

CP Report – CP1361

Meeting Name Supplier Volume Allocation Group

Meeting Date 5 February 2013

Purpose of paper For Information

Summary This report provides details of the background, solution, impacts and industry views for CP1361 'Removal of Extreme EACs'. Due to the progression of related Modification Proposal P274 and the length of time that has passed since the industry last assessed the CP, ELEXON intends to issue CP1361 for a second Participant Impact Assessment. ELEXON invites the SVG to note this approach, and to give any views on the CP and its proposed implementation before this second industry assessment.

1. Why Change

What is the issue?

The use of Gross Volume Correction (GVC) can cause extreme EACs (Estimated Annual Consumption) that are very different from the customer's expected usage. An optional step in the current GVC process is to replace an extreme EAC with a realistic EAC. However, this step is often not undertaken and so the extreme EACs enter into Settlement. Although the extreme EACs will eventually be replaced by AAs (Annualised Advances) that are more reflective of usage, they result in volatility between Settlement runs.

The Proposer believes that extreme EACs are a major issue for the Distribution Loss Incentive Mechanism (DLIM), as they preclude adequate determination of when energy flows took place and create Settlement volatility. This not only creates uncertainty for Licensed Distribution System Operators (LDSOs) in their regulated allowable revenue, but also uncertainty for Suppliers in the Distribution Use of System (DUoS) charges they incur.

2. Solution

ENW Ltd raised CP1361 'Removal of Extreme EACs' on 25 November 2011. The CP seeks to place an obligation on Non Half Hourly Data Collectors (NHHDCs) to replace extreme EACs following the use of GVC, if the forward EAC (value being replaced) is:

- Demonstrably inconsistent with normal generation or demand for that Metering System; and
- Likely to lead to failure to validate subsequent readings.

This is currently only an optional requirement under BSCP504 'Non Half Hourly Data Collection for SVA Metering Systems registered in SMRS'.

CP1361 would therefore amend BSCP504 Section 4.14.4.7 to stipulate the instances in which extreme EACs must be replaced and make the step mandatory. The redlining in Attachment A details the changes that would be made to achieve this.

Making this step mandatory will ensure that extreme EACs are removed from Settlement data, thereby reducing volatility between Settlement runs and the consequential uncertainty for LDSOs (in their regulated allowable revenue) and Suppliers (in their DUoS charges).

Intended Benefits

CP1361 is intended to increase the accuracy of Settlement for all Suppliers and other impacted BSC Parties, thereby facilitating Applicable 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').

In addition, this CP would ensure that Settlement data better supports the operation of the DLIM and would help reduce uncertainty and risks for LDSOs and Suppliers. This could ultimately help reduce price volatility and risk premiums in retail tariffs to consumers, though this is outside the scope of the BSC.

3. Impacts and Costs

Central Impacts and Costs

The following table summarises the ELEXON effort required to implement CP1361.

ELEXON Costs		
Document Changes	System Changes	Total
BSCP504	None required	£940 (4 man days `effort)

Party Impacts and Costs

The following table summarises the Party impacts associated with CP1361, including those identified in responses received to the Participant Impact Assessment.

Party Impacts	
Party Type	Impacts & Costs
Data Collectors / Aggregators	Responses included 'unable to quantify', 'no costs' and 'low costs'.
Distributors	No costs.
Suppliers	Responses included 'unable to quantify', 'additional unnecessary costs' and 'high costs'.

4. Implementation Approach

CP1361 was originally issued for Participant Impact Assessment via CPC000706 on 25 November 2011, with the Proposer's requested Implementation Date of 28 June 2012.

The majority of respondents to the Impact Assessment indicated that they would need between three and six months' lead time in order to implement the change.

One respondent commented that, without additional information about the data to be captured and how it would be reported, they could not adequately assess the impact and would require a minimum of six months to carry out a full impact assessment on their internal processes.

Another respondent noted that they would only support a June 2012 Implementation Date if the change was approved in the next month (January 2012) to allow development to begin as soon as possible.

One respondent noted that their support for the change would depend on whether Modification Proposal P274 'Cessation of Compensatory Adjustments' was approved, as this proposed to end the use of GVC and would therefore make it unnecessary to implement CP1361.

At the time of the CP1361 Participant Impact Assessment, it was believed that the outcome of P274 would have a significant impact on the implementation of the CP.¹ CP1361 was therefore put on hold pending the outcome of P274.

Due to the length of time which has now elapsed since the original Participant Impact Assessment, we intend to revise the proposed Implementation Date for CP1361 to be 7 November 2013 as part of the November 2013 BSC Release. This takes account of the lead times requested by respondents.

5. SVG's Previous Views

CP1361 was first presented to the SVG at its meeting on 31 January 2012.²

During the meeting an SVG Member asked about the definition of extreme EACs. ELEXON noted that the definition was provided in the paper.³

The SVG considered that there was already a natural incentive on Suppliers to remove these extreme values and that they should be doing this already. ELEXON highlighted that while this is true there is no requirement for Suppliers to do it.

