

BSC SANDBOX FINAL REPORT FOR EMERGENT ENERGY

Final Report to the Authority
of the BSC derogation
requested by Emergent
Energy

Public

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Introduction

. This report to the Authority applies to BSC Sandbox Application 2020-01, by Emergent Energy. The report includes a summary of consultation responses, the relevant BSC objectives and the impact on other BSC parties. The report also includes the views and recommendations of the BSC Panel.

This report should be considered in conjunction with the original Sandbox application, and the risk and impact assessments prepared by Elexon for the BSC Panel. In particular, these documents provide an overview of the trial proposed by the applicant.

Briefly, the applicant proposed to trial an on-site aggregation methodology to mitigate the double-counting of customer volumes where customers on Private Wire Networks are supplied by Third Party Suppliers.

Consultation responses

There were two responses to the consultation, both from the perspective of Meter Operators. Some of the points raised in the consultation were substantive and some coincidental. We have summarised the key points here, and attached the full consultation responses to this document.

Key points of consultation responses

- Respondents questioned whether a derogation should be granted to address non-compliance of existing rules, and whether better enforcement was the solution
 - A specific question was raised as to whether granting the derogation would also need a derogation from a Statutory Instrument which is beyond Ofgem's remit.
 - Respondents questioned the nature of the derogation to the metering Codes of Practice, and whether the meters would be MID compliant.
 - Respondents thought the risk of some energy not being metered was substantive and wanted higher levels of audit and assurance
 - A question was raised as to the number of sites in the trial, and whether proof of concept could be done with a smaller sample size.
 - Both respondents felt there was insufficient detail in the consultation document about the proposal and both had to contact Elexon for more information.
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Elexon view on consultation responses

One key element of a response is that the trial is predicated on addressing an existing non-compliance, and that the non-compliance should be addressed. The non-compliance in question is that Third-Party Suppliers appear not to be establishing Differencing arrangements or full settlement arrangements for the private networks in question.

Differencing arrangements involve all Suppliers on the network entering into bilateral contracts with the Boundary Point Supplier, and agreeing to use the BPS agents to determine the share of the boundary point meter to each Supplier. Full Settlement arrangements involve installing settlement meters for all consumption and generation on the private network, and treating each of those metering points as if they were connected to the total system.

We believe this to be true, and any Supplier or network operator wishing to address this issue is free to do so via the appropriate channels, such as a trading dispute.

Regardless of the non-compliance, the rationale for the trial remains that the existing means of establishing third party supply on private wire networks may not be in the interests of customers, particular where those customers are domestic scale. This trial seeks to establish the viability of a third option for facilitating the settlement of third party supply on private wire networks without the associated overheads of Difference Metering or the loss of benefits from behind-the-meter generation in the case of Full Settlement.

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We have reviewed the SI referenced and are satisfied that the proposed derogation is compliant with the SI.

All the meters used in the trial would be fully MID compliant and we are satisfied that the proposed auditing would be sufficient, but recognise more detail should have been included in the consultation.

The purpose of the trial is to test the concept prior to raising a modification, it was felt trialling at several sites with different characteristics would be beneficial hence the trial size.

This is the first BSC Sandbox application and Elexon will take on board the need for more information to be included in the consultation to industry.

Sandbox Eligibility Criteria

We have considered and made an assessment against the Sandbox Eligibility criteria set out in the BSC Sandbox Procedure and are satisfied it meets the criteria.

The BSC Objectives

We believe the Derogation will better facilitate BSC Objective (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

We believe BSC Objective (c) is better facilitated because the trial aims to improve access to Third Party Suppliers for customers on private networks. The current BSCP550 arrangements either constitute a barrier to switching due to the additional costs faced by Suppliers of establishing the necessary contracts, or result in non-compliance with the BSC and double counting of settlement volumes, or removes some of the potential consumer benefits of on-site generation.

Risk to Settlement

Our consideration of the risk to settlement is contained in the attached risk assessment. In summary, we do not believe there is any undue risk posed to settlement by the operation of the trial. We retain the ability to audit settlement volumes of the site throughout the duration of the trial, to ensure the volumes submitted in relation each site match the boundary point meter reading.

Material impact on other BSC Parties

Our initial assessment determined that there should be no material impact on other BSC Parties, and that otherwise overall settlement error would be reduced due to the reduction in double counting. No BSC Parties responded to the consultation identifying that they would be impacted, although two representatives of Meter Operators Agents did respond, one of whom stated that Meter Operator Agents would be impacted. These impacts were unspecified, but a number of wider concerns with the proposal were raised and have been addressed in this document's section on consultation responses.

