

**Responses from P196 draft Report**

**Consultation Issued 20 March 2006**

**Representations were received from the following parties**

| <b>No</b> | <b>Company</b>        | <b>File number</b> | <b>No BSC<br/>Parties<br/>Represented</b> | <b>No Non-<br/>Parties<br/>Represented</b> |
|-----------|-----------------------|--------------------|---|--|
| 1.        | Laing Energy          | P196_dMR_001       | 2   | 0  |
| 2.        | Metering Services     | P196_dMR_002       | 0   | 1  |
| 3.        | IMServ Europe Ltd     | P196_dMR_003       | 0   | 3  |
| 4.        | Centrica              | P196_dMR_004       | 1   | 0  |
| 5.        | EDF Energy Networks   | P196_dMR_005       | 3   | 0  |
| 6.        | Scottish Power        | P196_dMR_006       | 7   | 0  |
| 7.        | BizzEnergy            | P196_dMR_007       | 1   | 0  |
| 8.        | Npower                | P196_dMR_008       | 10  | 0  |
| 9.        | E.ON UK               | P196_dMR_009       | 17  | 0  |
| 10.       | British Energy        | P196_dMR_010       | 5   | 0  |
| 11.       | Scottish and Southern | P196_dMR_011       | 6   | 1  |

## P196 REPORT PHASE 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.

|   |  |
|---|--|
| <b>Respondent:</b>  | <i>Donna Townsend</i>  |
| <b>Company Name:</b>  | Laing Energy   |
| <b>No. of BSC Parties Represented</b>                       | 2 (LDSO, SMRS)   |
| <b>Parties Represented</b>                                  | <i>Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant).</i>  |
| <b>No. of Non BSC Parties Represented</b>                   | 0  |
| <b>Non Parties represented</b>                              | <i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>   |
| <b>Role of Respondent</b>                                   | <i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / Distributor / other – please state <sup>1</sup>)</i> <b>Distributor</b> |
| <b>Does this response contain confidential information?</b> | <i>No</i>  |

| Q  | Question  | Response | Rationale  |
|----|---|----------|--|
| 1. | Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?<br>Please give rationale. | Yes      | <a href="#">We believe the proposal entails swapping one form of settlement error for another, while reducing incentives on suppliers to get accurate meter reads. It also transfers the problem away from the area PES to all suppliers in the GSP group even though they can be expected not to have many of these sites. We concede these are supply market issues.</a> |
| 2. | Do you agree that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?<br>Please give rationale.                     | Yes      |  |

<sup>1</sup> Delete as appropriate – please do not use strikethrough, this is to make it easier to analyse the responses

| Q  | Question  | Response | Rationale |
|----|---|----------|-----------|
| 3. | Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P196?<br>Please give rationale. | Yes      |           |
| 4. | Are there any further comments on P196 that you wish to make?   | No       |           |

Please send your responses by **17:00 on Monday 3 April 2006** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P196 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

Any queries on the content of the consultation pro-forma should be addressed to Katie Key on 020 7380 4376, email address [Katie-Ann.Key@elexon.co.uk](mailto:Katie-Ann.Key@elexon.co.uk).

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|   |   |
|---|---|
| <b>Respondent:</b>  | <i>Alastair Barnsley</i>  |
| <b>Company Name:</b>  | Metering Services Ltd.  |
| <b>No. of BSC Parties Represented</b>                       |   |
| <b>Parties Represented</b>                                  | <i>Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant).</i> |
| <b>No. of Non BSC Parties Represented</b>                   | 1   |
| <b>Non Parties represented</b>                              | <i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>                |
| <b>Role of Respondent</b>                                   | <i>(Party Agent)</i>  |
| <b>Does this response contain confidential information?</b> | <i>No</i>   |

| Q  | Question  | Response | Rationale   |
|----|---|----------|---|
| 1. | Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?<br>Please give rationale. | Neutral  | As a party agent we maintain a neutral position on this decision. It is our belief that the proposed amendment would address the issues raised by various suppliers and would result in settlements reflecting a more reasonable estimate of the consumption associated with long term vacant premises. However as a party agent these changes will have little if any impact on us as outlined in our previous response. |
| 2. | Do you agree that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?<br>Please give rationale.                     | Yes      | It is our belief that the text represents an practical implementation of the object of the proposal   |

| Q  | Question  | Response | Rationale                                 |
|----|---|----------|---|
| 3. | Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P196?<br>Please give rationale. | Yes      | The provisional timescale is satisfactory |
| 4. | Are there any further comments on P196 that you wish to make?   | No       |   |

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|   |  |
|---|--|
| <b>Respondent:</b>  | Name <b>Jenny Green</b>  |
| <b>Company Name:</b>  | <b>IMServ Europe Ltd</b>   |
| <b>No. of BSC Parties Represented</b>                       | <b>3</b>   |
| <b>Parties Represented</b>                                  | <i>Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant).</i> <b>NHHDC NHHDA NHHMO</b> |
| <b>No. of Non BSC Parties Represented</b>                   | <b>N/A</b>   |
| <b>Non Parties represented</b>                              | <i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>   |
| <b>Role of Respondent</b>                                   | <b>Party Agent</b>   |
| <b>Does this response contain confidential information?</b> | <b>No</b>  |

| <b>Q</b> | <b>Question</b>   | <b>Response</b> | <b>Rationale</b>  |
|----------|---|-----------------|---|
| 1.       | Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?<br>Please give rationale. | <b>No</b>       | <b>No. We feel that the proposed solution – although perhaps not perfect – certainly went a long way towards helping Suppliers and DCs improve Settlement accuracy by providing a cost-effective method of ensuring truly vacant sites settle on a zero EAC rather than a blatantly incorrect positive EAC – thereby causing less distortion in Settlements. The proposed solution was designed to be optional – so if some Suppliers did not want to implement this approach then they did not have to, but it gave Suppliers the option to.</b> |

| Q  | Question  | Response | Rationale   |
|----|---|----------|---|
| 2. | Do you agree that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?<br>Please give rationale. | Yes      | Yes   |
| 3. | Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P196?<br>Please give rationale.   | No       | No. As this is an existing problem causing a distortion in Settlements we would rather have implemented this modification earlier, but understand that there are already other things lined up for releases prior to Feb 2007 – so we will have to be happy with this.  |
| 4. | Are there any further comments on P196 that you wish to make?   | Yes      | Yes. We do have considerable problems with MOP energisation statuses and the general interface with MOP already – and forcing Suppliers to go down an expensive, difficult process involving MOPs to resolve Long Term Vacant sites will only cause less accurate Settlement information to be provided by the industry as a whole in our opinion – so we are disappointed about the proposed recommendation. |


