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to customers*

The BSC Panel, BSC Parties and
other interested parties

Our Ref: P246
Email: industrycodes@ofgem.gov.uk

Date: 4 December 2009

Dear Colleague,

BSC Modification Proposal P246: Reporting to LDSOs of Aggregated Metering Data for Embedded Networks

Following consideration of the recommendation of the BSC Panel that modification proposal P246: *'Reporting to LDSOs of Aggregated Metering Data for Embedded Networks'* follows urgent modification procedures, Ofgem has today agreed to that request. In reaching our decision on granting urgent status we have considered the details contained within the modification proposal, together with the proposer's justification for urgency and the Panel's views, the details of which are set out in the attached letter and therefore not repeated here.

We note that the proposal is intended to facilitate Licensed Distribution System Operators (LDSOs) implementation of the new Common Distribution Charging Methodology (CDCM). Distribution Network Operators (DNOs) have a licence requirement¹ to implement the CDCM by 1 April 2010.

We also note the suggestion that if existing settlement data cannot be utilised for portfolio billing, a key component of the CDCM, there may be a significant commercial impact upon LDSOs in having to develop an alternative and potentially inferior solution. This may jeopardise DNOs' ability to bill Independent DNOs on a portfolio basis and thus comply with their licence condition to implement the CDCM by 1 April 2010.

On the basis of the information provided we consider that this proposal satisfies the criteria for granting urgent status to a modification proposal. In particular, we consider that:

- the proposal is linked to an imminent date related event, insofar as the requirement to adhere to the CDCM take effect 1 April 2010; and,
- there is a real likelihood of significant commercial impact upon LDSO's if the proposed modification is not treated as urgent and decided upon within this timeframe.

Whilst we consider that the proposed process and timetable is challenging and recognise that the consultation window spans the Christmas period, we also acknowledge that the LDSOs will require reasonable notice of our subsequent decision on this proposal to make

¹ Standard licence condition 50.2

suitable arrangements for implementation or pursue alternatives as appropriate. We also have regard to the need for a timely decision, albeit this is not specified in the attached process and timetable. We therefore also direct that the Panel's proposed process and timetable be followed.

For the avoidance of doubt, in accepting this request for urgency, Ofgem has made no assessment of the merits of the modification proposal and nothing in this letter in any way fetters the discretion of the Authority in respect of any subsequent decision.

If you have any queries in relation to the issues raised in this letter, please feel free to email industrycodes@ofgem.gov.uk.

Yours Sincerely,

Jon Dixon
Head of Industry Codes and Licensing



3 December 2009

Jon Dixon
Ofgem
9 Millbank
London
SW1P 3GE

by email

Dear Jon

Panel recommendation for urgency for Modification Proposal P246 'Reporting to LDSOs of Aggregated Metering Data for Embedded Networks'

Modification Proposal P246 'Reporting to LDSOs of Aggregated Metering Data for Embedded Networks' was raised by the Electricity Network Company on 30 November 2009.

The Proposer has recommended that P246 should be progressed as an Urgent Modification Proposal. In accordance with the procedures set out in Section F2.9 of the Balancing and Settlement Code ('the Code'), the Panel has considered this recommendation, and recommends to the Authority that P246 should be progressed as an Urgent Modification Proposal.

I am writing to seek the Authority's determination as to whether urgency should be granted and, if so, endorsement of the process and timetable to be followed in respect of the Urgent Modification Proposal.

Issue identified by P246

A new Common Distribution Charging Methodology (CDCM) for Distribution Use of System (DUoS) charging comes into effect on 1 April 2010. The CDCM introduces 'portfolio billing' for networks embedded within Host Networks. The Host Licensed Distribution System Operator (LDSO) will charge the operator of the embedded network (e.g. an LDSO or Independent DNO) based on aggregated settlement data for the portfolio of customers on the embedded network.

