P442 'Reporting to EMRS of chargeable volumes for SVA Metering Systems that record both exempt and licensed supply'

This Modification seeks to allow correct reporting of chargeable volumes to the Electricity Market Reform Settlement (EMRS) company for Supplier Volume Allocation (SVA) Metering Systems that record both exempt supply and licensed supply through the addition of a new third party role, the "Exempt Supply Calculation Agent".

Elexon recommends P442 is progressed to the Assessment Procedure for an assessment by a Workgroup

Elexon does consider it likely that P442 will impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC.

This Modification is expected to impact:

- Licenced Suppliers;
- Exempt Suppliers;
- Half Hourly Data Collectors (HHDCs);
- EMR Settlement Services Provider.

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Phase

- Initial Written Assessment
- Definition Procedure
- Assessment Procedure
- Report Phase
- Implementation

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About This Document

Not sure where to start? We suggest reading the following sections:

- Have 5 mins? Read section 1
- Have 15 mins? Read sections 1, 4, 5 and 6
- Have 30 mins? Read all sections
- Have longer? Read all sections and the annexes and attachments
- *You can find the definitions of the terms and acronyms used in this document in the BSC Glossary*[1]

This document is an Initial Written Assessment (IWA), which Elexon will present to the Panel on 14 June 2022. The Panel will consider the recommendations and agree how to progress P442.

There are two parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress, including the Workgroup's proposed membership and Terms of Reference.
- Attachment A contains the P442 Proposal Form.

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[1] https://www.elexon.co.uk/glossary/?show=all

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1 Summary

What is the issue?

Licensed Suppliers are required to pay charges on the electricity they supply, but energy supplied by an exempt Supplier should not be subject to these charges. Licence exempt suppliers are not able to sign up to all the industry codes that a licensed Supplier can, and are therefore required to obtain certain services (including registration of their customers' Metering Systems) from a licensed Supplier. As a result, the portfolio of Metering Systems registered by a licensed Supplier may include both licenced and exempt supply. A Licensed Supplier should therefore be charged based on its total supply minus any exempt supply.

There is currently no process that allows for correct allocation of appropriate chargeable volumes for Supplier Volume Allocation (SVA) Metering Systems where a portion should be exempt, and another portion should be licensable.

What is the proposed solution?

The proposed solution is for a new third party role, the "Exempt Supply Calculation Agent" (ESCA), to be defined. The ESCA would calculate the volumes of licensed and exempt supply, and submit them to central BSC Systems, based on metered data provided by the HHDC or Supplier. The ESCA would be required to undergo a qualification process to ensure compliance with settlement requirements.

Impacts and costs

We expect P442 to impact:

- Licenced Suppliers who facilitate exempt supply arrangements, as the solution will provide them with a mechanism to provide Settlement with details of their exempt supply volumes;
- Exempt suppliers, as solution would reduce instances where Licensed Suppliers pass incorrect charges through to the exempt suppliers' customers;
- Half Hourly Data Collectors (HHDCs), as they will be required to provide Settlement metered data to ESCAs.
- EMR Settlement Services Provider, as they will not have to support the interim solution any longer.

Costs will be assessed during the Assessment Procedure.

Implementation

It is proposed that this Modification should be implemented as soon as reasonably possible so that the benefits can be realised, subject to the time required for any system changes. An appropriate implementation date should be confirmed during the Assessment Procedure.

Recommendation

The Panel is invited to agree that P442 is submitted to the Assessment Procedure for assessment by a Workgroup.

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2 Why Change?

What is the issue?

The Balancing and Settlement Code Company (BSCCo) is required to provide the Electricity Market Reform Settlement company (EMRS) with the BSC Metered Volumes it requires to accurately calculate Capacity Market (CM) and Contracts for Difference (CFD) charges. There is currently no process that allows for correct allocation of appropriate chargeable volumes for Supplier Volume Allocation (SVA) Metering Systems where a portion should be exempt, and another portion should be licensable.

