Responses from P216 Definition Report Consultation

Consultation Issued on 12 September 2007

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	GTC	P216_DEF_01	1	1
2.	SmartestEnergy	P216_DEF_02	1	0
3.	UDMS	P216_DEF_03	0	3
4.	RWE Npower Limited	P216_DEF_04	10	0
5.	United Utilities Electricity Ltd	P216_DEF_05	1	0
6.	E.ON UK Energy Services Limited	P216_DEF_06	0	1
7.	Haven Power Limited	P216_DEF_07	1	0
8.	WPD (S Wales) and WPD (S West)	P216_DEF_08	2	0
9.	EDF Energy	P216_DEF_09	9	0
10.	British Energy	P216_DEF_10	5	0
11.	Central Networks	P216_DEF_11	2	0
12.	SAIC Ltd. (for and on behalf of ScottishPower)	P216_DEF_12	6	0

P216 DEFINITION PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Michael Harding*
Company Name:	*GTC*
No. of BSC Parties Represented	*1*
Parties Represented	*The Electricity Network Company*
No. of Non BSC Parties Represented (e.g. Agents)	*1*
Non Parties represented	*The Electricity Network Company).*
Role of Respondent	*Distributor and MOP [1])*
Does this response contain confidential information?	*No*

Q	Question	Response [1]	Rationale
1.	Do you have a view on the perceived defect, with regard to either the transparency of Line Loss Factor (LLF) calculations or the materiality of inaccurate LLFs which P216 seeks to address? Please give rationale	Yes	The inaccuracy of losses calculated using LLFs will be determined by the average Group Correction factor for a fourteen month period day. What is difficult to ascertain is the accuracy of LLFs for different customer groups connected at different voltage levels
2.	What do you believe LLFs currently represent? For example the technical losses associated with a site, a representation of the total losses apportioned to that site, or another definition. Please give rationale	-	Technical losses. The DNO has to calculate losses based on information made available to him. Losses from theft etc are unavailable to DNOs. Therefore any assumptions used on these will be based on historic data from days as a PES. What LLFs represent has probably changed from separation of supply and distribution businesses.

[1] Delete as appropriate – please do not use strikeout, this is to make it easier to analyse the responses

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
3.	What do you believe LLFs should represent? Please give rationale	-	From a settlement perspective line loss factors can only represent the differences between the amounts of electricity entering a distribution system via GSP or import points on a distribution system and amounts of electricity leaving the distribution system via a GSP or exit points. The purpose of group correction factors should be to correct profiling errors. Over the settlement time period the average group correction factor should be unity. Therefore the LLF will take account for all losses: theft, energy not entering Settlement through DCs and DAs as well as technical losses.
4.	Do you believe that P216 requires any further definition? If so in which area? Please give rationale	Yes	It should be noted that more than one LDSO may operate in a GSP Group. IDNOs will connect networks to DNO distribution systems within a GSP groups (as DNOs will connect networks to other DNO systems within a GSP Group) IDNO LLFs submitted to Settlement will be an aggregate of the upstream DNO loss factors and the downstream distributor lass factors (IDNO or DNO). However, with the exception of EHV site specific LLFs, DNOs are based on averages for the GSP group (as are GCFs). We would contend that the generic LLFs for a GSP group should be common all distributors with networks in that GSP group.
5.	Do you support the principle of P216 that because LLFs are primarily used within the BSC for settlement purposes, the LLF methodologies should sit under the BSC? Please give rationale	Yes	DNOs have incentives to reduce losses in their price control. However such losses are described as the difference between units entering and leaving the DNO system. The primary purpose of loss adjustment factors is to balance the difference between inputs and outputs. They work in tandem with the GCF.
6.	Do you believe that a solution which requires a common LLF methodology across all GSP Groups should be considered as part of the Assessment Procedure for P216? Please give rationale	Yes	See above

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
7.	If yes to question 6, how do you believe the change over from the existing multiple methodologies to one methodology should be achieved (e.g. phased in over time, or on a particular change over date)?	-	Implemented on a particular date (1 April?)
8.	Do you have any suggestions on how the impact of inaccurate LLFs (on Settlement and Parties) can be determined during the Assessment Procedure? Please state suggestion and rationale	Yes	The impact can only be assessed on a generic basis and by assessing the average GCFs. However this will not give the can be determined at different voltage levels or for different customer groups. One of the issues is that GCF does not apply to HH trading. Therefore any inaccuracies in losses are always picked up by NHH consumers (as are issues with theft etc.)
9.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P216 to the Assessment Procedure? Please give issues and rationale	Yes	The fact that GCFs only apply to the NHH market leads to distortions (discrimination between HH and NHH customers) Where the average GCF is different than unity then the burde/ benefit should be shared across NHH and HH customer groups.
10.	Are there any further comments on P216 that you wish to make?	No	

Please send your responses by **5pm on Tuesday 18 September 2007** to modification.consultations@elexon.co.uk and please entitle your email 'P216 **Definition Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to David Jones on 020 7380 4213, email address david.jones@elexon.co.uk.

 © ELEXON Limited 2007

P216 DEFINITION PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Colin Prestwich*
Company Name:	*SmartestEnergy*
No. of BSC Parties Represented	*1*
Parties Represented	*SmartestEnergy*
No. of Non BSC Parties Represented (e.g. Agents)	
Non Parties represented	
Role of Respondent	*Supplier/ Trader / Consolidator /*
Does this response contain confidential information?	*No*

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
1.	Do you have a view on the perceived defect, with regard to either the transparency of Line Loss Factor (LLF) calculations or the materiality of inaccurate LLFs which P216 seeks to address? Please give rationale	Yes	There is clearly a defect with regard to transparency. SVG and ISG have been approving LLFs without understanding the methodologies being employed. Even if these methodologies were well understood, there is still a need to check that LLFs are being produced in accordance with them. The defect with regards to materiality can be split into two. Firstly, any comparison of different distributors' data, be it ADRs or the differing level of use of LLFs of 1.00, shows that there are differing approaches with regards to LLFS and if one were to use a different methodology, the answers would undoubtedly be different; there are massive differences year on year with some distributors where they admit changes to methodologies have been implemented without any significant changes to their systems. Secondly, any approach which looks purely at voltage levels and not the relative proximity to concentrations of demand must have material effects on individual sites. Even if issues of materiality are low, the main thrust behind this modification is the need to ensure there are sufficient controls around LLF production so that there are no divergences in the future. This is particularly important with increasing levels of distributed generation. There is also clearly a defect with regard to governance. The issue of auditing LLF production processes falls between two stools (there is only a requirement to publish methodologies within the distribution licence and the BSC currently only goes as far as sense checking values coming out) and this modification seeks to bring it within the BSC. One of the problems this lack of governance has caused is illustrated in our answer to the next question.
2.	What do you believe LLFs currently represent? For example the technical losses associated with a site, a representation of the total losses apportioned to that site, or another definition. Please give rationale	-	The fact that this question is being asked just proves that there is a fundamental problem with having LLFs outside of the BSC; I am led to believe by distributors that LLFs represent all losses. I believe in the BSC Party community there is a belief that other losses fall out of the GSP Group correction factor.

