Draft Change Proposal – BSCP40/01	DCP No: 0042 Version 1.0

Title
Replacing Erroneous Forward Looking EACs

Description of Problem

This DCP has been raised with the input of a Gross Volume Correction (GVC) working group. The group was set up by the SVG to specifically look at issues relating to GVC and progress potential change. The group met twice, on 21 November 2008 and 13 January 2009 and has provided further comments on this DCP by correspondence.

Negative Annualised Advances (AA) can arise from the application of GVC to compensate for an earlier, excessively large AA. A negative AA can also arise as a consequence of an earlier deemed reading (in the circumstances described in BSCP504 4.5.2, including on change of Supplier (4.5.2(a)) or deeming at Final Reconciliation because a Meter Advance Period is greater than 14 months (4.5.2(e))). Depending on the size of the negative AA and the duration of the Meter Advance Period, the associated forward-looking EAC can also be negative or much lower than the likely rate of consumption for the Metering System.

Conversely, though less frequently, an AA can be too high, as a result of compensating for an earlier negative AA and this can result in a forward EAC that is too high.

The use of the deeming process (whether through GVC or otherwise) can result in unrepresentative AA values, which ensure that the gross volume of energy settled is correct, without changing any consumption data that has already 'crystallised' through a Final Reconciliation (RF) or Disputes Final (DF) run. However, the forward EAC serves no useful purpose in terms of compensating for error (because it has already been compensated for via the AA). Instead it creates problems for NHHDCs, because it can result in subsequent valid readings failing validation. It also creates problems for Suppliers, LDSOs and the Transmission Company because it creates inaccuracies in Settlement, DUoS and TNUoS charging, both as result of the EAC itself being inherently wrong and also as a result of subsequent valid data not being processed.

There is a process (BSC S-2 4.3.17 and BSCP504 4.14.4.6 that allows an EAC to be replaced by a representative value, but there are three problems with the process.

Potential for inconsistent application of requirement

BSC Section S-2 4.3.17 states that, where an EAC is unrepresentative, the NHHDC "shall apply a value of Estimated Annual Consumption which is representative of the most likely rate of generation or demand for that Metering System or, where that is not available, a value of initial Estimated Annual Consumption (EAC)". Whilst the use of "shall" suggests that replacement is mandatory, the requirement is qualified by "in the circumstances set out in BSCP504". BSCP504 4.14.4.6 describes EAC replacement as optional, but states that it should be carried out "if necessary (i.e. the deeming process has created a forward EAC that is inconsistent with normal generation or demand for that Metering System)". It is not clear whether EAC replacement is optional in the "conditional

mandatory" sense (i.e. that replacement won't be necessary in all cases, but should be applied where necessary) or truly optional (i.e. in the sense that unrepresentative EACs don't have to be replaced). It is also part of a process, Gross Volume Correction, which is itself optional.

Applicability of EAC Replacement

The EAC replacement process only applies in the case of GVC. An unrepresentative forward EAC could also arise from the application of the process for deeming at Final Reconciliation (as described in BSCP504 4.5.2(e)), so it could be argued that EAC replacement should also be allowable under this process.

Manual Process

EAC replacement is a largely manual process and there is no prescription in BSCP504 about how it should be achieved. In particular, whether the Supplier should send a revised EAC on an Affirmation of Metering System Settlement Details (D0052) flow, or whether the EAC can be amended directly by the DC.

There is also a risk (for which this DCP offers no solution) that replacement EACs will be replaced on change of NHHDC, because they will not be consistent with the reading history.

Justification for Change

Forward EAC values that are not representative of actual consumption can result in subsequent valid readings failing validation. This in turn perpetuates the use of the "unrealistic" EAC, because it is not superseded by a valid AA. Where a concurrent change of Supplier and NHHDC takes place, the unrealistic EAC can be the only consumption that the new NHHDC holds, preventing any further AAs from being processed.

Change of Supplier readings deemed from unrepresentative EACs will be inaccurate and potentially incur the costs of applying the disputed Change of Supplier reading process.

If not replaced by AAs by the Final Reconciliation Run, negative (or reduced) EAC values:

- create a misallocation of energy between Suppliers
- lead to loss of income for LDSOs and the Transmission Company
- artificially inflate Supplier performance against Serial SP08a (NHH Energy on Actual Advances at each Volume Allocation Run).

Lack of clarity about the circumstances in which EACs can be replaced can lead to inconsistency in the application of the process.

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Proposed Solution

There are 4 mutually-exclusive options in terms of the requirements:

Option REQ 1
Mandate the replacement of negative EACs with a class average EAC (or last representative EAC, where available), leaving the replacement of positive EACs as an optional process.

Option REQ2
Mandate the replacement of negative EACs with a class average EAC (or last representative EAC, where available) and remove the ability to replace any other EACs.

Option REQ3
Mandate the replacement of ALL unrepresentative EACs when GVC is applied (with GVC itself remaining optional).

Option REQ4
Leave as an optional process. *(This is the 'do nothing' option)*

In terms of extending EAC replacement to the RF deeming process (in BSCP504 4.5.2(e)), there are 5 mutually-exclusive options:

Option RF1
Mandate the replacement of negative EACs with a class average EAC (or last representative EAC, where available), leaving the replacement of positive EACs as an optional process.

Option RF2
Mandate the replacement of negative EACs with a class average EAC (or last representative EAC, where available), but not allow any other EACs to be replaced.

Option RF3
Mandate the replacement of ALL unrepresentative EACs when post-RF deeming is applied.

Option RF4
Allow replacement on an optional basis.

Option RF5
Not allow any replacements. *(This is the 'do nothing' option)*

In evaluating the above options, it is worth noting that identifying a negative EAC is clear-cut and lends itself to automation, whereas an unrepresentative ("too large", "too small") positive EAC could be subjective.

In terms of implementing an automated process, the EAC/AA calculator could be amended to automatically replace a negative EAC with a class average EAC. The EAC/AA system does not currently hold class average EAC values, so a change would be required to store and maintain these.

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The Logica costs of implementing this automated solution are estimated at approximately £46.2k. If this was implemented at the same time as CP1295, then the overall costs of implementing both changes would be reduced by approximately 2k.

There would still need to be the option for the NHHDC to send a Metering System specific EAC to the NHHDA (for consistency with BSC Section S-2 4.3.17). Changes would be required to BSCP504 to allow for this replacement. An automated approach would effectively need to be coupled with one of the mandatory options above.

Clarification is also required to the effect that an EAC should only be replaced where no readings exist that would allow for the calculation of a further AA that would bring the EAC back "into line".

Version History

Version 1.0 of DCP0042 was raised on 05 June 2009 for impact assessment.

Has this DCP been raised for discussion by a Working Group: N

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