Background

Licensed Suppliers are required by legislation to pay a number of charges on the electricity they supply to premises in Great Britain, including the Renewables Obligation (RO), charges to fund Contracts for Difference (CFD), and Capacity Market (CM). Energy supplied by an exempt Supplier should not be subject to these charges, even though it may be recorded on a Supplier Volume Allocation (SVA) Metering System registered by a Licensed Supplier. A Licensed Supplier should therefore be charged based on its total supply minus any exempt supply.

In the case of CFD and CM charges it is BSC Systems (not the individual Suppliers) that calculate the chargeable volumes for each Licensed Supplier, and report them as "gross demand data" to EMRS. These systems cannot currently net off exempt supply volumes from each Supplier's gross demand. Licence exempt Suppliers are not able to sign up to all the industry codes that a licensed Supplier can, and are therefore required to obtain certain services from a licensed Supplier. As a result, the portfolio of Metering Systems registered by a licensed Supplier may include their own customers as well as customers supplied by an exempt Supplier, where the licenced Supplier is providing metering services. For other charges, for example relating to trading, distinguishing between exempt and non-exempt supply is not important. However, as Suppliers are only required to pay EMR charges on electricity they supply themselves, the EMR Settlement Service Provider (SSP) needs to receive volume data excluding exempt supply. As a workaround to this issue, the BSC Panel agreed on 8 November 2018 (paper 284/07[2]) to delegate to the Supplier Volume Allocation Group (SVG) the power to agree that SVA Metering Systems should be treated as recording exempt supply. Where the SVG makes such a decision, the SVA Metering System will be treated as non-chargeable for CFD and CM purposes using similar interim processes to those established by EMRS for SVA registered licensed Generation.

The Interim Solution currently operated by SVG assesses applications from Parties to have a supply considered as exempt and therefore the volume associated with that Metering System Identifier (MSID) removed from reporting for the purposes of EMR charging. The Interim Process operates on the basis that an application can only be approved if it relates to:

- An Import Metering System with accompanying evidence that, under normal circumstances, the exempt Supplier would always be generating enough electricity to meet the demand; or

[2] https://www.elexon.co.uk/meeting/bsc-panel-meeting-284/

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- An Export Metering System with accompanying evidence that, under normal circumstances, the exempt Supplier would have enough customers to use the generation.

There is currently no process that allows for allocation of appropriate volumes where a portion should be exempt and another portion should be licensable.

A further issue with the current BSC treatment of exempt supply is that there are no specific arrangements for adjusting the Energy Imbalance positions of Licensed Suppliers who have facilitated exempt supplies. This is not an issue where a single Licensed Supplier has facilitated the exempt supply (registering both the customer's Import Metering System and the exempt supplier's Export Metering System). However, if different Suppliers have registered the two Metering Systems, they both risk exposure to Imbalance Charges as a result of facilitating the exempt supply. There are workarounds that the affected Suppliers can currently use to address this risk, but these are not suitable for an enduring solution:

- The Licensed Suppliers could require the exempt supplier to estimate (ahead of Gate Closure) the volume that each of their customers will purchase, in order that the affected Suppliers can notify Energy Contract Volume Notifications (ECVNs). However, this approach requires the exempt supplier to forecast their customer's purchases ahead of Gate Closure (which is one of the complexities of the BSC arrangements from which the exemption regime is intended to protect them); or
- The Import Supplier could place each customer in an appropriate Additional BM Unit, depending on which Export Supplier has registered the Metering System(s) from which they will be purchasing exempt supply. This then allows the Suppliers to submit a Metered Volume Reallocation Notification (MVRN) to transfer the exempt supply volumes from Import Supplier to Export Supplier (removing the Imbalance exposure). However, this workaround only works when all the exempt supplies purchased by a given customer are facilitated by the same Export Supplier (and would therefore not cater for any trading arrangement that allowed customers a wider choice of exempt suppliers).

Issue 96 'Assessing the reporting to EMRS of chargeable volumes for SVA Metering Systems that record both exempt and licensed supply'

Issue 96 was raised to develop an enduring solution to allow correct reporting to EMRS of chargeable volumes for SVA Metering Systems that record both exempt supply and licensed supply. The P442 solution was considered during Issue 96, as Option 3, and the Workgroup recommended that this Modification should be raised. The Issue is still ongoing, considering whether there is benefit to an additional temporary solution.

