Issue 8 Report

APPARENT INCONSISTENCY BETWEEN REQUIREMENTS FOR RECTIFYING NHH METER READING HISTORY ANOMALIES AND THE BSC

1. BACKGROUND

1.1 The Code details the specific circumstances in which Meter Advances can be deemed. The Code states that a Meter Advance value shall be calculated for each Settlement register except in a finite number of circumstances. In the following circumstances, the Code states that if a Meter Advance Value can not be obtained, a Deemed Meter Advance can be calculated:

1.1.1 Where the physical Meter is changed or reconfigured and there is no Meter Advance Period ending on the Settlement Day before the Meter change or reconfiguration (either concurrently with a change to the associated Standard Settlement Configuration 'C' or without a change to the Standard Settlement Configuration 'C'), a Deemed Meter Advance (and therefore a deemed final Meter reading) shall be calculated (Section S, Annex S-2, 4.3.13 and 4.3.16);

1.1.2 Where there is a Change of Supplier and there is no Meter Advance Period ending on the Settlement Day before the Change of Supplier (and the Metering System is either subject to or not subject to Half Hourly metering on the Settlement Day of the Change of Supplier), a Deemed Meter Advance (and therefore a deemed final Meter reading) shall be calculated (Section S, Annex S-2, 4.3.19 and 4.3.2.24);

1.1.3 Where a Deemed Meter Advance has been calculated as a Change of Supplier reading for a Metering System which is not subject to Half Hourly metering on the Settlement Day of the Change of Supplier and the Deemed Meter Advance has been disputed, a revised Deemed Meter Advance (and therefore a new deemed final Meter reading) can be calculated (Section S, Annex S-2, 4.3.20); and

1.1.4 Where a Meter Advance Period and associated Meter Advance Values includes one or more Settlement Days for which an Estimated Annual Consumption (EAC) has been submitted to the Non-Half Hourly Data Aggregator (NHHDA) by the Non-Half Hourly Data Collector (NHHDC) for inclusion in the Final Reconciliation (RF) Run, but no Annualised Advance (AA) for that Metering System for that RF run has been submitted (Section S, Annex S-2, 4.3.21).

1.2 The Code therefore does not provide for the deeming of Meter Advances in any other circumstance, including those currently detailed in Balancing and Settlement Code Procedure (BSCP) 504, Party Service Line (PSL) 120 and those carried out as operational workarounds (See Appendix 1 for a full list)

1.3 This issue was highlighted when CP909 'Use of Deemed Reads where Initial Reads Invalid or Unobtainable' and CP910 'Withdrawal of Meter Readings Post Final Reconciliation' were discussed at the SVG (SVG 40/006). These Change Proposals (CPs) could not be approved since they intended to introduce details of specific situations when deemed Meter readings should be used

into a Code Subsidiary Document (CSD). Therefore it was felt that these changes would be inconsistent with the Code.

1.4 The SVG noted this inconsistency and Issue 8 was raised on 25 June 2004 by Npower. The Volume Allocation Standing Modification Group (VASMG) met to discuss the issue on 29 June 2004.

1.5 In addition to the current inconsistency between the Code and the CSDs, the VASMG noted the BSC Auditor's comment in the Statement of Significant Matters (SSM2 'Deemed Reads calculated in incorrect circumstances'), that Meter readings are currently being deemed in circumstances that are not allowable under the Code, or any CSD, for example, during a change of Profile Class, change of Energisation Status or as Initial readings.

2. IS THERE AN INCONSISTENCY BETWEEN THE CODE AND CODE SUBSIDIARY DOCUMENTS REGARDING DEEMING METER READINGS?

2.1 It was noted that there is a difference between a Deemed Meter Advance (DMA) (which is defined in the Code) and a deemed Meter reading (which is not defined in the Code, but is referred to in PSL120 and BSCP504). A deemed reading is effectively a Meter reading plus (or minus) a DMA.

2.2 It was therefore asked whether a change to the Code is actually necessary as a deemed Meter reading is not defined in the Code and therefore could potentially be used in circumstances not specified in the Code. ELEXON's advice is that a change to the Code is required, because a DMA value is required in order to calculate a deemed Meter reading and the circumstances in which a DMA can be calculated in this manner are exhaustively stated in the Code.

