

BY EMAIL AND POST



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Dear Mr Pearson,

ELEXON's response to the Ofgem consultation on third party access charges

This is ELEXON Limited's response to your consultation "Guidance on third party access charges for licence exempt gas and electricity distribution networks".

What is ELEXON's interest in the proposals?

ELEXON has previously responded to the Department of Energy and Climate Change's (DECC's) request for information and its consultation on the provision of third party access to licence exempt networks in July and November 2010 respectively. We have discussed with DECC and other parties a number of possible settlement options to deliver third party access, specifically in the context of electricity imbalance settlement and settlement metering under the electricity Balancing and Settlement Code (BSC), which we administer. And we remain keen to assist where we can be of help.

Linkage between third party access charges and the imbalance settlement options for third party access

Currently, we support licensed electricity distribution businesses in compiling bills under their distribution use of system tariffs by supplying settlement metering data to those businesses.

For licence exempt distribution networks, under the 'deemed' metering and 'Opt in/Opt out' options¹ that have been suggested to enable third party access in electricity imbalance settlements, a Licensed Distribution System Operator (LDSO) may still need to be involved to provide meter registration and associated services. Alternatively, new industry arrangements would need to be developed.

The 'Full Settlement Metering' option¹ requires a LDSO to interface with BSC processes.

In all these cases, we could provide electricity settlement metering data to the appropriate LDSO. The LDSO could be required to pass these data on to the associated licence exempt network operator to support their tariff billing if charges for use of the licence exempt network are being made.

To summarise, these BSC settlement options mean that the potential supplier of a customer connected to a licence exempt distribution network is not necessarily aware of the

¹ These options are described in Annex A of the DECC 'Consultation on the provision of third party access to licence exempt electricity and gas networks' published on 19 October 2010.

involvement of the licence exempt distribution network operator. This is because the licence exempt operator is represented by a LDSO in settlements.

Whilst connection and use of system charging is clearly not a BSC matter, we thought it might be helpful to you to highlight this linkage and to suggest that arrangements will be needed between the relevant LDSO and licence exempt distribution network operator if charges for use of the licence exempt network are to be made.

These arrangements could, for example, include informing the supplier that there will be a licence exempt network involved and agreeing whether the licence exempt network operator will bill the supplier directly using data supplied by the LDSO or whether the LDSO will bill the supplier on behalf of the licence exempt network operator for connection and use of system (as well as for any use of its own network).

(In respect of the settlement options in our previous response to DECC, we also noted that the 'deemed' metering option and some of the sub-options of the 'Opt in/Opt out' solution can be made available only if a BSC Party raises a suitable BSC Modification and it is subsequently approved; and that the 'Opt in/Opt out' option currently requires the approval of a suitable metering dispensation. For these reasons in particular we remain ready to discuss the implementation of settlement options with any licence exempt network owners/operators and interested suppliers that approach us and would welcome early discussion with any party considering this.)

Please do not hesitate to contact me or my colleague, John Lucas, if you wish to discuss any aspect of this letter or the settlement options. I can be contacted on 020 7380 4253 or steve.wilkin@elexon.co.uk and John can be contacted on 020 7380 4345 or john.lucas@elexon.co.uk.

Yours sincerely

Steve Wilkin

Market Advisor

cc. Chris Chown, Department of Energy and Climate Change