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
3.	What do you believe LLFs should represent? Please give rationale	-	This is an interesting question. If we are to take it in the context of incentives on distributors it makes sense that there is an incentive on them to reduce losses, theft etc. As far as the BSC is concerned it is important that the smearing of errors is clearly understood. To this extent, it doesn't really matter, but it is important to have it explicitly stated where non technical losses sit.
4.	Do you believe that P216 requires any further definition? If so in which area? Please give rationale	No	
5.	Do you support the principle of P216 that because LLFs are primarily used within the BSC for settlement purposes, the LLF methodologies should sit under the BSC? Please give rationale	Yes	The rationale is already stated in the question.
6.	Do you believe that a solution which requires a common LLF methodology across all GSP Groups should be considered as part of the Assessment Procedure for P216? Please give rationale	Yes	
7.	If yes to question 6, how do you believe the change over from the existing multiple methodologies to one methodology should be achieved (e.g. phased in over time, or on a particular change over date)?	-	Probably over time. The main purpose of this modification should be to ensure that the methodologies come under the scope of the BSC. The rules which will be required to ensure consistency will require a considerable understanding of the processes used and the audit process could be used to help create those rules. Perhaps the solution is to create some over-arching principles as part of the assessment phase such that the process of aligning the methodologies becomes a matter of change proposal or SVG/ISG decision not further modifications.

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
8.	Do you have any suggestions on how the impact of inaccurate LLFs (on Settlement and Parties) can be determined during the Assessment Procedure? Please state suggestion and rationale	Yes	Hopefully, analysis of effects on imbalances of using differing levels of LLF will give some indication of the level of error that aggregated levels cause. There is also mileage, we believe, in comparing the results of two different methodologies on the same network, although we appreciate that this could be a significant piece of work. Also, a paper study of the way site types are grouped will give some indication of how appropriate this is. We would be interested in knowing from a technical point of view how a site, say a wind turbine, near a town would differ in its impact on a distribution system compared with a similar site in a very rural area, assuming they are at the same voltage level.
9.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P216 to the Assessment Procedure? Please give issues and rationale	No	
10.	Are there any further comments on P216 that you wish to make?	No	

Please send your responses by **5pm on Tuesday 18 September 2007** to modification.consultations@elexon.co.uk and please entitle your email 'P216 **Definition Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to David Jones on 020 7380 4213, email address david.jones@elexon.co.uk.

 © ELEXON Limited 2007

P216 DEFINITION PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Alex Pourcelot*
Company Name:	*UDMS*
No. of BSC Parties Represented	
Parties Represented	
No. of Non BSC Parties Represented (e.g. Agents)	*3*
Non Parties represented	NHHDA, HHDC, HHDA
Role of Respondent	NHHDA, HHDC, HHDA
Does this response contain confidential information?	*No*

Q	Question	Response [1]	Rationale
1.	Do you have a view on the perceived defect, with regard to either the transparency of Line Loss Factor (LLF) calculations or the materiality of inaccurate LLFs which P216 seeks to address? Please give rationale	Yes	The LLF have an impact on the accuracy of settlement but the Industry is blind to the calculation process.
2.	What do you believe LLFs currently represent? For example the technical losses associated with a site, a representation of the total losses apportioned to that site, or another definition. Please give rationale	-	The fact that it is not currently clear is one argument in favour of more transparency in the calculation of the LLF.
3.	What do you believe LLFs <u>should</u> represent? Please give rationale	-	The LLF should represent the technical losses. Any other type of losses such as theft and large EAC/AA should be dealt with by other means and not compensated by LLF.

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
4.	Do you believe that P216 requires any further definition? If so in which area? Please give rationale	Yes	Further definition on the default LLF for new LLFC during the year and in case of failure during audit.
5.	Do you support the principle of P216 that because LLFs are primarily used within the BSC for settlement purposes, the LLF methodologies should sit under the BSC? Please give rationale	Yes	As the LLF have an impact on the accuracy of settlement, the BSC should have the means to define how they are calculated and to control that the defined methodology is used.
6.	Do you believe that a solution which requires a common LLF methodology across all GSP Groups should be considered as part of the Assessment Procedure for P216? Please give rationale	Yes	A unique LLF methodology would increase the transparency of the process. If the metrology is defined correctly, it should take into account all the possible variables applicable to a specific site or a group of sites and therefore would negate the need for different methodologies. It will also facilitate the audit process.
7.	If yes to question 6, how do you believe the change over from the existing multiple methodologies to one methodology should be achieved (e.g. phased in over time, or on a particular change over date)?	-	A phased in over time approach might be easier for Distribution Businesses to carry out the extensive work and implement the changes required to implement P216.
8.	Do you have any suggestions on how the impact of inaccurate LLFs (on Settlement and Parties) can be determined during the Assessment Procedure? Please state suggestion and rationale	No	
9.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P216 to the Assessment Procedure? Please give issues and rationale	No	
10.	Are there any further comments on P216 that you wish to make?	No	

Please send your responses by **5pm on Tuesday 18 September 2007** to modification.consultations@elexon.co.uk and please entitle your email 'P216 **Definition Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

 © ELEXON Limited 2007

Any queries on the content of the consultation pro-forma should be addressed to David Jones on 020 7380 4213, email address david.jones@elexon.co.uk.

