



Moving to 'User Pays' billing for Data Transfer costs and development of the ELEXON Portal to deliver SVAA DTS Flows

Meeting Name BSC Panel

Meeting Date 11 July 2013

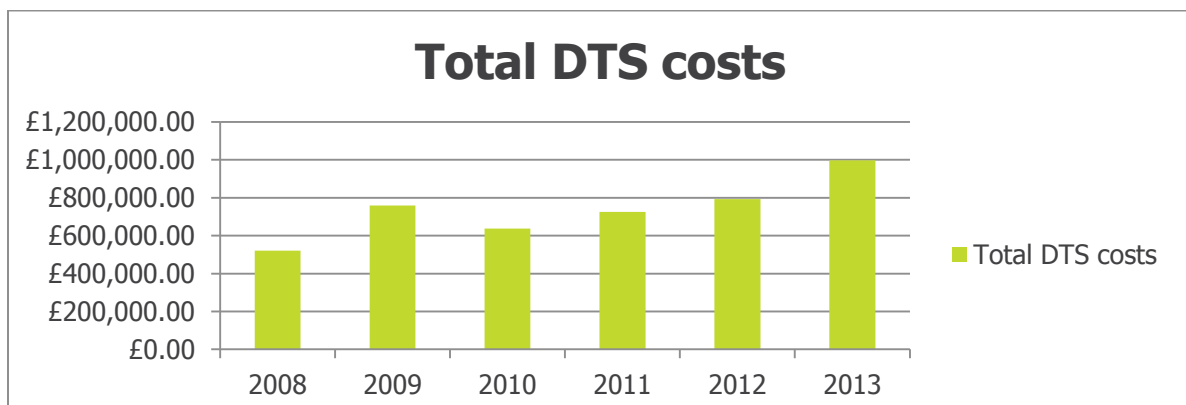
Purpose of paper For Information

Summary On 9 May 2013, ELEXON sought feedback from the Panel in two areas relating to the Data Transfer Service (DTS), during this meeting ELEXON agreed to return in July to provide a further update.

This paper provides such an update on these two areas.

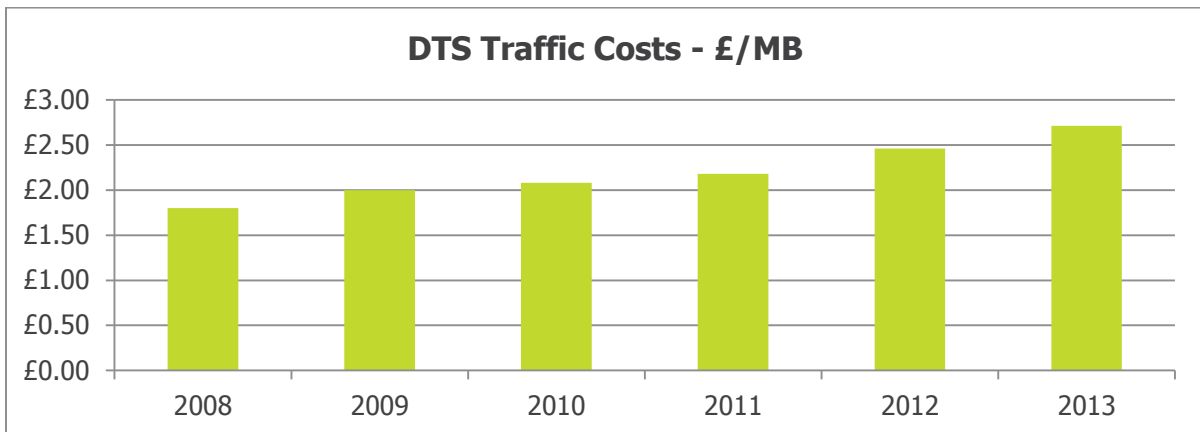
1. Background

- 1.1 On 9 May 2013, ELEXON took a paper to the Panel (reference 212a/07 with attachments 212a/07a and 212a/07b) which focused on two areas, firstly how we can use the ELEXON Portal to send Supplier Volume Allocation Agent (SVAA) Flows to industry and secondly how we could change the current charging methodology so that BSC Parties are charged for Data Transfer Service (DTS) costs on a 'user pays' basis.
- 1.2 This discussion arose from ELEXON continuously looking at ways to reduce BSC costs and DTS expenditure was highlighted as an area for further examination due to the significant increase we have seen over the last 5 years. ELEXON has seen DTS costs increase by £477k per annum over this period as shown below.