2.3 The VASMG therefore agreed that there is an inconsistency between the Code, CSDs and current practice regarding the deeming of Meter readings and that this inconsistency should be removed going forwards. The VASMG questioned the implications of this inconsistency, which has been in place since NETA Go-live. The VASMG agreed some Parties may have technically been in breach of the Code since they have carried out processes described in CSDs and Circulars which have not been supported in the Code. The VASMG questioned the legal impact of this.

2.4 Legal advice provided indicated that it is never possible to successfully mitigate all risk of the possibility of challenge over perceived historical inconsistencies. The likelihood of such challenge is reduced where a robust solution is put in place to address the issues moving forward. Therefore now that the inconsistency has been identified, it needs to be corrected as soon as possible.

2.5 One member of the VASMG was still concerned about the legal implications of the inconsistency since NETA Go-live. ELEXON agreed to look into this and, if possible, give an indication of the materiality. ELEXON has investigated this issue and has concluded the following:

2.5.1 Where final Meter readings have been deemed in circumstances that are inconsistent with those in the Code, there is no impact on the values of energy entering Settlements. The final Meter reading is deemed by calculating a Deemed Meter Advance from the last Actual Meter reading to the date that the final Meter reading is required, and then adding the DMA to the last actual Meter reading. The deemed reading and the last Actual Meter reading are then used to calculate an AA. Since the equation for calculating the AA is the inverse of the

equation for calculating the DMA, the AA calculated will have the same value as the EAC from which the DMA was produced. Therefore, if the reading had not been deemed, an EAC would have entered Settlements which has the same value as the AA and so the value of energy in Settlements is the same. The only difference is that the percentage of energy settled on an AA as opposed to an EAC has increased (albeit marginally, given the circumstances in which deeming is being applied incorrectly), which has an impact on Supplier Charges.

2.5.2 It is very difficult to quantify the impact of carrying out Gross Volume Correction, compared to what would have occurred if Gross Volume Correction had not been carried out as it is not possible to tell what method market participants would have used to resolve erroneously large EAC and AAs if it had not used Gross Volume Correction.

3. SHOULD THE CIRCUMSTANCES WHERE READINGS CAN BE DEEMED BE CONTAINED IN THE CODE OR CODE SUBSIDIARY DOCUMENTS?

3.1 The VASMG discussed the options available. These are:

(a) Streamline the relevant section of Annex S-2 of the Code so that the circumstances in which deeming are allowable are removed from this section, placed in a CSD and expanded as appropriate;

(b) Leave the circumstances that are already in the Code, and add some kind of umbrella statement, saying other circumstances are contained within the CSDs; and

(c) Add all new circumstances in which deeming is allowable into the Code.

3.2 The VASMG felt that option (c) should not be progressed since this detail is more appropriate to be contained in a CSD than the Code and further Modification Proposals would be required were additional circumstances to be identified in which deeming was appropriate. They also felt that option (b) should not be progressed as it would make the requirements untidy. At this stage, the VASMG therefore believed that option (a) is the most appropriate way forward; i.e. that the Code should be streamlined to remove the detail of the circumstances where deeming should be allowable, noting that this detail of the circumstances is contained within a CSD, but retain the detail of how deemed Meter readings should be calculated. However, the VASMG recognise that the most appropriate option may change when the drafting of a Modification or legal text for a Modification is required.

3.3 The VASMG also believed that the fact that the Code refers to DMA, but the CSD refer to deemed readings, is an inconsistency that could be rectified at the same time. As one is calculated from the other, the circumstances when they can be used must be the same.

4. WHAT ARE THE CIRCUMSTANCES WHERE DEEMED READINGS SHOULD BE ALLOWABLE?

4.1 The VASMG questioned whether it was possible to form a definitive list of circumstances where deeming should be allowable. The VASMG agreed that it would be better to group circumstances in which deeming should be allowable rather than to include a definitive list. ELEXON have attempted to do this in Appendix 3.

