

## Assessment Consultation Responses: P274 'Cessation of Compensatory Adjustments'

**Consultation issued on 21 August 2012**

We received responses from the following Parties

Company	No BSC Parties / Non-Parties Represented	Role of Parties/non-Parties represented
TMA Data Management Ltd	0/1	NHHDC, NHHDA, HHDC and HHDA
Ecotricity Ltd	1/0	Supplier and Generator
Electricity North West	1/0	Distributor
RWE npower	10/0	Supplier, Generator, Trader, Consolidator, Exemptible Generator, Part Agent
EDF Energy	0/3	Supplier/ Party Agent
IMServ Europe Ltd	0/2	NHHDC & NHHMO
Scottish Power	1/1	Supplier/Party Agent
E.ON	5/7	HHDC – MIDE NHHDC - MIDE/EMEB/NORW MOP – ESML/EMEB/MIDE Supplier & Supplier Agents

What stage is this document in the process?

**01** Initial Written Assessment

**02** Definition Procedure

**03** Assessment Procedure

**04** Report Phase



## Question 1: Would the P274 Proposed legal text deliver the Proposed solution?

### Summary

Yes	No	Neutral/Other
7	1	0

### Responses

Respondent	Response	Rationale
TMA Data Management Ltd	YES	None Given
Ecotricity Ltd	YES	We are happy that the legal text is robust and detailed enough to ensure the proposed solution is delivered.
Electricity North West	YES	None Given
RWE npower	YES	None Given
EDF Energy	NO	<p>There is an error in Section 4.14.3. Scenario 1: Once the reading <math>X_3</math> has been identified as invalid we will deem a freezing read (<math>X_d</math>) in the RF window to preserve the crystallised data. The erroneous reading <math>X_3</math> would then be withdrawn and the evaluation of the compensatory volume would be based on the deemed reading <math>X_d</math> and not on <math>X_3</math>.</p> <p>Section 4.14.3 Scenario 2 does not adequately describe all the available permutations and <b>it is still possible for a compensatory advance between <math>X_d</math> and <math>X_4</math> to take place automatically without an error being reported.</b> Where a significant period has elapsed between the previous valid read and the latest read it is possible for the latest reading to be passed as valid (i.e. the advance is not negative and is less than twice the expected advance for the period). If the EAC of the previous reading is much higher (or lower) than the actual advance for the period in question then it is possible for the final deemed reading <math>X_d</math> to be greater (or much lower) than <math>X_4</math> after the intervening deemed reads have been processed. Since <math>X_4</math> has already been accepted as valid the resulting compensatory AA will be processed automatically.</p> <p>Section 4.14.3. scenario 3 is incorrect. The reading <math>X_3</math> has been subject to an RF settlement run so a freezing read (<math>X_d</math>) must deemed within the RF window, in accordance with 4.5.2(e). The compensatory advance would then be calculated between the points <math>X_d</math> and <math>V_1</math> rather than <math>V_2</math> and <math>V_1</math> as currently illustrated.</p> <p>Section 4.14.3. contains definitions for terms that</p>



Respondent	Response	Rationale
		<p>should be recorded in section 4.14.2.</p> <p>Section 4.14.5 paragraph 1 contains a discrepancy between the statement "The NHHDC should deem a "final reading" 10WD after the RF date" and the definition of the RF Window occurring between 5WD and 20WD. Either the definition of the "RF window" is superfluous or this statement should be: The NHHDC should deem a "final reading" within the RF Window. Following the logic above, the first sentence of paragraph 2 should be: The NHHDC will then deem an "initial reading" on the date used for the deemed "final reading".</p> <p>Section 4.14.5 refers to the deemed read as a "final" reading but is the specification of the reading type really necessary? The critical aspects of the process are the use of a freezing reading and an associated initial reading that will be used to re-initialise the reading history. Specifying a "final" reading type potentially adds complexity to the existing process used to deem a freezing reading within the RF window.</p>
IMServ Europe Ltd	YES	None Given
Scottish Power	YES	The proposed legal text does deliver the proposed solution
E.ON	YES	Though the amendments to the text are complex and lengthy, this fairly reflects the nature of the proposal.