© ELEXON Limited 2007

P216 DEFINITION PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Andy Manning*
Company Name:	*RWE Npower Limited*
No. of BSC Parties Represented	*10*
Parties Represented	RWE Trading GmbH; RWE Npower Ltd; Npower Commercial Gas Ltd; Npower Cogen Trading Ltd; Npower Direct Ltd; Npower Ltd; Npower Northern Ltd; Npower Northern Supply Ltd; Npower Yorkshire Ltd; Npower Yorkshire Supply Ltd
No. of Non BSC Parties Represented (e.g. Agents)	*None*
Non Parties represented	N/A
Role of Respondent	*Supplier / Generator / Trader / Consolidator / Exemptable Generator / Party Agent*
Does this response contain confidential information?	*No*

Q	Question	Response [1]	Rationale
1.	Do you have a view on the perceived defect, with regard to either the transparency of Line Loss Factor (LLF) calculations or the materiality of inaccurate LLFs which P216 seeks to address? Please give rationale	Yes	The transparency issue can be broken into 2 parts. Firstly, the principles behind the LLF calculations need to be clearly stated. This is vital for understanding and is only partially fulfilled by the DNO LLF methodologies currently published as these sit outside any governance/approval structure. The second part is considering how these principles are implemented. It is our view that having the methodologies, and therefore the principles underlying, approved in some fashion is of more consequence than the implementation. Auditing implementation is desirable but may be overly time-consuming. It is likely that reviewing outputs against actual data in a more formal and structured process will prove easier and more fruitful.

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
2.	What do you believe LLFs currently represent? For example the technical losses associated with a site, a representation of the total losses apportioned to that site, or another definition. Please give rationale	-	From inspection of the DNOs' LLF methodologies it appears that LLFs are designed to capture ALL losses. However, this is only stated explicitly by one DNO so it would require further research to be confident.
3.	What do you believe LLFs <u>should</u> represent? Please give rationale	-	If there is a reliable method of estimating technical losses then this appears preferable as this would allow non-technical losses (e.g. theft) to be seen more explicitly in Settlements, through the GCF. With the current method of estimating all losses, there is a clear issue that DNOs' LLFs discriminate between Voltage levels but not between HH and NHH. This means that all non-technical losses in the estimate of LLFs will be placed on both NHH and HH, which appears counter-intuitive in comparison to the operation of the GCF. Similarly, if an LLF is inaccurate this will be 'corrected' for by GCF for NHH, but not for HH.
4.	Do you believe that P216 requires any further definition? If so in which area? Please give rationale	No	
5.	Do you support the principle of P216 that because LLFs are primarily used within the BSC for settlement purposes, the LLF methodologies should sit under the BSC? Please give rationale	Yes	The most important matter is that the rules for estimating LLFs sit within some governance/approval structure. Whilst we would be happy for Ofgem to approve them like they approve DNO Charging Methodologies, as DNO charges are unaffected by LLFs it is more appropriate for the LLF methodologies to sit under the BSC.
6.	Do you believe that a solution which requires a common LLF methodology across all GSP Groups should be considered as part of the Assessment Procedure for P216? Please give rationale	Yes	Transparency will always be compromised whilst different methodologies are employed. Also, meaningful comparisons across GSP groups of Settlements data (such as ADRs) is difficult with different methodologies in place.

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
7.	If yes to question 6, how do you believe the change over from the existing multiple methodologies to one methodology should be achieved (e.g. phased in over time, or on a particular change over date)?	-	Following on from Q3, a 2 step process can be envisaged. Firstly, we should ensure that all the DNOs are following the same logic and so LLFs are representing the same definition of Losses. This can hopefully be achieved quickly and may simply be a case of LLF methodologies being clarified. Following on from this, the lower level of detail, covering exact processes, should be completed in an efficient fashion.
8.	Do you have any suggestions on how the impact of inaccurate LLFs (on Settlement and Parties) can be determined during the Assessment Procedure? Please state suggestion and rationale	Yes	The assessment needs to focus on the different treatment of NHH and HH within the Settlements and LLF processes, and the potential inequities this could lead to.
9.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P216 to the Assessment Procedure? Please give issues and rationale	No	
10.	Are there any further comments on P216 that you wish to make?	Yes	Briefly commented upon within the report, it may be an opportune moment to consider whether DNOs are the appropriate people to estimate LLFs. It may be more efficient to do centrally if a single methodology solution is desired. Also, whilst DNOs are clearly the correct people to estimate technical losses, if LLFs are to represent total losses then this is more a Settlements consideration that a DNO consideration.

Please send your responses by **5pm on Tuesday 18 September 2007** to modification.consultations@elexon.co.uk and please entitle your email 'P216 **Definition Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to David Jones on 020 7380 4213, email address david.jones@elexon.co.uk.

 © ELEXON Limited 2007

P216 DEFINITION PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Vara Tadi*
Company Name:	*United Utilities Electricity Ltd*
No. of BSC Parties Represented	*one*
Parties Represented	
No. of Non BSC Parties Represented (e.g. Agents)	
Non Parties represented	
Role of Respondent	Distributor
Does this response contain confidential information?	*No*

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
		General context of the response	The requirement to calculate LLFs is set down in the DNO Licence. The DNOs are required by Licence Condition SLC4 *inter alia* to determine, prepare, review, update and comply with a statement of a use of system charging methodology, approved by the Authority, that continues to achieve the "relevant objectives". The statement of charges required under SLC4A shall include a schedule of adjustment factors to be made for distribution losses, in the form of additional supplies required to cover those losses. In this context, the relevant objectives are**:** (a) that compliance with the use of system charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence; (b) that compliance with the use of system charging methodology facilitates competition in the generation and supply of electricity, and does not restrict, distort, or prevent competition in the transmission or distribution of electricity; (c) that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its distribution business; and (d) that, so far as is consistent with sub-paragraphs (a), (b) and (c), the use of system charging methodology, as far as is reasonably practicable, properly takes account of developments in the licensee's distribution business. Thus, in common with Use of System charging generally, there is both a requirement and an incentive on the DNO to make LLFs cost-reflective in order to provide the correct economic signals to the market. However there also needs to be an acknowledgement of a trade-off between the level of cost reflectivity and other drivers such as predictability and transparency (which form the basis of the perceived defect in this case).

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
1.	Do you have a view on the perceived defect, with regard to either the transparency of Line Loss Factor (LLF) calculations or the materiality of inaccurate LLFs which P216 seeks to address? Please give rationale	Yes	We do not perceive a significant defect. United Utilities believes that the publication of DNO LLF calculation methodologies has already provided a significant level of transparency to the relevant processes. We have supplemented this in the past by being prepared to answer queries/questions from the Panels on the methodology/calculation of specific LLFs, subject to considerations of commercial confidentiality of site specific data. With regard to materiality, although inaccurate LLFs would have an impact on GSPGCFs, we support the view that other factors (e.g. Profiling, and Large Erroneous EAC/AAs, vacant sites and problems with Energisation Status) could also have a similar or greater impact on GSPGCF. Taking these points together, we believe that any development to overlay a significant audit regime onto future processes would need to be justified by cost/impact/benefit analysis. However this analysis should be done at a relatively high level as detailed analysis would be impracticable due to the difficulty of segregating the various Settlement data effects.
2.	What do you believe LLFs currently represent? For example the technical losses associated with a site, a representation of the total losses apportioned to that site, or another definition. Please give rationale	-	Our site specific methodology identifies the technical losses associated with that customer; whereas our generic methodology allocates total losses. We believe that this is an appropriate approach as we are able to define the assets applicable to the larger customer on our network but for the majority of our customer base we are able to only make a reasonable estimate of the technical losses. We then go through a reconciling process to balance the LLF value to the total losses recorded on our network. It may be seen from the detail of our Methodology Statement that the generic method will allocate profiling error etc to the lower voltage networks, where they properly reside.
3.	What do you believe LLFs <u>should</u> represent? Please give rationale	-	See answer to question 2.

