transfer Services Agreement	☐Use of Interconnector Agreement
☐Retail Energy Code	☐Distribution Connection and Use of System Agreement	☐System Operator Transmission Owner Code	☐Supplemental Agreements
☐Distribution Code	☐Grid Code	☐Transmission License	☒Other: EMAR

While no impact on the Retail Energy Code (REC) has been identified, we expect that some changes will be required to the REC Energy Market Architecture Repository (EMAR) Market Messages that will be amended for P375.

Impacts on BSC Systems

Impacted Systems				
☐CRA	☐CDCA	☐PARMS	☐SAA	☐BMRS
☐EAC/AA	☐FAA	☐TAAMT	☐NHHDA	☒SVAA
☐ECVAA	☐ECVAA Web Service	☐Elexon Portal	☐Other (Please specify)	

The SVAA system will require amendment to:

- Allow Suppliers to register Assets and receive AMSID Pairs;
- Allow Suppliers to allocate MSID Pairs and AMSID Pairs to Secondary BM Units; and
- Receive and process MSID Pair Delivered Volumes and AMSID Pair Delivered Volumes from Suppliers.

Impacts on BSC Parties

Impacted Parties			
☒Supplier	☐Interconnector User	☐Non Physical Trader	☐Generator
☐Licensed Distribution System Operator	☐National Electricity Transmission System Operator	☐Virtual Lead Party	☐Other (Please specify)

This will positively impact any Supplier who seeks to provide ancillary services to NGESO with a behind the Meter asset and obviate the need for them to work through an AMVLP. It will also impact VLPs and

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AMVLPs because there will be more competition in tendering for NGESO ancillary services than is currently the case under P375.

Impacts on consumers and the environment

Impact of the Modification on consumer benefit areas:	
Consumer benefit area	Identified impact
Improved safety and reliability *We do not expect this change to have a significant impact on safety and reliability*	Neutral
Lower bills than would otherwise be the case *This change will mean that more assets are contributing to balancing services, as it will become easier to include and account for the actions of assets behind the meter. This in turn means more competition for Grid procured services, naturally leading to lower procurement costs for the Grid, and thus lower BSUoS charges for consumers.*	**Positive**
Reduced environmental damage *At the margin, flexible power is currently delivered by fossil fuel plants, with the consequent climate/atmospheric impacts that fossil fuel plants have. Introducing more assets that can deliver flexibility, which this Modification will by virtue of bringing in more behind the meter assets, will reduce the need for these fossil fuel plants operating at the margin.* *Whilst it is by no means certain that behind the meter assets are not equally (or more) polluting, there will be the opportunity for a number of climate positive assets that are behind the meter to be included in balancing services, in particular behind the meter batteries, biomass plants and biogas to power plants.*	**Positive**
Improved quality of service *As stated above, greater efficiency in balancing services provision will lead to lower consumer costs, but also should help alleviate voltage pressures on the 11kV network*	**Positive**
Benefits for society as a whole. *We do not expect this change to have a significant impact on society as a whole*	Neutral

Legal Text Changes

We expect this Modification to require amendments to:

- BSC Section J 'Party Agents and Qualification Under the Code';
- BSC Section K 'Classification and Registration of Metering Systems and BM Units';
- BSC Section S 'Supplier Volume Allocation'; and
- BSC Section S, Annex S-2 'Supplier Volume Allocation Rules'.

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It is possible that changes to other BSC Sections and Code Subsidiary documents may be identified through the assessment of this Modification.

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5 Governance

Self-Governance

☒ **Not Self-Governance –** A Modification that, if implemented:	
☐ materially impacts the Code's governance or modification procedures	☐ materially impacts sustainable development, safety or security of supply, or management of market or network emergencies
☒ materially impacts competition	☐ materially impacts existing or future electricity consumers
☒ materially impacts the operation of national electricity Transmission System	☐ is likely to discriminate between different classes of Parties
☐ involves any amendments to the EBGL Article 18 Terms and Conditions related to Balancing; except to the extent required to correct an error or as a result of a factual change	
☐ **Self-Governance –** A Modification that, if implemented:	
Does not materially impact on any of the Self-Governance criteria provided above	

This Modification should not be progressed as Self-Governance as it will materially impact competition by allowing Suppliers to offer additional ancillary services that are currently only available to AMVLPs. This increase in the number of available ancillary services will also impact the operation of the Transmission System, potentially increasing its efficiency.

Progression route

☒ **Submit to assessment by a Workgroup** –A Modification Proposal which:	
does not meet any criteria to progress via any other route.	
☐ **Direct to Report Phase** – A Modification Proposal whose solution is typically:	
☐ of a minor or inconsequential nature	☐ deemed self-evident
☐ **Fast Track Self-Governance** – A Modification Proposal which meets the Self-Governance Criteria and:	
is required to correct an error in the Code as a result of a factual change including but not limited to:	
☐ updating names or addresses listed in the Code	☐ correcting minor typographical errors
☐ correcting formatting and consistency errors, such as paragraph numbering	☐ updating out of date references to other documents or paragraphs
☐ **Urgent –** A Modification Proposal which is linked to an imminent issue or current issue that if not urgently addressed may cause:	
☐ a significant commercial impact on Parties, Consumers or stakeholder(s)	☐ a Party to be in breach of any relevant legal requirements.
☐ a significant impact on the safety and security of the electricity and/or gas systems	

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This Modification should be progressed to the Assessment Phase for consideration by an industry Workgroup, as the solution is not minor or self-evident and requires further development.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

It is not believed that this Modification impacts an active SCR and so it is requested that it be treated as an SCR-exempt Modification Proposal.

Does this Modification impact any of the EBGL Article 18 Terms and Conditions held within the BSC?

As P375 impacted the EBGL Article 18 Terms and Conditions held within the BSC (specifically provisions held with K8 and K10) it is reasonable to assume this Modification will do the same. As such, it is likely that it will need to go through the EBGL change process.

Implementation approach

This Modification should be implemented as soon as reasonably possible. Following conversations with Elexon in relation to its delivery pipeline, this is not expected to be earlier than 2024.

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