Currently, the Host LDSO calculates charges using Half Hourly meter readings from a non-settlement Meter at the boundary between the two networks. Embedded network operators charge Suppliers based on settlement data, but are charged by Host LDSOs based on data from non-settlement boundary meters.

The Code currently provides for embedded LDSOs to receive settlement data to calculate charges for their own networks, but not the use of this settlement data by Host LDSOs. The Proposer believes that this restriction means it is at present extremely difficult for LDSOs to comply with their Licence Obligation to implement the CDCM.

Solution proposed by P246

P246 proposes that the Code is amended so settlement data is available to Host LDSOs for the purpose of facilitating implementation of the CDCM, specifically portfolio billing. It also proposes that the arrangements for LDSOs funding the implementation or operation of these arrangements should be considered.

LDSOs are obliged to introduce portfolio billing in accordance with the CDCM with effect from 1 April 2010. It is not expected that LDSOs will have an enduring solution for portfolio billing in place by 1 April, and will therefore need to introduce a temporary solution.

To facilitate implementation of the CDCM a DCUSA Working Group is considering the requirements for an enduring solution and an IDNO group is developing a temporary 'workaround' solution. It is intended that the P246 solution will support both the temporary workaround and the enduring solution. Since neither the temporary or enduring CDCM solutions are finalised, P246 will not try to define these solutions, but will amend the Code such that LDSOs have the appropriate flexibility when determining the solutions.

Proposer’s rationale for recommending Urgency

The Proposer requested that P246 be treated as an Urgent Proposal because:

- Changes to the BSC are required well in advance of the introduction of the CDCM on 01 April 2010 to enable LDSOs to develop and implement a solution for portfolio billing for embedded networks. This links P246 to an imminent date-related event; and
- If portfolio billing cannot be implemented as envisaged (i.e. using settlement data) there could be an extremely high impact on LDSOs and less effective charging methodologies and portfolio billing may be introduced. This would have a significant commercial impact.

Panel Views

The Panel considered the request for Urgent status for P246 on 3 December 2009. Two Panel members attended in person and 11 members joined via teleconference, including an Authority representative. The Proposer also joined the meeting via teleconference.

Following consideration, the Panel unanimously agreed that P246 should be treated as an Urgent Modification Proposal. The Panel agreed that P246 was linked to the introduction of the CDCM on 1 April 2010 and that the decision on P246 would have a significant impact on how LDSOs implement their charging methodologies, specifically in the area of portfolio billing.

The Panel agreed P246 was a valid Modification Proposal and noted it was primarily an 'enabling' change, with the aim of removing Code restrictions to allow LDSOs the freedom to implement the most effective charging solution. The Panel agreed that whether or not P246 was approved it was important for LDSOs to know the decision in advance of introduction of the CDCM on 1 April.

Proposed Process and Timetable

Activity	Date
Liaise with DCUSA Working Group and IDNO group	Week 7-11 December 2009
First Modification Group meeting	16 and/or 17 December 2009 (TBC)
P246 consultation	18 December 2009 - 5 January 2010
Second Modification Group meeting (if required)	6 January 2010 (TBC)
Issue Urgent Modification Report to Group for review	7 January 2010
Deadline for Modification Group comments	11 January 2010
Issue Urgent Modification Report to Panel	12 January 2010
Panel considers Urgent Modification Report at January meeting	14 January 2010

Activity	Date
Issue Modification Report to Authority fro decision	15 January 2010

Decision Required

You are invited to determine whether P246 should be treated as an Urgent Modification Proposal and, if so, to direct the process and timetable to be followed. Given that we plan to discuss the progression of P246 with the LDSO groups (i.e. the DCUSA Working Group and IDNO group) next week I would appreciate it if you could reach a timely decision on this matter. Ideally a decision provided by Monday 7 December would provide us with certainty when entering into discussions with the LDSO groups.

Yours sincerely



Laone Roscorla

BSC Panel Secretary