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Modification proposal:	**Balancing and Settlement Code (BSC) P300: Introduction of new Measurement Classes to support Half Hourly DCUSA Tariff Changes (DCP179)**		
Decision:	The Authority[1] directs that this change be made[2]		
Target audience:	National Grid Electricity Transmission Plc (NGET), Parties to the BSC and other interested parties		
Date of publication:	15 October 2014	Implementation Date:	5 November 2015

Background to the modification proposal

Smart meters are currently being rolled out for gas and electricity with an intended implementation date for all consumers of 2020. Smart and advanced meters are capable of recording half-hourly (HH) consumption and can be read remotely. The more accurate and timely data delivered from these meters is expected to facilitate lower consumer bills and stronger competition in the retail market. Since 6 April 2014, larger non-domestic consumers have been required to have meters capable of recording HH consumption.

The industry considers that the current electricity distribution use of system (DUoS) charges are a disincentive for customers to move to HH settlement because:

- the current HH tariff may not be appropriate for all customer types. This means some customers could end up paying charges that do not match their consumption pattern and the costs they impose on the network; and
- currently, all HH settled customers receive site specific bills. Distribution Network Operators (DNOs) have identified they would need to upgrade their systems to process a significant increase in site specific bills.

Distribution Connection and Use of System Agreement (DCUSA) change proposal DCP179[3] proposed to amend the existing tariff structure under the Common Distribution Charging Methodology by introducing new HH metered tariffs. The new tariffs would:

- be specifically for customers in Profile Classes (PC) 1-8;[4]
- remove discrepancies between non-half hourly (NHH) and HH tariffs, which currently act as a disincentive for customers to move from NHH to HH charges; and
- enable aggregate billing for specific groups of HH metered customers.

DCP179 was submitted to us for approval on 10 September 2014. We have today issued our decision[5] to approve DCP179.

Under the current settlement arrangements set out in the BSC, all HH-settled customers are billed on a site specific basis. There is no mechanism in the BSC to identify HH-settled customers who should receive aggregate bills. Although DCP179 will introduce new HH tariffs for customers in PC 1-8, appropriate Measurement Classes[6] are needed under the BSC before they can be used. The creation of these Measurement Classes is proposed by P300.

[1] The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.
[2] This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.
[3] DCP179 'Amending the CDCM Tariff Structure' is available at: www.dcusa.co.uk
[4] Profile classes are set out on Page 2 of the following document: http://www.elexon.co.uk/wp-content/uploads/2013/11/load_profiles_v2.0_cgi.pdf
[5] https://www.ofgem.gov.uk/publications-and-updates/dcp179-amending-cdcm-tariff-structure
[6] Measurement Classes are defined on page 49 of BSC Annex X-2: http://www.elexon.co.uk/wp-content/uploads/2014/03/Section_X_Annex_X-2_v34.0.pdf

The modification proposal

P300 was raised by Electricity North West Limited (the proposer). It proposes to make the following changes to the Measurement Classes for customers with maximum demand of less than 100kW:

- add Measurement Class F, for Domestic HH CT and non-CT metered customers that have aggregate billing;
- add Measurement Class G, for Non-Domestic HH non-CT metered customers that have aggregate billing; and
- rename Measurement Class E to identify that it is for HH CT metered customers that have site specific DUoS bills.

P300 enables aggregate DUoS billing and does not require any consumer move to HH settlement. The changes proposed also do not mandate that suppliers use the new Measurement Classes. They may continue to use Measurement Class C (for customers with maximum demand 100kW or more) or the re-named Measurement Class E.

BSC Panel[7] recommendation

The BSC Panel unanimously agreed with the majority view of the P300 work group that P300 would better facilitate applicable BSC objective (d). The BSC Panel recommended that P300 should be approved.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 12 September 2014. We have considered and taken into account the responses to ELEXON's[8] consultations which are attached to the FMR.[9] We have concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC;[10] and
2. directing that the modification be made is consistent with our principal objective and statutory duties.[11]

Reasons for our decision

We agree with the BSC Panel that P300 better facilitates applicable BSC objective (d) and also consider it is beneficial to objective (c). We consider P300 is neutral in respect of the other applicable BSC objectives.

Objective (c) 'Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity'

[7] The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC.

[8] The role and powers, functions and responsibilities of Elexon are set out in Section C of the BSC.

[9] BSC modification proposals, modification reports and representations can be viewed on the Elexon website at www.elexon.com

[10] As set out in Standard Condition C3(3) of NGET's Transmission Licence, see: http://epr.ofgem.gov.uk/index.php?pk=folder380751

[11] The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

We agree with the proposer and a minority of the workgroup that P300 better facilitates this objective, as it enables a change in another industry code (DCP179) to have full effect and together this is likely to improve competition. Reducing the discrepancy between the DUoS NHH and HH tariffs has removed a barrier that has been a disincentive for customers moving to HH settlement. An increase in the amount of HH consumption data used for settlement should enable more accurate allocation of costs that suppliers incur in purchasing and transporting energy to consumers. We expect this will strengthen the incentives on suppliers to reduce these costs by encouraging more efficient consumption by their customers.

Objective (d) 'Promoting efficiency in the implementation of the balancing and settlement arrangements'

We agree with the majority of the workgroup that, by introducing new Measurement Classes that facilitate aggregate billing, P300 provides an efficient and cost effective mechanism to cope with a large increase in the amount of HH data.

A minority of BSC parties did not believe P300 better facilitated this objective, because they noted it was raised to enable the changes proposed by DCP179 to have effect, rather than to correct a perceived defect with the current BSC arrangements. While P300 would not have an impact on its own, we consider it is appropriate to examine the benefits in light of our approval of DCP179. Therefore, our decision on P300 takes into account our direction today that DCP179 should be made.

Decision notice

In accordance with Standard Condition C3 of National Grid Electricity Transmission's electricity transmission licence, the Authority hereby directs that modification proposal BSC P300: '*Introduction of new Measurement Classes to support Half Hourly DCUSA Tariff Changes (DCP179)'* be made.

Andrew Burgess
Associate Partner, Transmission and Distribution Policy
Signed on behalf of the Authority and authorised for that purpose