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| Modification proposal: | Balancing and Settlement Code (BSC) P315: Publication of Gross Supplier Market Share Data | | |
| Decision: | The Authority ¹ directs that this modification be made ² | | |
| Target audience: | National Grid Transmission Plc (NGET), Parties to the BSC, the BSC Panel and other interested parties | | |
| Date of publication: | 20 October 2015 | Implementation date: | 30 June 2016 |

Background

The Balancing Mechanism Reporting Service, managed by Elexon, provides a large amount of information relating to the electricity market. This information is accessible to different parties in various degrees and formats. There is an asymmetry in the access to information on gross demand, which is becoming an issue due to the increase in size and volatility of embedded generation over the last decade. This reduces the transparency of the actual retail market structure and, most importantly, impacts on multiple aspects of the electricity system operation and planning.

Currently both BSC parties and licensed third parties can see the net demand position of any supplier by Grid Supply Point (GSP) Group through existing Settlement reports.³ If a supplier is acting on behalf of embedded generators this information involves netting from the gross demand any amount of power exported to the grid. As a result, gross demand within the same Supplier Balancing Mechanism Unit will remain hidden.

Existing suppliers can obtain a more detailed view of gross demand by GSP Group and Consumption Component Class through a Data Transfer Catalogue report. However, this is currently not available to NGET and other BSC parties that are not involved in Supplier Volume Allocation arrangements (eg. generators and physical traders) and non-BSC parties.

The modification proposal

On 9 October 2014 Smartest Energy, the proposer, raised P315 with the aim of addressing the lack of transparency of suppliers' gross demand and embedded generation, and allowing all BSC parties and other interested parties (such as potential new entrants) to better understand electricity retail market activity.

After several industry consultations the modification proposal was reviewed and finally emerged as consisting of two parts:

- **Publication of Supplier Market Share Summary Data** – a new quarterly publication on Elexon's website (accessible free-of-charge to anyone interested), showing individual suppliers' energy import and export volumes and number of meter points; this data would be reported at the national level across the main domestic and non-domestic segments,⁴ except for suppliers with market shares

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ SAA-I014 Settlement Reports provide information on the net of import and export for all electricity meter points and all profile classes, including line losses.

⁴ For a detailed description of these groups see the P315 Final Modification Report at www.elexon.co.uk.

below certain thresholds,⁵ for which data would be presented in an aggregated format.

- **Publication of D0276 "GSP Group Consumption Totals report" data as P0276** – a daily report on aggregated consumption at regional level,⁶ with no individual supplier details, available on Elexon's portal free-of-charge to NGET and all BSC parties; non-BSC parties would need to pay an annual licence fee of £3,000⁷ to access this data.

The workgroup also developed an alternative modification proposal consisting of three parts:

- **Publication of Supplier Market Share Summary Data** – same description and requirements as the modification proposal.
- **Publication of D0276 "GSP Group Consumption Totals report" data as P0276** – same description and requirements as the modification proposal, and, in addition, including historical available data (up to two years before the proposal implementation date).
- **Publication of GSP Group Market Matrix Report** – a daily report containing aggregated regional consumption data by detailed category such as profile class, standard settlement class, time pattern regime, line loss factor class and distributor;⁸ this report would also be available on Elexon's portal free-of-charge to NGET and all BSC parties, while non-BSC parties would need to pay an annual licence fee of £3,000 (the same fee would cover access to both P0276 data and/or the GSP Group Market Matrix Report data).

The estimated central implementation costs for the modification proposal and the alternative modification proposal have been estimated as £80,000 and £104,000 respectively. The implementation time would be 29 weeks for the former and 36 weeks for the latter.

Save for the proposer, the Workgroup concluded that the alternative modification proposal would better facilitate BSC objectives (b) and (c) when compared to the proposed modification and to the current situation. The reasons provided were the following:

- **Objective (b):** the greater visibility of embedded generation would improve NGET's demand forecast and charging activities; BSC parties could also improve their forecasting and leave less imbalance volume for NGET to manage.
- **Objective (c):** the released information would help existing BSC parties and potential new entrants to better understand supplier market shares and would promote competition.