During Issue 96 the benefits and drawbacks of several different solutions were discussed and the Workgroup selected which solutions should be considered further. Strawman solutions were developed for these shortlisted options, which were then refined by the Workgroup through the exploration of specific questions. These discussions helped to refine the solution presented here. For example, the Workgroup discussed assurance of the ESCA role, considering the benefits of validation vs qualification. A majority agreed that qualification for anyone wishing to undertake this role would be required, even if they held qualification for an existing role. It was acknowledged that differing levels of qualification may be appropriate, as the scope of the role could be different depending on the type of arrangements being facilitated. The exact nature of the qualification requirements would have to be decided by the Modification Workgroup.

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Desired outcomes

The desired outcome is a sustainable enduring solution which allows correct reporting to EMRS of chargeable volumes for Supplier Volume Allocation (SVA) Metering Systems that record both exempt supply and licensed supply via:

- The detailed qualification process to become an Exempt Supply Calculation Agent (ESCA);
- The specification of the systems required from ESCAs to conduct their role (if necessary);
- The outputs required from ESCAs, their formats, and the submission process to the BSC system;
- The details of monitoring process (if required) of data submitted to the BSC system;
- The relevant changes required in the BSC based on the above actions.

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3 Solution

Proposed solution

The proposed solution is based on 'Option 3', as developed by the Issue 96 Workgroup. A new third party role, the "Exempt Supply Calculation Agent" (ESCA), is proposed, which would calculate the volumes of licensed and exempt supply, and submit them to central BSC Systems. The ESCA would perform the calculation based on Settlement metered data provided by the HHDC or Supplier. This may be one of the licensed Suppliers facilitating the exempt supply arrangement, or it may be a third party acting on their behalf (e.g. the operator of an online auction platform that facilitates the sale and purchase of exempt supply).

The ESCA would be required to undergo a qualification process to ensure compliance with settlement requirements. For the avoidance of doubt, this qualification process is required for all prospective ESCAs including those already qualified in another role such as licensed Suppliers.

In order to allow the ESCA to perform this role, the licensed Supplier(s) facilitating the exempt supply arrangement must ensure that the same ESCA is appointed to the Export MSID and the Import MSIDs to which the Export is sold. Note that the Export and Import MSIDs do not require the same HHDC to be appointed.

There is no requirement for a central register of which ESCA is appointed to which MSID. Licensed Suppliers will be responsible for ensuring that an ESCA is appointed where necessary (and that only one ESCA is appointed to a given MSID).

Metered data used by the ESCA to calculate exempt supply volumes must be sourced from the HHDC system, either directly or via the Supplier. The half-hourly data from smart meters used by the ESCA must be sourced by the Supplier.

Having calculated the exempt supply volumes, each ESCA will provide the Supplier Volume Allocation Agent (SVAA) with details of the exempt supply volume purchased by each Import Metering System from each Export Metering System. The SVAA will use this data to:

- Calculate the total exempt supply volume purchased and/or sold by customers/generators in each Supplier BM Unit;
- Adjust the volumes for Line Loss Factors and GSP Group Correction Factors (so that they are treated on a comparable basis to licensed Supply volumes); and
- Report the totals to the Settlement Administration Agent (SAA), so that the SAA can adjust both the Energy Imbalance positions of the Suppliers involved, and the chargeable volumes reported to EMRS.

The BSC will specify key Settlement requirements for the ESCA role, such as ensuring that an exempt Supplier's customers are not allocated more energy than the exempt Supplier has exported or more energy than the exempt Supplier is permitted to supply. The BSC will not specify the detail of the calculations performed by the ESCA, as these will depend on the nature of the exempt supply arrangement in question.

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Benefits

Distributed generators such as rooftop solar, small wind, or small hydro do not have competitive advantage in the current electricity retail market. Due to their intermittent behaviour and small generation volume, the price offered to them is much below the rate offered to medium and large Generators.

