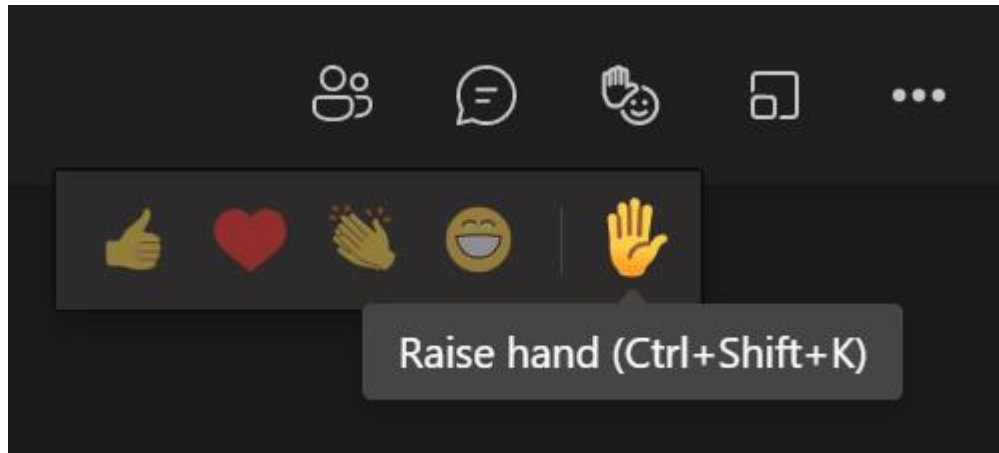


## P443 Digital Meeting Etiquette

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- Welcome to **P443 ‘To Cap NGENO Interconnector Trades at the Value of Lost Load (VoLL)’** Workgroup Meeting 6 – we’ll start shortly
- No video please to conserve bandwidth
- Please stay on mute unless you need to talk – use the **Raise hand** feature in the menu bar in Microsoft Teams if you want to speak, or use the **Meeting chat**



- Lots of us are working remotely – be mindful of background noise and connection speeds

# ELELEXION

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## **P443 Workgroup 6**

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To Cap NGESO Interconnector Trades at the Value of Lost Load (VoLL)

20 March 2023

## Meeting Agenda & Objectives

- Consider Assessment Procedure Consultation responses
- Workgroup to decide whether to raise an Alternative Modification
- Final views against the Applicable BSC Objectives

Agenda Item	Lead
1. Welcome and Meeting objectives	Lawrence Jones (Chair)
2. Consider Assessment Procedure Consultation responses	Paul Wheeler (Lead Analyst)
3. Final views against the Applicable BSC Objectives	Workgroup
4. Impact on the environment and consumer benefit areas	Paul Wheeler
5. Progression Plan & Next steps	Paul Wheeler
6. AOB & Meeting close	Lawrence Jones



# ASSESSMENT PROCEDURE CONSULTATION RESPONSES

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## P443 Assessment Procedure Consultation responses (1 of 23)

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- The P443 Assessment Procedure Consultation was issued on Thursday 9 February 2023 for 15 Working Days, with responses invited by 5pm on Wednesday 1 March 2023
- Eight consultation responses were received:
  - Three Generators: Triton Power (Proposer), RWE and Uniper (also Interconnector User, Non Physical Trader, ECVNA, MVRNA)
  - Two Interconnector Administrators, Interconnector Error Administrators: ElecLink and National Grid Ventures
  - Interconnector User, Non Physical Trader: Northpool
  - ECVNA: EPEX SPOT (Power Exchange)
  - NETSO: Electricity System Operator (ESO)
- Northpool and EPEX SPOT have not been involved in the Workgroups, all other respondents are Workgroup Members
- The Workgroup will consider and discuss the consultation responses during today's meeting

## P443 Assessment Procedure Consultation responses (2 of 23)

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- Consultation questions were asked on the Proposed Solution and two Potential Alternative Solutions, to help the Workgroup decide whether to raise an Alternative Modification