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|   |                     |
|---|---------------------|
| <b>Respondent:</b>  | <i>Claire Walsh</i> |
| <b>Company Name:</b>  | Centrica            |
| <b>No. of BSC Parties Represented</b>                       |                     |
| <b>Parties Represented</b>                                  |                     |
| <b>No. of Non BSC Parties Represented</b>                   |                     |
| <b>Non Parties represented</b>                              |                     |
| <b>Role of Respondent</b>                                   | Supplier            |
| <b>Does this response contain confidential information?</b> | <i>No</i>           |

| Q  | Question  | Response | Rationale  |
|----|---|----------|--|
| 1. | Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?<br>Please give rationale. | Yes      | <p>We are in support of the BSC Panels views and provisional recommendation to the Authority that this Modification should not be made.</p> <p>Our views as presented in the response to the Assessment Procedure Consultation (attached) remain unchanged.</p>  <p>P196 Assessment Procedure cons...</p> |
| 2. | Do you agree that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?<br>Please give rationale.                     | Yes      |  |



| Q  | Question  | Response | Rationale |
|----|---|----------|-----------|
| 3. | Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P196?<br>Please give rationale. | Yes      |           |
| 4. | Are there any further comments on P196 that you wish to make?   | No       |           |

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|   |   |
|---|---|
| <b>Respondent:</b>  | Hazel Cotman  |
| <b>Company Name:</b>  | EDF Energy Networks plc   |
| <b>No. of BSC Parties Represented</b>                       | 3   |
| <b>Parties Represented</b>                                  | EDF Energy Networks (EPN) plc;<br>EDF Energy Networks (LPN) plc<br>EDF Energy Networks (SPN) plc; |
| <b>No. of Non BSC Parties Represented</b>                   | 0   |
| <b>Non Parties represented</b>                              | 0   |
| <b>Role of Respondent</b>                                   | Distributor   |
| <b>Does this response contain confidential information?</b> | No  |

| Q  | Question  | Response | Rationale  |
|----|---|----------|--|
| 1. | Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?<br>Please give rationale. | Yes      | We agree with the reasons given as to why the proposed Modification would not better achieve Applicable BSC Objectives c & d. In particular that the solution is not robust and decreases incentives on suppliers to obtain Meter Readings. We are also strongly of the view that this is one type of estimate replacing another that has no guarantee of providing a better estimate. |

| Q  | Question  | Response | Rationale   |
|----|---|----------|---|
| 2. | Do you agree that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?<br>Please give rationale. | Yes      | While we don't agree with the modifications groups recommendation the Legal Text it self is in line with the majority recommendation  |
| 3. | Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P196?<br>Please give rationale.   | Yes      | The implementation dates provided are reasonable  |
| 4. | Are there any further comments on P196 that you wish to make?   | Yes      | We are concerned that P196 gives an optional approach in settlements to the treatment of vacant sites which will be driven by the commercial decision of the supplier rather than any particular regard to settlements. As an example a supplier would have the ability to pick & choose MPANs / MSIDs they want to treat as vacant once the criteria is met. |

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|   |  |
|---|--|
| <b>Respondent:</b>  | <i>Timothy Roberts</i>   |
| <b>Company Name:</b>  | <i>Scottish Power Group</i>  |
| <b>No. of BSC Parties Represented</b>                       | <i>7</i>   |
| <b>Parties Represented</b>                                  | <i>Scottish Power UK PLC; Scottish Power Energy Management Ltd; Scottish Power Generation Ltd; Scottish Power Energy Retail Ltd; SP Transmission Ltd; SP Manweb PLC.; Scottish Power Distribution Ltd.</i> |
| <b>No. of Non BSC Parties Represented</b>                   | <i>0</i>   |
| <b>Non Parties represented</b>                              |  |
| <b>Role of Respondent</b>                                   | <i>Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent /</i>  |
| <b>Does this response contain confidential information?</b> | <i>No</i>  |

| Q | Question | Response | Rationale |
|---|----------|----------|-----------|
|---|----------|----------|-----------|

| Q  | Question   | Response | Rationale   |
|----|--|----------|---|
| 1. | <p>Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?</p> <p>Please give rationale.</p> | No       | <p>Scottish Power is greatly concerned that the Panel has made no reference to the key issue that this Mod would address i.e. the damaging impact that Long Term Vacant (LTV) sites are having on the equitability and accuracy of Settlements.</p> <p>We believe the aim of this Mod is to seek a PRAGMATIC solution to an acknowledged* Settlement Error (*the existence and scale of this error was unanimously accepted by the VASMG during its deliberations on Issue 14). P196 seeks <u>only</u> to rectify the position with those sites where there is <u>substantiating evidence</u> that a property is vacant and has been for a period of at least 7 months. It is NOT aimed at addressing issues with ALL Vacant sites.</p> <p>Under P196, there is a clear requirement for Suppliers to regularly visit Long Term Vacants, a process which is fully auditable. Failure to confirm that a site remains unoccupied will result in that site no longer being treated as Long Term Vacant.</p> <p>On the specific points made by Panel Members in section 5.1.1, Scottish Power has the following comments:</p> <p>On Para 1, 'Some Panel Members felt P196 would replace one estimate with another and that this estimate would be no more reflective of the actual consumption'.</p> <p><i>We believe that by <u>having confirmation</u> that a site is Unoccupied (i.e. the premises are boarded up; derelict; no fixture/fittings; uninhabitable) a zero estimate must, in the vast majority of cases, be more accurate than the current overstated values entering Settlement. Also under P196, a Supplier will be required to reaffirm the status of this zero estimate at regular intervals.</i></p> <p>On Para 2, we believe that the arguments for BSC Objective (C) are valid, and that they could equally have been applied to BSC Objective (D). The Mod Group however was advised against this.</p> |

| Q  | Question  | Response | Rationale   |
|----|---|----------|---|
| 1. | <p>Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?</p> <p>Please give rationale (Cont).</p> | No       | <p>On Para 3, 'A Panel member commented that the estimate of the proportion of vacant sites seemed to vary between 0.1% and 3% and that the Group had not considered where LTV's are situated'</p> <p><i>The variances in the data provided are caused primarily by the differences being experienced by PES and Non PES Suppliers. With the exception of portfolio accounts, Long Term Vacant's in the main do not change Supplier and hence this predominantly affects the former PES Suppliers.</i></p> <p><i>Also, reference needs to be made to the data contained within the Issue 14 report. Not only is there data from both PES &amp; Non PES Suppliers, but also there is INDEPENDENT data from the Halifax PLC &amp; Govt Depts. The data contained in this report demonstrates that there are significant regional variations as to where LTV's are situated. In addition, it is clear that from this independent research data that in some areas the % of private sector dwellings empty for &gt; 6 mths is over 5%.</i></p> <p><i>Given the significant amount of data presented on Issue 14, the VASMG UNANIMOUSLY agreed that at least 1% of the NHH market is Long Term Vacant.</i></p> <p>On Para 4, One Panel Member questioned whether the rest of the Suppliers in a GSP Group would end up paying more due to the consumption on LTV's being zero.</p> <p><i>We believe the reality to be that Suppliers not affected by Long Term Vacant sites are actually BENEFITING from the current overstatement of energy. Surely, the focus of the Panel must be on greater accuracy for ALL Parties.</i></p> <p>Also on Para 4, the statement concerning GCF is incorrect. GCF is shared by NHH Suppliers in a GSP Group, and the value of the GSP GCF would increase and not decrease as stated.</p> |