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
4.	Do you believe that P216 requires any further definition? If so in which area? Please give rationale	Yes	P216 needs to consider further the trading mechanism, where both DNOs and Suppliers have a duty to ensure that Market Domain data information is accurately contained within an MPAN. Further consideration should be given to how it can be ensured that Suppliers assign the correct MTC and PC to enable the MPAN to trade correctly.
5.	Do you support the principle of P216 that because LLFs are primarily used within the BSC for settlement purposes, the LLF methodologies should sit under the BSC? Please give rationale	No	We recognise the importance of the accuracy of LLFs in settlements. In this regard, United Utilities initiated the recent CP1189 in order to ensure that the calculation of LLFs and the allocation of losses is as cost reflective as possible. We do not see the need to have a common approach or the need to have the methodology governed by the BSC given the current level of transparency and our willingness to justify our approach and results at any Panel. We would look to a cost benefit analysis to justify any more detailed oversight of the current arrangements.
6.	Do you believe that a solution which requires a common LLF methodology across all GSP Groups should be considered as part of the Assessment Procedure for P216? Please give rationale	No	It may be possible to have a common methodology for the calculation of generic LLFs and your analysis of the current methodologies suggests that we are very close to having a common approach with 5 of the 7 DNO groups utilising the EA Technology approach. However we still remain to be convinced of the benefits of such a change. In the case of site specific LLFs, the methodologies have developed over time based on individual DNOs' experience of their networks, the types and sizes of customers requiring site specific LLFs and the modelling tools and data available. Here we see less of an opportunity to prescribe a common methodology. We would require full justification based on a cost benefit analysis for a transition to a set of common LLF methodologies.
7.	If yes to question 6, how do you believe the change over from the existing multiple methodologies to one methodology should be achieved (e.g. phased in over time, or on a particular change over date)?	-	

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
8.	Do you have any suggestions on how the impact of inaccurate LLFs (on Settlement and Parties) can be determined during the Assessment Procedure? Please state suggestion and rationale	No	
9.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P216 to the Assessment Procedure? Please give issues and rationale	Yes	See answer to question 4.
10.	Are there any further comments on P216 that you wish to make?	Yes	We see the proposal to remove the option to change existing LLFs mid year as being an arbitrary restriction which would detract from the DNO's ability to maintain cost reflective LLF values in Settlements.

Please send your responses by **5pm on Tuesday 18 September 2007** to modification.consultations@elexon.co.uk and please entitle your email 'P216 **Definition Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to David Jones on 020 7380 4213, email address david.jones@elexon.co.uk.

 © ELEXON Limited 2007

P216 DEFINITION PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Alastair Barnsley*
Company Name:	*E.ON UK Energy Services Limited*
No. of BSC Parties Represented	*None*
Parties Represented	
No. of Non BSC Parties Represented (e.g. Agents)	*1*
Non Parties represented	*E.ON UK Energy Services Limited*
Role of Respondent	*Party Agent*
Does this response contain confidential information?	*No*

Q	Question	Response [1]	Rationale
1.	Do you have a view on the perceived defect, with regard to either the transparency of Line Loss Factor (LLF) calculations or the materiality of inaccurate LLFs which P216 seeks to address? Please give rationale	No	The validity or otherwise of LLFs have no direct impact on our activities and as such we would wish to return a neutral response to this consultation.
2.	What do you believe LLFs currently represent? For example the technical losses associated with a site, a representation of the total losses apportioned to that site, or another definition. Please give rationale	-	Please see response to question 1
3.	What do you believe LLFs <u>should</u> represent? Please give rationale	-	Please see response to question 1
4.	Do you believe that P216 requires any further definition? If so in which area? Please give rationale	Yes / No	Please see response to question 1

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
5.	Do you support the principle of P216 that because LLFs are primarily used within the BSC for settlement purposes, the LLF methodologies should sit under the BSC? Please give rationale	Yes / No	Please see response to question 1
6.	Do you believe that a solution which requires a common LLF methodology across all GSP Groups should be considered as part of the Assessment Procedure for P216? Please give rationale	Yes / No	Please see response to question 1
7.	If yes to question 6, how do you believe the change over from the existing multiple methodologies to one methodology should be achieved (e.g. phased in over time, or on a particular change over date)?	-	Please see response to question 1
8.	Do you have any suggestions on how the impact of inaccurate LLFs (on Settlement and Parties) can be determined during the Assessment Procedure? Please state suggestion and rationale	Yes / No	Please see response to question 1
9.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P216 to the Assessment Procedure? Please give issues and rationale	Yes / No	Please see response to question 1
10.	Are there any further comments on P216 that you wish to make?	No	

Please send your responses by **5pm on Tuesday 18 September 2007** to modification.consultations@elexon.co.uk and please entitle your email 'P216 **Definition Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to David Jones on 020 7380 4213, email address david.jones@elexon.co.uk.

 © ELEXON Limited 2007

P216 DEFINITION PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*David Crossman*
Company Name:	*Haven Power Limited*
No. of BSC Parties Represented	*One*
Parties Represented	*HAVEN*
No. of Non BSC Parties Represented (e.g. Agents)	*None*
Non Parties represented	
Role of Respondent	*Supplier*
Does this response contain confidential information?	*No*

Q	Question	Response [1]	Rationale
1.	Do you have a view on the perceived defect, with regard to either the transparency of Line Loss Factor (LLF) calculations or the materiality of inaccurate LLFs which P216 seeks to address? Please give rationale	Yes	There is little transparency on how LLFs are determined. Paradoxically it is therefore impossible to sensibly gauge the materiality of any associated errors. However, given distribution losses are in the region of 5 to 9% of metered consumption, the overall materiality is highly significant.
2.	What do you believe LLFs currently represent? For example the technical losses associated with a site, a representation of the total losses apportioned to that site, or another definition. Please give rationale	Total losses apportioned to site	Believe it is the total apportioned losses, of which impedance based losses is the greater part; because otherwise how would the loss associated with, for example, theft, be accounted for?
3.	What do you believe LLFs <u>should</u> represent? Please give rationale	Explicitly identified factors	The methodology should provide explicit understanding on how the various other components, such as theft, have been assessed.