<b>Solution</b>	<b>Description</b>
Proposed	cap <b>Interconnector actions</b> to VoLL in the Imbalance price calculation
Potential Alternative Solution 1	cap <b>all actions</b> to VoLL in the Imbalance price calculation
Potential Alternative Solution 2	<b>prevent Interconnector trades</b> above VoLL

## P443 Assessment Procedure Consultation responses (3 of 23)

Question	Yes	No	Neutral	Other
1: Do you agree with the Workgroup's initial majority view that the P443 Proposed Solution (cap Interconnector actions to VoLL in the Imbalance price calculation) does not better facilitate the Applicable BSC Objectives and is not better than the current baseline?	7	1	0	0

- **Yes**
  - “We are generally uncomfortable about capping prices in the market”
  - “Insufficient evidence of clear consumer benefit has been provided to justify this market intervention”
  - Possible conflicts with European Electricity Balancing Guidelines (EBGL) and the EU–UK Trade and Cooperation Agreement (TCA)
- **No – Proposer**
  - “NGESO clearly believes that it has the right to take any actions at any costs to secure the system, despite less expensive alternative options being available”
  - “...the role of the interconnectors needs to be reviewed, the way that they are traded, the prices and the transparency surrounding trades or other interconnector actions, such as emergency actions. The current regime is not in the best interests of the GB parties & consumers”

## P443 Assessment Procedure Consultation responses (4 of 23)

Question	Yes	No	Neutral	Other
2: Do you agree with the Workgroup's initial majority view that the P443 Potential Alternative Solution 1 (cap all actions to VoLL in the Imbalance price calculation) does not better facilitate the Applicable BSC Objectives and is not better than the current baseline?	7	1	0	0

- **Yes**
  - “As with the proposed this solution also impacts the same elements of retained EU Law”
  - “If all actions were capped in the imbalance price calculation at VoLL, the wholesale market would in effect also be capped at VoLL”
  - “However... It is more consistent to cap all actions to VOLL in the imbalance price calculation, not just those for interconnectors”
- **No – Proposer**
  - “The issue with the parties NGENSO is trading across the interconnectors is that they are not regulated in anyway within the GB market”
  - “...we note that Ofgem has ruled out a price cap on GB generators only recently... this alternative would put in place a cap that would only ever be applied to interconnectors as we cannot envisage GB generators operating at that level”



## P443 Assessment Procedure Consultation responses (5 of 23)

Question	Yes	No	Neutral	Other
3: Do you agree with the Workgroup's initial majority view that the P443 Potential Alternative Solution 2 (prevent NGENSO taking actions with Interconnector Users above VoLL) does not better facilitate the Applicable BSC Objectives and is not better than the current baseline?	7	1	0	0

- **Yes**

- “It may be necessary for the ESO to take high priced actions for short periods of time across interconnectors in order to maintain security of supply or stability on the system”
- “This solution does not reflect the ESO licence conditions and any changes to those are out of scope of the BSC”
- “We would welcome a wider debate on VoLL, but do not consider that a BSC workgroup is the appropriate forum for this to happen”

- **No – Proposer**

- “The issue with the parties NGENSO is trading across the interconnectors is that they are not regulated in anyway within the GB market”
- “...we note that Ofgem has ruled out a price cap on GB generators only recently... this alternative would put in place a cap that would only ever be applied to interconnectors as we cannot envisage GB generators operating at that level”

## P443 Assessment Procedure Consultation responses (6 of 23)

Question	Yes	No	Neutral	Other
4: Do you agree with the Workgroup that the draft legal text in Attachment A delivers the intention of P443 Proposed 1a and 1b?	5	0	3	0

- **Yes**
  - “AGREE that it would, although this is academic given the fundamental concerns with the proposal”
  - No other comments
- **No**
  - No rationale provided

## P443 Assessment Procedure Consultation responses (7 of 23)

Question	Yes	No	Neutral	Other
5: Do you agree with the Workgroup's recommended Implementation Date (whether or not you agree with P443)?	2	2	3	1

