

## P273 'Make the SVA Funding Share calculation robust to changes in Scaling Weights' Consultation Responses

Consultation issued on 12 August 2011

We received responses from the following Parties

Company	No BSC Parties / Non-Parties Represented	Role of Parties/non-Parties represented
SmartestEnergy Limited	1/0	Trader/ Consolidator/ Supplier
E.ON Energy Solutions Ltd	5/0	Supplier
RWE npower	10/0	Supplier/ Generator/ Trader/ Consolidator/ Exemptable Generator/ Part Agent
Scottish Power	2/1	Supplier/ Party Agent
EDF Energy	10/0	Supplier/ Generator/ Trader/ Consolidator/ Exemptable Generator/ Party Agent

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

Question 1: Do you agree with the Panel's unanimous view that the Proposed Modification should be approved?

### Summary

Yes	No	Neutral/Other
3	1	1

### Responses

Respondent	Response	Rationale
SmartestEnergy Limited	No	Whilst we agree that this change would need to be made eventually on the grounds that there will be an increasing proportion of error associated with half hourly settlement (which will need to be accounted for) we are very concerned about due process here. By agreeing that the Proposed Modification should be approved, the Panel is prejudging any decisions relating to the sharing of error between HH and NHH.

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Respondent	Response	Rationale
		Is it right to commit to expenditure before it has been agreed that the changes it facilitates are necessary?
E.ON Energy Solutions Ltd	Yes	In order to facilitate the changes being delivered with more HH settlement it is necessary to correct this section of the code.
RWE npower	Yes	The Modification corrects an existing defect in the BSC, and ensures that it continues to deliver the correct intended measure and is robust to future changes in the Scaling Weights, particularly as the HH market is likely to increase over time.
Scottish Power	Yes	Given the proposed changes to the weighting of GCF with HH error now being taken into account this appears to be a prudent modification and will help align the volume calculations with the resultant funding share.
EDF Energy	-	-

## Question 2: Do you agree that the legal text delivers the intention of P273?

### Summary

Yes	No	Neutral/Other
4	0	1

### Responses

Respondent	Response	Rationale
SmartestEnergy Limited	No comment	-
E.ON Energy Solutions Ltd	Yes	-
RWE npower	Yes	-
Scottish Power	Yes	-
EDF Energy	Yes	The legal text appears to deliver the intention of achieving consistency between the legal text and the formula at Part 2 of Annex D-2, with an intention that the SVA (Consumption) funding share does not include volumes attributable to HH sites. We assume the intention is to preserve the existing cross-subsidy in central SVA Cost recovery given to suppliers with

Respondent	Response	Rationale
		NHH export, as described below.

### Question 3: Do you agree with the Panel's suggested Implementation Date?

#### Summary

Yes	No	Neutral/Other
4	1	0

#### Responses

Respondent	Response	Rationale
SmartestEnergy Limited	No	As well as the issue of process outlined above we believe that there is no need to rush into this change. We are of the view that changes to the sharing of error between HH and NHH should be aligned with P272 i.e. start to ramp up from 2014 onwards. There is no need to alter the status quo until that point as nothing has changed.
E.ON Energy Solutions Ltd	Yes	-
RWE npower	Yes	It is appropriate that this Modification is implemented in the February 2012 BSC Systems Release, so that the error can be corrected ahead of the introduction of non-zero Scaling Weights for HH from 1 April 2012.
Scottish Power	Yes	Although any proposed changes to the funding share calculations will be dependent on the implementation date of the changes to the GCF adjustments for HH.
EDF Energy	Yes	Implementation in the February 2012 release seems pragmatic.

### Question 4: Do you agree with the Panel's view that P273 should be progressed as a Self-Governance Modification Proposal?

#### Summary

Yes	No	Neutral/Other
5	0	0

#### Responses

Respondent	Response	Rationale
SmartestEnergy Limited	Yes	We agree that this modification should be progressed as a Self-Governance modification. However, we are very concerned that the decision on how to share settlement error between HH and NHH is not even to be the subject of a modification. If it were, it would certainly not be Self-Governance. This leads us to conclude that it should not be treated as a Change Proposal but a modification. We are still waiting for the Change Proposal to come forward on this matter but we suspect that it will not be sophisticated enough to deal with the differences between EHV HH and lower voltages; the former should not be subject to such high error sharing.
E.ON Energy Solutions Ltd	Yes	-
RWE npower	Yes	We believe P273 meets the required criteria and should be progressed as a Self-Governance Modification Proposal.
Scottish Power	Yes	-
EDF Energy	Yes	The proposal has relatively very small materiality, and will have a very small impact on affected parties or competition. It resolves an inconsistency between text and a formula in the BSC. It does not change the current cross-subsidy given to suppliers with NHH export, as described below.

## Question 5: Do you have any further comments on P273?

### Summary

Yes	No	Neutral/Other
2	3	0

### Responses

Respondent	Response	Rationale
SmartestEnergy Limited	No	-
E.ON Energy Solutions Ltd	No	-
RWE npower	No	-

Respondent	Response	Rationale
Scottish Power	Yes	<p>This modification would have benefited from additional information to help illustrate the function of the SVA funding share and how this relates to the GCF process. This is a very technical element of the SVA process and would have been easier to review if there was additional supporting material in place.</p>
EDF Energy	Yes	<p>We note that the proposal perpetuates the cross-subsidy in allocation of central SVA costs given by all SVA NHH suppliers to those NHH suppliers with sites with export to the distribution system. The current and the proposed calculation subtract SVA NHH export energy from import energy when determining liability to pay for central SVA costs through SVA (Consumption) charges. This is inconsistent with:</p> <ul style="list-style-type: none"> <li>• the Half Hourly Metering System Monthly Charge, applicable to each metering system regardless of import or export.</li> <li>• the Main Funding Share and SVA (Production) shares of central costs, which both seek to charge both delivery and offtake to transmission for BSCco related costs rather than allowing them to net.</li> <li>• summations used for the purposes of supplier performance measurement and supplier charges, where export is not netted from import.</li> </ul> <p>There is no obvious reason why export energy should reduce the liability to charges concerned with the central management of energy measurement and allocation, which depend primarily on the number of meters and issues relating to them, rather than a supplier's net energy. A supplier with a net NHH export would receive a credit for the relevant charges, without having contributed any saving to the central costs incurred. We assume that allocation by energy share is a pragmatic cost-sharing method, but see no obvious reason why export and import energy should net for this purpose.</p>