

CP Interim Report – CP1378 v2.0

Meeting Name Supplier Volume Allocation Group

Meeting Date 5 March 2013

Purpose of paper For Information

Summary This report provides an update on CP1378 v2.0 'Facilitating appointment of Multiple HHMOAs for Third Party Access on Licence Exempt Distribution Network'. We invite the SVG to note the solution concerns raised by respondents to the second Participant Impact Assessment and that, following discussion of these concerns with the Proposer, we will hold a CP Workgroup meeting to consider whether and how they could be resolved through a further version of the CP. We will update the SVG again after the Workgroup meeting.

1. Why Change

Background

The [Electricity and Gas \(Internal Market\) Regulations 2011](#) came into force in November 2011, and introduced into UK law the EU requirement for customers on private (i.e. licence exempt) distribution networks to be able to purchase electricity from a third party Supplier. These arrangements are known as 'Third Party Access'. CP1377 '[Clarifying rules on Third Party Access on Licence Exempt Distribution Network](#)' was recently implemented to clarify the existing metering arrangements which support Third Party Access.

As outlined in previous SVG papers¹, the two possible options for facilitating Third Party Access under the BSC are:

- A 'full Settlement' option which requires every customer on the private network to have a BSC Code of Practice (CoP) compliant Settlement Metering System. The BSC caters for this arrangement as an 'Associated Distribution System'.
- A Difference Metering arrangement where one or more, but not all, customers on the private network have a CoP-compliant Settlement Meter ('Third Party Meter') with a Supplier of their choice ('Third Party Supplier'). This is believed to be the more likely option and is described in more detail below.

What is Difference Metering?

At the Boundary Point between the private network and licensed distribution network, the energy recorded by the Boundary Point Meter will include the consumption of any customers 'downstream' within the private network. In order to establish the correct Metered Volumes, any Third Party Meter readings must be deducted (or 'differenced') from the Boundary Point Meter reading to avoid double-counting in Settlement.

¹ See SVG papers [136/02](#), [140/04](#) and [140/06](#).

A Difference Metering arrangement will always make the site Complex as defined in BSC Procedure (BSCP) [514](#)² section 8.1³, and BSCPs [502](#)⁴ and [514](#) already cater for Difference Metering. The BSCPs currently require the Third Party Supplier to appoint both the same Half Hourly Data Collector (HHDC) and the same Half Hourly Meter Operator Agent (HHMOA) as the Boundary Point Supplier – thereby requiring the use of a common HHMOA and common HHDC for all customers on the private network.

What is the Issue?

CP1378 v2.0 contends that the current requirement for Third Party Suppliers to use the same HHMOA as the Boundary Point Supplier restricts competition, and that Third Party Suppliers and their customers should have free choice of HHMOAs.

The Proposer has commented that Industrial and Commercial (I&C) Customers are accustomed to signing portfolio-wide HHMOA agreements in order to obtain competitive pricing. The Proposer believes that they may not get the best value for money if they are forced to sign one-off HHMOA agreements for specific sites with Meter Operators with whom they do not have other agreements. The Proposer believes that free choice of HHMOAs is therefore in the interests of competition.

2. Solution

[CP1378 v2.0](#) allows Third Party Suppliers, whose customers are embedded within a private network, to appoint a HHMOA of the customer's choice where a Difference Metering arrangement is required. The requirement for the appointment of a common HHDC is retained.

CP1378 v2.0 transfers the obligation to generate and maintain the complex site information from a single HHMOA to the HHDC, thus allowing free choice of HHMOAs for each of the Metering Systems involved by using the common HHDC to maintain Settlement accuracy.

This CP intends to introduce the following new requirements:

- The HHMOA appointed to the Boundary Point Metering System will be required to indicate on the "complex site supplementary information form" that Difference Metering is in place (the form will be updated to include a tick box for this purpose). This will highlight to the common HHDC that it is required to subtract the Metered Volumes for Third Party Metering Systems from the Metered Volume for the Boundary Point Meter. However, it will not contain the details of those Meters as these are not available to the Boundary Point HHMOA.

² 'SVA Meter Operations for Metering Systems registered in SMRS'.

