PUBLIC

Profiling and Settlement Review

Reducing Settlement timescales: Consultation on benefits and impacts

ELEXON Market Design and Analysis

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PROFILING AND SETTLEMENT REVIEW: REDUCE TIMESCALES

EXECUTIVE SUMMARY

Profiling and Settlement Review Group

The Profiling and Settlement Review Group (PSRG) was set up by the Supplier Volume Allocation Group (SVG) to review how the profiling and Settlement processes can be improved in light of the installation and use of advanced and Smart Meters. The PSRG has successfully identified short-to-medium term improvements such as Half Hourly (HH) Settlement for non larger domestic customers (raised through Modification P272) and ways to address barriers in HH Distribution Use of System (DUoS) charges (DCP179). ELEXON has also implemented a shorter Settlement profile production process. Furthermore, Ofgem has taken forward work from the PSRG on assessing longer term changes to mandate HH Settlement for all customers (as part of its Smarter Markets Programme).

Reducing Settlement timescales project

Aim and progress

As part of this improvement programme, the PSRG has set up a project to investigate reducing Settlement timescales in light of the Smart Meter roll-out. The PSRG believes that the time is right to reduce Settlement timescales and that in principle reducing the Settlement process will deliver many benefits. This project has defined options for reducing the current 14 month Settlement timetable and is currently assessing the benefits (and costs). Smart Meters and the communication infrastructure (through the Data Communications Company (DCC)) should deliver more timely and accurate meter reading data for Settlement. The current Settlement timetable is based on historic meter reading cycles (monthly, quarterly, up to yearly). The aim of the project is to report to the BSC Panel a recommended high level solution for a reduced Settlement process, together with an implementation and transition approach.

Options identified

We have developed two options for reducing Settlement timescales. The first option shortens the overall timeframe for Settlement to 7 months by April 2017 and the second builds on the first and goes further by reducing the timeframe to 4 months by April 2020. These options were developed by the PSRG following a consultation in April 2014 on the key drivers of Settlement timescales. ELEXON has undertaken an internal assessment of the benefits and impacts which have shown the potential benefits and minimal BSC impacts (both costs and processes).

The PSRG's initial view is that the proposed two options of reducing Settlement timescales would be beneficial to the market and thus the end consumer.

Purpose of this consultation

This consultation seeks views from impacted and interested parties on the benefits and savings, costs and impacts on the two options for reducing Settlement timescales. The purpose of this consultation is to confirm the PSRG's initial view on benefits identified by the PSRG for reducing Settlement timescales. It also seeks to assess the impacts (beneficial or not, including costs and savings) for industry parties, and identify consumer benefits.

The project also has a strong interaction with Ofgem's Smarter Markets work on Settlement reform which has a longer term aim (2020). ELEXON is supporting and liaising with Ofgem in this area, in particular leading on the options for reducing Settlement timescales for the longer term.

It is therefore important that we get responses from all impacted parties to ensure that the right improvement is recommended and benefits are delivered to industry and consumers.

Interested parties are invited to respond to this consultation using the response template, which is available on the Consultations page of the ELEXON website. Responses should be returned to bsc.admin@elexon.co.uk by **17.00 on 22 September 2014.**

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INTRODUCTION

We invite you to respond to this Consultation on Benefits and Impacts of the options identified by the PSRG to reduce Settlement timescales in the short to medium term up until 2020. The Impact Assessment is part of a wider project on reducing Settlement timescales and has an interaction with the Settlement reform work of Ofgem that is looking at the longer term options under their Smarter Markets project.

The project consists of five phases (identify options, consultation on benefits/issues, option development, impact assessment and report). This consultation is part of the impact assessment phase and builds upon the internal impact assessment and the results of the industry consultation on the key drivers of Settlement timescales (undertaken in April 2014).