| Q  | Question  | Response | Rationale  |
|----|---|----------|--|
| 1. | Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?<br>Please give rationale. | No       | <p>On Para 5, 'One Panel Member could not understand why Suppliers were not obtaining warrants.'</p> <p><i>We believe there to be a number of issues concerning warrants that the Panel ought to consider: -</i></p> <ul style="list-style-type: none"> <li><i>Under P196, <u>Suppliers are required to provide substantiating evidence</u> that a site is Long Term Vacant – given this, can we as an Industry truly justify spending over £11m on warrants (confirmed in Issue 14 report), just to confirm something we already know?</i></li> <li><i>Also, this approach gives no benefits to customers, and in the current climate of rising energy prices /adverse publicity can we really justify spending £m's on what amounts too little more than an 'academic' exercise?</i></li> <li><i>It should be noted that Magistrates seem reluctant to grant warrants for meter reading purposes only. Furthermore, it has also been suggested that when applying for warrants we should aim to de-energise sites that are Long Term Vacant. But can we really justify the wholesale de-energisation of sites? This approach would have an adverse impact on Customers i.e. when a site is reoccupied the Supply will have to be reconnected and hence lead to delays and inconvenience to Customers as well as having to endure additional costs associated with this process.</i></li> </ul> <p>Also on Para 5 'Some members of the Panel felt that by taking away the natural incentive for Suppliers to obtain actual Meter readings, there is no guarantee of a long term improvement in Settlement data'.</p> <p><i>We believe this contrary to this Mod's intentions. Under P196 Suppliers WOULD BE incentivised to visit a site either to gain a reading (and hence bill a customer) or confirm that the status of the site remains as unoccupied. It is only by getting this confirmation at regular intervals (i.e. 3-7 months) that a site can be treated as Long Term Vacant in Settlement. Surely this offers an adequate incentive to those suffering from the overstatement of energy in Settlements, when they know these sites not to be consuming in the first place. Under P196, Suppliers are required in affect to adopt a MUST READ Policy for</i></p> |
| 1. | Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority   | No       |  |

| Q | Question  | Response | Rationale   |
|---|---|----------|---|
|   | contained in the draft Modification Report that P196 <b>should not</b> be made?<br>Please give rationale. |          | <i>this type of site.</i><br><br><i>Moreover, it should be noted that most, if not all, Suppliers Meter Reading Agents are Incentivised under the terms of their contract to OBTAIN readings. By getting paid based on performance it is NOT in their interests to report a site as unoccupied.</i> |



| Q  | Question   | Response | Rationale  |
|----|--|----------|--|
| 1. | <p>Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?</p> <p>Please give rationale.</p> | No       | <p>On Para 6 'One member stated that nobody would use the P196 Option.'</p> <p><i>From the Industry Responses to the Assessment report, there was clear support for this Modification. Also, this Mod is optional because OFGEM had signalled that they did not believe it should be mandatory. Given the impact of the Settlement error, there is a clear incentive for those affected parties to use this solution.</i></p> <p>On Para 10, 'One Panel Member had concerns over the fact that the Mod only deals with NHH.'</p> <p><i>This Mod only deals with NHH sites as HH sites can be read remotely.</i></p> <p>On Para 11, 'It was noted that there would be an apparent reduction in Distribution Use of System (DUoS) Charges.'</p> <p><i>Under P196 by correcting the overstatement of energy, we believe DUoS charges will be more accurate.</i></p> <p>With regard to the Panel's comments on Section 5.1.2 – Applicable BSC Objectives, Scottish Power has the following comments:</p> <p>On Objective (C):</p> <p>'P196 creates potential inconsistencies between Suppliers (it specifically excludes Suppliers with an annual read cycle)'</p> <p><i>We disagree with this statement, P196 is OPTIONAL for Suppliers. Also we believe there are very few sites which remain on an annual read cycle. Moreover, the intention of the Mod is to create a degree of rigour in the process by requiring Parties to read LTV on a more regular basis to provide a higher degree of accuracy in Settlements.</i></p> |

| Q | Question   | Response | Rationale  |
|---|--|----------|--|
| 1 | <p>Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?</p> <p>Please give rationale.</p> | No       | <p>'P196 has detrimental impacts on non PES Suppliers, as if a PES Supplier incorrectly identified a LTV site, the rest of the non-PES Suppliers will pay for the energy consumed.'</p> <p><i>Why is it implied that only PES Suppliers will make mistakes? Any Supplier who makes a mistake whether it is on P196 or any other Settlement process has a potential impact on other Suppliers.</i></p> <p><i>The key point is that P196 will make the Settlement process more accurate than it is now. Even if we accept a degree of error (which will be minimised by the rigour of the mtr rdg process) the vast majority of the overstatement of energy will be corrected thus making it both more equitable and accurate.</i></p> <p>On Objective (D):<br/>P196 is not a robust solution in terms of its implementation and audit ability.<br/><i>We are not sure how the Panel can reach this conclusion given that the modification is very clear with regard to its implementation and has to be fully auditable.</i></p> <p>'P196 decrease the incentives on Suppliers to obtain Meter readings which could lead to a decrease in the accuracy of Settlements.'</p> <p><i>As mentioned above, P196 would <u>INCENTIVISE</u> Suppliers to visit sites, either to gain a reading (and hence bill a customer), or to confirm that the status of the site remains as unoccupied. It is only by getting this confirmation at regular intervals (i.e. 3-7 months) that a site can be treated as Long Term Vacant in Settlement. Surely this offers an adequate incentive to those suffering from the overstatement of energy in Settlements, when they know these sites not to be consuming in the first place. It should be noted that under P196, Suppliers are required in affect to adopt a MUST READ Policy for this type of site.</i></p> <p><i>Moreover, it should also be noted most if not all Suppliers Meter Reading Agents are incentivised under the terms of their contract to OBTAIN readings. By getting paid based on performance it is NOT in their interests to a report a site as unoccupied.</i></p> |

| Q  | Question  | Response                | Rationale   |
|----|---|-------------------------|---|
| 2. | Do you agree that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?<br>Please give rationale. | Yes with a small caveat | Two minor changes required on section 2.8.3 (a) after 'and has been unable to obtain access to the Non Half Hourly...' amend as follows:<br>'and has been unable to obtain access because the site is unoccupied to the Non Half Hourly...'<br>On section 2.8.3 before endeavours insert 'reasonable' |
| 3. | Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P196?<br>Please give rationale.   | Yes                     | As the dates have remained unchanged.   |
| 4. | Are there any further comments on P196 that you wish to make?   | No                      |   |

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## P196 REPORT PHASE CONSULTATION QUESTIONS