4.2 The VASMG questioned whether it would be appropriate to defer the decision of whether deeming should be allowable to the SVG, so that whenever a circumstance arose in which deeming would be useful, a paper would be taken to the SVG to request that deeming is allowable in this circumstance. The VASMG concluded that it would be better to, as far as possible, include a list of circumstances in groups, in a CSD, which could be added to via a CP where necessary. This would ensure the full rigours of the change management procedures would be applied, including transparency to all BSC Parties.

4.3 The VASMG noted that any categories should not be too vague, as the market should not be able to exercise too much discretion in this area. Any changes to the rules around deeming should not encourage deeming instead of attempting to retrieve actual Meter readings.

4.4 The VASMG noted that if readings are deemed incorrectly, and actual Meter readings are subsequently obtained, this can cause further problems and therefore the rules should contain further indication of what to do if an actual reading is subsequently obtained.

4.5 The VASMG believed that obligations should be written into the Code or CSDs detailing how the EAC going forwards should be calculated after a reading has been deemed, especially where the site has been de-energised or Gross Volume Correction has taken place. Any Modification should be wide enough to allow this aspect to be included.

4.6 The VASMG agreed that the list of deeming circumstances (in Appendix 1) needs to be considered to check that the EAC going forward in all of these circumstances is sensible and that the rules on how this EAC is calculated are clear. The impact of deeming on the forward EAC in each case is included in Appendix 2.

4.7 The VASMG discussed deeming reads in relation to an energisation or de-energisation and stated that the rules for deeming in these circumstances may need to be slightly different and therefore included in the Code as a zero AA may be required. The VASMG noted that rules for vacant premises (were a change to be introducing allowing deeming for such sites) might be similar.

4.8 One member of the VASMG noted that there is a lot of work going on within ELEXON regarding energisation status and unoccupied sites, meaning that deeming in these circumstances may not be required.

4.9 ELEXON investigated this internally and discovered that the deeming of Meter readings may be required when energising or de-energising Metering Systems, and this approach is consistent with the other work being progressed by ELEXON as part of the Energisation Status project. The way that Meter readings are deemed on energisation or de-energisation may be different to the way Meter readings are deemed in other circumstances. This is explored further in Appendix 4.

4.10 The VASMG discussed Gross Volume Correction (GVC). They concluded that GVC is another subject for consideration in its own right as the deeming required as part of GVC is different to the deeming required in all other circumstances and there was concern over whether the current methodology was still appropriate.

4.11 The VASMG therefore agreed to split the issue into two distinct parts: (a) the inconsistency between the Code and CSDs; and (b) the deeming of Meter readings as part of Gross Volume Correction (where the process of deeming and calculation of forward looking EACs is considerably more complicated).

4.12 The VASMG agreed that for (a) the requirement to align the BSC and CSD is sufficiently well defined for a Modification Proposal to be drafted and raised by a BSC Party, provided that this has no impact on Technical Assurance and the Audit. ELEXON agreed to confirm that the Performance Assurance Board (PAB) and the BSC Auditor are happy with the Group's suggestions and report back to a future SVG meeting the VASMG's views on this aspect of Issue 8 from which a Modification could be raised; i.e. that there is an inconsistency; that the Code should be streamlined so that high level detail is included in the Code and the detail of the circumstances where Meter readings can be deemed in a CSD; and that the list of circumstances should be grouped in some way.

4.13 ELEXON has contacted the BSC Auditor and briefly outlined Issue 8 and the conclusions of the VASMG to the BSC Auditor.

4.14 The BSC Auditor is concerned that grouping rather than providing a definitive list of the circumstances in which a Meter reading can be deemed may lead to differing interpretations of what is and what is not allowed, depending on the wording used. The BSC Auditor has stated that the criteria for deeming would need to be prescriptive to discourage/stop manipulation

4.15 ELEXON has also taken a paper to the PAB requesting their comments on the VASMG's conclusions of Issue 8.

4.16 PAB recognised the importance of this issue and the need to ensure absolute clarity in the drafting of a solution.

4.17 PAB stated that they were in support of the VASMG proposal to streamline the relevant section of Annex S-2 of the Code so that the circumstances in which deeming are allowable are removed from this section, placed in a CSD and expanded as appropriate.