This consultation sets out the key drivers identified by the PSRG, the interaction with Ofgem's Settlement reform work, the current baseline and the PSRG discussions to date. It then describes the options identified by the PSRG, the results of ELEXON's internal impact assessment, before discussing the potential benefits and savings that are likely to arise from reducing Settlement timescales. We then pose a number of questions for Suppliers, their Agents, Licenced Distribution Operators (LDSOs) and provide the opportunity for other interested parties to respond. These questions are designed to seek the industry's views of the proposed options and the potential benefits/costs for parties (and consumers) of implementing either option.

The findings of the cost benefit assessment will feed into a report along with the final PSRG recommendations of reducing Settlement timescales. The SVG will consider this report and make their recommendations to the BSC Panel.

The timeline for the project is set out in Appendix A.

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Key drivers of the final Settlement run

Figure 1. Key drivers for the final Settlement run from the April 2014 consultation.

Some of the key drivers listed below would benefit from reduced Settlement timescales and some facilitate the reduction in timescales. Other benefits identified will flow from having the Smart Metering installed.

Purchase versus sales

All Suppliers need to manage their income and costs and employ resources (and incur costs) to reconcile purchases and sales. Some Suppliers have greater issues than others in this area. By reducing Settlement timescales, Suppliers could better and earlier match what the customer pays them against the energy they purchase. It may also improve margin/risk premium management.

Accuracy and timeliness

With the rollout of Smart Meters more accurate and timely meter data should be available, thus enabling Settlement process timescales to be reduced. There is a potential trade-off between timeliness and accuracy as less accurate meter data at final Settlement may increase the likelihood of disputes.

Process and resource savings

Smart Meters should enable issues to be identified and resolved more quickly, thus enabling Settlement process timescales to be reduced.

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Forecasting benefits

There are potential forecasting benefits, e.g. forecasting of a market participant's actual demand or generation, (particularly for Suppliers) of a reduced Settlement timetable. If Settlement data is both timelier and more accurate it would improve forecasts by Suppliers.

Impact of Smart and Advanced (AMR) meter data

Smart Metering should improve the accuracy of Settlement, as there is the ability to remotely disable vacant sites ensuring unrealistic Estimates of Annual Consumption (EACs) are not applied in Settlement. Additionally, more accurate EACs for sites that are being read more frequently should arise. With this increased confidence in the accuracy of EACs, these could facilitate a reduction in the timing of the final reconciliation run.

Performance

With better and more timely meter data, Suppliers performance should improve and this would enable reduced Settlement process timescales.

Interaction with Smarter Markets – Settlement reform

Ofgem established the Smarter Markets Programme to drive changes to market arrangements that will help realise the opportunity that Smart Metering presents to make retail energy markets work better for consumers. One of the projects under the Smarter Markets Programme concerns the electricity Settlement arrangements.

Ofgem has published a launch statement setting out how it will progress this project. This document sets out that Ofgem consider it is in consumers' interests to be settled against their half-hourly consumption data from Smart Meters[1]. The document also explained that Ofgem will shortlist the options for using half-hourly data in Settlement by the end of the year. As part of this work, Ofgem is examining the options for shortening Settlement timescales in the longer term. The Settlement reform expert group (established by Ofgem) has been reviewing a number of ELEXON identified options in this area and Ofgem will be considering these further.

We recognise the importance of coordinating our work with that of Ofgem. Both Ofgem and ELEXON are committed to sharing information and project plans, and meeting regularly to avoid duplication of effort and to ensure the outcomes of the respective projects align.

[1] This builds upon the work of the PSRG and ELEXON on assessing the benefits of mandating HH settlement, see PSRG webpage.