## Question 2: Would the Alternative legal text deliver the Alternative solution?

### Summary

Yes	No	Neutral/Other
7	0	1

### Responses

Respondent	Response	Rationale
TMA Data Management Ltd	YES	In P274 Attachment C, 4.14.3, the reference to 4.14.5 is missing; it is listed only as 4.14.
Ecotricity Ltd	NEUTRAL	We do not wish to comment on the Alternative legal text. We do not support the Alternative Solution as it would not resolve the problems in the GVC.
Electricity North	YES	None Given



Respondent	Response	Rationale
West		
RWE npower	YES	None Given
EDF Energy	YES	The alternative proposal introduces the concept of an "Earliest GVC Date" and a defined audit trail. The proposed legal text delivers these changes without affecting the remaining text relating to the GVC process.
IMServ Europe Ltd	YES	None Given
Scottish Power	YES	Proposed Legal Text reflects the alternative solution
E.ON	YES	<p>The following text has been added since the first issue of the red-lined text and may be particularly burdensome to Suppliers:</p> <p>the NHHDC shall keep an audit record of every dummy meter exchange undertaken. These records</p> <p><sup>1</sup> A "dummy meter exchange" involves the use of Initial and Final Meter readings to effectively re-start consumption histories even though no actual, physical change of Meter has taken place. P274 21 August 2012 BSCP504 Alternative Redlining</p> <p>shall be made available on request to Suppliers, BSCCo or the BSC Auditor in a comma separated value (.csv) file or other agreed format.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> MSID;</li> <li><input type="checkbox"/> SSC, Profile Class, GSP Group and Energisation Status;</li> <li><input type="checkbox"/> Date dummy meter exchange undertaken;</li> <li><input type="checkbox"/> For each Settlement Register: <ul style="list-style-type: none"> <li>o Time Pattern Regime;</li> <li>o Final Meter Reading;</li> <li>o Initial Meter Reading;</li> </ul> </li> <li><input type="checkbox"/> Effective Date(s)</li> <li><input type="checkbox"/> Rationale for Change.</li> </ul> <p>Though keeping an audit trail for dummy meter exchanges is a good idea in principle, it needs to be clarified that this text only refers to dummy exchanges performed as part of the GVC process, where the error extends beyond the five years plus RF period and a dummy exchange is required to ensure the error compensated for does not include volume that pre-dates that boundary. Dummy exchanges are performed for a variety of valid reasons, and play a part in diverse business processes, and as such this</p>



Respondent	Response	Rationale
		text needs to clearly refer <i>only</i> to dummy exchanges as required by this proposal.

Question 3: Would implementation of the P274 Proposed solution impact your organisation? If you previously responded to the P274 assessment you may refer to your response, noting any differences/additions:

### Summary

Yes	No	Neutral/Other
7	1	0

### Responses

Respondent	Response	Rationale
TMA Data Management Ltd	YES	It would impact our procedures and systems.
Ecotricity Ltd	YES	We would benefit from the fact that GVC would be used less frequently and only on limited volumes. We would be less affected by the GSP group correction and the resulting distortions in pricing.
Electricity North West	NO	None Given
RWE npower	YES	As our systems and processes for correcting settlement errors using GVC were developed as a result of BSCP504. The proposed solution would dramatically change the processes available and would require extensive system and process changes.
EDF Energy	YES	As per the previous response.
IMServ Europe Ltd	YES	New processes and associated training for NHHDC team.
Scottish Power	YES	<p>We would incur one off costs associated with, IT – in order to make the necessary system changes; as well as incurring costs associated with completing documentation and retraining staff.</p> <p>One of the biggest concerns though would be the ongoing costs we would incur due to the value of any over settled volumes which under this proposal would now be written off.</p> <p>It would also adversely impact our ability to be able to bring our Settlement and Billing portfolios into alignment. This reconciliation represents a significant part of our data correction controls with adjustments being made in both directions to balance our Settlement (Purchase) and Billing (Sales) costs.</p>