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
4.	Do you believe that P216 requires any further definition? If so in which area? Please give rationale	No	
5.	Do you support the principle of P216 that because LLFs are primarily used within the BSC for settlement purposes, the LLF methodologies should sit under the BSC? Please give rationale	Yes	To provide assurance of consistent application of a defined methodology through normal BSC control procedures, such as Audit.
6.	Do you believe that a solution which requires a common LLF methodology across all GSP Groups should be considered as part of the Assessment Procedure for P216? Please give rationale	Yes	Calculation methodology must be standardised.
7.	If yes to question 6, how do you believe the change over from the existing multiple methodologies to one methodology should be achieved (e.g. phased in over time, or on a particular change over date)?	Single change-over date	To avoid further confusion and uncertainty
8.	Do you have any suggestions on how the impact of inaccurate LLFs (on Settlement and Parties) can be determined during the Assessment Procedure? Please state suggestion and rationale	Yes	Is there merit in a close analysis of the annual behaviour of the GSP Group Correction Factor (CF) across all regions? The thinking is that any errors in the estimation of losses will be caught up in the CF. Errors associated with profiling sum to zero across the year. By making an estimate of other contributors to the annualised value of the CF (such as erroneous AA/EAC which are understood and reported) these could be subtracting to provide the residual which would be indicative of the errors in the estimation of losses.
9.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P216 to the Assessment Procedure? Please give issues and rationale	No	
10.	Are there any further comments on P216 that you wish to make?	Yes	Support the concept of applying greater rigour to the determination and control of line loss factor data.

 © ELEXON Limited 2007

Please send your responses by **5pm on Tuesday 18 September 2007** to modification.consultations@elexon.co.uk and please entitle your email 'P216 **Definition Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to David Jones on 020 7380 4213, email address david.jones@elexon.co.uk.

© ELEXON Limited 2007

P216 DEFINITION PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Name Nigel Lloyd*
Company Name:	*WPD (S Wales) and WPD (S West)*
No. of BSC Parties Represented	*2*
Parties Represented	*WPD (S Wales) and WPD (S West)*
No. of Non BSC Parties Represented (e.g. Agents)	
Non Parties represented	*Please list all non Parties responding on behalf of (including the respondent company if relevant).*
Role of Respondent	*(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / Distributor / other – please state [1])*
Does this response contain confidential information?	*No*

Q	Question	Response [1]	Rationale
1.	Do you have a view on the perceived defect, with regard to either the transparency of Line Loss Factor (LLF) calculations or the materiality of inaccurate LLFs which P216 seeks to address? Please give rationale	Yes / ~~No~~	The level of GSP Correction Factor error deriving from LLF error is unlikely to be material when compared to the other sources of error in the calculation such as inappropriate profiles, poor weather correction and EAC/AA errors. The calculation of line loss factor is based on well established principles and these are sett out in the DNO Methodology Statements
2.	What do you believe LLFs currently represent? For example the technical losses associated with a site, a representation of the total losses apportioned to that site, or another definition. Please give rationale	-	The Electricity Distribution Licence Condition 4.2(b) requires distributors to publish "a schedule of adjustment factors to be made for distribution losses, in the form of additional supplies required to cover those losses". This requirement means that published LLF's` cover both technical and non-technical losses.

[1] Delete as appropriate – please do not use strikeout, this is to make it easier to analyse the responses

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
3.	What do you believe LLFs should represent? Please give rationale	-	It is not clear whether for BSC purposes LLF's should represent only technical losses or should cover all losses. If the requirement was defined as technical losses only then it would require an estimate of non-technical losses to be made. DNO's do not have access to the necessary data to allow them to accurately estimate the level of non-technical losses. Consequently if technical loss is the value that is required for BSC purposes it may be more appropriate for a BSC agent with access to the relevant data to calculate LLF's.
4.	Do you believe that P216 requires any further definition? If so in which area? Please give rationale	~~Yes~~ / No	
5.	Do you support the principle of P216 that because LLFs are primarily used within the BSC for settlement purposes, the LLF methodologies should sit under the BSC? Please give rationale	~~Yes~~ / No	Please see the response to questions 2 and 3.
6.	Do you believe that a solution which requires a common LLF methodology across all GSP Groups should be considered as part of the Assessment Procedure for P216? Please give rationale	Yes / ~~No~~	The implications of moving to a common methodology across all GSP groups should be considered as part of the Assessment Procedure. However such a common methodology could have significant cost and resource implications for DNO's and may cause some disturbance to customers.
7.	If yes to question 6, how do you believe the change over from the existing multiple methodologies to one methodology should be achieved (e.g. phased in over time, or on a particular change over date)?	-	The timing of any change will depend on the findings of the assessment.
8.	Do you have any suggestions on how the impact of inaccurate LLFs (on Settlement and Parties) can be determined during the Assessment Procedure? Please state suggestion and rationale	Yes / ~~No~~	The impact of inaccurate LLF's can only be ascertained by assessing the impact of a number of scenarios. These scenarios will have to accurately represent the likely level of error in the LLF's and will therefore require a good understanding of the problem if the analysis is to be worthwhile.

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
9.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P216 to the Assessment Procedure? Please give issues and rationale	~~Yes~~ / No	
10.	Are there any further comments on P216 that you wish to make?	~~Yes~~ / No	

Please send your responses by **5pm on Wednesday 18 September 2007** to modification.consultations@elexon.co.uk and please entitle your email 'P216 **Definition Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to David Jones on 020 7380 4213, email address david.jones@elexon.co.uk.