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Existing baseline and performance targets

The current reconciliation runs are set out below and have associated performance targets which state what proportion of energy should be settled against actual metered data. It is likely that in future the ability to remotely read both Smart and Advanced Meters will improve performance at each reconciliation run. The performance targets and current performance against these run types are set out below:

Settlement Administration Runs	Working days	NHH performance target	HH (>100kW) performance target	NHH performance	HH (>100kW) performance
Interim Information (II)	5	n/a	n/a	0.04%	94.90%
Initial Settlement (SF)	16	n/a	99%	8.58%	99.33%
1st Reconciliation (R1)	39	30%	99%	36.37%	99.50%
2nd Reconciliation (R2)	84	60%	99%	70.28%	99.58%
3rd Reconciliation (R3)	154	80%	99%	90.57%	99.61%
Final Settlement (RF)	292	97%	99%	97.27%	99.49%

Note: The working days above refer to the Settlement Administration Agent run. The above data is based on the Trading Operations Report of February 2014 and data calculated for this assessment. There is the ability to perform a further Disputes Final (DF) Settlement run at 28 months.

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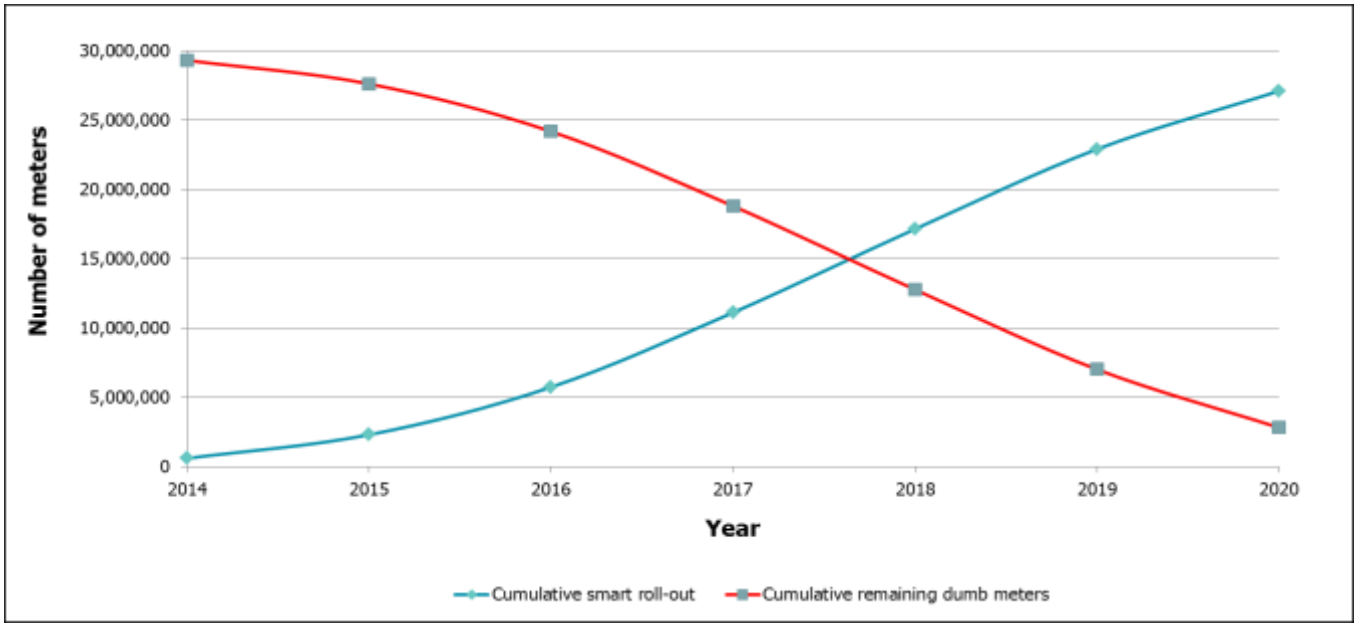
Smart Meter roll-out and performance

Using the latest available data from Suppliers on their Smart Meter roll-out plans ELEXON constructed the following chart to demonstrate the likely numbers of both Smart and non-Smart (dumb) Meters between now and 2020:



From the above chart it can be seen that the mid-point of the roll-out is likely to occur in 2017. Using the data used to construct the above chart ELEXON has estimated the potential improvement to Settlement performance if the existing non-half hourly (NHH) performance remains static and 99% of data is retrieved from the new Smart Meters. The results shown in the table below suggest that the target level for the NHH market could be achieved at the R3 Settlement run by 2019 even without any additional effort by Suppliers to improve their NHH Performance:

Performance Energy Settled on Actual Meter Readings							
	Year						
Settlement Run type	2014	2015	2016	2017	2018	2019	2020
SF	10.45%	15.58%	25.96%	42.20%	60.40%	77.78%	90.46%
R1	37.67%	41.22%	48.41%	59.66%	72.26%	84.30%	93.08%
R2	70.87%	72.50%	75.80%	80.96%	86.74%	92.26%	96.29%
R3	90.74%	91.22%	92.19%	93.70%	95.40%	**97.02%**	98.20%
RF	97.31%	97.40%	97.60%	97.91%	98.26%	98.59%	98.84%

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PSRG WORK AND PROPOSED OPTIONS FOR REDUCING TIMESCALES

Summary of PSRG considerations

ELEXON presented the responses of the April 2014 consultation to the PSRG, who discussed the points and the comments made to each of the consultation questions. In regard to reducing the first financial Settlement (Settlement Final, (SF)) timescales, the PSRG discussed issues of Meter data quality, impacts on Credit Cover, the new credit modifications (P306, P307 and P308, see ELEXON modifications), the Data Communications Company (DCC) performance targets and urban and rural population coverage.

The PSRG noted that only one response was received that suggested that the SF run could be brought forward. The response suggested that it could be moved to the Interim Information (II) run. The PSRG believed that currently there were no strong drivers to remove the II run or move the SF run from its existing timescales. So no option to reduce these is proposed by the PSRG.

With regards to reducing final Settlement timescales, e.g. reconciliation run, the PSRG discussed the existing 97% target for the Non Half Hourly (NHH) market. ELEXON presented an analysis (based on current data) which suggested that this target could not be met at the Third Reconciliation run (R3, approx. 7 months after the trading day) until 2019 or 2020. This analysis was based on the Smart roll-out profile, and if current NHH non-Smart Meter reading performance did not improve.

The PSRG agrees that the time is right to reduce Settlement timescales and that in principle reducing the Settlement process will deliver many benefits. The PSRG considers there is benefit to reduce reconciliation timescales, as Smart Meters should bring improvements in timely and more accurate meter data.

Additionally, there was discussion on the energy volume changes between Estimated Annual Consumption values (EACs) and Annualised Advances (AAs). Data privacy considerations were discussed as defined in the Supply Licence Condition 47, which defines the opt-out/opt-in requirements for domestic customers to different Meter reading timescales and levels of data granularity.

The PSRG agreed that the Trading Disputes process should be reviewed separately following a decision on implementing revised reconciliation timescales. The PSRG noted that the timeframe for any potential changes under this project were between now and 2020, since the longer term options were being considered by Ofgem. ELEXON presented the variables that could potentially be changed at each run type:

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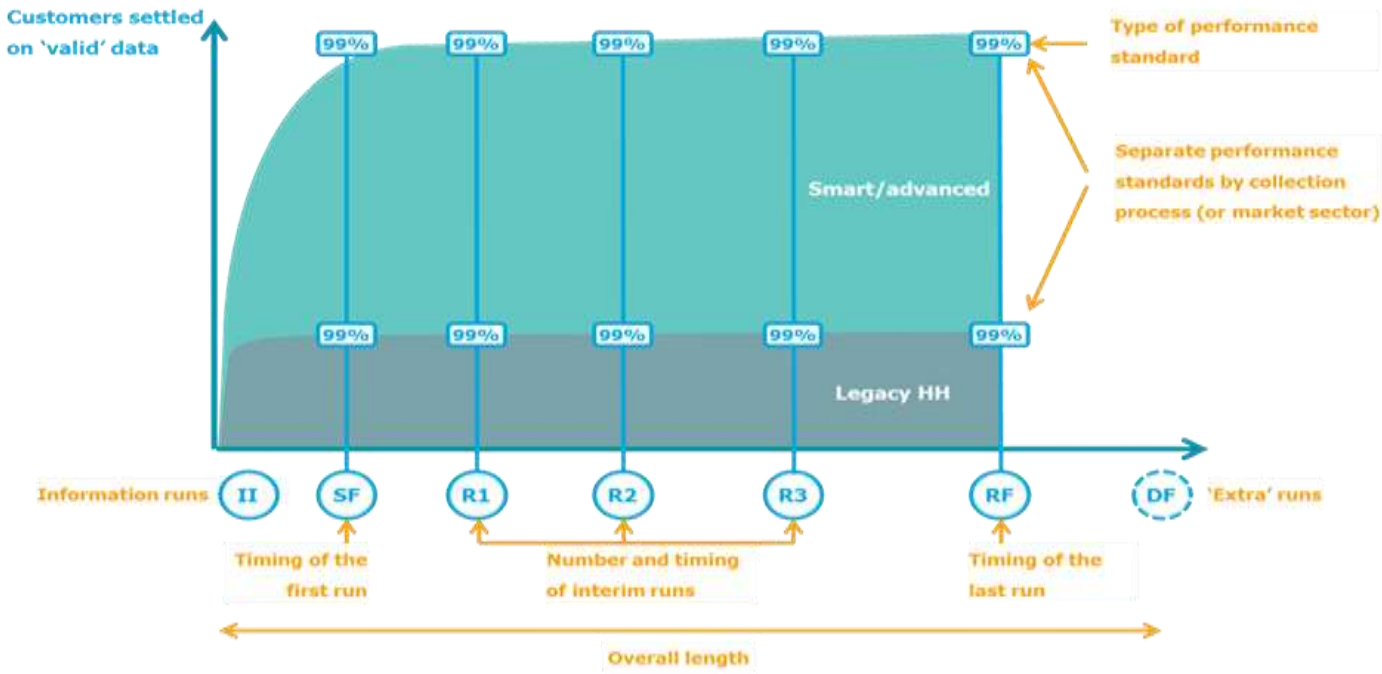

Options

Therefore, the PSRG agreed two options to be assessed to identify benefits and costs, as follows:

Option 1

- The Final Reconciliation (RF) run to be moved to replace the R3 run by April 2017;
- Existing 97% performance level retained for RF; and
- Trading Disputes processes to be reviewed if implemented (including timing of DF run).

Option 2

- The RF run to be moved to replace the R3 run by April 2017;
- RF then moved to replace the Second Reconciliation (R2) run by April 2020;
- Existing 97% performance level retained for RF; and
- Trading Disputes processes to be reviewed if implemented (including timing of DF run).

The main assumption for Option 1 is that in 2017 there will be 50% Smart Meters installed with a projected performance across the market of 93.70% actual meter data at the current R3 timescales.

The main assumption for Option 2 is that in 2020 there will be 91% Smart Meters installed with a projected performance across the market of 96.29% actual meter data at the current R2 timescales.