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| <b>Respondent:</b>  | <i>Alison Hughes</i>   |
| <b>Company Name:</b>  | BizzEnergy   |
| <b>No. of BSC Parties Represented</b>                       | 1  |
| <b>Parties Represented</b>                                  | <i>BIZZ</i>  |
| <b>No. of Non BSC Parties Represented</b>                   |  |
| <b>Non Parties represented</b>                              | <i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i> |
| <b>Role of Respondent</b>                                   | <i>Supplier</i>  |
| <b>Does this response contain confidential information?</b> | <i>No</i>  |

| <b>Q</b> | <b>Question</b>   | <b>Response</b> | <b>Rationale</b>  |
|----------|---|-----------------|---|
| 1.       | Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?<br>Please give rationale. | Yes             | Support the change proposal in principle but agree with the Panel that it should not be made until confident that estimate provided will be reflective of actual consumption.   |
| 2.       | Do you agree that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?<br>Please give rationale.                     | No              | Criteria for identifying Long Term Vacant is incomplete - Legal text is missing reference to Site Visit Check Code populated with Code 02 "Site not occupied" which is identified by the Data Collector as the reason they are unable to obtain access. |
| 3.       | Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P196?<br>Please give rationale.   | Yes             |   |

| Q  | Question  | Response | Rationale |
|----|---|----------|-----------|
| 4. | Are there any further comments on P196 that you wish to make? | No       |           |

Please send your responses by **17:00 on Monday 3 April 2006** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P196 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

Any queries on the content of the consultation pro-forma should be addressed to Katie Key on 020 7380 4376, email address [Katie-Ann.Key@elexon.co.uk](mailto:Katie-Ann.Key@elexon.co.uk).

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| <b>Respondent:</b>  | <i>Richard Harrison</i>   |
| <b>Company Name:</b>  | <i>Npower Limited</i>   |
| <b>No. of BSC Parties Represented</b>                       | <i>10</i>   |
| <b>Parties Represented</b>                                  | <i>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</i> |
| <b>No. of Non BSC Parties Represented</b>                   | <i>None</i>   |
| <b>Non Parties represented</b>                              | <i>N/A</i>  |
| <b>Role of Respondent</b>                                   | <i>Supplier / Generator / Trader / Consolidator / Exemptable Generator / Party Agent</i>  |
| <b>Does this response contain confidential information?</b> | <i>No</i>   |

| <b>Q</b> | <b>Question</b>   | <b>Response</b> | <b>Rationale</b>  |
|----------|---|-----------------|---|
| 1.       | Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?<br>Please give rationale. | No              | <p>We are very concerned that, despite all the controls built into this Modification Proposal, the Panel has provisionally reversed the Modification Group's view and recommended rejection.</p> <p>We appreciate that, in a case such as this, it is not easy for the Panel to weigh the relative merits of the different arguments put forward in the Modification Group. However, there are appear to be a number of incorrect or misleading statements in the draft Modification report, in some cases ignoring evidence that has been presented in the Assessment Report and/or the Issue 14 Report. We have commented on these in detail in a separate attachment.</p> <p>(Continued)</p> |

| Q | Question | Response | Rationale   |
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|   |          |          | <p>The Panel's apparent assumption that this Modification is about ex-PES's trying to relax the rules to their own advantage ignores the impact on new independent Suppliers, particularly in the non-domestic sector, and in particular Bizz Energy's response to the Assessment consultation. It must be true that, for the affected segment(s) of the market, the risk of unrecoverable Settlement and UOS costs in general has a relatively greater impact on smaller new entrants, who are likely to have less financial resources and less effective control over meter reading activities. This is the primary reason why Modification P196 furthers Applicable Objective (c).</p> <p>Modification P196 should also result in improved validation and estimation of meter readings for premises that are re-occupied (along similar lines to the explanation previously presented to the Panel on Modification P176). It therefore clearly furthers Applicable BSC Objective (c) in this respect as well.</p> <p>(Continued)</p> |

| Q | Question | Response | Rationale   |
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|   |          |          | <p>In addition to the Applicable BSC Objectives, there are other good arguments for supporting this Modification. What is clear is that there is a general bias in the GSP Group Correction Factor indicating an over-accounting of meter level consumption in most GSP Groups (even when theft and consumption known to be missing from Settlement is taken into account). Unless this difference is entirely due to the LLFs provided by the LDSOs being too high and/or the Profile Regression coefficients being fundamentally inaccurate and/or unaccounted spill from embedded generation, this means that the current distribution line losses, as measured by comparison of meter level energy with GSP Group Take, are being under-stated, increasing the recoverable revenue and hence DUOS charges in accordance with the Losses Incentive mechanism. These sources of error are all potentially material, and need to be investigated and addressed, in order that the true level of distribution line losses can be established.</p> <p>The Panel and the Authority need to be aware that the likely consequence of rejecting P196 is that customers will continue paying higher prices than they should, due to the Losses Incentive mechanism described above. This would seem to call into question the desirability of maintaining an artificial 'incentive' for Suppliers to gain access to bona fide vacant properties (often involving considerable inconvenience to customers as well as cost) to obtain meter readings to prove that there is no consumption.</p> |



| Q  | Question  | Response | Rationale  |
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| 2. | Do you agree that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?<br>Please give rationale. | No       | From a public policy (crime prevention) and customer perspective, we feel that a de minimis level of consumption, corresponding to basic security alarm consumption, should be allowable for a Long Term Vacant sites, and this should be written into Section S 2.8.2 (c) "the Supplier becomes aware that consumption of electricity in excess of a de minimis level ... is occurring ...".<br>Also, at the end of the new paragraph 4.3.19 of Annex S-2, the words "until it ceases being Long Term Vacant" need to be added.   |
| 3. | Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P196?<br>Please give rationale.   | Yes      | The proposed implementation dates appear reasonable in terms of the process proposed.  |
| 4. | Are there any further comments on P196 that you wish to make?   | Yes      | We would draw the Panel's attention to the fact that this Modification Proposal was seen as part of the solution to redress the apparent inequity in the way Suppliers have been pursued to correct the Energisation Status of sites which were registered as De-energised but apparently consuming. Given the evidence of general over-statement of consumption in Settlement, and the likelihood that long term vacant sites are contributing significantly to this, it seems only reasonable that a mechanism is provided to address the latter, particularly for the significant proportion of sites where it is not practicable to obtain meter readings; otherwise the whole basis of DA182 is called into question. |

Please send your responses by **17:00 on Monday 3 April 2006** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P196 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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## P196 REPORT PHASE 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.

