

## **CfD Metering Policy - Embedded Exemptable Generation**

1. This paper sets out the metering arrangements for Embedded Exemptable Generators (EEGs) operating under the CfD mechanism.

### **Context**

2. To retain the benefits of EEGs (who cannot or do not wish to become party to the Balancing and Settlement Code (BSC) in their own right), an EEG's metering system is registered via an offtaker on the Supplier Metering Registration Service (SMRS). This registration process allows them to engage in the trade of electricity on the Total System.
3. Current market arrangements allow EEGs to sell their output to offtakers through new or existing market supply agreements (i.e. Power Purchase Agreements etc.) at wholesale price. Offtakers can then sell the output to the customer at retail price.
4. In line with BSC requirements, the offtaker as Registrant of the EEG's metering system is responsible for passing all Metered Output generated to the Balancing and Settlement Code Company (the BSCCo) to be settled.
5. CfD contracts are private law, bilateral contracts between an individual Generator and the CfD Counterparty. The contract includes a requirement that all Metered Output is correctly and accurately recorded. However, current BSC practice dictates that an EEG's Metered Output is aggregated with the output of all other EEGs associated with the offtaker and therefore there is no way of accurately determining the eligible output of the CfD-supported EEG.
6. EEGs have expressed concern that without an obligation on offtakers to register their metering systems consistent with the CfD requirement on Metered Output in paragraph four, a breach of CfD contract may occur in which they would be penalised. Equally though, Offtakers have expressed their view that no incentive exists on them to undertake activities outside of those required by the BSC (although there is acknowledgement of the benefits associated with taking on an offtaker role for a CfD-supported EEG).

### **Issue**

7. To facilitate CfD settlement, a new mechanism is required to ensure that a CfD-supported EEG's Metered Output is kept distinct and separate. Without offtaker involvement to correctly register the EEG's metering systems, the EEG will not be able to participate (and meet its contractual obligations) in the CfD scheme.
8. Offtakers will be required (through the consequential code and licence modifications) to register an 'Additional Balancing Mechanism Unit' (A.BMU) on behalf of a CfD-supported EEG, and assign a offtaker's Metering Point Administration Number (MPAN) to the EEG's BM Unit. This will provide an accurate Metered Output reading to the BSCCo, which will be passed to the CfD Settlement Services Provider.
9. The definition of input electricity outlined in the "Licensed Generators Directly Connected to the Total System" metering policy paper shall be applicable to EEG's.

10. Before an A.BMU can be used, it needs to be registered in two specific systems (as stipulated under current BSC Supplier Volume Allocation (SVA) processes). These systems are:
  - a. BSCCo Central Registration Agent system/s (CRA); and
  - b. Market Domain Database (MDD).

The MDD holds standing data items for the SVA arrangements. Registration is needed in the MDD because the offtaker must be able to assign Metering Systems to its A.BMU. The offtaker achieves this by instructing its Half Hourly Data Aggregator (HHDA) to assign the metering system to the A.BMU. Therefore HHDA's must be able to validate the A.BMU using MDD.

Based on the MDD timetable, the fastest an A.BMU can become effective is 42 business days. MDD is published once the changes have been ratified by the SVG.

11. Taking into account the impact registration could have on CfD settlement and the requirements placed on CfD contract holders; this timetable has been deemed too slow for EEGs with a CfD.

#### DECC Policy

12. DECC has adopted a "shell A.BMUs approach" which requires the registration of A.BMUs prior to their use. This approach ensures that the A.BMU mechanism will not impact on an EEG's obligation under the CfD scheme. It will also result in a much faster registration process.
13. Under this approach, BSCCo will automatically register one A.BMU for all licenced, active half-hourly export offtakers in the Grid Supply Point (GSP) Group in which they operate, where an EEG has been awarded a CfD (i.e. an A.BMU set). No monthly ABMUs charges will be incurred by offtakers under this policy.
14. All A.BMUs initially registered by the BSCCo will remain associated (irrespective of whether it is active/inactive; registered) with the CfD contract awarded to the EEG, for the full term. This will prevent the A.BMUs being used for any other purposes outside of its intended use under the CfD scheme.

A worked example has been set out at paragraph 21.

15. An EEG must provide at least three (3) months' notice to the CfD Counterparty of their proposed generation date. This obligation<sup>1</sup> forms part of the information required to be provided by Generator's under their CfD contract. An EEG must provide this information:
  - a. following signing of their CfD contract; but
  - b. prior to entering into a market supply agreement with an offtaker.
16. On receipt of the notice, the CfD Counterparty will instruct the BSCCo to register an A.BMU set as outlined in paragraph 13. The BSCCo will set the A.BMU's 'Effective from Date' in their central systems, based on the notice provided by EEG in paragraph 15.

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<sup>1</sup> Exact details of this obligation will be developed in early 2014.

17. For any Offtaker not already (but wishing to become) active at a GSP Group, they should notify the BSCCo of their intention to be included in the next batch of A.BMUs that will be registered for the EEG with CFD-support within that GSP Group. The BSCCo will undertake a quarterly review of active offtakers across all GSP Groups, and will automatically register an A.BMU for any new active Half Hourly Export offtakers.
18. The BSCCo will notify offtaker's when their A.BMU within the set of units is due to open (i.e. BSCCo registers the A.BMU). It will do this once notification has been received from the EEG that it has entered into a market supply agreement with an offtaker.
19. On entering into a market supply agreement with its chosen offtaker, the EEG must notify the CfD Counterparty accordingly. This information will be used to inform A.BMU registration process associated with the CfD scheme and shall be kept confidential in line with the conditions of their contract. All other remaining A.BMUs within the respective ABMU set and registered for offtakers within the GSP, will remain open for the duration of that Generator's CfD contract.
20. Subsequently, when an EEG's market supply agreement expires and/or the EEG opts to end the current arrangement, it should notify the CfD Counterparty body within a reasonable amount of time that suitably allows BSCCo to update their systems with the new offtaker arrangements. By allowing generator's the flexibility to move freely between market supply agreements according to their specific circumstances, this mechanism aligns with EMR offtaker policy and supports a move to a more liquid market.
21. Worked example:  
  
GSP Group 2
  - a. 1 EEG with a CfD
  - b. 16 Licenced HH Export offtakers operate within GSP Group\_A.
  - c. Therefore, 16 A.BMUs automatically registered and issued by the BSCCo (on notification from EEG to the CfD Counterparty that they wish to commence generating in 3 months' time).
  - d. The EEG enters into a market supply agreement with 1 of the 16 offtaker's for X number of years, and accordingly informs the CfD Counterparty.
  - e. Once the EEG's market supply agreement expires, and/or the EEG enters a new one, it must inform the CfD Counterparty within a reasonable amount of time.
  - f. On advice from the EEG, the CfD Counterparty notifies the BSCCo that the EEG has entered into an agreement with a new offtaker.
  - g. Steps e. to f. are repeated for the life of the EEG's CfD contract.