- **Yes**
  - “AGREE that it would, although this is academic given the fundamental concerns with the proposal”
- **No**
  - “The use of a workaround solution will require some systems development... we do not agree that this work would be an efficient use of our resources”
- **N/A**
  - “ESO does not believe that implementation of P443 is better than the baseline”

## P443 Assessment Procedure Consultation responses (8 of 23)

Question	Yes	No	Neutral	Other
6: Given that an enduring solution cannot be put in place until summer 2024, do you agree that it is better to implement an interim workaround solution for winter 2023/24, even if this means the workaround will not be able to apply the cap until Settlement timescales (but an enduring solution will)?	2	3	2	1

- **Yes**
  - “We raised this modification because of the cost of living crisis that many in the UK are facing. As an industry we believe we have an obligation to try to protect the interests of customers”
- **No**
  - “We do not support the modification so would not support an early implementation”
- **N/A**
  - “ESO does not believe that implementation of P443 is better than the baseline”

## P443 Assessment Procedure Consultation responses (9 of 23)

Question	Yes	No	Neutral	Other
7: Do you believe Potential Alternative Solution 1 (cap all actions to VoLL in the Imbalance price calculation) or Potential Alternative Solution 2 (prevent Interconnector trades above VoLL), or a potential other Alternative Modification is better than the Proposed (cap Interconnector actions to VoLL in the Imbalance price calculation)?	2	5	0	1

- **Yes**

- “Solution 1 - capping all actions in the imbalance price calculation, would be a better solution to the original proposal”
- “We would also like to see DESNZ review whether it is appropriate for the interconnectors to be in the CM given the way that interconnector trading and emergency arrangements operate”

- **No**

- “Potential Alternative Solution 2 will potentially cause an unnecessary increase in Demand Response and Rota disconnections”
- “...these solutions are not better than the baseline”

## P443 Assessment Procedure Consultation responses (10 of 23)

Question	Yes	No	Neutral	Other
8: Do you agree with the Workgroup's assessment of the impact on the BSC Settlement Risks?	5	0	3	0

- **Yes**
  - “AGREE that if implemented, it would be low risk that BSC did not achieve the correct calculations as required by the modification”
  - No other comments
- **Neutral/No comment**
  - No rationale provided

## P443 Assessment Procedure Consultation responses (11 of 23)

Question	Yes	No	Neutral	Other
9: Do you agree with the Workgroup's assessment that P443 does impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC?	7	0	1	0

- **Yes**

- “We would take this opportunity to urge DESNZ to get rid of this retained EU legislation that results in the GB energy rules being unable to make necessary changes in a timely manner”
- “We do not think the capping of interconnector actions in the imbalance calculation facilitates competition because of the inconsistency in the treatment of these actions compared with other actions with unlicensed entities”

- **Neutral/No comment**

- No rationale provided

## P443 Assessment Procedure Consultation responses (12 of 23)

Question	Yes	No	Neutral	Other
10: Do you have any comments on the impact of P443 on the EBGL objectives?	4	3	1	0

- “We do not believe, on balance, that this modification will have any significant impact on EU competition”
- “...we do not believe that the way the SO trades across the interconnectors is in anyway transparent. We would therefore urge Ofgem to review these arrangement as a matter of urgency to make sure that they are far more consistent with the general obligations around competition and transparency”
- “...we would emphasise in particular (i) the likely breach of the non-discrimination provisions in the EBGL objectives for the Proposed Solution and Alternative Solution 2, (ii) the hampering of market-based price formation, and (iii) the potential for undue distortion of the balancing market”
- “The Proposed Alternate 2 could be perceived as discriminatory to interconnected parties”



## P443 Assessment Procedure Consultation responses (13 of 23)

Question	High	Medium	Low	None	Other
11: Will P443 impact your organisation?					
Proposed	1	1	5	1	0
Potential Alternative 1	2	1	4	1	0
Potential Alternative 2	4	1	2	1	0

- **High**

- “All of these changes would help to protect GB energy companies and their customers from excessive energy prices”

- **Low**

- “There is likely to be low impact to our processes and systems”

- **ESO**

- “...internal operating process within the trading team and the control room. This will also require system changes should the proposed alternative be recommended and implemented”