4.18 PAB commented that they agree with the statement made by the BSC Auditor, that grouping rather than providing a definitive list of the circumstances in which a Meter reading can be deemed may lead to differing interpretations of what is and what is not allowed. On that basis they suggested that they would support an exhaustive, prescriptive list of allowable circumstances to ensure that there is no room for manipulation.

4.19 PAB highlighted that deemed reads for GVC is part of the exit criteria for large EAC/AA disputes.

4.20 The VASMG agreed that further discussion about GVC is required. The VASMG is due to meet on 26 July 2004 to discuss the process of GVC and whether it should be included as a circumstance in which deeming is allowable under the Code.

APPENDIX 1: DEEMING CIRCUMSTANCES

Business Event	Reference in Code or CSD
Change of Supplier (CoS)	BSC S2 4.3.19 PSL120 1.3.3.1, 1.5.4.2 (a) BSCP504 3.2.6.12
Revised reading following a disputed CoS reading	BSC S2 4.3.20 PSL120 1.3.3.6, 1.3.3.8, 1.5.4.2 (b) BSCP504 3.2.6.16
Concurrent change of Supplier and Measurement Class (NHH to HH)	BSC S2 4.3.24 PSL120 1.3.4.2, 1.5.7.9 BSCP504 3.3.1.6
Concurrent change of Supplier and Measurement Class (HH to NHH)	Not defined, but see 'no initial reading….' below.
Change of Measurement Class (CoMC, no Change of Supplier)	PSL120 1.5.7.9
Disconnection	PSL120 1.5.7.9 BSCP504 3.3.5.3
Removal of Meter	No defined process for meter removal, but - PSL120 1.5.7.9
Change of Meter (with change of SSC)	BSC S2 4.3.13 PSL120 1.5.7.9
Change of Meter (no change of SSC)	BSC S2 4.3.16 PSL120 1.5.7.9 BSCP504 3.3.7.2
Change of Profile Class	Not supported. EAC/AA calculator allows for changes of Profile Class during a Meter Advance Period. Some NHHDC systems have been built with a requirement for a reading on CoPC.
Energisation / de-energisation	Not supported.
On rectification of meter fault	PSL120 1.5.3.3, 1.5.4.2 (c) BSCP504 3.3.8.1.4
Meter advance > 15 months	BSC S2 4.3.21 PSL120 1.5.4.2 (d) & (e)
Meter not read for > 2 years and profile coefficients to be archived by NHHDC	PSL120 1.5.4.2 (f)
No initial reading for new connection, change of Meter, Change of Measurement Class etc	TS2 agreed an operational workaround, notified 8/2/2001 via circular CEO00581 allowing Initial readings to be deemed where invalid or unobtainable. CP909, which would have formalised this, has been withdrawn on the basis that it is inconsistent with the BSC.
Withdrawal of advance spanning latest RF (Gross Volume Correction)	TS2 agreed as operational workaround, notified 11/12/2000 via circular CEO00557. CP910, which would have formalised this, has been withdrawn on the basis that it is inconsistent with the BSC.
Unoccupied Site	Not Supported
Site destroyed (Meter removed)	Not Supported (though see removal of Meter)
Change of LDSO	Not Supported (if was supported, should only be used as a backstop if an actual reading could not be obtained)

APPENDIX 2: REPLACING THE FORWARD EAC FOLLOWING A DEEMED READING

Gross Volume Correction (GVC) ensures that the total volume of energy between two actual (or realistic) readings is settled correctly. Where energy for part of the period between the two readings has "crystallised" (i.e. already been subject to a Reconciliation Final (RF) or Post Final (DF) run), then any difference between what should have been settled during the "crystallised" period and what was actually settled (i.e. the Settlement error) is settled in the period(s) that has not yet been subject to an RF or DF run.

The effect of GVC is that it creates an erroneous value after the deemed reading, which nevertheless compensates for the error in the crystallised period. This can have the effect that the forward EAC created by the compensatory AA is not representative of the Metering System's annual consumption (for example, if a negative AA is generated by the process in order to compensate for an erroneously large AA that has crystallised at RF, then the forward EAC may also be negative).

In order to circumvent the problem of a non-representative forward EAC, the GVC method allows a realistic forward EAC to be substituted - e.g. the last "good" EAC or a class average EAC.