³ A Complex Site is any site that requires the Half Hourly Meter Operator Agent to send a 'Complex Site Supplementary Information Form' to Half Hourly Data Collectors (HHDCs) in addition to the D0268 'Half Hourly Meter Technical Details' flow, in order that the HHDC can to correctly interpret the site's Metered Data.

⁴ 'Half Hourly Data Collection for SVA Metering Systems registered in SMRS'.

- Each HHMOA appointed to a Third Party Metering System will provide a D0268 'Half Hourly Meter Technical Details' flow to the common HHDC.
- The common HHDC for the private network will combine the D0268s provided by the relevant HHMOAs to ensure that the correct Metered Volumes enter Settlement. The common HHDC will determine:
 - The Metered Volumes for each Third Party Metering System in accordance with the D0268s provided by the HHMOAs appointed to those Metering Systems; and
 - Metered Volumes for the Boundary Point Metering by subtracting the quantities of Active Energy for each Third Party Metering System from the Boundary Point Metered Volume.
- In order to allow the HHDC to perform this process correctly, Third Party Suppliers through their HHMOAs will also need to notify the common HHDC that their Third Party Metering Systems are subject to a Difference Metering arrangement. The information must include the Metering System ID (MSID) of the relevant Boundary Point Metering System.

Intended Benefits

CP1378 v2.0 seeks to allow customers to choose their own HHMOA in order to support competition for customers on private networks. Moving the responsibility to maintain the complex site information to the HHDC reduces some of the risks associated with HHMOAs failing to notify the Boundary Point MOA when a new Third Party Meter has been installed or changes have been made to the Metering System.

3. SVG's Previous Views

Smartest Energy raised [CP1378 v1.0](#) on 23 July 2012 for Participant Impact Assessment via CPC00716.

The SVG subsequently discussed CP1378 v1.0 and the Participant Impact Assessment responses at its meeting in October 2012 ([SVG140/04](#)). Some SVG Members were supportive of the principle behind the CP. However, the SVG agreed that further amendments to the solution were required to address respondents' concerns about Settlement Risks before the CP could be approved.

The SVG therefore deferred its decision on CP1378, instructing ELEXON to consult with the original Third Party Access Working Group (TPAWG)⁵ and the Proposer on potential ways of addressing any Settlement risks associated with multiple HHMOAs on a private network.

ELEXON subsequently supported the Proposer in drafting CP1378 v2.0, which was issued for a second Participant Impact Assessment in November 2012 via CPC00721.

⁵ The TPAWG was set up by the Energy Networks Association (ENA) and attended by Licensed Distribution System Operators (LDSOs), private network operators, end customers, code administrators (including ELEXON) and Ofgem. The TPAWG had debated the possibility of removing the requirement for a common HHMOA. However it concluded that, to enable competitive Supply, customers would have to endure some restrictions in their choices (HH Settlement, HHMOA and HHDC) to make the arrangement workable for all parties while maintaining the integrity of Settlement.



4. Industry Views

We received 13 responses for CP1378 v2.0 of which two agreed with the CP, seven disagreed and four were neutral.

The following table shows the breakdown of responses. You can find the full collated participant responses in Attachment C and on the BSC Website [here](#).

Respondent role	Supports CP?		
	Yes	No	Neutral
Distributors	1	1	2
Party Agents (e.g. Data Collector, Data Aggregator, Meter Operator)	-	3	-
Suppliers	-	-	2
Mixed (i.e. two or more of Supplier, generator, trader, Party Agent or Distributor)	1	3	-
Total	2	7	4

The industry responses highlight that, whilst some respondents agree with the CP principle of allowing competition for HHMOAs on private networks, the solution introduces further complexity to an already complex arrangement. This may make it more difficult for participants to support the process. Respondents have also identified increased risks to Settlement for the HHDC to maintain the aggregation rules. A respondent remains concerned that the HHDC would be required to 'police' the whole arrangement and potentially to intervene in disputes between the different HHMOAs.