The minimum scope and timeline required

The applicant has requested that the trial be operated across up to 10,000 domestic customers connected to Private Networks associated with a list of Boundary Point MSIDs to be determined when the derogation is granted and maintained by Emergent Energy and provided to BSCCo for audit purposes. The requested timeline is for 2 years from the start date of the derogation.

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The purpose of these customer numbers and timescales is to maximise the number of consumer switches occurring during the trial. The customer switching process is the element of the trial which introduces the most risk to the correct accounting of energy, and maximising the number of potential switches provides the most opportunity for learning.

Additionally, by trialling across a number of sites the concept can be proved with different site configurations (e.g. with and without on-site generation)

Given the relatively low potential for risk to settlement we do not consider this scope and timeline to be inappropriate.

Similarity to existing derogations

There are no current derogations in force.

Imminent BSC changes of interest

We do not believe there are any imminent implementations of BSC changes that would affect the operation of the requested derogation.

Provisions of the BSC to be derogated

The derogation is requested against the following sections in so far as required to achieve the objectives of the derogation:

- K1.1.4(c)
- K1.2.1
- K1.2.2
- L2.1.1

The derogation is also requested against the following BSCP Sections:

- BSCP502 3.4 & 4.9.3
- BSCP514 2.1.2 & 8.4.3
- BSCP500 4.2.5.1 & 4.4

Again, only as deemed necessary to achieve the objectives of the derogation.

Trial period/scope requested

The trial period is for 2 years, with a possible extension should Emergent Energy seek to raise a modification to the BSC to make the arrangement permanent. The extension would be until the Modification should it be approved is implemented. The scope is for up to 10,000 domestic customers and 13 on-site generation units at a predefined number of MSIDs.

Assessment of fees

We do not believe BSCCo would experience any additional costs in respect of the operation of this derogation. Therefore, we do not believe it is necessary or appropriate to attach any fees to be paid in association with the granting of the derogation.

Transition plan

Boundary meter readings will be available for the duration of the trial, and boundary metering will remain in place. At any time the Boundary Point Supplier may choose to revert to current operation where those boundary meter readings are submitted into settlement. This would also be the case if the derogation were withdrawn.

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To return to a position of compliance, Third Party Suppliers on the site would need to re-enter into differencing arrangements with the Boundary Point Supplier. The Boundary Point Supplier must facilitate this utilising the records of opted out customers maintained for the purpose of aggregating under the trial. Otherwise the sites must operate a Full Settlement solution.

Reporting plan

Emergent Energy would provide a report to Elexon annually on the process including an independent audit of the metering inventory.

Views of the BSC Panel

The BSC Panel welcomed their first derogation request.

A Panel member asked whether the solution is applicable to all private networks, or only those connected to Distribution Networks. Elexon confirmed the solution would be applicable to all private networks.

The Panel discussed the need for such a large number of customers for the purposes of the trial (10,000). Concern was raised that such numbers could result in an error which would surpass the dispute threshold. The Panel also felt that a lower number would be sufficient to prove the concept.

As a result of discussion on appropriate limits for the trial, the Panel agreed to recommend the derogation request but limiting the number of customers to 2,000.

The Panel asked that future Sandbox Final Reports contain more details including;

- More in depth risk assessment to back up Elexon's view
- More details on reporting requirements for the trial
- More details of the transition plan at the end of the trial or if the trial is suspended

The Panel sought clarification as to who would be submitting the aggregated data into settlements. This was confirmed as the HHDC assigned to the Boundary Metering Point.

It was confirmed that the private network operator appoints the Boundary Point Supplier and thus the arrangements would be made known to any new Supplier as part of procurement if the private network operator chose to change Supplier.

It was highlighted that the main benefit of this proposed arrangement was that it did not require the active co-operation of the 3rd party Suppliers.

A Panel member noted that the review of licence exemptions by BEIS may reduce the benefits of generation located behind the meter, which in turn may affect the attractiveness of the proposed solution against the existing Full Settlement option.

A Panel member asked as to what would happen if another party felt the derogation gave the applicant an undue commercial advantage. It was agreed that any Sandbox derogation whether to the BSC, other code or licence conditions carried that risk, but that the limitations on size also limited any potential commercial advantage available to the applicant.

The BSC Panel Decision

- a) Recommended **APPROVAL** of the derogation request from Emergent Energy subject to the following conditions;
 - i The maximum number of customers across any number of sites supplied under the trial is 2000.
 - ii The maximum duration of the derogation is two years from the date of commencement.