

4.7 Issue Form

Issue Form - BSCP40/04	Issue Number: 52
<p>Issue Title 'Billing for Data Transfer costs and the 'Total Cost of Ownership' for using a replacement solution to send DTS Flows'</p>	
<p>Issue Description</p> <p>Costs incurred by BSCCo in relation to use of the Data Transfer Service (DTS) have risen by approximately 90% over the last five years.</p> <p>The BSC Panel has noted that ELEXON has undertaken a comparison with its own network, the BSC WAN, which is used to provide data to BSC Parties, which has shown that costs have remained static over the last four years.</p> <p>Based on this increase in cost and comparison against a comparable network, the BSC Panel believes there is merit in looking at reducing this cost burden on BSC Parties.</p> <p>ELEXON has reviewed its obligations with regards to using the DTN. BSC Section O1.4.2 states that <i>"SVA communications shall be sent out by the relevant SVA data parties using the Managed Data Network or an alternative approved method of SVA data transfer."</i></p> <p>Therefore use of the Managed Data Network (or DTN) by ELEXON is not mandatory, allowing ELEXON to consider the use its existing infrastructure as an alternative mechanism. The BSC Panel agrees that it is right to explore opportunities for delivering cost savings for BSC Parties. Potential options available to act as a delivery mechanism include the ELEXON Portal or the BSC WAN.</p> <p>The BSC Panel also recognises that it is important to consider whether changes under the BSC would increase costs for other DTS users. Consequently, the Panel believes the review should take into account impacts outside of the BSC to ensure that the 'total cost of ownership' is fully understood.</p> <p>This is the first objective for the Issue Group to review – To evaluate the 'Total Cost of Ownership' of ELEXON using a replacement solution to send DTS Flows.</p> <p>In order to incentivise the use of an alternative delivery mechanism the BSC Panel feels it is also important to consider the merits of changing the current charging structure (which is based on the principle of a Funding Share based charge) to a situation where those BSC Parties who receive DTS flows should be charged on a 'user pays' basis. This would ensure that those BSC Parties who use the DTS would contribute to the costs incurred by ELEXON.</p> <p>This is the second objective for the Issue Group to review – To evaluate the benefit of moving to a 'users pays' charging mechanism for DTS costs.</p>	

Justification for Examining Issue

This Issue has arisen from ELEXON looking at ways to reduce BSC costs. DTS expenditure was highlighted as an area for further examination due to the significant increase in annual spends. ELEXON has seen DTS costs increase from £520k per annum in 2007/08 to £997k per annum in 2012/13. This is an increase of £477k per annum, or approximately 90%, over five years.

The BSC provides for methods other than the DTS being used for transferring data. However, changes to the BSC, or BSC systems and processes, may be required to ensure that alternative methods are appropriately implemented so as to meet the needs of users and promote a reduction in BSC costs.

The BSC WAN delivered approximately 9,000GB of data in 2012/13 at a charge of just £0.123 per MB, this is 22 cheaper than the Data Transfer Network (DTN) which is currently charging £2.71 per MB and delivering approximately 700GB of data in total to users

Potential Solution(s)

For the first topic area – **To evaluate the 'Total Cost of Ownership' of ELEXON using a replacement solution to send DTS Flows** – ELEXON has evaluated whether the ELEXON Portal can be used to deliver DTS Flows. In addition ELEXON believes that the BSC WAN has the capability and bandwidth to deliver DTS Flows, but this is a concept and has not been fully evaluated. The Panel believes that both these solutions should be investigated further.

For the second topic area for the Issue Group to review – **To evaluate the benefit of moving to a 'users pays' charging mechanism for DTS costs** – ELEXON has considered three options thus far:

1. **Billing Option 1:** Variable Charge per MB, which will be based on the £ per MB charge in the Data Transfer Service Agreement plus a monthly proportion of the Fixed/Party Agent Costs attributed that that Trading Party;
2. **Billing Option 2:** Fixed MB Tariff (includes £ per MB in the DTSA and Party Agent/Fixed Costs) per Trading Party; and
3. **Billing Option 3:** Variable Charge per MB, which will be based on the £ per MB charge in the DTSA with fixed cost/Party Agent costs apportioned to the current Funding Shares.

The Panel believes that the Issue Group should explore further options for both of these areas.

Proposer's Details

Name: BSC Panel (Modification Secretary).....

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Date: 8 August 2013.....