¹ See Section 6 for details of how the progression of P274 has since evolved.

² Further information on this meeting, including the approved minutes and CP1361 paper can be found on the SVG132 page of the BSC Website [here](#).

³ See Section 6 below for the reasons why ELEXON believes that this definition is clear.

An SVG Member asked about the number of instances and associated energy volumes. ELEXON suggested that we could obtain data from our EAC/AA monitoring system to support a decision. The SVG agreed to defer its decision on whether to approve or reject CP1361 until further data was available.

ELEXON provided the requested analysis to the SVG at its meeting on 28 February 2012.⁴

ELEXON provided analysis on the number of positive large EACs above the EAC/AA monitoring thresholds. ELEXON provided a graph showing the number of new positive EACs above the monitoring thresholds created each month. The analysis is only run every third month.

No data is available to estimate the number of abnormally high positive EAC values that would need to be replaced. By way of an indication, ELEXON examined EACs that were above the erroneously large EAC/AA monitoring Profile Class thresholds. We found that between three and four thousand instances are created each month. However, these are not necessarily the result of GVC and many are genuinely high values. Narrowing the data down to those positive EACs that are greater than 50% of the Annual Billed Units provided by Suppliers, we found only 241 instances in the current month's data. This would suggest that the number of large EACs (which haven't been replaced by Annualised Advances or lower EACs) is relatively small.

ELEXON recognised that the analysis was limited, but could support an argument that implementing the change will have limited benefit. However, ELEXON considered that the change would have a low impact on NHHDCs because there may be low numbers of EACs that need replacing. ELEXON also noted that the incentives are already there without the need for a mandatory requirement, as it is in Suppliers' interests to instruct NHHDCs to replace large EACs created by GVC with class average values. In addition, ELEXON advised that the rule for replacing positive forward EACs is already part of the GVC rules.

ELEXON recommended that the SVG should defer its decision until the outcome of P274 was known, to which the SVG agreed.

6. Industry Views

We received 12 responses to the original Participant Impact Assessment, of which seven agreed with the CP, four disagreed and one was neutral. Nine respondents indicated they would be impacted by this proposed change. Of these, four did not agree with the proposal.

One respondent believed that the lack of definition of 'extreme' was unclear, making it difficult to assess the likely impact of the proposal. ELEXON's view is that the CP is clear that an 'extreme' EAC is one that is

⁴ Further information on this meeting, including the approved minutes and CP1361 paper can be found on the SVG133 page of the BSC Website [here](#).

demonstrably inconsistent with normal generation or demand for that Metering System, and is likely to lead to failure to validate subsequent readings.

Two respondents who disagreed with the CP felt that processes already exist to manage and resolve erroneous large EACs and AAs. They therefore believed that the change would not represent an efficient use of BSC resources and would result in Parties incurring additional unnecessary costs. However, the processes currently in place are optional whereas the proposed change seeks to make them mandatory.

Of the seven respondents who agreed with the change, three were LDSOs. These LDSOs indicated no direct impact, but believed that the CP would result in greater Settlement accuracy which in turn would produce more accurate DUoS charges. Another three respondents stated only that they believed removing such EACs from Settlement was the right thing to do. Another respondent in support of the change indicated that further work should be done on providing clarity on what should be considered an 'extreme' EAC. However, as noted above, ELEXON's view is that the definition is clear.

The majority of respondents stated minimal cost and procedural changes as the main impact. However, as described above, one respondent noted a significant cost associated with carrying out an impact assessment and aligning existing system developments.

You can find the full collated participant responses to CP1361 in Attachment B and on the BSC Website [here](#).

8. Way Forward

Proposer's views

The Proposer continues to support CP1361 for the reasons outlined in Section 2 of this paper.

Next Steps

P274 is currently with Ofgem for decision and is recommended for rejection by the Panel. The P274 solution has been revised to restrict (rather than remove) the use of GVC and so has less impact on CP1361 than was originally expected.

ELEXON therefore intends to take CP1361 off hold and issue it for a second Participant Impact Assessment, with a revised proposed Implementation Date of the 7 November 2013 to reflect the elapsed time since the original Impact Assessment and the lead times requested by respondents to that assessment.

We invite the SVG to provide any comments and suggested changes to CP1361 now, so that we can take these into account before the second Impact Assessment. Note that we will bring back the results of the second Impact Assessment to the SVG's meeting on 30 April 2013. We anticipate that Ofgem will also have made its decision on P274 by then.

Recommendations

ELEXON invites the SVG to:

- a) **NOTE** that ELEXON intends to take CP1361 off hold and issue it for a second Participant Impact Assessment;
- b) **NOTE** the proposed amendments to BSCP504;
- c) **NOTE** the revised proposed Implementation Date of 7 November 2013, as part of the November 2013 Release; and
- d) **PROVIDE** any comments or suggested changes to CP1361 at this stage.

Attachments:

Attachment A – BSCP504 Redlining

Attachment B – CP1361 Consultation Responses

For more information, please

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