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| <b>Respondent:</b>  | Afroze Miah  |
| <b>Company Name:</b>  | E.ON UK  |
| <b>No. of BSC Parties Represented</b>                       | 17   |
| <b>Parties Represented</b>                                  | E.ON UK plc (SVA), E.ON UK plc (CVA), Powergen Retail Ltd, Citigen (London) Ltd, Cottam Development Centre Ltd, Enizade Ltd, E.ON UK Drakelow Ltd, E.ON UK High Marnham Ltd, E.ON UK Ironbridge Ltd, Midlands Gas Ltd, Severn Trent Energy Ltd, TXU Europe (AHG) Ltd, TXU Europe (AHGD) Ltd, TXU Europe (AH Online) Ltd, Economy Power, Western Gas Ltd, Powergen Retail Gas (Eastern) Ltd |
| <b>Role of Respondent</b>                                   | Supplier / Generator   |
| <b>Does this response contain confidential information?</b> | No   |
| <b>Respondent:</b>  | Afroze Miah  |
| <b>Company Name:</b>  | E.ON UK  |

| Q  | Question   | Response<br>Error! Bookmark not defined. | Rationale  |
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| 1. | <p>Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?</p> <p>Please give rationale.</p> | <b>No</b>                                | <p>E.ON is disappointed by the BSC Panel's decision. From the very beginning of the modification, we had indicated that there is a significant inaccuracy and misallocation of energy in settlements between suppliers because of the problems associated with long term vacant sites. This inaccuracy and inequity goes counter to two of the key principles of the BSC – the requirement to ensure settlements is as accurate as possible and is equitable. The Issue 14 Group concluded in their final report that long term vacant sites would be a key contributor to this inaccuracy and inequity and the fact that 12 out of the 14 GSP Groups have shown an over-statement of energy confirms this.</p> <p>E.ON believes this modification is the most pragmatic solution. Although this proposal would result in the use of a zero EAC for long term vacant sites, this EAC would only be used after a series of checks had been made in line with the agreed procedure outlined in the modification report including evidence gathering to prove long term vacancy. This would be more robust and more accurate than the current situation where an EAC is used based on previous consumption even though the available evidence would otherwise indicate that the site is long term vacant. The case for using a zero EAC is stronger than the current arrangements.</p> <p>E.ON would like it noted that this modification is a sensible solution that does not claim to have resolved all the issues surrounding long term vacant sites. It is not a panacea. It is however, a well considered response to a complex issue supported by analysis and considerable evidence.</p> |