## P443 Assessment Procedure Consultation responses (14 of 23)

Question	High	Medium	Low	None	Other
12: How much will it cost your organisation to implement P443?					
Proposed	0	1	2	3	0
Potential Alternative 1	0	1	2	3	0
Potential Alternative 2	0	0	0	5	0

- **High**
  - “All of these changes would help to protect GB energy companies and their customers from excessive energy prices”
- **None**
  - “We would not expect there to be any costs to GB parties except Elexon and NGESO”
- **ESO**
  - “Potential Alternative 2 costs will need to consider the operational costs if ESO is not able to maintain operational system requirements. It will also be important to consider the cost of making regulatory changes allowing the ESO to potentially not take all available actions therefore risking security of supply”

## P443 Assessment Procedure Consultation responses (15 of 23)

Question	High	Medium	Low	None	Other
13: What will the ongoing cost of P443 be to your organisation?					
Proposed	0	0	2	2	4
Potential Alternative 1	0	0	2	2	4
Potential Alternative 2	0	0	1	2	5

- **Low**
  - “Likely to be little to no ongoing cost”
  - “No change to operational costs, other than the potentially different imbalance costs that would result from each of Proposed and Alternative solutions”
- **None**
  - “We would not expect there to be any costs to GB parties except Elexon and NGESO”
- **ESO**
  - “Potential Alternative 2 – To be determined if adopted as an alternate”

## P443 Assessment Procedure Consultation responses (16 of 23)

Question	0-6 months	6-12 months	>12 months	Other
14: How long (from the point of approval) would you need to implement P443?	1	0	1	6

- **0-6 months**

- “If any changes to the SAA-I014 settlement file were to be made than we would need at least a month’s notice for implementation and for an example file to be provided in the new format, so that we could test loading it into our systems”

- **>12 months**

- “This will be dependent on the solution that requires implementing but due to the other ongoing development of ESO systems we expect that a significant lead time of over 12 months would be required”

## P443 Assessment Procedure Consultation responses (17 of 23)

Question	Yes	No	Neutral	Other
15: Would you want to see both the capped and uncapped trade value in the SAA-I014 (Settlement Report) file, taking into consideration the additional costs and impacts this will have?	5	1	2	0

- **Yes**
  - “Whilst not in support of the proposal, if implemented then we would like to see all trade values (capped and uncapped) in the SAA file”
  - “...information is critical to the efficient operation of the market. However, there are other changes that we would value more than this, for example NGENSO making available all data on transmission constraints as they arise, providing information on the state of the system, etc.”
- **No**
  - “We agree with the workgroup that it would not be necessary”

## P443 Assessment Procedure Consultation responses (18 of 23)

Question	Yes	No	Neutral	Other
16: Do you agree with the Proposer's views on the impacts P443 will have on the environment and consumers?				
Proposed	2	4	2	0
Potential Alternative 1	1	4	2	0
Potential Alternative 2	1	4	2	0

- **Yes**
  - No rationale provided
- **No**
  - “Short term effects would be to reduce imbalance prices on occasion, but it is not clear that this will result in lower costs to customers”
  - “...potential consumer detriment arising from Alternative Solution 2, i.e. in the form of more likely demand control and rota disconnection”

## P443 Assessment Procedure Consultation responses (19 of 23)

Question	Yes	No	Neutral	Other
17: Should the solution only apply to Interconnector Users?	2	5	1	0

- **Yes**
  - “...the reason we proposed the change as only applying to interconnector is because they are not regulated by Ofgem”
  - “Interconnector trades, in a constraint period, went to £9,000/MWh, but Ofgem has done nothing...”
- **No**
  - “If implemented, then the alternative to cap all costs in the imbalance calculation would be preferable” (Potential Alternative 1)
  - “However, we’d like to understand why IC trades were the ones that were procured by the ESO and not local assets”

## P443 Assessment Procedure Consultation responses (20 of 23)

Question	Yes	No	Neutral	Other
18: Do you agree with the principle of using VoLL as a parameter to set the cap?	3	4	1	0