Moreover, different electricity consumers are willing to install distributed renewable assets to become prosumers of power (i.e., producer and consumer of power). Previously with the Feed-in-Tariff scheme, the expected return on investment of the distributed renewable installation was 25-30 years. As we move to a non-subsidised energy retail market, the distributed energy asset owners are actively looking for a solution to make their investment financially viable. Despite the recent increase in the wholesale market price and System Sell Price, the price is significantly volatile and temporary. The average expected revenue for distributed energy resources is £20/MWh in 30 years.

At the macro level, the current movements in the retail market focus on developing local energy systems and peer-to-peer exchange models, including the BEIS retail energy market reform published on July 2021, the Prospering from the Energy Revolution projects (PFER projects) supported by UK Research Institute (UKRI) between 2019 and 2022, and the Ofgem agenda around local Suppliers and local grid. In this context, local distributed energy resources play an important role in creating net-zero grids, reducing carbon emissions, reducing network losses, the security of supply and the effective competition in the generation and supply of electricity.

At the micro level, distributed energy resources as license exempt Suppliers will have impacts on the affordability of green electricity bills for consumers, specifically consumers in the same locality. With the proposed Modification, the charges associated with Capacity Market and Contracts for Difference will be alleviated on electricity consumers' bills. Simultaneously, it will create trusted dataset that can be used by Ofgem to reduce the green levies charges of Feed-in-Tariff (FiT) and Renewable Obligation (RO) on the relevant consumers' bills.

Considering above points, this Modification will create the following benefits:

- Distributed electricity generators are an important part of the peer-to-peer exchange models. Per their contribution to lower consumers' bills, the consumers are willing to pay competitive prices for the distributed power resources. The higher fixed price rate for distributed energy resources will give a shorter return on their investment, creating a micro finance environment for the micro- to small-scale renewable generators.

- In the local energy systems, distributed generators are matched with consumers based on their proximity. For example, the excess power of rooftop solar on a warehouse is sold initially to local businesses and households. The more consumption can be covered by local generation, the lower distribution/transmission network losses will be.

- There are a number of electricity consumers with properties that are not suitable for the installation of distributed renewable assets, despite their interest in generating their own power. For instance, a listed property or a town house facing north. With this Modification, they will be able to install distributed generators at the local level and sell their own power to themselves. The ability to offset consumption with self-generation volume (internal peer-to-peer) has proved to be a popular model for many businesses to reduce the risk of high electricity costs in

What are distributed generators?

Distributed generators refer to those using a variety of technologies that generate electricity at or near where it will be used, such as solar panels and combined heat and power. These small scale generators may act as exempt suppliers, but are not generally registered as a BSC Party.

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the wholesale market, and to achieve their net-zero carbon target with true green electricity bill.

- This Modification will remove the risk of intermittent behaviour of micro- to small-scale renewable generators for Suppliers, enabling them to provide higher price to the distributed generators.
- Increased new forms of micro electricity resources are planned to be installed across the network for consumers, such as highly efficient batteries, Combined Heat and Power (CHP) technology, Electric Vehicles (EVs), and vehicle-to-grid technology. The impact of this Modification on the financial viability of these micro generators will accelerate our net zero target by 2030/2050.
- This Modification is a critical step towards upgrading the BSC system for the new forms of supply and generation, creating an exemplar system at the international scale.

Applicable BSC Objectives

This Modification will better facilitate the efficient operation of the National Electricity Transmission System. It will enable an efficient peer-to-peer exchange between local micro- to small-scale generators and local consumers in the local energy markets, reducing the losses on the National Electricity Transmission System. It will also stimulate a micro finance environment for independent distributed electricity generators and prosumers (consumers with their own generation assets) to develop more renewable assets at the distribution level. The data recorded from distributed generation assets following this Modification will also provide significant insight into different locality for the National Electricity Transmission System. As such, it will **better facilitate Applicable BSC Objective (b)**.

P442 will promote effective competition, **better facilitating Applicable BSC Objective (c)**. The provision of an environment where distributed electricity generators can secure higher fixed rates for their micro- to small-scale renewable assets will promote effective competition in the sale and purchase of electricity. It will also promote effective competition in the installation of different distributed generators of electricity by various consumers in order to offset their consumption volume with their self-generation volume.