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| 1 | <p>Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?</p> <p>Please give rationale.</p> | <p><b>No</b></p> | <p>This solution will not resolve all the issues associated with settlement of long term vacant sites: E.ON acknowledges the difficulties HH sites present. It would, however, go some way to resolving other issues such as Aged EACs which is an acknowledged problem with the current settlements arrangements.</p> <p>The following comments represent E.ON's response to each of the BSC Panel's reasons for rejecting this modification:</p> <p><i>Some members of the Panel felt that P196 would replace one estimate of the consumption used on site with another estimate, however they felt that there would be no guarantee that the estimate provided under P196 would be more reflective of the actual consumption on site.</i></p> <p>E.ON disagrees with this point. Although this proposal would result in the use of a zero EAC for long term vacant sites rather than the normal non-zero EAC, this zero EAC would only be used after a supplier and it's NHHDC(s) had followed the agreed procedure Suppliers will continue to gather supporting evidence to prove a site is long term vacant. Suppliers and NHHDCs would be using all reasonable endeavours to establish the status of long term vacant sites and this would be re-affirmed at regular intervals. This would be more robust and accurate than the current situation where an EAC would be automatically used based on previous consumption even though all the available evidence would indicate that the site is long term vacant. The strict criteria for long term vacancy status coupled with the evidence from two separate sources (supplier and NHHDC) would ensure the correct classification of a site. The use of the zero EAC would, therefore, be a more equitable approach to settling long term vacant sites.</p> <p><i>Some members of the Panel felt that the majority of the arguments that had been cited by the Modification Group for and against Applicable BSC Objective (c) were actually arguments for and against Applicable BSC Objective (d).</i></p> |
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| 1 | <p>Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?</p> <p>Please give rationale.</p> | <p><b>No</b></p> | <p>E.ON is somewhat surprised by this observation. The Modification Group deliberated at length on this issue and agreed to follow Elexon's legal advice that the accuracy of settlements does, in fact, relate to competition and therefore should be considered against Applicable BSC Objective (c).</p> <p>This is not to say that, at times, the accuracy of settlements could not also be used to consider against Applicable BSC Objective (d). We are also confident that Ofgem would think likewise and look forward to their views on this point in due course.</p> <p><i>One Panel Member commented that the estimates of the proportion of vacant sites seemed to vary between 0.1% and 3% and queried whether any mapping of where typically they were situated had been undertaken. The analysis undertaken by the Modification Group indicated that 1% of sites in Great Britain are Long Term Vacant, and some members of the Group felt that this was a conservative estimate, however the Modification Group had not considered where Long Term Vacant sites are situated.</i></p> <p>Again, E.ON is very surprised at the views articulated and by, we assume, the subsequent comments from Elexon that the Modification Group had not considered where long term vacant sites are situated. As part of the analysis of the Issue 14 Group there was in depth analysis and discussion of the reports from the Halifax and from the Office of the Deputy Prime Minister (ODPM) which clearly indicated by each region and urban centre where these vacant sites are situated. This data indicated that there are a disproportionate number of long term vacant sites in the North West, Scotland and parts of the Midlands and the North. This information was further elaborated on by E.ON UK at their presentation to the BSC Panel when introducing P196.</p> <p>The estimates of the proportion of long term vacant sites would vary between 0.1% and 3% because those contributing to the Elexon call for data would be a mix of old and new suppliers. Therefore the type of supplier responding would naturally determine the different levels of long term vacant sites on their portfolio. However, as the identity of the suppliers is confidential this information could not be divulged.</p> |
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| 1 | <p>Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?</p> <p>Please give rationale.</p> | No | <p>Elxon should be able to confirm our views on this matter without compromising supplier confidentiality.</p> <p><i>One Panel member queried whether any analysis had been undertaken in relation to the interaction of Long Term Vacant sites with the Grid Supply Point (GSP) Group Correction Factor. This Panel member questioned whether the rest of the Suppliers in a GSP Group would end up paying more due to the consumption on Long Term Vacant sites being zero. GSP Group Correction Factor is shared by Suppliers in the GSP Group in accordance with their market share. Under P196, it is expected that the values of GSP Group Correction Factor would decrease, however the reason for this would be that the consumption attributed to Long Term Vacant sites is likely to better reflect the consumption on those sites.</i></p> <p>The point being made is unclear. However, based on our interpretation of what is meant, we have the following two comments:</p> <ul style="list-style-type: none"> <li>• GSPGCF is not shared by suppliers in accordance with their market share. It is, instead, shared by suppliers in accordance with their NHH market share. This is a very important distinction.</li> <li>• There is no reference to GCF in the report, however, GCF would move closer to Unity if this modification is approved.</li> </ul> <p><i>One Panel member noted that the cost analysis undertaken by the Group demonstrated that the costs of obtaining one warrant for all Long Term Vacant sites was approximately half the cost of these sites remaining in Settlement. This member therefore could not understand why Suppliers were not obtaining warrants.</i></p> <p>The BSC Panel has misunderstood the cost analysis undertaken. The costs of obtaining warrants are for reading the meter only. If we extrapolated this to a supplier who does 4 in 4 or 2 in 4, there would be a four-fold or two-fold increase in costs per year. This would therefore be an expensive and unnecessary exercise for a supplier to carry out to ensure a meter is read at a premise that is obviously long term vacant. These costs would inevitably be built into a supplier's charging regime, thereby increasing prices to customers. These costs would then have to be paid by customers who are already experiencing high energy prices.</p> |
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| 1 | <p>Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?</p> <p>Please give rationale.</p> | <p><b>No</b></p> | <p>If the BSC Panel believes there is a one-off cost by de-energising the meter then they are also mistaken. De-energising a meter does not terminate the BSC or licence obligations - suppliers and their NHHDC must continue to use reasonable endeavours to obtain a read every 12 months (BSC) or Must Read / Must Inspect every 2 years (LC). There are therefore ongoing costs on suppliers to comply with these obligations.</p> <p>Suppliers and industry bodies should be following a 'customer first' policy. If the industry decides to adopt a wholesale de-energisation programme, burdening customers with the costs and inconvenience, the need for re-energisation still exists (suppliers pay for the costs of both de-energisation and re-energisation at the time of the de-energisation); what sort of message are we sending customers? Significant warrant activity will deepen further customers suspicion of the industry. E.ON welcomes the energywatch and Government view on this.</p> <p><i>Some members of the Panel felt that by taking away the natural incentive for Suppliers to obtain actual Meter readings, there is no guarantee of a long term improvement in Settlement data.</i></p> <p>E.ON completely refutes this assertion. There is no evidence for this. In fact, the following facts would indicate the contrary:</p> <ul style="list-style-type: none"> <li>• All suppliers want to get paid for the energy they supply. If they continually (and erroneously) base their bills on estimates the customer's confidence will be eroded. At best there would be a delay in payment until the customer submits their own read. Such a delay is not in the interest of suppliers and they would therefore endeavour to ensure their NHHDC(s) obtain meter reads.</li> <li>• We believe most suppliers have a 'obtain a read and get paid' policy with their NHHDCs. If NHHDCs do not get a read they do not get paid. This is incentive enough for NHHDCs to get actual reads. Validation procedures are invoked once a read is submitted ensuring spurious reads (erroneous advances) are not accepted.</li> </ul> |
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| 1 | <p>Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?<br/>Please give rationale.</p> | <p><b>No</b></p> | <ul style="list-style-type: none"> <li>The recent set of proposals from Ofgem in response to Energywatch's Billing Super Complaint is a deterrent to such activity. Why would suppliers not obtain meter readings when suppliers have committed themselves to sorting out the issues surrounding estimated bills? One solution would be the creation of an energy Ombudsman, a move that E.ON would support.</li> </ul> <p><i>One Panel Member expressed a concern that, once implemented, nobody would use the P196 option. P196 has been made optional as it is a commercial decision for Suppliers whether they want to use the P196 solution or whether they want to manage Long Term Vacant sites outside of the BSC.</i></p> <p>The solution is optional; if a supplier, decides it's in their interest they would follow this solution. If one supplier utilised the methodology, settlements would be that much more accurate and it should be noted that a majority of Modification Group members supported this modification. When the solution went out to industry consultation there was 9 – 4 in support of P196.</p> <p><i>Some members of the Panel felt that some of the statements provided in support of the Modification were not accompanied by any rationale, for example that the Modification was necessary as it removed a barrier to entry for small Suppliers. The Group had discussed this and some members of the Group felt that Long Term Vacant sites could be seen as a barrier to entry due to the costs associated with obtaining a warrant.</i></p> <p>The Modification Group provided strong evidence for the modification. Those that rejected the modification were not able to provide evidence to support their position. Rather than issue nebulous and unfounded statement perhaps the Panel should say what they mean in order for suppliers to respond appropriately. If the Panel needed further explanation on the day they should have asked.</p> <p>The Panel's comments above only mention one of these statements that had no rationale, namely, 'that the modification was necessary as it removed a barrier to entry for small suppliers'. The one and only small supplier (BizzEnergy) to respond to the consultation supported this modification for this reason. What other evidence does the BSC Panel</p> |
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| 1 | <p>Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?</p> <p>Please give rationale.</p> | <p><b>No</b></p> | <p>require to support this statement?</p> <p><i>One Panel Member noted that some respondents stated that they had very few problems in obtaining warrants. This had been discussed by the Modification Group and it was noted that where warrants had been obtained, this had been to de-energise the Metering systems as opposed to obtaining a reading.</i></p> <p>We agree with these comments. To reiterate – those suppliers who have been successful in obtaining warrants have done so for de-energisation / cessation and debt purposes (i.e. fitting pre-payment meters, etc.). Magistrates are more sympathetic to suppliers for these reasons but are less so inclined where the warrant is required to read a meter.</p> <p><i>One Panel Member commented that the P196 solution suggested steps that Suppliers could take in attempting to identify site owners and commented that the procedure appeared to be lacking in rigour. The Group provided a non-exhaustive list of suggested methods that a Supplier could use to attempt to identify the site owner. The Group have ensured that the P196 solution is fully auditable, meaning that if the Panel believes it to be a risky process, it could include the process within the scope of the BSC Audit. One Panel member believed that this would not be a difficult process to audit.</i></p> <p>E.ON agrees with the majority of the statement above regarding the robustness of the solution and the requirement for auditing suppliers and NHHDCs to ensure their compliance. We have given evidence elsewhere in our response supporting the robustness and rigour of the modification.</p> |
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| 1 | <p>Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?</p> <p>Please give rationale.</p> | <p><b>No</b></p> | <p><i>One Panel Member commented that a respondent had noted that the Modification Proposal just dealt with the Non Half Hourly market and queried whether the Half Hourly Market would be covered. This was discussed by the Modification Group and the Group agreed that it is outside the scope of P196. A separate Modification would have to be raised in respect of Half Hourly Long Term Vacant sites.</i></p> <p>E.ON agrees with this observation but believes it is not so large an issue in the HH market as HH meters can continue to be polled when vacant. This becomes a bigger issue if the communication equipment is disconnected. All Half Hourly meters can be remotely read (except where there is a meter or communication fault or the meter is de-energised).</p> <p><i>It was noted that P196 would have an effect on LDSOs from an apparent reduction in Distribution Use of System (DUoS) charges.</i></p> <p>This is outside the remit of the BSC Panel, although they are correct in their assumption. However, we would like to say that DUoS charges would more accurately reflect consumption. If this modification was accepted, then DUoS charges would reflect what is happening in settlements i.e. greater accuracy and equitability. DNOs support more accurate settlements and we believe this solution would help towards this.</p> <p><i>P196 creates potential inconsistencies between Suppliers (it specifically excludes Suppliers with an annual read cycle)</i></p> <p>The seven month read cycle is a compromise and the Modification Group did take this issue into account. However, E.ON would argue that this modification should not fail on this point. What evidence does the BSC Panel have for their statement other than the comments of one party who does not support this modification? We would be very surprised if that party's supply business or any suppliers' policy involved a reading cycle less frequent than 2 in 4 (i.e. one read every six months) for domestic customers. Less frequent reads would be the exception rather than the rule. If this was the case, then some suppliers would be basing a substantial number of their bills on estimated reads. This would go against the recent set of proposals from Ofgem arising from energywatch's Billing Super Complaint. All the industry incentives would indicate that suppliers would attempt to obtain actual reads as often as</p> |
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| 1 | <p>Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?</p> <p>Please give rationale.</p> | <p><b>No</b></p> | <p>possible.</p> <p><i>P196 has detrimental impacts on non-PES Suppliers as if a PES Supplier incorrectly identified a Long Term Vacant site, the rest of the non-PES Suppliers in the GSP Group will pay for the energy consumed.</i></p> <p>There is no such thing as a non-PES or PES Supplier in the BSC. The BSC Panel is using language that is pre-1998 and should therefore have no place in the modern trading arrangements. We believe what they mean is suppliers who were once dominant In Area (e.g. ex-Host PES) and new entrants (who could either be new suppliers or ex-Host PESs out of Area). If this is the case, then a small supplier (BizzEnergy) disagrees with this view. Why would a non ex-PES supplier incorrectly identifying a long term vacant site not impact the rest of the suppliers in the GSP group? What this rationale implies is that it is deemed competitive for ex-Host PES' to be disadvantaged by the current arrangements but it is not deemed competitive for new entrants to be exposed to an equitable settlement process. If this is the case, then the BSC Panel is taking a partisan position which will bring the Panel into disrepute.</p> <p>The BSC Panel should be basing their decision on whether the modification will result in greater accuracy and equitability in settlements and whether the Applicable BSC Objectives will be met.</p> <p><i>P196 is not a robust solution in terms of its implementation and auditability.</i></p> <p>This is incorrect. The solution is robust and auditable and the report to the BSC Panel states this clearly. E.ON has stated its position on this point in response to an earlier statement.</p> |
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| 1 | Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?<br>Please give rationale. | <b>No</b>  | <i>P196 decreases the incentives on Suppliers to obtain Meter readings which could lead to a decrease in the accuracy of Settlements;</i><br>This is incorrect. This modification increases the incentive to obtain meter reads, at least, once every seven months. If this solution is not implemented then what incentive is there on a supplier to attempt to read a long term vacant meter more than once every 14 months? If such sites were de-energised this incentive would lessen as there would then only be an obligation on NHHDCs to attempt to obtain a meter read once every 12 months and on suppliers to obtain a read once every 2 years.      |
| 2 | Do you agree that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?<br>Please give rationale.                     | <b>Yes</b> | We generally agree with this text. However, we have the following additions to add: <ul style="list-style-type: none"> <li>• 2.8.2 (a) add to the end of the last sentence something along the lines of 'because the site is not occupied.'</li> <li>• 2.8.2(c) add as follows 'the supplier has proactively, in accordance with BSCP 504, used reasonable endeavours to identify...'</li> <li>• 2.8.5 (a) add to the end of the last sentence something along the lines of 'because the site is not occupied.'</li> <li>• 4.3.19 add to the end of the last sentence something along the lines of 'until such time it stops being Long Term Vacant.'</li> </ul> |
| 3 | Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P196?<br>Please give rationale.   | <b>Yes</b> | This is a sensible recommendation.   |