- **Yes**
  - “If it is implemented yes VOLL is the appropriate value to use”
  - “It may be worth reviewing the current value of VOLL to see if it is still at the correct level...”
- **No**
  - “No, not in its current form. VoLL is different for different users, and the current term “VoLL” is used to describe an estimated average value”
  - “As a concept VoLL was not introduced as price cap”
  - “...we would welcome a wider policy discussion on VoLL, outside the confines of a BSC working group”



## P443 Assessment Procedure Consultation responses (21 of 23)

Question	Yes	No	Neutral	Other
19: Should the solution include Emergency Actions within scope of any cap?	3	2	2	1

- **Yes**
  - “This is actually impossible to answer as we do not know the pricing of these actions”
  - “All actions should be capped if it is implemented”
- **No**
  - “Emergency actions are by their nature emergency actions and are not taken on a BAU basis”
  - “Given recent market volatility it is sensible to consider whether the cost of maintaining security of supply should be a more prominent decision-making parameter for NGENSO, but this should be a wider industry debate, rather than a BSC working group discussion”

## P443 Assessment Procedure Consultation responses (22 of 23)

Question	Yes	No	Neutral	Other
20: Do you believe there are any unintended consequences of the Proposed Solution (cap Interconnector actions to VoLL in the Imbalance price calculation), Potential Alternative Solution 1 (cap all actions to VoLL in the Imbalance price calculation) and Potential Alternative Solution 2 (prevent Interconnector trades above VoLL)?	6	1	1	0

- **Yes**

- “Preventing interconnector trades from being undertaken could result in involuntary demand control being undertaken which should be avoided if possible”
- “...we share the proposer’s desire to enhance GB consumer benefit wherever possible... the consumer impact of P443 is not sufficiently well understood at this stage”
- “the right way to avoid it (high prices) is for the ESO to invest in new services and tools (e.g. Demand Flexibility)”

- **No**

- “We believe that NGEN has the ability to look for more economic solutions than buying through energy offers at any price”

## P443 Assessment Procedure Consultation responses (23 of 23)

Question	Yes	No
21: Do you have any further comments on P443??	2	6

- “Any form of price cap can disincentivise the market to make the proper investments to provide what the system needs. And can therefore cause the opposite of what intended”
- “...we believe VoLL price should be changed to correctly display the actual cost of load shedding”
- “Proposed and the Proposed alternative 1 do not restrict the operational tools that the ESO has available, however, these both do not comply with the retained legislation”
- “Alternate 2 is likely to see increases in costs either through ESO having to take more expensive actions to resolve system imbalances due to the providers being less incentivised to deliver as nominated (by reducing the imbalance charges to providers) or through ESO having to take more expensive actions through the BM or Emergency Actions when a cheaper alternative (Interconnector trades) were available”
- “alternative 2 risks ESO’s ability to meet the GB system requirements resulting in the potential for increased demand disconnection and loss of consumer supplies”



# FINAL VIEWS AGAINST THE APPLICABLE BSC OBJECTIVES

## Are there any Alternative Modifications?

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- The Workgroup have discussed and considered two Potential Alternative Solutions and sought industry views via the Assessment Procedure Consultation to help determine rather to raise an Alternative Modification
- One of the Standard Terms of Reference is: Are there any Alternative Modifications?
- The Workgroup will discuss whether to formally raise an Alternative Modification

<b>Solution</b>	<b>Description</b>
Proposed	cap <b>Interconnector actions</b> to VoLL in the Imbalance price calculation
Potential Alternative Solution 1	cap <b>all actions</b> to VoLL in the Imbalance price calculation
Potential Alternative Solution 2	<b>prevent Interconnector trades</b> above VoLL

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## Applicable BSC Objectives

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- 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 and administration 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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## Initial Recommendation

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### Proposed Solution:

- The **majority** of the P443 Workgroup initially believe that the P443 Proposed Solution will not be better than the current baseline and should therefore be **rejected**

### Potential Alternative Solution 1 and 2:

- The **majority** of the P443 Workgroup initially believe that both Potential Alternative Solution 1 and 2 **would not be better** than the current baseline