This Modification will also promote efficiency in the implementation of the balancing and settlement arrangements, **better facilitating Applicable BSC Objective (d)**. The most efficient balancing and settlement happens at the local level. This Modification will provide the highest benefit to the peer-to-peer exchange between generators and consumers at the same locality. The solution will also improve the administrative efficiency of the BSC arrangements by removing the need for the interim solution for exempt supply operated by the SVG, which is time-consuming for applicants, for SVG, and also for the BSC Panel (as SVG has on more than one occasion been unable to agree an application, and referred it upwards to the BSC Panel).

Implementation approach

It is proposed that this Modification should be implemented as soon as reasonably possible so that the benefits can be realised, subject to the time required for any system changes. An appropriate Implementation Date should be confirmed during the Assessment Procedure.

What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(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

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(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]

(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

(g) Compliance with the Transmission Losses Principle

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4 Areas to Consider

In this section we highlight areas which we believe the Panel should consider when making its decision on how to progress this Modification Proposal, and which a Workgroup should consider as part of its assessment of P442. We recommend that the areas below form the basis of a Workgroup's Terms of Reference, supplemented with any further areas specified by the Panel.

The specific role of the ESCA and how they would interact with Parties and Party Agents should be discussed. These decisions would then determine the amendments required to BSC documents and systems to implement P442.

The assurance requirements of the ESCA role should also be decided by the Workgroup. The Issue 96 Workgroup agreed that qualification for anyone wishing to undertake this role would be required, even if they held qualification for an existing role. However, as the scope of the role could be different depending on the type of arrangements being facilitated, it was acknowledged that differing levels of qualification may be appropriate.

Areas to consider

The table below summarises the areas we believe a Modification Workgroup should consider as part of its assessment of P442:

Areas to Consider
What are the specific requirements of the ESCA role, including system requirements?
What outputs are required from ESCAs, including formats and submission process?
Is any monitoring required for data submitted to the BSC systems by an ESCA?
What assurance requirements should there be for the ESCA role?
What arrangements are appropriate for adjusting the Energy Imbalance positions of Licensed Suppliers?
How will P442 impact the BSC Settlement Risks?
What changes are needed to BSC documents, systems and processes to support P442 and what are the related costs and lead times? When will any required changes to subsidiary documents be developed and consulted on?
Are there any Alternative Modifications?
Should P442 be progressed as a Self-Governance Modification?
Does P442 better facilitate the Applicable BSC Objectives than the current baseline?
Does P442 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?

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5 Proposed Progression

Self-Governance

P442 should not be progressed under Self-Governance as enabling efficient peer-to-peer exchange would materially impact competition. This Modification would stimulate the development of more renewable assets and allow distributed electricity generators to secure higher fixed rates for their renewable assets. P442 should therefore be submitted to Ofgem for decision.

Urgency

This Modification is not subject to a request for Urgent treatment. P442 is not linked to an imminent issue or current issue that if not addressed may cause significant impacts on Parties, Consumers, or other stakeholders, the safety and security of the electricity or gas systems or cause any Party to be in breach of any relevant legal requirements.

Next steps

This IWA will be presented to the BSC Panel at its meeting on 14 July 2022. The Proposer and Elexon recommend P442 is submitted to the Assessment Procedure for a six month assessment by a Workgroup. We propose the first Workgroup is held in July, subject to the Panel's agreement to progress P442 into the Assessment Procedure and forming a quorate Workgroup.

Workgroup membership

We propose that membership should be drawn from participants with experience and expertise in exempt supply, which may include licensed Suppliers, exempt suppliers, and HHDCs. The Workgroup will also require expertise in EBGL matters.