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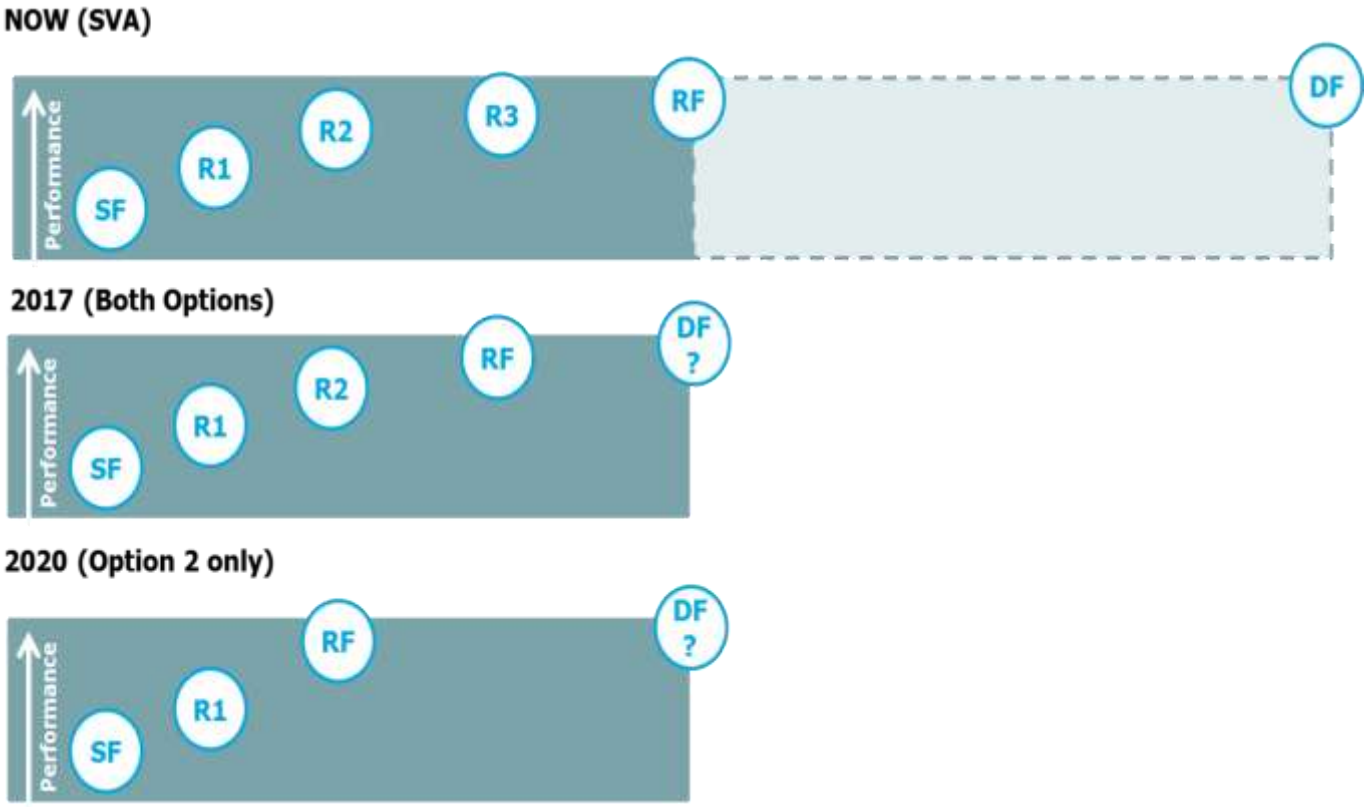

These options were then sent for an internal impact assessment by ELEXON. A summary of the results of this internal impact assessment is set out in the next section.

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INTERNAL IMPACT ASSESSMENT

ELEXON conducted an internal impact assessment of the two options identified by the PSRG. The results present the impacts on the BSC systems and processes. Estimates of implementation costs and timescales were also identified, along with estimates of operational cost savings arising from reducing the number of Settlement runs. The details of the internal impact assessment are shown in Appendix B.