GVC is the only use of deemed readings that require the substitution of the forward EAC. The reasons why deeming under other circumstances does not require the forward EAC to be substituted are set out below.

Business Event	**Forward EAC**
Change of Supplier (CoS)	If the first actual reading after the deemed CoS reading is so different to the deemed CoS reading that a bad forward EAC is generated, this would imply that the CoS reading was deemed from a bad EAC or AA. This would mean that the CoS reading should be disputed and erroneous readings prior to the CoS should be withdrawn if necessary.
Revised reading following a disputed CoS reading	In this event, a CoS reading is deemed using an AA, which in turn is calculated from two actual readings, one before and one after the CoS. The 2 AA s on either side of the CoS will have the same value as the original AA, and the forward EAC should be the same as (or very similar to) the EAC associated with the original AA.
Concurrent change of Supplier and Measurement Class (NHH to HH)	The forward EAC will not be used, as Metering System will be half hourly.
Concurrent change of Supplier and Measurement Class (HH to NHH)	This is a deemed Initial EAC, so there will be no previous crystallised erroneous consumption for which the first AA will be compensating, so the forward EAC should be OK.
Change of Measurement Class (CoMC no change of Supplier)	NHH - HH: forward EAC will not be used, as Metering System will be half hourly. HH - NHH : this is a deemed Initial EAC, so there will be no previous crystallised erroneous consumption for which the first AA will be compensating, so the forward EAC should be OK.
Disconnection	The forward EAC will never be used for a disconnection
Removal of Meter	No defined process for meter removal. See change of meter.
Change of Meter (with change of SSC)	On change of SSC, a class average EAC is used for the new SSC as part of the normal process.

Change of Meter (no change of SSC)	A deemed final reading for the old Meter would only produce a non-representative forward EAC if the last Actual reading prior to the Meter change had been invalid. This would need to be withdrawn. GVC rules would apply if RF had already taken place.
Change of Profile Class	Not supported. If it were, this would fall into the same category as a change of SSC, because a new class average EAC would be used for the new Profile Class as part of the normal procedure.
Energisation / de-energisation	Not currently supported. It would be better to substitute the de-energisation readings for a missing re-energisation reading (and vice versa, see Appendix 4). Even where readings aren't deemed, the forward EAC may be unrepresentative. For example, if a Metering System is read while de-energised, the EAC will tend to zero, making it too low when the Metering System is re-energised. This is a feature of the current arrangements, has nothing to do with deeming and should resolve itself by RF, once a further reading has been taken.
On rectification of Meter fault	A deemed reading on rectification of a fault would only produce a non-representative forward EAC if the last actual reading prior to the deemed reading had been invalid. This would need to be withdrawn. GVC rules would apply if RF had already taken place.
Meter advance > 15 months	A bad AA and hence a bad forward EAC will only be generated if the latest EAC used in the deeming calculation was erroneously large. This should have been picked up by AA/EAC monitoring. If not picked up, this could be considered to be a GVC deem and the forward EAC amended.
Meter not read for > 2 years and profile coefficients to be archived by NHHDC	As above.
No initial reading for new connection, change of meter, change of Measurement Class etc	There will be no previous crystallised erroneous consumption for which the first AA will be compensating, so the forward EAC should be representative.
Unoccupied Site	Not supported. If it were, a deemed reading would only produce a non-representative forward EAC if the last actual reading prior to the deemed reading had been invalid. This would need to be withdrawn. GVC rules would apply if RF had already taken place.
Site Destroyed (Meter removed)	Not supported (though see removal of Meter)
Change of LDSO	Not supported. If it were, a deemed reading would only produce a non-representative forward EAC if the last actual reading prior to the deemed reading had been invalid. This would need to be withdrawn. GVC rules would apply if RF had already taken place.