Timetable

Proposed Progression Timetable for P442	
Event	Date
Present Initial Written Assessment to Panel	14 Jul 2022
Workgroup Meeting 1	W/C 8 Aug 2022
Workgroup Meeting 2	W/C 5 Sep 2022
Workgroup Meeting 3	W/C 10 Oct 2022
Assessment Procedure Consultation	7 Nov 2022 – 25 Nov 2022
Workgroup Meeting 4	W/C 5 Dec 2022
Present Assessment Report to Panel	12 Jan 2022
Report Phase Consultation	16 Jan 2022 – 10 Feb 2022
Present Draft Modification Report to Panel	9 Mar 2022
Issue Final Modification Report to Authority	13 Mar 2022

What is the Self-Governance Criteria?

A Modification that, if implemented:
(a) does not involve any amendments whether in whole or in part to the EBGL Article 18 terms and conditions; except to the extent required to correct an error in the EBGL Article 18 terms and conditions or as a result of a factual change, including but not limited to:
(i) correcting minor typographical errors;
(ii) correcting formatting and consistency errors, such as paragraph numbering; or
(iii) updating out of date references to other documents or paragraphs;
(b) is unlikely to have a material effect on:
(i) existing or future electricity consumers; and
(ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
(iii) the operation of the national electricity transmission system; and
(iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
(v) the Code's governance procedures or modification procedures; and

(b) is unlikely to discriminate between different classes of Parties.

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6 Likely Impacts and costs

Impacts and costs will be assessed during the Assessment Procedure. However, for those roles we believe will be impacted, we have indicated whether we believe the costs are likely to be high, medium or low based on the following categories:

- High: >£1 million
- Medium: £100-1000k
- Low: <£100k

Impact on BSC Parties and Party Agents		
Party/Party Agent	Potential Impact	Potential cost
Suppliers	Positive impact on Suppliers who facilitate exempt supply arrangements, as the solution will provide them with a mechanism that they can use to provide Settlement with details of their exempt supply volumes, and hence avoid erroneous CFD and CM charges.	M
Half Hourly Data Collectors (HHDCs)	Interaction with ESCA, including providing Settlement metered data.	M

Impact on the NETSO	
Potential Impact	Potential cost
None identified	None

Impact on BSCCo		
Area of Elexon	Potential Impact	Potential cost
Participant Management Product	Managing new Qualification process for ESCA role	L
Settlement & Invoicing Product	Updates to Settlement requirements	L

Impact on EMR Settlements (EMRS) Service Provider
Positive impact on EMRS Service Provider as they will not have to support the interim solution any longer.

Impact on BSC Settlement Risks
Settlement Risks and mitigating actions will be assessed during the Assessment Procedure. May impact 029 CVA Risk: SAA Calculations and processing and 034 CVA Risk: SVAA Data Processing and Transfer.

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Impact on BSC Systems and processes	
BSC System/Process	Potential Impact
SVAA	There will be an impact on the Data and Calculations Platform (DCP), which is the IT system used by the SVAA to aggregate data relating to SVA Metering Systems.
SAA	There will be an impact on the SAA system, which calculates chargeable supply volumes for reporting to EMRS, and Energy Imbalance charges for licensed Suppliers.

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Potential Impact
SVAA	Implementation of system updates.
SAA	

Impact on Code	
Code Section	Potential Impact
Section J 'Party Agents and Qualification Under the Code'	Amendments to define the new ESCA role, and associated requirements for Qualification.
Section S 'Supplier Volume Allocation'	Amendments to define the Settlement requirements that ESCAs must meet.
Annex S-2 'Supplier Volume Allocation Rules'	Amendments to define the calculations performed by SVAA with exempt supply volumes provided by ESCAs.
Section T 'Settlement and Trading Charges'	Amendments to define the adjustments to Suppliers' Energy Imbalance positions arising from exempt supply volumes.
Annex X-1 'General Glossary'	Amendments to include appropriate definitions.
Annex X-2 'Technical Glossary'	Amendments to include appropriate definitions.

Impact on EBGL Article 18 terms and conditions
This Modification is expected to impact the EBGL Article 18 terms and conditions as specified in the mapping given in Section F Annex F-2[3]. Specifically, it will impact the Settlement calculations. However, it is not anticipated to extend the terms or conditions.