Respondent	Response	Rationale
E.ON	YES	P274 would impose a new set of calculations sufficiently complex in nature that the decision making part of the process would have to be automated within Supplier and DC systems. The resultant IT cost would be prohibitively high. Similarly, processes would by necessity need to be re-written to incorporate the new guidelines, affecting multiple business areas and requiring the drawing up of new documentation plus the delivery of widespread training. Although P274 gives the appearance of retaining GVC as a corrective technique, the threshold limits placed on corrective advances would make GVC redundant in reality, removing the Supplier's ability to recover over-payment of charges.

Question 4: Would implementation of P274 Alternative solution impact your organisation? If you previously responded to the P274 assessment you may refer to your response, noting any differences/additions.

#### Summary

Yes	No	Neutral/Other
5	3	0

#### Responses

Respondent	Response	Rationale
TMA Data Management Ltd	YES	It would impact our procedures.
Ecotricity Ltd	NO	The alternative proposal would have a negative effect on us because the proposed 5 year limit is an inadequate solution. Under it we would continue to be subject to the existing problems that are caused by use of GVC to correct errors.
Electricity North West	NO	None Given
RWE npower	YES	We would need to make slight amendments to our existing processes for when we carry out Gross Volume Corrections.
EDF Energy	YES	As per the previous response
IMServ Europe Ltd	YES	New processes and associated training for NHHDC team
Scottish Power	NO	No additional costs



Respondent	Response	Rationale
E.ON	YES	The implementation of the alternative solution would be relatively straightforward, as the number of instances affected would be low, and could be ring-fenced within the existing GVC process. No automation would be required and training can be restricted to members of a single team.

Question 5: Do you agree with the proposed P274 implementation approach for the Proposed solution?

#### Summary

Yes	No	Neutral/ Other
6	2	0

#### Responses

Respondent	Response	Rationale
TMA Data Management Ltd	YES	The changes required for proposed P274 are complex and affect systems as well as procedures; therefore a lead-time of 12 months between the approval and the planned implementation date is required.
Ecotricity Ltd	YES	We agree that 12 months is a sufficient length of time for parties to adjust to the changes.
Electricity North West	YES	None Given
RWE npower	YES (with caveat)	Should the proposed solution be implemented we would require an absolute minimum of 12 months to develop and deploy the required changes. However, we must stress that should these changes trigger re-qualification for agents then there would be a need to extend the implementation date to allow time for the qualification process to be followed, especially considering the number of agents who may need to re-qualify at the same time.
EDF Energy	NO	The planned 12 month implementation period is only achievable if re-qualification of the NHH DC application proves to be unnecessary.
IMServ Europe Ltd	YES	None Given
Scottish Power	YES	Scottish Power agrees that a release of at least 12 months from the date of approval is reasonable. As this will allow us to develop a training programme for staff as well making all the necessary system/process changes as well as completing all our necessary



Respondent	Response	Rationale
		documentation changes.
E.ON	NO	<p>The proposed solution does not address a genuine defect within the BSC or BSCP504. It attempts to remove a valid BSC corrective technique because of unintended consequences felt outside of settlements arrangements in the Losses Incentive Scheme. GVC is a robust and useful mechanism for correcting erroneous data which ensures that, where possible, gross volume is adhered to.</p> <p>The proposed solution does not improve the existing baseline. It is overly complex, requiring significant system and process changes in Supplier/DC systems, and represents a step backwards rather than a step forwards.</p> <p>There is a significant risk that the proposed solution will create a rush for GVC before the implementation date. The implementation of CP1311, which restricted the use of GVC to the RF boundary, created a problematic spike in data cleansing. It has been stated that P274 would have a lesser effect, due to the completion of that previous bulk of GVC corrections, but this is debateable. The data shows that the industry is still performing GVC as a "business as usual" process, and P274 proposes a much more radical amendment to the GVC process, reducing the possibility of significant recovery to almost nothing, and as such, the industry-wide response is likely to be similarly radical. Restricting the use of GVC at DF still left it as a possibility at RF, whereas this mod removes the effective use of GVC almost completely. As a result, the rush for GVC may well be much more significant than that instigated by the implementation of CP1311.</p> <p>By vastly reducing the efficacy of GVC, the proposed solution will naturally result in an increase in trading disputes. There is a good reason for the existence and continual use of GVC, and the effective removal of such a useful corrective mechanism will have an inevitable knock-on effect on other extant mechanisms. P274 therefore doesn't fix the perceived problem, but simply shifts it elsewhere.</p>