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| 4 | Are there any further comments on P196 that you wish to make? | <b>Yes</b> | <p>We have a number of observations to make about the role undertaken by Elexon and the BSC Panel at the last BSC Panel meeting and have the following comments to make:</p> <p><b>Elexon</b></p> <p>We are concerned by the way in which Elexon presented modification P196 to the BSC Panel. The presentation slides were not adequate with much of the emphasis given to those views critical of the Modification. An example of this is the slide summarising the majority position (P196: Representations). There was no detail given as to why there was a 9 – 4 in support of the Modification. But the following slide gives a point by point breakdown of the views of the minority of respondents who did not support P196. This is inexcusable. Elexon do redeem themselves a little in a subsequent slide on the Applicable BSC Objectives but by then, E.ON believes, the negative effects of the presentation had been made. Overall a number of slides were poorly drafted and did not accurately reflect the views of the majority of the respondents.</p> <p>We believe that Elexon are placed in a very difficult position by the current arrangements. They need to be in a neutral position as the Modification is being progressed and therefore can only respond to direct questions asked of them by the Panel. Elexon should be supported in presenting modifications to the BSC Panel. We believe that a member of the Modification Group (nominated at the Modification Group's last meeting) should jointly present the findings with Elexon and that the visual presentation should be agreed before the Panel meeting. The BSC Panel should then be encouraged to ask more direct questions and not make general statements where there is no opportunity to challenge.</p> |
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| 4 | Are there any further comments on P196 that you wish to make? | <b>Yes</b> | <p><b>BSC Panel</b></p> <p>It is not clear from the draft Modification Report whether the BSC Panel had debated in any length what E.ON would expect to be three of the key questions that any BSC Panel should be attempting to answer when discussing a modification that professes to make settlements more accurate and equitable. These three questions are:</p> <ul style="list-style-type: none"> <li>• Is Settlements currently less accurate and equitable than it otherwise might be if P196 was introduced?</li> <li>• Are vacant sites a significant contributor to Settlements inaccuracy and inequity?</li> <li>• Would P196 make Settlements more accurate and equitable?</li> </ul> <p>E.ON believes the answer is Yes for all three questions. However, it is not evident from the contents of the draft Modification Report whether there were discussions on any of these questions. If this is the case, then E.ON would be concerned that the BSC Panel had not adequately considered the key driver for this modification, namely, more accuracy and equity in Settlements.</p> |
|---|---|------------|---|

Please send your responses by **17:00 on Monday 3 April 2006** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P196 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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## P196 REPORT PHASE 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.

|   |  |
|---|--|
| <b>Respondent:</b>  | <i>Shey Cobley</i>   |
| <b>Company Name:</b>  | British Energy   |
| <b>No. of BSC Parties Represented</b>                       | 5  |
| <b>Parties Represented</b>                                  | <i>British Energy Direct Ltd, British Energy Power and Energy Trading Ltd, British Energy Generation Ltd, British Energy Generation (UK) Ltd, , Eggborough Power Ltd</i> |
| <b>No. of Non BSC Parties Represented</b>                   | -  |
| <b>Non Parties represented</b>                              | -  |
| <b>Role of Respondent</b>                                   | <i>Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent</i>   |
| <b>Does this response contain confidential information?</b> | <i>No</i>  |

| Q | Question | Response | Rationale |
|---|----------|----------|-----------|
|---|----------|----------|-----------|