[3] https://www.elexon.co.uk/the-bsc/bsc-section-f-modification-procedures/

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Impact on Code Subsidiary Documents	
CSD	Potential Impact
BSCP01 'Overview of Trading Arrangements'	May require changes to facilitate the P442 solution. At the time of writing we aim to complete the drafting of the BSCPs during the Implementation Phase.
BSCP38 'Authorisations'	
BSCP507 'Supplier Volume Allocation Standing Data Changes'	
BSCP502 'Half Hourly Data Collection for SVA Metering Systems Registered in SMRS'	
BSCP508 'Supplier Volume Allocation Agent'	
BSCP537 'Qualification Process for SVA Parties, SVA Party Agents and CVA Meter Operators'	
BSCP602 'SVA Metering System & Asset Metering System Register'	

Impact on other Configurable Items	
Configurable Item	Potential Impact
Self Assessment Document	May require changes to facilitate the P442 solution. At the time of writing we aim to complete the drafting of the configurable items during the Implementation Phase.

Impact on Core Industry Documents and other documents	
Document	Potential Impact
Ancillary Services Agreements	No impacts identified
Connection and Use of System Code	
Data Transfer Services Agreement	
Distribution Code	
Grid Code	
Retail Energy Code	
Supplemental Agreements	
System Operator-Transmission Owner Code	
Transmission Licence	
Use of Interconnector Agreement	

Impact on a Significant Code Review (SCR) or other significant industry change projects
No impacts identified. We have requested that Ofgem treat this Modification as a SCR exempt Modification on 07 July 2022.

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Impact of the Modification on the environment and consumer benefit areas:

Consumer benefit area	Identified impact
1) Improved safety and reliability Being able to offset consumers' electricity needs with micro- to small-scale generators developed by the consumers themselves will improve safety of supply and security of electricity bills compared to the current retail market.	**Positive**
2) Lower bills than would otherwise be the case The reduction of social and green levies on consumers' bills will result in true green electricity bills that are affordable for all. Additionally, the maximum benefit will be realised at the local energy system where local distributed generators are matched with local consumers, reducing network losses and optimising balancing and operating the grid.	**Positive**
3) Reduced environmental damage This Modification is a crucial step towards the journey toward statutory net-zero targets. It will stimulate a micro finance environment for distributed electricity generators such as electric vehicles and CHP. It will also support the ambition of consumers who wish to install distributed generation assets for themselves where they are unable to install the generation assets behind their import meters. The more distributed energy resources there are, the lower the greenhouse gases from energy consumption will be. This Modification proposal will have significant impact on the decarbonisation of electricity by enabling micro- to small-scale generators to significantly contribute to green electricity bills of consumers, as well as the decarbonisation of heat by enabling electrified heating systems to provide energy to consumer.	**Positive**
4) Improved quality of service With this proposal, more end consumers will be able to benefit from distributed generation assets for their own consumption needs. This will have a significant impact on the affordability of green electricity bills for all end consumers.	**Positive**
5) Benefits for society as a whole Distributed energy resources have significant impact on creating local energy systems and peer-to-peer markets, which have been shown to have significant impacts on the local prosperity. For instance, based on Oldham Council's Green New Deal Strategy 2020-25 the current power purchase agreement for community energies and the un-contracted excess volume of micro generators, as well as the procurement of energy for various properties located in the Oldham Borough result in the flow of £500million a year outside of the Borough. While a local peer-to-peer market between local generators and consumers will redirect a significant portion of this flow inward. In another feasibility study for a county council in Wales, the local peer-to-peer market would create 1,500-2,000 jobs in five years.	**Positive**

What are the consumer benefit areas?

1) Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?

2) Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?

3) Will this proposal support:
i)new providers and technologies?
ii) a move to hydrogen or lower greenhouse gases?
iii) the journey toward statutory net-zero targets?
iv) decarbonisation?

4) Will this change improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.

5) Are there any other identified changes to society, such as jobs or the economy.

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7 Recommendations

We invite the Panel to:

- **AGREE** that P442 progresses to the Assessment Procedure;
- **AGREE** the proposed Assessment Procedure timetable;
- **AGREE** the proposed membership for the P442 Workgroup; and
- **AGREE** the Workgroup's Terms of Reference.

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