## Question 6: Do you agree with the proposed P274 implementation approach for the Alternative solution?

### Summary

Yes	No	Neutral/ Other
7	1	0

### Responses

Respondent	Response	Rationale
TMA Data Management Ltd	YES	None Given
Ecotricity Ltd	NO	We do not support the implementation of the Alternative solution at all, because we believe simply limiting the use of GVC to five years from the latest RF run is inadequate solution.
Electricity North West	YES	None Given
RWE npower	YES	As the alternate solution requires so little change, we are supportive of the proposed implementation approach.
EDF Energy	YES	This is achievable
IMServ Europe Ltd	YES	None Given
Scottish Power	YES	Due to the minor changes required under the Alternative solution this change could be input relatively quickly (e.g. we would be happy to implement this within a month of OFGEM approval) and certainly by the proposed time of the next suitable BSC release which is at least 3 months from the date of approval. We see this is a purely a documentation change to our Supplier & NHHDC processes.
E.ON	YES	The alternative solution addresses "unfair" GVCs, where many years of accumulated volume is compensated for in the fluid period. It leaves the very useful GVC mechanism in place while curtailing its excesses. Unlike the proposed solution, it will not be burdensome on any industry party as no system changes are required, and the general consensus of the operational members of the MOD group was that the new process can be "ring-fenced" and implemented with speed.



## Question 7: Would Proposed Modification P274 help to achieve the Applicable BSC Objectives compared to the current baseline?

### Summary

Yes	No	Neutral/Other
2	6	0

### Responses

Respondent	Response	Rationale
TMA Data Management Ltd	NO	As there is no current defect of the BSC, the proposed P274 modification would not better facilitate objective d.
Ecotricity Ltd	YES	<p><b>Applicable Objective C) Improving competition:</b> P274 would prevent parties from being able to game the GVC and benefit from adjusting the period in which their volume is deemed to have been used.</p> <p><b>Applicable Objective D) Improving efficiency:</b> P274 will create a strong incentive for suppliers to settle the correct volume within 14 months. We believe that this will be an easy change to implement and it a simple approach that does not require additional work. Data would be handled in exactly the same way as it is when no GVC is applied.</p>
Electricity North West	YES	<p>There are two main benefits of the P274 Proposed Modification:</p> <ol style="list-style-type: none"> <li>1. Improvement to the accuracy of settlement in terms of more accurately reflecting the flow of energy within the 28 month disputes boundary; and</li> <li>2. Provision of an additional incentive to settle the correct volume of energy within the 14-month reconciliation window.</li> </ol> <p>The first of these benefits better facilitates Objective (c), the promotion of effective competition, specifically as follows:</p> <p>Improves LDSOs' ability to produce suitable forward looking Line Loss Factors (based on historical Settlement data) for use in Settlement, increasing Settlement accuracy which would tend to promote effective competition;</p> <p>Reduces the possibility that new entrants would have energy volumes attributed to them that relate to periods before they began trading (through the effect of GSP Group Correction Factor on the compensatory error volume), which removes a potential deterrent for new entrants and therefore promotes competition;</p> <p>Reduces the extent to which Suppliers (large and</p>