Many respondents are concerned that the CP does not specify all of the necessary processes and obligations that are needed to make the proposed solution workable. Respondents have highlighted the following questions that need to be answered:

- Who informs the Boundary Point HHMOA that a Third Party Metering System has been installed?
- How does a Supplier gaining a customer that has a Third Party Metering System or Boundary Point Metering System know that a Differencing arrangement exists and which HHDC must be appointed?
- Who will be responsible for identifying complex/Third Party metering? How will Suppliers, HHMOAs and the HHDC identify exempt/embedded networks?
- How will the HHDC be informed of which Third Party MSIDs are embedded within the private network of the 'landlord MSID'? Will this be through a dataflow or other medium? Will there be any indication at the 'tenant' level that the 'tenant' has a parent 'landlord' and, if so, how?
- What would prevent a new Supplier for one of the tenants being unaware of the arrangement and appointing a different HHDC?

- The private network operator will be expected to specify the metering and contractual arrangements for the customer, but to whom?
- The Third Party Supplier is expected to notify the common HHDC that the Metering System is subject to Difference Metering, but who informs the HHMOA to the Boundary Point Metering of this arrangement?
- Does the HHDC need to keep a record of communication in the event that there are some late notifications in terms of appointment time (and therefore potentially affecting the HHDC's ability to fulfil its obligations under the BSC), ensuring that the HHDC is not held responsible for any resulting incorrect data in Settlement?

7. Proposer's View

We have met with the Proposer to discuss the concerns raised by respondents.

The Proposer believes that the comments fall into three main categories:

- A fixed view that the HHMOA is central to the process;
- Issues of needing to improve the process as described in CP1378 v2.0; and
- Issues that exist with the current process.

The Proposer still supports the CP for the reasons given in Section 2. They remain unconvinced by some respondents' argument that the current process is only being held together by the requirement for common HHMOA and would fall apart without this requirement. The Proposer does not agree that this argument is justification for rejecting the CP, but rather for revisiting the whole Third Party Access process. Although there has not been a high uptake of the Third Party Access arrangements to date, the Proposer believes that there will be more instances in future.

In relation to the argument that a common HHMOA provides a necessary "controlling mind"⁶, the Proposer still believes that information needs to be handed over to the HHDC (and that ultimately it is the Boundary Point Supplier who is responsible). However they consider that the responses may identify either that the CP solution should be amended to include further obligations on the Boundary Point Supplier and their agents (which would require a version 3.0 of the CP), or that there is merit in performing a 'root and branch' review of the entire Third Party Access arrangements.

8. Next Steps

⁶ As detailed in page 3 of the industry responses document found in Attachment C.

It is evident that there are a number of issues and concerns that came out of the second Participant Impact Assessment, and that there are a number of process clarifications needed to the solution if the CP is to progress. The majority of respondents agree that the CP should not be approved in its current form due to the increased risk to Settlement caused by outstanding unspecified requirements.

ELEXON's view is that the additional processes/requirements needed to achieve the aims of the CP may make the solution so technically complex in practice that it may ultimately frustrate the potential for a customer on a private network to choose a competitive Supplier. Complexity itself may introduce risks to Settlement if the process depends on multiple communications between multiple participants, and therefore on there being no breaks in the chain of information. However, we note the Proposer's continued support for the CP, and do not wish to frustrate the development of a feasible technical solution if one can be found.

As CP1378 has already been through two solution versions/Impact Assessments, and given the volume of comments and concerns from respondents, we believe that the best way forward is to hold a CP Workgroup meeting with ELEXON, the Proposer, respondents and other interested parties. This will enable discussion of whether and how the concerns can be addressed through a further version of the CP. The Proposer supports this approach. The Workgroup may result in either a version 3.0 of the CP, or in a recommendation to reject CP1378.

We therefore invite the SVG to note our intention to hold a CP1378 Workgroup meeting, and that we will update the SVG again after the meeting.

9. Recommendation

ELEXON invites the SVG to:

- a) **NOTE** the results of the second Participant Impact Assessment for CP1378 v2.0;
- b) **NOTE** our intention to form a CP Workgroup to attempt to find a feasible technical solution to the concerns raised by respondents; and
- c) **NOTE** that we will update the SVG again after the CP Workgroup meeting.

Appendices:

None

Attachments:

Attachment A – BSCP502 redlining v0.2

Attachment B – BSCP514 redlining v0.2

Attachment C – Collated Responses to CPC00721 for CP1378 v2.0

For more information, please contact:

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