APPENDIX 3: GROUPING OF CIRCUMSTANCES WHERE DEEMED READINGS SHOULD BE ALLOWABLE

The VASMG requested that ELEXON attempt to group the circumstances (given in Appendix 1) where deeming should be allowable. It should be noted that the BSC Auditor and PAB are not supportive of the grouping of circumstances where Meter readings should be allowed to be deemed. ELEXON believes that any grouping of circumstances would have to be reasonably wide, (which does not fit in with the view of the VASMG given above that categories should not be too vague) and suggests that the following categories could be considered:

1. Any circumstance where an initial Meter reading is required, but cannot be obtained or is invalid.

2. Any circumstance where a final Meter reading is required, but cannot be obtained or is invalid.

3. To estimate the reading as at the Change of Supplier date, where no actual reading is obtainable or valid within the +/- 5 Working Day window, or where a revised reading taken outside the +/- 5 Working Day window is agreed as a revised reading following a disputed Change of Supplier reading.

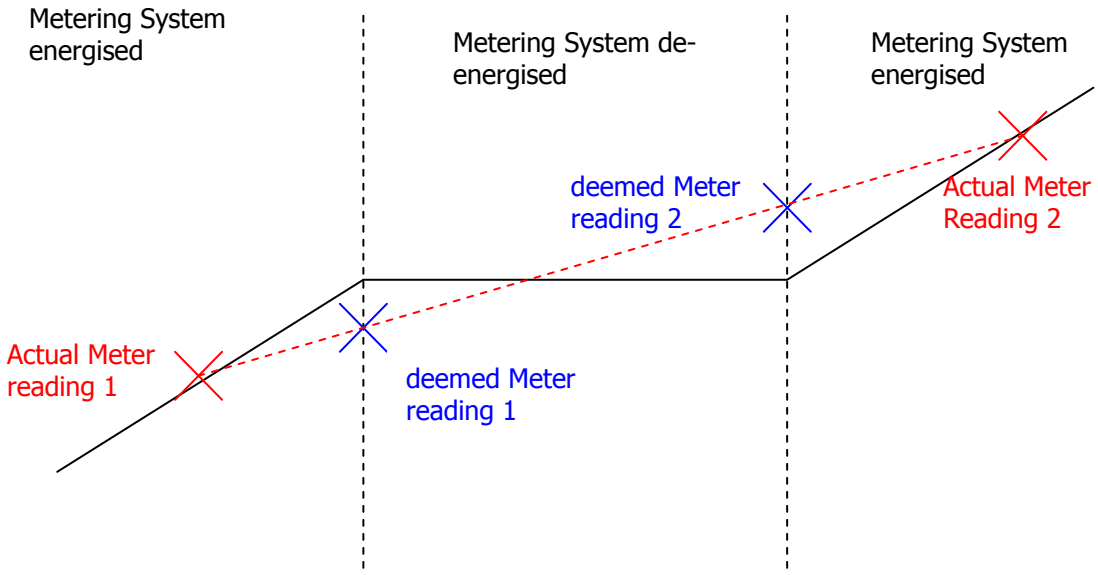
4. As part of GVC or to fix a reading at RF where the Meter advance is greater than 15 months.

ELEXON is not supportive of grouping the circumstances in which a Meter reading can be deemed. When a reading is deemed, the deemed Meter reading can be used to calculate an AA, which therefore improves the percentage of energy settled on AAs. Allowing wide categories of circumstances where Meter readings can be deemed may undermine this performance target. ELEXON would prefer to define specific circumstances in which a Meter reading can be deemed, as these could be added to in future where appropriate.

If the VASMG conclude that the circumstances in which Meter readings can be deemed should be grouped, the VASMG should give further consideration to the groups.

APPENDIX 4: DEEMING INITIAL AND FINAL METER READINGS AS PART OF ENERGISATION / DE-ENERGISATION

The deeming of Meter readings as part of the energisation or de-energisation process may need to be considered slightly differently to deeming Meter readings in other circumstances. Where a Meter is energised for the first time, an initial Meter reading could be deemed in the same way as in any other process. Where a Meter is de-energised for the final time, a Meter reading could also be deemed in the same way as in any other process. However, where a Meter is de-energised and then re-energised, the final Meter reading on de-energisation should equal the initial Meter reading on re-energisation, otherwise, there would appear to be energy flowing through the Meter when it is de-energised. The diagram below shows that if using normal methods for the calculation of deemed Meter readings, the Metering System would appear to have energy flowing through it when it is de-energised. The black line indicates the consumption of the Metering System.