 © ELEXON Limited 2007

P216 DEFINITION PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Rosie McGlynn*
Company Name:	*EDF Energy*
No. of BSC Parties Represented	*9*
Parties Represented	EDF Energy Networks (EPN) plc; EDF Energy Networks (LPN) plc; EDF Energy Networks (SPN) plc; EDF Energy (Sutton Bridge Power); EDF Energy (Cottam Power) Ltd; EDF Energy (West Burton Power) Ltd; EDF Energy plc; EDF Energy Customers Plc; Seeboard Energy Limited
No. of Non BSC Parties Represented (e.g. Agents)	*0*
Non Parties represented	*Please list all non Parties responding on behalf of (including the respondent company if relevant).*
Role of Respondent	Supplier/Generator/Trader/Distributor
Does this response contain confidential information?	*No*

Q	Question	Response [1]	Rationale
1.	Do you have a view on the perceived defect, with regard to either the transparency of Line Loss Factor (LLF) calculations or the materiality of inaccurate LLFs which P216 seeks to address? Please give rationale	Yes	The ability for users or suppliers to seek an explanation of the allocation of individual LLFC for users or suppliers is already available upon request on an individual basis from LDSO's. However, Suppliers and Users would benefit from an improved understanding of how LLF's are calculated and apportioned. LDSO's are neutral parties when it comes to the LLF calculations and therefore any modification to the BSC would need to have a substantial benefit associated with it.
2.	What do you believe LLFs currently represent? For example the technical losses associated with a site, a representation of the total losses apportioned to that site, or another definition. Please give rationale	-	LLFC reflect the total losses apportioned to those customers who cause them. This apportionment is carried out in a cause reflective manner.

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
3.	What do you believe LLFs should represent? Please give rationale	-	Our view is that LLFs should represent the apportionment of total losses to those customer's who create them
4.	Do you believe that P216 requires any further definition? If so in which area? Please give rationale	Yes	Full impact assessment of the costs and the process for the audit of LLF's, including the underlying costs to LDSO's and to clarify the benefit customer's will receive as a result of this process. The audit process itself requires further clarification.
5.	Do you support the principle of P216 that because LLFs are primarily used within the BSC for settlement purposes, the LLF methodologies should sit under the BSC? Please give rationale	No	The inclusion of high level principles relating to the calculation of LLF's and the apportionment of losses within the BSC would be a better approach. Due to the knowledge that each LDSO has of their own network, it is our view, that it would not be an efficient solution for Elexon or any other agency to undertake the calculations of LLF's as opposed to the LDSO. Due to the complexities of their network's each LDSO is best positioned to apportion their losses accordingly.
6.	Do you believe that a solution which requires a common LLF methodology across all GSP Groups should be considered as part of the Assessment Procedure for P216? Please give rationale	No	The majority of LDSO's already use a common methodology for calculating LLFs and the principles behind the remaining methodologies are similar. To oblige LDSOs to commit to an identical approach would constitute a significant volume of work and we are of the opinion that this approach would not be justified. Evidence has yet to be provided to demonstrate that the current variance in approach is causing difficulties in settlement or detriment to customers. Improved communication of the inputs into the methodology used by LDSO's and the application of that methodology should provide additional assurance to Users and Suppliers. This communication can be managed outside of the BSC.

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
7.	If yes to question 6, how do you believe the change over from the existing multiple methodologies to one methodology should be achieved (e.g. phased in over time, or on a particular change over date)?	-	
8.	Do you have any suggestions on how the impact of inaccurate LLFs (on Settlement and Parties) can be determined during the Assessment Procedure? Please state suggestion and rationale	No	
9.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P216 to the Assessment Procedure? Please give issues and rationale	No	
10.	Are there any further comments on P216 that you wish to make?	No	

Please send your responses by **5pm on Tuesday 18 September 2007** to modification.consultations@elexon.co.uk and please entitle your email 'P216 **Definition Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to David Jones on 020 7380 4213, email address david.jones@elexon.co.uk.

 © ELEXON Limited 2007

P216 DEFINITION PROCEDURE CONSULTATION QUESTIONS – AUDIT OF LLF PRODUCTION

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Martin Mate/James Evans/Deborah Bird*
Company Name:	*British Energy*
No. of BSC Parties Represented	*5*
Parties Represented	*British Energy Direct Ltd, British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, Eggborough Power Ltd, British Energy Generation (UK) Ltd*
No. of Non BSC Parties Represented (e.g. Agents)	-
Non Parties represented	-
Role of Respondent	*Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent*
Does this response contain confidential information?	*No*

Q	Question	Response	Rationale
1.	Do you have a view on the perceived defect, with regard to either the transparency of Line Loss Factor (LLF) calculations or the materiality of inaccurate LLFs which P216 seeks to address? Please give rationale	Yes	Without transparency of the methodology and inputs to the calculation of LLFs, parties cannot comment on the accuracy.

 © ELEXON Limited 2007

Q	Question	Response	Rationale
2.	What do you believe LLFs currently represent? For example the technical losses associated with a site, a representation of the total losses apportioned to that site, or another definition. Please give rationale	-	Our assumption has been (until now) that LLFs represent an adjustment of site volume to give an effective volume at the transmission boundary for the purposes of settlement, with an expectation that the net adjustment across all sites would on average be equivalent to the total electrical losses on the distribution network. Our assumption has been that the relative adjustments would have been derived from a detailed electrical network model of some form, with certain classes of site averaged together. We would not expect other factors such as meter inaccuracy, profile inaccuracy and registration errors (including unregistered flows, duplicate registrations, incorrect meter technical details, energisation status etc) to be included in LLF. We would expect these 'non-technical' losses to be included in GSP Group Correction.
3.	What do you believe LLFs <u>should</u> represent? Please give rationale	-	We believe LLFs should represent electrical losses occurring on distribution company circuits. As far as is practicable, it should not include losses arising from other factors such as meter errors, unregistered or duplicated connections and theft, and profiling inaccuracy.
4.	Do you believe that P216 requires any further definition? If so in which area? Please give rationale	Yes / No	
5.	Do you support the principle of P216 that because LLFs are primarily used within the BSC for settlement purposes, the LLF methodologies should sit under the BSC? Please give rationale	Yes	LLFs are used to determine the volume of energy associated with a site which must be purchased or sold at the notional balancing point in order to avoid imbalance. It is sensible that determination of adjustments should at least be transparent, and inclusion of methodologies under the BSC would provide an efficient central administration for publication and change of methodologies. However, full governance under the BSC, with distribution companies effectively providing an auditable agency service, could require considerable work and should not distract from the apparent main aim of the proposal to seek transparency.

