

Modification proposal:	<b>Balancing and Settlement Code (BSC) P222: Provision of EAC and AA data to Distributors ("P222")</b>		
Decision:	The Authority <sup>1</sup> has decided to reject the Proposed Modification and direct that the Alternative Modification Proposal be made <sup>2</sup>		
Target audience:	National Grid Electricity Transmission Plc (NGET), parties to the BSC and other interested parties		
Date of publication:	18 July 2008	Implementation Date:	25 June 2009

## Background to the modification proposal

Metered consumption by customer type is used as a proxy for load flow when carrying out network design. Prior to business separation of supply and distribution activities each Distribution Network Operator (DNO) had ready access to the majority of this data for its licensed area.

P222 sets out two proposals for making the Estimated Annual Consumption (EAC) and Annualised Advance (AA) data that is provided to suppliers through the D0019 'Metering System EAC/AA data' flow available to the Network Operators.

A previous similar modification proposal (P43) was raised by Western Power Distribution (South West) plc in October 2001, which proposed that EAC and AA data should be provided to Licensed Distribution System Operators (LDSOs)<sup>3</sup>. P43 was rejected by the Authority at that time noting that '*at present*'... '*the proposal may lead to additional overall costs and that such costs will have to be borne by other parties*' and that '*it is questionable whether the required change necessary to provide such data is warranted relative to the expense that might be incurred*<sup>4</sup>. At that time the Authority suggested, subject to review in the light of developing circumstances, that the provision of such data could be achieved outside the BSC and noted that LDSOs could propose a change to their Distribution Use of System (DUOS) arrangements that were in place at that time that could require suppliers to provide the data.

## The modification proposal

P222 was raised by The Electricity Network Company Ltd (the Proposer) on 1 February 2008 with the aim of providing LDSOs with EAC and AA information through placing a specific obligation on the supplier (via their Non Half Hourly Data Collector). The objective is to give LDSOs a better understanding of the loading of their network which should allow for better facilitation of Applicable BSC Objective (c) 'promoting effective competition in the generation and supply of electricity'.

The Modification Group developed two proposals – the original Proposed Modification P222 and an Alternative Modification P222. These are summarised below and are described in more detail in the Modification Group's Final Modification Report (FMR) to the BSC Panel.

### *Proposed Modification*

The Proposed Modification seeks to provide LDSOs with EAC and AA information through placing a specific obligation on the supplier (via their Non Half Hourly Data Collector) to send a D0019 'Metering System EAC/AA data' flow to the LDSO at the same time as it is sent to the supplier and Non Half Hourly Data Aggregator.

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> The term 'LDSO' derives from Elexon Ltd and BSC terminology and means the DNO or IDNO as appropriate.

<sup>4</sup> Letter to NGET, BSC signatories and other interested parties 'Modification to BSC – Decision and Notice in relation to Modification Proposal P43' dated 22 March 2002

### *Alternative Modification*

The Alternative Modification seeks to provide LDSOs, who wish to receive it, with a snapshot of EAC data through placing a specific obligation on the supplier (via their Non Half Hourly Data Aggregator) to send a new quarterly data flow on CD. The data will detail Non-Half Hourly consumption EAC<sup>5</sup> by GSP Group, Profile Class and Line Loss Factor to provide site specific consumption data.

### *Third non-BSC option considered by the Modification Group*

A third option which was considered by the Modification Group is for each Network Operator to make their own arrangements under the Distribution Connection Use of System Agreement (DCUSA) for the EAC and AA data to be made available for their licensed areas from each supplier. This option would not involve the BSC.

### **BSC Panel<sup>6</sup> recommendation**

The Draft Modification Report and respondents' views to it were considered by the BSC Panel at its meeting on 12 June 2008. A minority of Panel members reiterated a view that there were no benefits arising under the BSC from P222. The Panel acknowledged the difficulty in identifying unequivocally the evidence of the benefits but the majority felt on balance that those arguments in favour of why the Applicable Objectives<sup>7</sup> are better facilitated had merit. Most Panel members agreed the benefits under objective (c) were the most pertinent, whilst there was mixed views on the overall benefits to (b) and (d).

It was acknowledged that a number of the arguments were common to both the Proposed and Alternative Modifications but that the Alternative Modification contained the efficiency of only providing the data to those distributors who would use it and reduces the overall cost and burden to industry. For this reason the majority of the Panel members agreed the Alternative Modification should be made. The Panel therefore recommended by a majority that Proposed Modification P222 **should not** be made and that Alternative Modification P222 **should** be made.

### **The Authority's decision**

Having considered the issues raised by P222, the FMR dated 13 June 2008 and the responses to Elexon's<sup>8</sup> consultation on P222 which are attached to the FMR<sup>9</sup>, the Authority has concluded that:

1. Implementation of either the Proposed Modification or the Alternative Modification would better facilitate the achievement of the applicable objectives of the BSC<sup>10</sup>;
2. Implementation of the Alternative Modification will best facilitate the achievement of the applicable objectives of the BSC as compared with the current baseline and the Proposed Modification; and

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<sup>5</sup> The flow will contain EAC data as opposed to AA data as EAC data is a better guide to customer's consumption.

<sup>6</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC.

<sup>7</sup> BSC Objectives:

(a) 'The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence' and  
(b) 'The efficient, economic and co-ordinated operation of the GB Transmission System'.

(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'.

(d) 'Promoting efficiency in the implementation and administration of the balancing and settlement arrangements'.