Respondent	Response	Rationale
		<p>small) may have energy volumes attributed to them that relate to periods with different wholesale energy prices (through the effect of GSP Group Correction Factor on the compensatory error volume), which would tend to promote effective competition. Addresses unreasonable GVC usage (i.e. application of GVC over periods beyond the 28 month disputes boundary).</p> <p>The second benefit outlined above better facilitates Objective (d), the promotion of efficiency in the settlement arrangements.</p>
RWE npower	NO	Npower agrees with the majority of the workgroup that the proposed solution would have a detrimental impact on objectives C & D for the reasons highlighted within the consultation.
EDF Energy	NO	If the proposed change is implemented then the gross volume of energy will not be settled correctly. The increased uncertainty around energy volumes would adversely affect the market and conflicts with BSC Objective c to promote effective competition in the generation and supply of electricity. The proposed change will also be unnecessarily complex and expensive to deliver and therefore fails to meet the requirements for BSC objective d.
IMServ Europe Ltd	NO	Current processes are there to correct data issues that arise – and when needed these work as required. Removing this ability to cover errors will ultimately distort the whole amount of energy that is settled. Hence this is against objective C. The Proposed Mod is also unwieldy and complicated. This is against objective D.
Scottish Power	NO	<p>Scottish Power feels particularly strongly that the proposed Modification does NOT better facilitate the BSC Objectives C &amp; D.</p> <p>Since the introduction of GVC no Trading Party impacted by the use of Gross Volume Correction has ever raised a dispute concerning its use. Moreover, the BSC Auditor randomly checks that the use of GVC is being applied correctly by Trading Parties, and to our knowledge no issues with its application have been reported.</p> <p>The use of Gross Volume Correction (GVC) by Suppliers is seen as a pragmatic way to resolve error without the need for the formal dispute process under BSCP11 to be invoked. The current baseline reconciles energy volumes, whereas this proposed Modification will involve writing off energy volumes even though</p>



Respondent	Response	Rationale
		<p>the volume has been subsequently proved to be incorrect. The whole concept of writing off error seems counter intuitive to the aims of the Balancing &amp; Settlement Agreement.</p> <p>Clearly, if you remove this error correction technique, parties will seek recourse via the Trading Dispute Committee which will adversely impact the efficiency of the BSC. (Objective D).</p> <p>In addition, the proposed modification solution allows for different 'crystallised periods' depending on whether a GSP Group is in the Dispute (DF) Process or not. This seems counter intuitive to promoting efficiency in the BSC (Objective D) – For example, those GSP Groups which have exited the dispute process (i.e. currently 4 out of 14) due to improved performance will be unable to benefit from the use of GVC up to DF, whereas poor performing GSP Groups will still be able to benefit from being able to use GVC. In other words Suppliers will benefit from greater error resolution through poor performance! Clearly there is a disincentive to exit the dispute process as a result.</p> <p>If Suppliers are forced to write off error, it is Customers who ultimately will pay the price, as Suppliers are unlikely to absorb the cost of writing off error.</p> <p>New entrants are also likely to be deterred from entering the market due to their inability to correct error and adverse charging under this proposal.(objective C)</p>
E.ON	NO	<p>Objective C: Restricting the use of GVC and mandating the use of dummy exchanges would by its very nature ensure a degradation of settlement data quality. Stepping away from gross volume as a principle means that Settlements would no longer be an accurate reflection of energy actually supplied. Writing off energy would be detrimental to Suppliers and therefore to competition.</p> <p>Objective D: P274 would introduce significant complexity to the current arrangements and would be overly burdensome to Suppliers and Data Collectors. GVC is already sufficiently audited and controlled, and no actual defect in the BSC has been identified that necessitates such a change.</p>



## Question 8: Would Alternative Modification P274 help to achieve the Applicable BSC Objectives compared to the current baseline?