 © ELEXON Limited 2007

Q	Question	Response	Rationale
6.	Do you believe that a solution which requires a common LLF methodology across all GSP Groups should be considered as part of the Assessment Procedure for P216? Please give rationale	Yes	There may be benefits in using a common approach, and we believe this should be considered as a potential alternative.
7.	If yes to question 6, how do you believe the change over from the existing multiple methodologies to one methodology should be achieved (e.g. phased in over time, or on a particular change over date)?	-	If a common approach were to be pursued, we believe considerable time would be required to establish the single method. Given that much work would be required up-front by all concerned, change over at a single date should be possible and practical. However, we see no particular difficulty in using a phased process if that would be more cost-effective.
8.	Do you have any suggestions on how the impact of inaccurate LLFs (on Settlement and Parties) can be determined during the Assessment Procedure? Please state suggestion and rationale	Yes / No	Although snapshots of actual settlement could be used to study sensitivity to potential changes to LLFs, it may be more practical to use simple examples of 'typical portfolios' to study the potential impacts on sites and parties.
9.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P216 to the Assessment Procedure? Please give issues and rationale	Yes / No	There is an issue of principle as to who should pay for losses which are **not** attributable to flow dependent 'technical' electrical losses. However, this proposal should be restricted to the identification and consideration of 'technical' losses. Other losses should be a matter for GSP Group Correction. The assessment should consider the extent to which other losses are currently affecting LLFs, and conversely the extent to which inaccuracies in 'technical' LLFs could impact Group Correction Factors.
10.	Are there any further comments on P216 that you wish to make?	Yes	This proposal covers a complex area, both in principle and practice, and the time necessary to consider all the issues raised by it should not be underestimated. It may be sensible to limit scope to transparency and audit and leave issues of methodology, principle and governance to a further modification.

Please send your responses by **5pm on Tuesday 18 September 2007** to modification.consultations@elexon.co.uk and please entitle your email 'P216 **Definition Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to David Jones on 020 7380 4213, email address david.jones@elexon.co.uk.

 © ELEXON Limited 2007

P216 DEFINITION PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Andrew Neves*
Company Name:	*Central Networks*
No. of BSC Parties Represented	*2*
Parties Represented	*EMEB and MIDE*
No. of Non BSC Parties Represented (e.g. Agents)	
Non Parties represented	
Role of Respondent	*LDSO*
Does this response contain confidential information?	*No*

Q	Question	Response [1]	Rationale
1.	Do you have a view on the perceived defect, with regard to either the transparency of Line Loss Factor (LLF) calculations or the materiality of inaccurate LLFs which P216 seeks to address? Please give rationale	Yes	LLFs are calculated by LDSOs in accordance with published methodologies and submitted for use in settlements. There is little evidence that LLFs are inaccurate or unsuitable for use in settlements. Individual parties that have issues over particular LLFs have recourse to Ofgem.
2.	What do you believe LLFs currently represent? For example the technical losses associated with a site, a representation of the total losses apportioned to that site, or another definition. Please give rationale	-	LLFs represent the difference between volumes entering distribution networks and volumes leaving, and are presented in the form of adjustment factors referenced to the settlement boundary
3.	What do you believe LLFs <u>should</u> represent? Please give rationale	-	LLFs should attempt to account for all units lost in distribution, as evidenced by an ADR close to unity (i.e. they should represent both 'technical' and 'non-technical' losses).

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
4.	Do you believe that P216 requires any further definition? If so in which area? Please give rationale	No	
5.	Do you support the principle of P216 that because LLFs are primarily used within the BSC for settlement purposes, the LLF methodologies should sit under the BSC? Please give rationale	Yes / No	If methodologies are to be subject to audit under the BSC then it is a prerequisite that the methodologies should themselves be prescribed under the BSC (through BSCPs). However, it is for consideration whether the supposed defect warrants such a substantial change. It would not be right for DNOs current (individual) methodologies to be brought under the governance of the BSC
6.	Do you believe that a solution which requires a common LLF methodology across all GSP Groups should be considered as part of the Assessment Procedure for P216? Please give rationale	Yes	If a methodology is to be prescribed then it seems sensible that it should be a common methodology.
7.	If yes to question 6, how do you believe the change over from the existing multiple methodologies to one methodology should be achieved (e.g. phased in over time, or on a particular change over date)?	-	This would require a significant time to implement following agreement and publication of the relevant BSCPs - possibly several years from the time at which the methodology was prescribed, depending on the complexity of what is prescribed.
8.	Do you have any suggestions on how the impact of inaccurate LLFs (on Settlement and Parties) can be determined during the Assessment Procedure? Please state suggestion and rationale	Yes	Reference to ADRs will give some rough indication of total settlement error, a portion of which will be due to LLFs. But, because of uncertainty about data there is no way to measure or calculate network losses with absolute accuracy.
9.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P216 to the Assessment Procedure? Please give issues and rationale	No	
10.	Are there any further comments on P216 that you wish to make?	No	

 © ELEXON Limited 2007

Please send your responses by **5pm on Tuesday 18 September 2007** to modification.consultations@elexon.co.uk and please entitle your email 'P216 **Definition Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to David Jones on 020 7380 4213, email address david.jones@elexon.co.uk.

© ELEXON Limited 2007

P216 DEFINITION PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	**Jacqueline McGuire**
Company Name:	**SAIC Ltd. (for and on behalf of ScottishPower)**
No. of BSC Parties Represented	**6**
Parties Represented	*Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant).* **ScottishPower Energy Management Ltd, ScottishPower Generation Ltd, ScottishPower Energy Retail Ltd, SP Transmission Ltd, SP Manweb plc, SP Distribution Ltd**
No. of Non BSC Parties Represented (e.g. Agents)	**0**
Non Parties represented	*Please list all non Parties responding on behalf of (including the respondent company if relevant).* **N/A**
Role of Respondent	*(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / Distributor / other – please state [1])* **Supplier / Generator / Trader / Consolidator / Exemptible Generator / Distributor**
Does this response contain confidential information?	**No**

[1] Delete as appropriate – please do not use strikeout, this is to make it easier to analyse the responses

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
1.	Do you have a view on the perceived defect, with regard to either the transparency of Line Loss Factor (LLF) calculations or the materiality of inaccurate LLFs which P216 seeks to address? Please give rationale	**Yes**	**The methodologies for calculating LLFs are published annually by DNOs as part of their DUoS Charging Methodology Statements and are, therefore, already visible to the market.** **We believe it is necessary to demonstrate that there are inaccuracies and that they are material. The trading reports seem to indicate at the moment that, "on average", inaccuracies are not material. However we understand that averaging might be having an important effect (positive corrections cancelling negative ones), therefore we believe that the analysis should be made by GSP groupings.** **If it is found that there is an inaccuracy problem with LLFs, these must be resolved, as inaccuracies in settlement data have an impact on both suppliers and LDSOs. As with other variables this process should be auditable.**