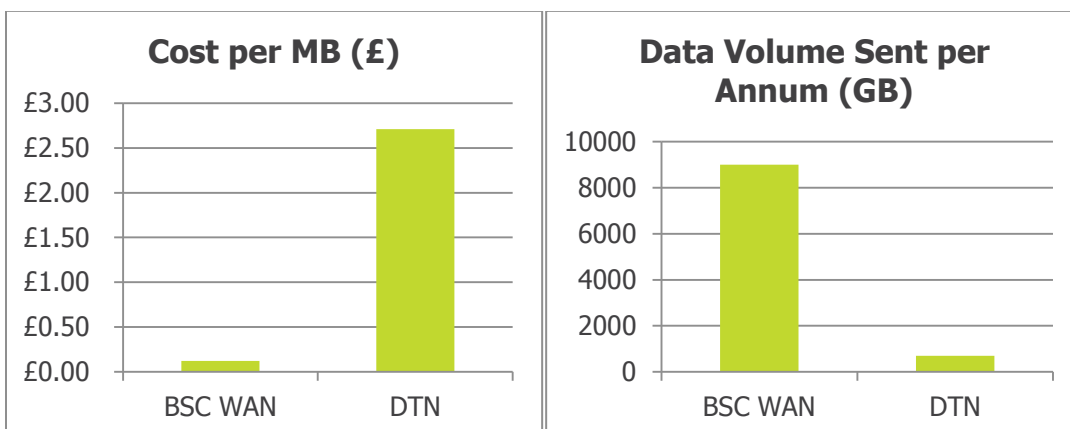


1.3 In addition the Panel will note that over the same 5 year period DTS traffic costs have also increased from £1.80 to £2.71 per MB.



1.4 As part of this work to look at the DTS costs, ELEXON compared the Data Transfer Network (DTN) to the cost of the BSC WAN (CVA Network) and whilst these two networks are not identical they do both deliver industry data and therefore provide a reasonable comparison.

1.5 In 2012/13, the BSC WAN charge was approximately £0.123 per MB (and delivers approx. 9000GB of data traffic annually), whilst the current DTS traffic costs are £2.71 per MB (and delivers approx. 700GB of data traffic annually). This comparison between the DTN and the BSC WAN shows that the current DTS data transfer costs are 22 times higher than the cost associated with using the BSC WAN, this comparison is shown below.



1.6 During in the last 2 months ELEXON has had the opportunity to engage with industry, ELEXON have sought feedback on these two potential changes from a number of different sources, including Panel sub-committees, direct communications with industry, using ELEXON Operational Service Managers (OSMs) and the DTS User Group. During this period we have also had the opportunity to further clarify our

requirements, in order that we can provide indicative costs to implement these changes. This paper seeks to provide the Panel with an update in these areas.

2. Industry Feedback

- 2.1 In order to reduce BSC costs, ELEXON put forward the principle of using ELEXON Portal as an alternative mechanism to deliver DTS Flows from SVAA. The ELEXON Portal currently delivers key industry reports, has over 4500 separate users who have signed up for access and during 2012/13 the ELEXON Portal received 117,644 visits. The general feedback from respondents is that whilst it has not been ruled out as an option, more questions were raised that were answered, in terms of costs, performance and robustness, ELEXON would welcome further debate on widening the scope of the ELEXON Portal to offer this additional service to users.
- 2.2 As the Panel noted during the meeting on 9 May, in order to incentivise user behaviour and facilitate the move to the ELEXON Portal the current charging mechanism would need to be changed towards a 'user pays' principle. Respondents generally welcomed the fact that ELEXON had raised this area for debate, though there were questions as to whether this would lead to a wider review of the way ELEXON are currently funded and whether ELEXON were seeking to look at other areas, such as CVA costs or the Performance Assurance Framework (PAF) in the future. Some respondents were keen to stress that ultimately their support would depend on how they were impacted by any such change.
- 2.3 In addition some comments were made regarding the impact on the DTS, which we have covered in section 3.
- 2.4 In conclusion ELEXON consider that the debate has been welcomed by respondents, the response has been very much of a 'wait and see' what the exact impact and solution is before committing to a position. ELEXON would expect that if a Modification was raised then the Modification Group would drive this forward and by facilitating further industry debate, all parties would have the opportunity to feed into these discussions.