### Summary

Yes	No	Neutral/ Other
4	3	1

### Responses

Respondent	Response	Rationale
TMA Data Management Ltd	YES	Objective C would be better achieved with the Alternative Modification than the current baseline as it limits the use of GVC over extensive periods and improves control of it use with the audit trail requirements.
Ecotricity Ltd	POSSIBLY	Any positive effect that the alternative proposal has would be minimal.
Electricity North West	NO	Alternative Modification P274 would not be effective in better facilitating the applicable Objectives (c) or (d): Although it has been suggested that the Alternative would provide additional control and transparency around GVC, adequate audit trail and reporting exist under the current arrangements (and, though not part of the existing baseline, CP1360 „Inclusion of Audit Records for Gross Volume Correction and Dummy Meter Exchanges“ will, if approved, do more to improve this area than the Alternative solution would); Similarly, although the Alternative would restrict GVC usage to a period not exceeding 6 years and 2 months, this limit is too long to bring about the benefits to competition identified for the Proposed Modification.
RWE npower	YES	The alternate solution is an improvement on the existing processes and therefore better achieves the applicable BSC objective(s) than the existing baseline.
EDF Energy	NO	The volume of GVC carried out where the start of the error period extends more than 5 years past the final reconciliation date is not significant. The only practical benefit that this change introduces is the robust auditing of GVC activities and CP1360 has already been raised to address this issue. The alternative modification therefore fails to meet the requirements of BSC objective d.
IMServ Europe Ltd	NO	If an error is discovered then we feel it is only right to correct the whole error, rather than introduce an arbitrary cut off and only allow for part of the error to



Respondent	Response	Rationale
		be compensated. Therefore this is against objective C.
Scottish Power	YES	<p>The alternative Modification will limit the time period to which GVC can be applied and therefore provide additional control and transparency over the current baseline. (objective D).</p> <p>By setting a time limit for which GVC can be recovered; this limit can be reviewed each year with the aim to increasingly tighten the timescales as the Industry improves. By having an approach of looking for continuous improvement you should minimise any spike in corrections and thus any adverse impact on the Distribution Losses Incentive Mechanism. (Again, this would improve and promote the efficiency of the BSC and meets Objective D).</p> <p>In addition, the setting of a reviewable time limit can ensure that any unreasonable application of GVC over excessively long periods is avoided, and therefore provide assurance to new entrants (objective C).</p>
E.ON	YES	<p>Objective C: Additional control would be created to further cement the GVC process and ensure "unreasonable" GVCs are not performed. The ability to redress errors is important to new Suppliers and as such, removing that ability is detrimental to competition.</p> <p>Objective D: The ability to review thresholds builds flexibility into the future arrangements</p>

**Question 9: Would Alternative Modification P274 better help to achieve the Applicable BSC Objectives compared to the Proposed Modification?**

#### Summary

Yes	No	Neutral/ Other
6	2	0

#### Responses

Respondent	Response	Rationale
TMA Data Management Ltd	YES	It would better facilitate BSC Objective d as it would make the use of GVC more controlled.
Ecotricity Ltd	NO	The proposed modification would be of substantial benefit to the industry. It locks in errors that have passed the RF run. We believe that 14 months is more than sufficient time to fix an error and it should not be necessary to adjust later periods to make up for unresolved errors.