## Applicable BSC Objectives – initial views on Proposed solution prior to Assessment Procedure Consultation

<b>Member</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>
Lisa Waters (Proposer's representative)	<b>Positive</b>	<b>Positive</b>	<b>Neutral</b>
Andrew Colley	<b>Positive</b>	<b>Positive</b>	
Lauren Jauss	<b>Positive</b>	<b>Neutral</b>	
Leo Michelmore	<b>Neutral</b>	<b>Neutral</b>	<b>Negative</b>
Louise Trodden	<b>Neutral</b>		
Paul Jones	<b>Neutral</b>		
Peter Frampton	<b>Neutral</b>	<b>Positive</b>	<b>Negative</b>
Tom Edwards	<b>Positive</b>	<b>Positive</b>	
Vince Hammond	<b>Positive</b>	<b>Negative</b>	<b>Neutral</b>

All Neutral for (a), (b), (f) and (g)



## Applicable BSC Objectives – initial views on Potential Alternative Solution 1 prior to Assessment Procedure Consultation

<b>Member</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>
Lisa Waters (Proposer's representative)	<b>Positive</b>	<b>Positive</b>	<b>Neutral</b>	<b>Neutral</b>
Andrew Colley	<b>Neutral</b>	<b>Positive</b>	<b>Positive</b>	<b>Neutral</b>
Lauren Jauss	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>
Leo Michelmore	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>
Louise Trodden	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>
Paul Jones	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>
Peter Frampton	<b>Negative</b>	<b>Neutral</b>	<b>Positive</b>	<b>Negative</b>
Tom Edwards	<b>Neutral</b>	<b>Positive</b>	<b>Positive</b>	<b>Neutral</b>

All Neutral for (a), (f) and (g)

## Applicable BSC Objectives – initial views on Potential Alternative Solution 2 prior to Assessment Procedure Consultation

<b>Member</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>
Lisa Waters (Proposer's representative)	<b>Neutral</b>	<b>Positive</b>	<b>Positive</b>	<b>Neutral</b>	<b>Neutral</b>
Andrew Colley	<b>Negative</b>	<b>Negative</b>	<b>Positive</b>	<b>Neutral</b>	<b>Neutral</b>
Lauren Jauss	<b>Negative</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>
Leo Michelmore	<b>Negative</b>	<b>Negative</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Negative</b>
Louise Trodden	<b>Negative</b>	<b>Negative</b>	<b>Negative</b>	<b>Neutral</b>	<b>Negative</b>
Paul Jones	<b>Negative</b>	<b>Negative</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>
Peter Frampton	<b>Negative</b>	<b>Negative</b>	<b>Negative</b>	<b>Positive</b>	<b>Negative</b>
Tom Edwards	<b>Positive</b>	<b>Positive</b>	<b>Positive/Neutral</b>	<b>Neutral</b>	<b>Neutral</b>

All Neutral for (f) and (g)



# IMPACT ON THE ENVIRONMENT AND CONSUMER BENEFIT AREAS

## Impact on the environment and consumer benefit areas

Consumer benefit area	Description
1) Improved safety and reliability	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) Lower bills than would otherwise be the case	Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?
3) Reduced environmental damage	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) Improved quality of service	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) Benefits for society as a whole	Are there any other identified changes to society, such as jobs or the economy.



# PROPOSER'S VIEWS

## Impact on the environment and consumer benefit areas – Proposer’s view (1 of 3)

Consumer benefit area	Proposed Solution	Potential Alternative Solution 2	Potential Alternative Solution 2
1) Improved safety and reliability	<b>Neutral:</b> This should not change system reliability or safety as ESO will still be able to trade and all the balancing tools will all still exist.	As per Proposed	<b>Neutral:</b> This should not change system reliability as other balancing tools will still exist
2) Lower bills than would otherwise be the case	<b>Positive:</b> This will stop prices above VoLL for Interconnector Users feeding into the cashout calculation and that will ultimately put a cap on the prices in the wholesale market to the benefit of customers.	As per Proposed	<b>Positive:</b> This will stop NGESO accepting excessive prices and that will ultimately put a cap on the prices in the wholesale market to the benefit of customers