⁵ A supplier would be identified and have its data reported individually if it has either or both: (1) an average number of Profile Class 1-2 meter points over the reporting quarter of 250,000 or more; or (2) an aggregated consumption volume across Profile Classes 3-8 and half-hourly meter points over the reporting quarter of 500 GWh or more.

⁶ This report would draw on the existing daily report D0276 "GSP Group Consumption Totals Report" containing total consumption values by Consumption Component Class for each distribution network region, based on SF and RF settlement flows. D0276 is already accessible to existing suppliers. P0276 would be created in order to make the same data available to NGET and other BSC and non-BSC parties.

⁷ The licence fee would reflect the same approach under previous reporting modification P114. The rationale for the fee is to recover development and operation costs of the modification. We understand that the combined P114/P315 licence fee may be scaled down in future to ensure it remains appropriate for this purpose.

⁸ This report would be created by summing the existing D0082 "Supplier Purchase Matrix Report" across all suppliers and data, resulting in a single consumption report per electricity distribution region, which will not contain any supplier-level data.

The alternative modification proposal was preferred by the Workgroup because its higher informative content better facilitated objectives (b) and (c) relative to the modification proposal.

BSC Panel⁹ recommendation

At the BSC Panel meeting on 10 September 2015:

- the BSC Panel unanimously considered that both the proposed and alternative solutions of P315 would better facilitate BSC objective (b) relative to the current situation;
- the majority of the BSC Panel considered that both the proposed and alternative solutions of P315 would better facilitate the BSC objective (c) relative to the current situation; and
- the BSC Panel unanimously considered that the alternative solution would better facilitate BSC objectives (b) and (c) relative to the proposed modification.

Our decision

We have considered the issues raised by the modification proposal, the alternative modification proposal and the Final Modification Report (FMR) dated 11 September 2015. We have considered and taken into account the responses to the industry consultations, which are attached to the FMR¹⁰. We have concluded that:

- implementation of the alternative modification proposal will better facilitate the achievement of the applicable objectives of the BSC relative to the modification proposal and the current situation;¹¹ and
- directing that the alternative modification be made is consistent with our principal objective and statutory duties.¹²

Reasons for our decision

We consider that the alternative modification proposal will better facilitate BSC objectives (b) and (c) and has a neutral impact on the other applicable objectives.

(b) the efficient, economic and co-ordinated operation of the national electricity transmission system

We agree with the unanimous view expressed by the Workgroup and the Panel that P315 would better facilitate the operation and planning of the national electricity transmission system. In particular, we consider that NGET would benefit from having greater visibility of embedded generation for their demand forecasting and charge-setting activities through the reports that P315 would release under the alternative modification proposal.

The increasing amount and unpredictability of embedded generation, both of renewable and conventional nature, represents an ongoing concern for NGET, which ultimately impacts on the required level of system reserve for security of supply purposes. Ensuring

⁹ The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and Standard Special Licence Condition C3 of the Electricity Transmission Licence available at: www.epr.ofgem.gov.uk

¹⁰ BSC modification proposals, modification reports and representations can be viewed on the Elexon website at www.elexon.co.uk

¹¹ As set out in Standard Condition C3(3) of NGET's Transmission Licence: <https://epr.ofgem.gov.uk>

¹² 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.

that the right amount of generation is contracted in the daily operation of the electricity system requires accurate demand forecasting. According to NGET, demand forecasting errors have been increasing recently, potentially due to a growing share of embedded generation.¹³

The information on embedded generation at national and supplier level, which would be available through the quarterly Supplier Market Share Summary Data should help NGET more accurately forecast the national generation requirement and facilitate the setting of transmission network charges applicable to suppliers who act on behalf of embedded generators. At the same time, the more detailed information at the regional level, available through the P0276 should facilitate a better understanding of any local network constraints. Moreover, the alternative modification proposal will make available additional useful data for NGET at a small incremental cost over the original proposal (£104,000 against £80,000). This includes in particular the provision of historical P0276 data, which can facilitate long-term forecasting.