3. The Impact on the Data Transfer Service (DTS)

- 3.1 ELEXON have met with the DTS Service Controller (Electralink) on four occasions since the end of April to discuss these potential changes, including the most recent which occurred during a meeting of the DTS User Group on 13 June. We are aware that whilst the 'user pays' change would not affect the DTS directly, any move by ELEXON to use the ELEXON Portal would have a direct impact on DTS revenue.
- 3.2 This point was raised by a number of respondents who sought clarity regarding whether such cost savings achieved by ELEXON would result in increased charges for other DTS Users (specifically Suppliers) in order to recoup this lost DTS revenue. On 6 June 2013 we received a paper from the DTS Service Controller which outlined their thoughts on our potential change and this was discussed further at the DTS User Group on 13 June, within this document they detailed the impacts any reduction in revenue from ELEXON would have, this was provided in the form of the table below. In this paper the DTS Service

Controller stated that they do not support this move away from the DTN stating that any future DTS Procurement would be the best method to reduce costs.

Reduction in DTS Revenue (%)	ELEXON Annual DTS Revenue	DTS MPAN Supplier Charges (£000's)	DTS MPAN Rate (£/1000 MPANs/Month)
0	1,015	3,341	9.39
25	761	3,685	10.10
50	508	3,939	10.80
75	254	4,192	11.50
100	0	4,446	12.20

- 3.3 As the Panel will note, the increase in any charges levied by the DTS Service Controller would fall solely on Suppliers, the group for whom ELEXON are seeking to reduce overall SVA Funding Share charges. The reason provided by the DTS Service Controller for not being able to reduce their costs is that they have a fixed price contract with their Service Provider.

4. Development and Support Costs

- 4.1 Over the last 6 weeks ELEXON has been developing a set of requirements for both the Funding Shares System (FSS) and the ELEXON Portal to facilitate these two changes. ELEXON is aware that these requirements may be subject to future change following further industry engagement, however in order to get indicative costs from our Service Providers and develop a business case such costs indicative are required.
- 4.2 The development required to the ELEXON Portal and Data Marshalling software (which routes DTS Flows to and from SVAA) is estimated to be in the region of £160k, with an increase in support charges of £45k per annum.
- 4.3 The FSS development work required to support the 'user pays' charges is estimated to be approximately £25k.
- 4.4 Therefore high level total development costs for these changes will be £185k and support costs will increase by £45k per annum, however these costs should be put into perspective against the expected total DTS spend of just under £1.1m in 2013/14.

5. Conclusion

- 5.1 In conclusion ELEXON consider that the engagement with industry over the last 2 months has provided useful insight into the thoughts and concerns which surround these two areas, however as these discussions have focused on the principle of these changes rather than the direct impact they would have, it has not been possible to come to a final conclusion.

- 5.2 ELEXON recommend that, subject to the internal approval of a business case, the best course of action would be to continue the debate through a Modification being raised. It is anticipated that this Modification would seek to adopt a 'user pays' charge for DTS costs on the basis that a separate facility is provided for distributing this data (i.e. the ELEXON Portal solution noted above). This change would provide the opportunity to reduce overall SVA costs associated with DTS charges incurred by BSCCo. ELEXON believes that this Modification could be raised by the Panel on the grounds of efficiency.

6. Recommendations

- 6.1 We invite you to:
- a) **NOTE** the feedback provided to ELEXON;
 - b) **NOTE** the indicative costs provided to ELEXON; and
 - c) **NOTE** that ELEXON may recommend the raising of a Modification during the Panel meeting in August 2013 to support the introduction of a 'user pays' charge for DTS costs.

For more information, please contact:

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