## Impact on the environment and consumer benefit areas – Proposer’s view (2 of 3)

Consumer benefit area	Proposed Solution	Potential Alternative Solution 2	Potential Alternative Solution 2
3) Reduced environmental damage	<b>Neutral:</b> No impact identified.	As per Proposed	As per Proposed
4) Improved quality of service	<b>Neutral:</b> No impact identified.	As per Proposed	As per Proposed

## Impact on the environment and consumer benefit areas – Proposer’s view (3 of 3)

Consumer benefit area	Proposed Solution	Potential Alternative Solution 2	Potential Alternative Solution 2
5) Benefits for society as a whole	<b>Positive:</b> The UK is suffering a cost of living crisis. Any small changes can be made to put some downward pressure on energy prices will benefit the economy as whole. While we would not expect this price cap to kick in very often (and hopefully not at all), it will be important in sending a signal to the neighbouring electricity markets that GB customers will not simply pay any price to keep the lights on.	As per Proposed	As per Proposed





# NGESO'S VIEWS

## Impact on the environment and consumer benefit areas – NGENSO's view (1 of 4)

Consumer benefit area	Proposed Solution	Potential Alternative Solution 2	Potential Alternative Solution 2
1) Improved safety and reliability			By removal of trading on the IC this will reduce the options available and therefore possibly require the use of EA sooner if the required volume of energy is not in the BM with further risk of a loss of consumer supply if support from connected SOs is not available.

## Impact on the environment and consumer benefit areas – NGENSO's view (2 of 4)

<b>Consumer benefit area</b>	<b>Proposed Solution</b>	<b>Potential Alternative Solution 2</b>	<b>Potential Alternative Solution 2</b>
2) Lower bills than would otherwise be the case	Costs are still recovered in BSUoS so this does not directly reduce consumer bills	Costs are still recovered in BSUoS so this does not directly reduce consumer bills	There is the risk that prices in the BM or alternative markets could be greater than trades available on the IC due to scarcity pricing. This has the potential to increase the costs to end consumers.

## Impact on the environment and consumer benefit areas – NGESO's view (3 of 4)

Consumer benefit area	Proposed Solution	Potential Alternative Solution 2	Potential Alternative Solution 2
3) Reduced environmental damage			
4) Improved quality of service			There could be a significant reduction in service quality if consumer supplies are lost.

## Impact on the environment and consumer benefit areas – NGESO's view (4 of 4)

<b>Consumer benefit area</b>	<b>Proposed Solution</b>	<b>Potential Alternative Solution 2</b>	<b>Potential Alternative Solution 2</b>
5) Benefits for society as a whole	Costs are still passed to the consumer through BSUoS so not directly reducing consumer bills	Costs are still passed to the consumer through BSUoS so not directly reducing consumer bills	Not having the option to trade on the IC could result in demand disconnection which would present costs to GB. Also costs may not be cheaper in the BM, and as a result impact consumer bills through BSUoS recovery.



# PROGRESSION PLAN & NEXT STEPS

## Progression Plan

Event	Date
Assessment Procedure Consultation	9 February 2023 – 1 March 2023
Sixth Workgroup meeting	20 March 2023
Seventh Workgroup meeting (if required)	21 March 2023
Eighth Workgroup meeting (if required)	22 March 2023
Assessment Report presented to Panel	11 May 2023
Report Phase Consultation	17 May 2023 – 17 June 2023
Draft Modification Report presented to Panel	13 July 2023
Final Modification Report submitted to Authority	19 July 2023

At its November 2022 meeting, the BSC Panel agreed to a three month extension to the Assessment Procedure

At its February 2023 meeting, the BSC Panel agreed to a three month extension to the Assessment Procedure

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## Next steps

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- To be discussed during the meeting, dependent on whether an Alternative Modification is formally raised
- Any Other Business?



MEETING CLOSE

# ELEXON

THANK YOU

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**Paul Wheeler**

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