Throughout the consultation process and the Panel debate it was observed that there may be more effective means of delivering information on embedded generation to NGET. We are aware that NGET has been exploring several information sources for some time. In August 2014 we approved a Grid Code modification requiring DNOs to provide additional information on several technical physical features of small embedded generation plants, such as fuel, technology and registered capacity.¹⁴ The information provided under P315 would be complementary to what is being delivered by DNOs, as it would provide data on embedded generation volumes and pattern over time and across regions. According to NGET, this data is currently not available through other sources.

(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

We agree with the majority view expressed by the Panel that P315 will contribute marginally to the promotion of effective competition in the supply of electricity. We expect an improvement relative to the current situation, but on a small scale, for the following reasons:

- The additional information released with P315 could, in principle, facilitate entry, and thus help increase competitive pressure, by making available to prospective new entrants user friendly and free-of-charge information. In particular, they would gain a better understanding of how suppliers are winning or losing customers and over what time horizon this is happening.
- We understand that this data, especially under the alternative modification proposal, would contribute to inform the context and help entry decisions together with many other variables. However, we have not received any evidence suggesting it would represent a critical decision parameter.

One member of the Panel argued that the increased transparency provided by P315 is not necessary because the market is already transparent compared to other industries.

¹³ NGET has presented evidence showing a positive bias in the mean transmission demand forecast error. NGET considers that this may be due to demand suppression resulting from the growing share of generation coming from embedded generation. This is available at <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Grid-code/Modifications/GC0042/>

¹⁴ Our decision on the Grid Code modification GC0042 is available at <https://www.ofgem.gov.uk/publications-and-updates/grid-code-gc0042-information-embedded-small-power-stations>.

The Panel member also maintained that P315 would be more useful to incumbents and, for this reason, could be detrimental to competition.

We disagree with this view. As explained above, P315 involves the release of information that is novel in terms of content and/or format for several BSC and non-BSC parties, hence it involves a transparency and accessibility gain relative to the current situation. However, this does not apply to existing suppliers, who already have access to the P315 information contents. As a result, it is difficult to see how this information could be more useful to incumbents relative to the information they already have access to.

Other comments

The original modification proposal, as presented initially by the proposer, raised important competition concerns. Following our comments at Workgroup meetings, as well as several industry consultation responses, the Workgroup gradually removed the commercially-sensitive aspects around frequency and granularity of data that could negatively impact on competition.¹⁵ We would generally expect the industry to consider carefully the competition implications of publishing data and, contrary to what is said in the FMR (eg. page 27), documents such as the European Commission's guidelines on horizontal cooperation agreements and the section on information exchange¹⁶ can provide a useful framework for consideration.

We also note that the Supplier Market Share Summary Data that will be published under P315 show similarities¹⁷ with the quarterly electricity market share chart that we started publishing in September 2015, as part of our new Retail Market Indicators.¹⁸ Our chart currently shows individual market shares only for the six largest suppliers in the domestic market segment. Through future updates of this publication and in the light of market developments we are reviewing the threshold for publishing individual supplier shares, as well as the extension to the non-domestic segment. We will be seeking representations from affected parties accordingly.

Decision notice

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority hereby directs that modification proposal BSC P315: Publication of Gross Supplier Market Share Data be made.

Neil Barnes

Associate Partner, Retail Markets

Signed on behalf of the Authority and authorised for that purpose

¹⁵ At the second Workgroup meeting of 9 December 2014 we raised a number of competition concerns. Additional comments on related aspects emerged through several industry consultations and the whole revision process was concluded 8 months later with the Workgroup meeting of 30 July 2015.

¹⁶ See the document available at the European Commission webpage: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C:2011:011:FULL&from=EN>.

¹⁷ Our chart refers to national market shares and is updated quarterly, as the market share data under P315.

¹⁸ This is part of our wider transparency strategy, which includes regular publication of a wide range of retail, wholesale and sustainable development indicators and reports, aimed at fostering understanding and confidence in how the market works.