In this scenario, deemed Meter reading 1 should actually equal deemed Meter reading 2, and these should both be reflective of the final Meter reading before de-energisation and the initial Meter reading when the Metering System is energised. One option of allowing this is set out as follows:

1. If a final Meter reading is not obtained when the Metering System is de-energised, then a final Meter reading is calculated using Actual Meter reading 1 and the associated EAC.

2. If an initial Meter reading is not obtained when the Meter System is re-energised, the initial Meter reading is set to be the final Meter reading from when the Metering system was de-energised (whether this was an actual Meter reading, or a deemed Meter reading)

3. If an initial Meter reading is obtained when the Metering system is re-energised, and the final Meter reading was a deemed Meter reading, the value of the initial Meter reading should be substituted as the final Meter reading, provided that the final date of the de-energisation of the Metering System has not passed RF.

The VASMG should discuss and confirm whether this method is appropriate for the deeming of Meter readings where a Metering System is de-energised and then re-energised as part of any Modification raised from Issue 8.

APPENDIX 5: LIST OF ATTENDEES

The following lists the members of the VASMG attending the meeting to discuss Issue 8 on 29 June 2004.

Sarah Parsons	ELEXON
Katie Key	ELEXON
Sandra Wybrow	ELEXON
Jon Spence	ELEXON
Richard Harrison	Npower
Phil Russell	Not Applicable
Claire Walsh	British Gas Trading
Afroze Miah	Powergen
Neil Magill	Scottish Power
Russell Loasby	Powergen

Issue 8 Report - Addendum

APPARENT INCONSISTENCY BETWEEN REQUIREMENTS FOR RECTIFYING NHH METER READING HISTORY ANOMALIES AND THE BSC

1. BACKGROUND

1.1 The Volume Allocation Standing Modification Group (VASMG) met to discuss Issue 8 on 29 June 2004. They concluded that Issue 8 should be split into two distinct parts: (a) the inconsistency between the Code and Code Subsidiary Documents (CSDs); and (b) the deeming of Meter readings as part of Gross Volume Correction (GVC).

1.2 The VASMG produced a report (Issue 8 Report) detailing their conclusions in respect of Issue 8(a). The VASMG concluded that GVC was another subject for consideration in its own right as the deeming required as part of GVC is different to the deeming required in all other circumstances and there was concern over whether the current methodology was still appropriate.

1.3 A second VASMG meeting was therefore held on 26 July 2004 to discuss GVC. This addendum to the Issue 8 Report details the discussions and conclusions reached by the VASMG at that meeting in respect of Issue 8(b).

2. GVC AS AN ONGOING SOLUTION?

2.1 Following a request from the Group for ELEXON to provide clarity on the process required to perform GVC and the circumstances for which it was designed to be used, ELEXON gave a presentation on GVC.

2.2 GVC was designed as a compensatory tool that would allow for the compensation of crystallised errors in fluid Settlement Days. For example if an incorrect Meter reading enters Settlements and the error is not detected before the relevant Settlement Day has passed Final Reconciliation (RF) leading to an amount of energy not being accounted for (crystallised error), then a deemed Meter reading can be used to allow this energy to be taken into account over Settlement Days that have not yet passed RF (fluid Settlement Days).

2.3 This process creates an incorrect EAC which will cause further errors entering Settlements on subsequent days. Therefore GVC also includes a process for calculating a revised realistic forward looking EAC.

2.4 ELEXON advised that there is not a rigidly defined set of rules stating when GVC is allowable, although there are high level concepts and Pool Circular CEO00557 provides a number of detailed examples showing when to use GVC and provides a number of worked examples. It is assumed that GVC would be used by Non Half Hourly Data Collectors (NHHDCs) to correct erroneously high Estimated Annual Consumption/Annualised Advances (EAC/AAs) which are over the threshold specified by Performance Assurance Board (PAB). It was noted that the majority of

GSP Groups are currently required to perform Dispute Final (DF) Settlement Runs in order to correct erroneously high EAC/AAs and it is a requirement that Data Collectors provide confirmation that they are capable of using GVC before they are able to exit the Dispute. However it is possible that some NHHDCs are using GVC to correct data that is not above the threshold.