Respondent	Response	Rationale
Electricity North West	NO	The P274 Proposed Modification would better facilitate the achievement of Objectives (c) and (d) compared with the Alternative for the following reasons: Limits the extent to which energy is settled in periods other than those in which it was consumed by both volume and time (as opposed to the Alternative which only limits the use of GVC by time); The Alternative would have no significant practical impact.
RWE npower	YES	The alternate solution is an improvement on the existing processes and therefore better achieves the applicable BSC objective(s) than the existing baseline or the proposed solution as per our answer to question 7.
EDF Energy	YES	Unlike the proposed modification, the alternative modification maintains the integrity of the settlement process by ensuring that the gross volume of energy is accurate and that no energy is written-off. It is also a less complex, cheaper and faster solution to implement than the proposed modification.
IMServ Europe Ltd	YES	GVC should continue to be allowed and ultimately better achieves objective C – and the Alternative solution is much more practicable and implementable than the Proposed - so Alternative better achieves objectives C and D compared to the Proposed
Scottish Power	YES	<p>Scottish Power believes that the Alternative Modification will better facilitate BSC Objectives C &amp; D compared to the proposed Modification, as it provides an added layer of control by applying a time limit; which in turn can be reviewed to introduce flexibility into the arrangements which promotes efficiency of the BSC in accordance with objective D.</p> <p>In addition, the Alternative Modification significantly minimises the level of error that is being written off; and thus the Alternative would be less of a deterrent to a new entrant under Objective C.</p> <p>The proposed Modification would introduce an extra layer of complexity; in terms of its technical solution; as well as applying different rules for different GSP groups (Depending on whether or not they are in the Dispute Process) which would not enhance efficiency of the BSC and therefore does not meet Objective D whereas, as stated above, the Alternative Modification clear meets Objective D.</p>
E.ON	YES	For the reasons stated in questions 7 and 8.



## Question 10: Do you have any further comments on P274?

### Summary

Yes	No
4	4

### Responses

Respondent	Response	Rationale
TMA Data Management Ltd	NO	None Given
Ecotricity Ltd	YES	We disagree with the workgroup position that no defect exists in the BSC in relation to BSC. GVC makes Settlement periods less reflective of the actual energy supplied during that time and distorts compensation received by suppliers.
Electricity North West	NO	None Given
RWE npower	YES	Npower question the validity of the defect that has been identified as we cannot agree with the defect identified by the proposer. P274 was devised to stop compensatory adjustments having a negative effect on the DLIM which is a process that is not governed by the BSC. However, we feel that the process improvement identified by the alternate solution is a sensible process change and tightens up the rules of a useful industry process.
EDF Energy	NO	None Given
IMServ Europe Ltd	NO	None Given
Scottish Power	YES	<p>Scottish Power believes that this Modification has highlighted the need for greater transparency in the use of GVC. As such, we feel that the introduction of reporting of GVC proposed under CP1360 would aid the Industry's understanding as to the size/ use of GVC and (although outside the scope of the BSC) its impact on the DLIM in the future.</p> <p>This approach would give a much clearer indication as to the ACTUAL use of GVC today, as comparisons to any historical data available are now pretty meaningless due to the implementation of CP1311 in Feb 2010. This is because any figures prior to this date are based on DF corrections whereas today they are based on RF corrections.</p> <p>In addition, one of the unforeseen consequences of the introduction of CP1311 was the rush of parties to correct errors up to DF, which clearly created a 'spike' in corrections and had an impact on Losses in DLIM. Clearly, if this proposed Modification is implemented there will be a further rush to correct data up to RF to</p>



Respondent	Response	Rationale
		<p>minimise the amount of error that Suppliers will have to write off. Consequently this Modification may well lead to a further 'spike' in corrections and have an adverse impact on future DLIM calculations.</p> <p>We believe, that further analysis on how much GVC is being performed today, together With the controls that the alternative modification will bring around limiting the use of GVC will best preserve the integrity and efficiency of the BSC and avoid a situation of winners and losers which will be created if unresolved error is simply written off.</p>
E.ON	YES	<p>It has been argued by the proposer that because Group Correction Factor (GCF) smears missing volume across the participants in any given GSP, then the proposal's disregard of gross volume is not an issue. The balancing mechanism of GCF could be used as an argument to counter any push to achieve data quality. All settlement correction processes could be abandoned under this argument. If GCF is a fix all for settlement inaccuracies, then there is no need for any other corrective technique. As such, it is dubious to quote GCF as any kind of rationale in this discussion.</p> <p>Secondly, DUOS charges are not reallocated as a result of GCF, and so impacts to Suppliers are not entirely ruled out by GCF. GCF in itself does not allocate energy "fairly", but smears it across the relevant participants, which can be a barrier to competition due to the affect such smearing has on smaller Suppliers, who may not be able to take the hit of extra charges for energy they did not Supply.</p>