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
2.	What do you believe LLFs currently represent? For example the technical losses associated with a site, a representation of the total losses apportioned to that site, or another definition. Please give rationale	-	**LLFs represent an estimate of the actual (total) line and transformer losses incurred on a Distribution Network from the transmission point to the exit point on the network. Each LLF profile attributable to a Line Loss Factor Class (LLFC) is meant to quantify the total losses from all customers that are assigned to that specific LLFC. They are not intended to be an accurate record of the loss attributable to each individual customer (which is not possible to determine).** **All methodologies currently published by LDSOs are consistent in the following general approach: LLFs for EHV sites are calculated on a site-specific basis, using load flow engineering analysis. This reflects the fact that most EHV sites have a dedicated LLFC. To calculate HV and LV losses, settlement data is used and then reconciliation runs are performed (using a computing tool) until the energy balance is closed in the system. We believe that this approach is correct and furthermore that a weighting factor should be used in order to ensure that the majority of losses are attributed to the LV voltage level, which is reflective of reality (theft is more likely to occur at these levels). The only alternative to this approach is to install metering on all EHV/HV/LV boundaries. This would involve considerable costs (meter installation) and process impacts, as well as an actual increase on losses (associated with installing a meter point).**

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
3.	What do you believe LLFs should represent? Please give rationale	-	**LLFs should represent total losses and not just "technical" losses, and it is ScottishPower's view that currently they do represent total losses.** **There seems to be a misconception that technical losses can somehow be calculated assuming that the individual customer is the only one connected to the network, which is not possible for each individual customer connected at the HV and LV level, and even if a value was somehow derived it would not be meaningful information.** **LLFs should be determined in a way that minimises the need for a large adjustment at the correction factor (CF) stage –i.e., to ensure that the CF value is as small (in absolute terms) as possible. In this way all losses are accounted for in the distribution side. If the effect of theft and inaccurate EACs were somehow not taken into account, this would result in more inaccurate settlement data and greater values for CF. This would impact negatively the suppliers in particular.**
4.	Do you believe that P216 requires any further definition? If so in which area? Please give rationale	Yes	**ScottishPower believes that section 2.1. may require further clarification, as it is our understanding that LLFs are not estimates of losses between the metering point and the connection to the boundary of the transmission system for a particular MSID. LLFs represent all losses between the metering point and the connection to the boundary of the transmission system for all MSIDs with that LLFC, as explained in our response to question 2.**

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
5.	Do you support the principle of P216 that because LLFs are primarily used within the BSC for settlement purposes, the LLF methodologies should sit under the BSC? Please give rationale	No	**ScottishPower is still to be convinced that the detailed LLF methodologies should sit under the BSC, but welcomes further debate on this point. However, given the important role that LLFs play in settlement calculations, we believe that there is scope for including an audit of the LLF calculations, perhaps as part of the annual Elexon audit process. This would require to develop a BSCP for it. It would be unreasonable to ask Elexon to run the reconciliation calculations for each DNO (as this would likely need quite a significant amount of data: up to half hourly data per LLFC for a full year).** **Instead, the general principles could be listed in the BSC or associated guideline document.**
6.	Do you believe that a solution which requires a common LLF methodology across all GSP Groups should be considered as part of the Assessment Procedure for P216? Please give rationale	**Yes**	**Having been presented with an opportunity to review the current practices it would be remiss not to take this opportunity to debate the efficacy of such commonality.** **However, the current position (the three different methodologies) as mentioned in the consultation document is likely to be a red herring. ScottishPower believes that all the current methodologies are based on the same general principles and what is different is the actual tools (i.e., computing programmes) used to run the load flow analysis or the reconciliation calculations for the lower voltage levels.**
7.	If yes to question 6, how do you believe the change over from the existing multiple methodologies to one methodology should be achieved (e.g. phased in over time, or on a particular change over date)?	-	**See above.**

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
8.	Do you have any suggestions on how the impact of inaccurate LLFs (on Settlement and Parties) can be determined during the Assessment Procedure? Please state suggestion and rationale	Yes	**In order for the analysis to be meaningful, real LLF volatility needs to be used (instead of using a hypothetical percentage of deviation). Previous LLF variations should be sampled (for all LDSOs or for a sample group) and then used to derive a standard deviation (i.e., a percentage variation which is actually likely to be seen in the industry). Another approach could be to take the largest available variation seen so far and model the effect. The impact can then be reported in volumetric (GWh) terms.** **In modelling, however, there is always the assumption that the "correct" LLF value is known, which is not the case as LLFs are merely an estimate of losses (a correction factor on themselves). If the purpose is to determine whether LLFs are accurate (against a "correct" value), then we believe that this could only be achieved through the wide scale use of boundary metering, which can be counterproductive as mentioned before.**
9.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P216 to the Assessment Procedure? Please give issues and rationale	Yes	**Another element for errors is the wrong assignation of a LLFC to an MPAN by a distributor. We see the need of an audit process in that area of the process as well.** **In terms of mid-year changes it is important to be careful about disallowing new LLFs to be submitted (these are necessary when new site-specific sites are connected). Perhaps a change to BSCP 528 is needed so that it is not necessary to submit the full D0265 flow for a new LLFC. Also, the use of "default" values must be looked into with extreme care. If for some reason the LLFs submitted by a distributor are not validated and therefore a "default" value is chosen, the situation can become worse than before –i.e., the "default" could be a worse estimate than the non-validated LLF.**

 © ELEXON Limited 2007

Q	Question	Response [1]	Rationale
10.	Are there any further comments on P216 that you wish to make?	Yes	**Given the significance of the proposed modification and the impact both in distribution and supply businesses, the time made available to the industry for response to this consultation has not been enough to give it a thorough consideration. We cannot understand the sense of urgency that has been given to this process and fear that some important respondents and views might have been missed out.** **We also believe that a lot of the perceived lack of transparency in the LLF methodology can be removed with a workshop or series of workshops, perhaps hosted by Elexon, where the LDSOs can put the information currently on the public domain (i.e., the methodologies published in the charging statements) in simple terms and answer questions about quality assurance etc.** **ScottishPower is very keen to see the accuracy of Settlements maximised. However, the accuracy of LLFs is merely one aspect of the overall picture of estimates in Settlements and the, perhaps more pressing and material, question of EAC accuracy must be looked into too.**

Please send your responses by **5pm on Tuesday 18 September 2007** to modification.consultations@elexon.co.uk and please entitle your email 'P216 **Definition Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to David Jones on 020 7380 4213, email address david.jones@elexon.co.uk.

© ELEXON Limited 2007