| Q  | Question  | Response | Rationale  |
|----|---|----------|--|
| 1. | Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?<br>Please give rationale. | Yes      | <p>We support the Panel's view that P196 should not be implemented. British Energy believes that the assumption on which the proposal is written is flawed. Settlement accuracy can only be achieved through obtaining a meter read. The modification is not addressing the core issue relating to the access of metering points.</p> <p>The current rules place risks and incentives on those parties best able to manage them, that is the supplier and its agents responsible for a site. If accepted, the proposal would reduce energy and administrative costs for parties with poor meter reading performance and reduce incentives to obtain real meter readings. The proposed rules for determining whether or not energy flow exists at a site are not sufficiently robust to ensure that real energy flows will not be deemed to be zero. All parties including those with good meter reading performance would pay for energy used but deemed not to be used. Therefore we do not consider the proposal better meets BSC Objective (c) relating to competition. Although savings in costs of obtaining meter readings could be achieved, we believe these would be to the detriment of long term incentives and competition. The rules would need to be considerably more robust before we could support a proposal of this type.</p> |
| 2. | Do you agree that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?<br>Please give rationale.                     | No       | Although the legal text may correctly describe the intention of the modification proposal, we do not consider that it addresses the core defect of incorrect meter data arising from failure to read meters.   |
| 3. | Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P196?<br>Please give rationale.   | Yes      | Notwithstanding that we do not support the proposal, we believe the implementation date is achievable.   |



| Q  | Question  | Response | Rationale   |
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| 4. | Are there any further comments on P196 that you wish to make? | Yes      | <p>Our specific comments made at the assessment stage apply also to this report stage. We reiterate general concerns that:</p> <p>Under current rules, the supplier responsible for obtaining a meter reading is exposed to clear incentives to do so. No other person can fulfil that responsibility, and no other person should expect to pay for energy used but deemed to be zero, as can occur under the proposed rules.</p> <p>The warrant process can be problematic, but it is not the only method to gain access at the disposal of the supplier.</p> <p>Access has to be gained every two years to ensure that the supply licence requirements are met. If warrants cannot be gained on the grounds of Health and Safety then this is an issue that needs to be raised within a different forum. It is in the interest of the industry to gain access to these sites.</p> <p>If an owner has been identified, and is unable to provide meter readings or access to a metering point, this does not mean that the site is, or should be, classed as Long Term Vacant and not using electricity. There are a number of commercial sites that are unmanned, a number of D0004 flows could be received for such a site indicating that it appears vacant.</p> |

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## P196 REPORT PHASE 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.

|   |   |
|---|---|
| <b>Respondent:</b>  | <i>Sue Macklin</i>  |
| <b>Company Name:</b>  | <b>Scottish and Southern Energy plc</b>   |
| <b>No. of BSC Parties Represented</b>                       | <b>6</b>  |
| <b>Parties Represented</b>                                  | <b>SSE Energy Supply Ltd, SSE Generation Ltd, Keadby Generation Ltd, Medway Power Ltd, Southern Electric Power Distribution plc, Scottish Hydro-Electric Power Distribution Ltd</b> |
| <b>No. of Non BSC Parties Represented</b>                   | <b>1</b>  |
| <b>Non Parties represented</b>                              | <b>SSE Power Distribution Ltd</b>   |
| <b>Role of Respondent</b>                                   | <b>Supplier/Generator/ Party Agent / Distributor</b>  |
| <b>Does this response contain confidential information?</b> | <i>No</i>   |

| <b>Q</b> | <b>Question</b> | <b>Response</b> | <b>Rationale</b> |
|----------|-----------------|-----------------|------------------|
|----------|-----------------|-----------------|------------------|

| Q  | Question   | Response | Rationale  |
|----|--|----------|--|
| 1. | <p>Do you agree with the Panel's views on P196 and the provisional recommendation to the Authority contained in the draft Modification Report that P196 <b>should not</b> be made?</p> <p>Please give rationale.</p> | Yes / No | <p>No. P196 is a very detailed process modification. A significant amount of paperwork was issued to the Panel, by Elexon, making it difficult to see the 'wood from the trees'. Against the points recorded under Panel discussions in 5.1.1 I would make the following comments which the Panel might find helpful in their further deliberations:-</p> <p>The first paragraph mentions that p196 will merely replace one estimate with another. I fail to see how agreeing a zero consumption for a site which is boarded up and clearly vacant does not improve the accuracy of Settlement.</p> <p>In the second paragraph the selection of applicable objective c was under guidance from Elexon. I would agree that both c and d could be valid.</p> <p>In the third paragraph some Panel members queried whether the percentage of vacant sites was accurate. A considerable amount of detailed information was provided by the Issues group which was accepted by the Mods group.</p> <p>The fourth paragraph talks about the Group Correction Factor. This was not referenced in the report.</p> <p>Paragraphs 5 and 8 talk about obtaining warrants. Warrants to break into a property just to read a meter are difficult to obtain. If you request a Warrant to disconnect on safety grounds it is easier. However I believe this approach disadvantages potential new customers, not only in the cost of re-connection but also the delay in achieving this.</p> <p>Paragraph 6 mentions concerns that because the process would be optional no one would use it. During the impact assessment stage it had significant support with 9 parties indicated they favoured this mod.</p> <p>Cont in Q4</p> |

| Q  | Question  | Response | Rationale  |
|----|---|----------|--|
| 2. | Do you agree that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?<br>Please give rationale. | Yes / No | I would suggest adding 'because it is unoccupied/vacant' at the end of 2.8.3 (a). Also replace endeavoured with 'made reasonable endeavours' in 2.8.3 (c). Other than that it is fine. |
| 3. | Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P196?<br>Please give rationale.   | Yes / No | Yes  |

| Q  | Question  | Response | Rationale  |
|----|---|----------|--|
| 4. | Are there any further comments on P196 that you wish to make? | Yes / No | <p>Yes</p> <p>Paragraph 7 talks about this mod being a potential barrier to small suppliers. In the impact assessment stage it did receive support from this category of supplier. Also it is optional.</p> <p>Paragraph 11 talks about the effect on DuoS. I believe this to be outwith the remit of the Panel, but would mention that I believe it would make it more accurate for the reasons given above.</p> <p>Under 5.1.2 the first bullet point reason for rejecting is that it excludes sites on an annual read cycle. I do not believe these numbers to be significant and the Supplier has the option to do a special site visit should they wish to use this process.</p> <p>The second reason given is that it could be detrimental to non-PES suppliers. Ignoring the fact that this term was supposed to disappear under the Utility Act, I would say that <b>any</b> Supplier not following due process could have a detrimental effect on other suppliers. This is why audits are carried to ensure that Suppliers have robust procedures and controls in place.</p> <p>The third reason given is that the solution is not robust in terms of implementation and auditability. I believe the detailed responses to the Panels concerns given above refute that.</p> <p>The final reason given is that it decreases incentives to obtain readings and therefore decrease accuracy of Settlements. As mentioned above I believe that it will increase the accuracy of data into settlements by more accurately reflecting true consumption. Additionally the process requires that a vacant site is re-affirmed at regular intervals, effectively putting it on a must be read reading cycle and getting greater attention from the DC.</p> |

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