P379 MEETING 4 SUMMARY

MEETING NAME	P379 Workgroup Meeting
Meeting number	4
Date of meeting	21 May 2019
Venue	Pink Room ELEXON Ltd, 4th Floor, 350 Euston Road, London, NW1 3AW/Teleconference
Classification	Public

MEETING SUMMARY

1. Meeting Objectives

1.1 The purpose of our meeting was to:

- Discuss balance responsibility;
- Agree content of the P379 Interim Report to be presented at the June BSC Panel; and
- Review the updated P379 progression plan.

2. Actions Update

2.1 ELEXON provided an update on the P379 actions log, noting that most actions will be covered at future P379 meetings as shown in the meeting plan issued prior to the meeting. The plan covers items to be discussed at future meetings, if there is a key area or question you wish the Workgroup to consider, please send this to me and I will add to the meeting plan.

3. Balance Responsibility

3.1 Given questions raised during use case discussions on volume allocation and impacts to parties ELEXON put forward use cases to balance responsibility.

3.2 To help Workgroup understanding of the topic being discussed ELEXON provided an overview of balance responsibility including the definition of *'balance responsible party' (BRP)* under European Balancing Guideline (EBGL). A member asked whether there was clarity around demarcation under EBGL. ELEXON clarified that a Party picks up responsibility as an obligation. The EU does not comment on national arrangements.

Use case 1

3.3 Balance responsibility is relatively straight forward in the previously discussed use case 1 which explored a scenario with an asset based secondary Supplier. The primary Supplier is responsible for anything else behind the meter.

Use case 2

3.4 The previously discussed use case 2 included the undermentioned features into a single use case:

a) Metered volumes assigned to a secondary supplier based on an amount agreed between the customer and that supplier
b) Customer consumption varying from an amount purchased from a secondary supplier
c) Suppliers operating under a Class A exemption, and therefore unable to supply energy they did not generate themselves (generation varying from an amount purchased by a customer).

3.5 To simplify consideration on balance responsibility Use case 2 was spilt into 2A incorporating (a) and (b) and 2B incorporating (c).

3.6 For the purposes of the P379 use cases primary Supplier is the registrant of the Boundary Meter and secondary Supplier is not a registrant of a Boundary Meter. The secondary Supplier role will be enabled by the proposed Party Agent role. The secondary Supplier has to be able to supply to premises under the Electricity Act with capability to trade that volume. At a minimum it should be either a Trading Party under the BSC or a licenced Supplier (in which case it will also be a Trading Party).

3.7 On the different party/Supplier roles the Workgroup should address how Parties are seen under the BSC.

4. Balance Responsibility for Use case 2A

4.1 In this use case the customer buys volume from the secondary Supplier without the volume being linked to an asset behind the meter. Balance needs to be determined for the primary Supplier and secondary Supplier. The Workgroup considered potential models for determining the share or secondary supply to the customer and noted the below points:

- There are other options which are not being considered. The P379 solution should not restrict options and contain a degree of flexibility including Time of Use. ELEXON explained that the options put forward are the models BSC Parties can use to contract with each other. The two models encompass Time of Use.
    - We would welcome information about any scenarios which could not be facilitated by the methods discussed.
- Currently the use cases consider the primary Supplier as the party that supplies the residual units as they have the licence obligation. Could the Supplier position be interchanged? Residual energy will always be assigned to the Primary Supplier. There could be cases where there is, by design, no residual energy.
- Liabilities are on the primary Suppliers. The primary Supplier might not want to be involved in the arrangements if they are providing minimum volumes.
- The Proposer notes that it's key to keep the community scheme example in consideration, looking at the nature of supply the customer wants.
- What happens if the customer purchases more? There should be a process to avoid the customer buying more than 100%. The metered volumes should not be in excess of 100%. However, traded volume could exceed what is at the Boundary Meter.
- The 'Final position' refers to a traded position. Imbalance is the difference between your allocated value and your final traded position. The WG requested more clarification on Final position.

ACTION 1

<u>The group considered a number of questions on the use cases.</u>

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4.2 **Question 1:** Should the P379 solution facilitate arrangements where a customer can elect to have a percentage of their supply provided by a secondary Supplier? The WG raised the below points:

- The Proposer agrees but reiterated that P379 should be creating optionality not foreclosing.
- The reference to 'customer' means anyone acting as an intermediary on behalf of the customer.
- There should be consideration about the equitableness between different parties
- This could result in the primary Supplier increasing residual charges and the customer picking up the costs. Also, distribution charges will not be allocated to the secondary Supplier. Commercial arrangements are not within the vires of the BSC. The proposer advised that the Workgroup avoid complicating the P379 issue. It's important that the solution works in the current market and is future proofed. Ofgem acknowledge there are likely consequential impacts from P379 and welcome WG recommendations for consideration. ELEXON suggested consequential Mods in other codes to address charging issues should be raised if needed.
- Previous discussions suggest that network charges should stay with the primary Supplier. There is no reason for the charges to stay with primary Supplier, there should be appropriate allocation of charges, and based on the actual volumes each party is responsible for supplying. The WG asked if there is intention to raise changes on the DCUSA and CUSC codes. The Proposer noted that changes on other codes will be raised if required as part P379 solution.