2.5 In addition TS2[1] agreed an operational workaround using GVC which was notified to Parties on 8 February 2001 via circular CEO00581 allowing initial readings to be deemed where actual readings were invalid or unobtainable. Change Proposal (CP) 909, which would have formalised this, has been withdrawn on the basis that it is inconsistent with the Balancing and Settlement Code (the Code).

2.6 The calculation of forward looking EACs was discussed. It was stated that the rules in this area are not strictly defined and a number of options could be used e.g. application of a default EAC, a class average EAC or a previous EAC. There was a concern that any rules which are not strictly defined could be misinterpreted by NHHDCs.

2.6.1 The forward looking EAC that will be calculated when applying GVC is very unlikely to reflect the consumption through the Metering System. Currently the EAC/AA calculator is used by NHHDCs to calculate Deemed Meter Advances. It was felt that this calculator could not be used for calculating the forward looking EAC due to the complexity of the process, therefore this was a more manual process which was prone to error. It was noted that a draft CP has been put together which, if progressed, would enhance the functionality of the EAC/AA calculator by providing a manual (non-batch) interface. Amongst other things, this would make the deeming of initial reads, and application of GVC easier.

2.7 The use of GVC does have some limitations:

2.7.1 GVC must compensate within the correct supplier registration otherwise one Supplier may be compensating for another Supplier's error.

2.7.2 GVC requires a reasonable deemed reading to be calculated after all errors and compensatory readings are processed. This will mean that Change of Meter will prevent GVC from working as currently specified.

2.7.3 Changes in market share between Settlement Days affected by the error and the Settlement Days affected by the compensation will mean that the impact of the GSP Group Correction Factor may not be equal. The extent of this is likely to be minimal.

2.7.4 GVC should be performed over a reasonable timescale. There have been instances where Settlements has been delayed, where large errors have been compensated for in too short a period, creating extremely large AAs and having a significant effect on GSP Group Correction Factor. To counter this, ELEXON have advised that any compensatory action is spread over at least two months.

2.8 Three options were put forward for dealing with the issue of using GVC as a compensatory tool; (a) Remove the use of GVC and no longer allow the compensation of crystallised errors in fluid

[1] TS2 was a Committee under the Pooling and Settlement Agreement that dealt with operational issues in the Supplier Volume Allocation (SVA) market.

periods (b) allow the use of GVC in certain circumstances (c) allow the use of GVC in certain circumstances and enforce the use of GVC above certain error thresholds.

2.9 The VASMG felt that GVC should be used going forward as a mechanism for correcting errors. The Group also discussed the possibility of mandating the use of GVC in certain circumstances, however no firm conclusion was reached.

2.10 It was agreed that the potential modification discussed at the first Issue 8 meeting to remove the inconsistency between the Code and Code Subsidiary Documents (CSDs) in relation to the deeming of Meter Advances should introduce the methodology for GVC into the Code and introduce the circumstances in which GVC should be used into the CSD. The Modification Group assessing this change would need to discuss whether the use of GVC should be mandatory.

2.11 The Group also discussed whether Suppliers had sufficient understanding of the processes that needed to be undertaken when deeming Meter Advances and enough visibility of actual use of GVC by NHHDCs. It was agreed that education should be provided to Suppliers and NHHDCs as part of the modification process. It was also suggested that the Data Transfer Catalogue (DTC) D0019 (Metering System EAC/AA Data) flow could be enhanced to report to Suppliers when NHHDCs have applied GVC.

2.12 Finally the VASMG were asked if the comments from the BSC Auditor and the PAB had affected their views on the grouping of circumstances where deeming is allowable. The VASMG agreed that by including an exhaustive list of circumstances where deeming was allowable within a CSD the process would have greater clarity than attempting to group these circumstances and there would be less scope for misinterpretation.

3. NEXT STEPS

3.1 The Issue 8 Report will be presented to the SVG and Panel for information with the recommendation from the VASMG that a Modification Proposal should be raised by a BSC Party.

3.2 It is envisaged that if a Modification Proposal is received then a three month Assessment Procedure will be needed.