<sup>8</sup> The role and powers, functions and responsibilities of Elexon are set out in Section C of the BSC.

<sup>9</sup> BSC modification proposals, modification reports and representations can be viewed on the Elexon website at [www.elexon.com](http://www.elexon.com)

<sup>10</sup> As set out in Standard Condition C3(3) of NGET's Transmission Licence, see: [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=4151](http://epr.ofgem.gov.uk/document_fetch.php?documentid=4151)

3. Directing that the Alternative Modification be made and the Proposed Modification is rejected is consistent with the Authority's principal objective and statutory duties<sup>11</sup>.

### **Reasons for the Authority's decision**

We note the Panel identified that the links to the Applicable BSC Objectives were tenuous and indirect. We recognise that, whilst it is straightforward to identify the costs, it is difficult to quantify the benefits of P222 and that LDSOs would only be able to do this with any accuracy after they have received the EAC and AA data.

The benefits under the BSC are not clear as the main arguments for the modification are that it will improve the efficiency and operation of the distribution networks. Similar difficulties with quantifying the benefits arising from changes associated with transparency and provision of information have also been identified for previous Modifications. However, on balance we consider that the EAC and AA data can be provided at relatively low cost and would provide the LDSOs with more information regarding the use of their existing network. This can help identify if they can add more demand or generation load on the existing network or not, and inform investment decisions.

There have been a number of critical changes since P43 was rejected in 2001. These include; the reduced availability for Network Operators to view current customer consumption data due to further separation of supply and distribution businesses, the emergence of IDNOs and an increase in distributed energy. P222 has been raised to inform network investment decisions in the context of this increased complexity. New demand and generation customers should benefit from the provision of this information to LDSOs as it should enable them to better design their network and avoid unnecessary reinforcement.

We believe that some LDSOs opposed the proposals as they have developed their own processes for estimating consumption data and consequently they did not have a need for this modification. IDNOs have identified the benefit of using this information in the efficient design of their networks and therefore have the option of setting up their systems to take in to account existing data flows. However, we support the argument that it is not beneficial for the industry to have multiple individual systems set up to derive the data, compared to a central system that distributes this to all parties.

We noted that a non-BSC solution to the provision of EAC and AA data via the D0019 'Metering System EAC/AA data' flow could be to introduce a requirement within the DCUSA for suppliers to provide LDSOs with equivalent data. In our P43 decision letter<sup>12</sup>, we had expressed the view that the provision of site-specific consumption data to LDSOs best lay outside the BSC, subject to review in the light of developing circumstances. We are aware of the debate regarding the costs of this modification being borne by suppliers and have therefore considered whether a DCUSA change might be more appropriate. However, we note that, if the provision of EAC and AA data to LDSOs was progressed under the DCUSA rather than the BSC, suppliers might still be responsible for bearing the costs of providing this data in accordance with existing Clause 29 of the DCUSA (which obliges suppliers to meet the costs of certain data provision to LDSOs).

We believe because the EAC and AA data is in the BSC domain, it should be made available to LDSOs. Denying LDSOs (and especially the Independent LDSOs) the data would be detrimental to their ability to provide cost reflective connection charges.

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<sup>11</sup>The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

<sup>12</sup> Letter to NGET, BSC signatories and other interested parties 'Modification to BSC – Decision and Notice in relation to Modification Proposal P43' dated 22 March 2002

We note the observation that P222 could provide an alternative to the installation of boundary metering between LDSO networks. However the Assessment Report and discussion had not focused upon this in great detail as an additional benefit and therefore we see this as a fringe benefit and not as the primary driver for this modification. Nonetheless, we note that an alternative to boundary metering between networks with different operators would benefit Independent Distribution Network Operators (IDNOs) as it will remove an area of cost currently incurred by them that is not incurred by the host Network Operator.

We note that the difference between the two proposals is that under the Alternative Modification the EAC and AA data is supplied quarterly on a CD Rom at the request of the LDSO. The Alternative Modification avoids an ongoing annual cost of £25,000 for the electronic transfer of the data. This cost would ultimately be borne by suppliers. However under the Alternative Modification there is an initial implementation cost of £90,000 for Elexon and their IT service provider to make necessary software changes; this is offset within four years by the annual savings for data transfer. The total cost of the Alternative Modification is £94,000.

We note that some respondents considered that there is insufficient evidence of the need for either the Proposed Modification or the Alternative Modification; we do not accept this and believe that P222 better facilitates competition in the generation and supply of electricity for the reasons set out below under Applicable Objective c).

*Applicable 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;*

P222 should assist the LDSOs by enabling them to plan and utilise their existing network more efficiently and identify areas of the network where capacity could be released (e.g. to distributed or smaller generators). By enabling the DNOs to identify areas of the network where additional capacity could be released to generating units, this potentially will enable more generation to connect to the system thereby promoting competition. In addition, the provision of more information should assist the LDSO in planning investments on their networks more efficiently which again, should promote competition.

We consider that either Proposed Modification or the Alternative Modification would better facilitate Applicable Objective c) than the current baseline. However the Alternative Modification best facilitates the achievement of the applicable objectives on the grounds of cost as it is at the discretion of the LDSO how they choose to process the data from the CD Rom.

### **Decision Notice**

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority hereby directs that Alternative Modification Proposal P222: *'Provision of EAC and AA data to distributors'* be made and implemented.



**Rachel Fletcher**  
**Director Distribution**

Signed on behalf of the Authority and authorised for that purpose.