4.3 **Question 2:** Should the P379 solution facilitate arrangements where a customer can purchase a fixed amount of energy from a Secondary Supplier? If yes, what happens when a customer buys more energy than they actually import?

4.4 **Option A:** The energy could be left in the account of the Secondary Supplier, who will be exposed to imbalance for that energy

- The Workgroup agree with the suggested option A. A customer can purchase a fixed amount of energy from a Supplier if there is a mechanism to facilitate arrangements.
- This will work with one or more Secondary Suppliers
- Any other mechanism should be similar to option A`

4.5 The other proposed options B and C undermine any sort of arrangements currently in place.

4.6 **Question 3:** If a customer can purchase a fixed volume from a Secondary Supplier, who should be responsible for any volume the customer does not consume but has purchased?

- What happens to bought but unused units should be considered under commercial arrangements
- The Suppliers involved can put in place a mechanism to deal with risks to these arrangements
- If a customer uses less units that's an issue for the Supplier to deal excess volumes
- The intermediary party could have a process in place to take ownership of unused units
- The group agreed to option A

4.7 **Question 4:** In this model, should there be an obligation for the customer to notify their Primary Supplier of how much energy will be supplied by the secondary Supplier? The below points were raised:

- The proposer agrees noting this will allow the primary Supplier to engage with the customer and know what the customer is doing. However the Supplier might not want to know usage information on an MPAN basis.

- Having information about expected volumes could be valuable and could help with forecasting.
- It could be a way of monitoring values across a period of time
- The answer to this affects how the CNA will function
- Although volume notification could be important from a billing perspective, the question is about what happens in advance.
- There could be a threshold for when a notification should be provided
- The primary Supplier would see the total volume as they are responsible for the customer's total consumption.

4.8 The Proposer notes that in practice Suppliers do not look at customer files. There is no reason to impose any obligation. The features of this change that will be valuable to Suppliers are that customers will have HH meters which allow Suppliers to see customer usage and changes. Also, a primary Supplier will get HH notifications showing volumes from the different secondary Suppliers (as a minimum they will get the aggregated volumes from all other secondary Suppliers, but still to be decided if they get a breakdown). It will enable people to make better decisions and better choices. The key is to clarify the Party Agent role.

5. Balance Responsibility - Generation

5.1 Where a secondary Supplier is facilitating an exempt supply, who has balance responsibility?

5.2 **Question 5:** Should the P379 solution facilitate situations where customers can purchase a percentage share of whatever a generation asset exports? The group discussed the below points:

- The amount of excess energy assigned is not based on consumption but on what is generated. The party cannot be imbalanced unless the customer consumes less.
- The solution should look at whether this is permissible under the EBGL
- A new BSC party could be required to facilitate the trade
- Could an exempt Supplier be a BSC Party with BM units? If this is the case the secondary Supplier does not carry an imbalance risk. ELEXON is to consider whether there could be exempt supply role in the BSC.

5.3 **Question 6:** Should settlement identify and verify volumes delivered by exempt suppliers, and include default arrangements where import sold exceeds export generated? The group asked for further clarification on how exempt supply would work within the BSC arrangements. The Workgroup will then conclude the exempt supply balance responsibility questions at the next Workgroup meeting. This should look at:

- Whether the function will be performed through the Party Agent role
- Clarify Class A requirements. Class A exempt supply does not allow parties to sale more than generated
- Clarification on exempt supply licence and exempt generation licence. What are the party requirements under the BSC?

ACTION 2

6. P379 Interim Report

6.1 The WG noted items to be included in the Interim Report to be presented at the June BSC Panel meeting. This will include key WG discussions and a recommendation of how the Modification should progress.

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7. Progression Plan

7.1 The WG reviewed the updated P379 progression plan to be included in the interim report.

8. Any Other Business

8.1 No other business was discussed.

9. Next Steps

9.1 The next WG meeting is proposed for June 2019. The purpose of the meeting is to conclude on balance responsibility use cases and discuss the Party Agent role.