Below is a summary of the key points:

- The impacts on the BSC systems are believed to be minimal. Changes are needed only to remove the redundant Settlement run types;
- There are a number of BSC processes that would be affected by the implementation of the options identified, so changes would be needed to update the internal ELEXON processes. These changes may also trigger further process reviews in the future;
- As identified in the internal impact assessment, the implementation costs for Option 1 are estimated to £270K with potential implementation within 6 months. The central implementation costs and timescales for Option 2 have been identified to £320K and 6 months respectively;
- It is believed that there will be minimal operational resource saving in undertaking fewer Settlement runs as all the processes would still occur each day for the other run types. However, the following operational savings have been identified due to the reduction in the volume of files that would need to be distributed over the Data Transfer Network (DTN) on the Supplier Volume Allocation Run:
    - Option 1: £74K a year;
    - Option 2: £149K a year;
- The criteria the PSRG agreed for its initial assessment, based on those that Ofgem used in the Settlement reform work, are accuracy, speed, simplicity, flexibility, cost, integration and implementation; and
- The initial assessment showed that whilst there may be some initial performance impacts on Suppliers, these would resolve themselves quickly as Smart Meters are rolled out. Both options are faster, simpler and more flexible than the current baseline. Additionally, the central implementation costs could potentially be recouped quickly by operational savings.

The BSC Agent roles are set out in the Glossary.

The next section sets out the potential benefits of reducing Settlement timescales and sets out the consultation questions to which we would like you to respond to.

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THE BENEFITS AND SAVINGS FROM REDUCING SETTLEMENT TIMESCALES

In addition to considering the benefits identified in the internal impact assessment (both options are faster, simpler and more flexible than the current baseline), the PSRG discussed the wider benefits of reducing Settlement timescales. The PSRG noted that the central implementation costs and timescales for both of the options identified were minimal. The PSRG agreed that both the options would move the industry in the right direction as Smart Metering is rolled out across the country. They recognised that future industry improvements such as demand side response and Time of Use tariffs could be dependent on earlier visibility for Suppliers of customer responses or reactions to tariff signals. They also agreed that the options for change would appear to dovetail with the Ofgem Settlement reform options that are being considered. Hence, implementation of a reduction in Settlement timescales could be seen as a 'stepping stone' to the future improved Settlement model, helping to deliver Ofgem's ambition for "smarter markets" (ones that are more efficient, dynamic and competitive) and deliver better outcomes for consumers.

Furthermore, the PSRG believes that earlier Settlement provides Suppliers with greater 'margin' security and there are benefits for better matching of purchases and sales. Additionally, the reduced risk that comes from earlier financial certainty could result in stronger competition by reducing barriers to entry.

There would also be some potential process and resource saving if there were less Settlement runs. For example, there would be fewer D0095[2] exception reports to resolve. The PSRG pointed out that the number of issues or exceptions is not impacted by reducing Settlement timescales, but the time available to identify and resolve them. However, earlier resolution of data issues should be considered as a good outcome for Suppliers and the consumer.

The group also considered that there would be benefits to consumers from earlier final Settlement for instance where back billing is required.

Benefits and savings: Questions for Suppliers

Option 1: In April 2017, the Smart Metering roll-out will be nearly 50% complete. In Option 1, the RF Settlement run timescales will be reduced from 14 to 7 months. Assuming that you can meet the 97% of energy on actuals performance target at RF you should be able to realise a number of benefits and savings as follows:

- earlier financial certainty delivered for existing participants by the reduced Settlement timescales;
- the reduced risk that comes from earlier financial certainty, which could result in stronger competition by reducing barriers to entry;
- process and resource savings;
- consumer benefits associated with the ability to better match purchases and sales from the reduction from six Settlement runs to five (17% reduction);

Additionally for Option 2: moving the RF run to R2 would reduce the timescales by a further 3 month and reduce the number of Settlement runs from six to four at a point where the Smart Metering roll-out will be nearing completion.

- earlier financial certainty delivered for existing participants by the reduced Settlement timescales;
- the reduced risk that comes from earlier financial certainty, which could result in stronger competition by reducing barriers to entry;
- process and resource savings;
- consumer benefits associated with the ability to better match purchases and sales from the reduction from six Settlement runs to four (33% reduction);

[2] The Non Half Hourly Data Aggregation Exception Report.

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We would like to know what additional benefits and savings can be achieved by moving the final Settlement run to 4 months in April 2020 against the current baseline of 14 months.

Question 1. What are the benefits and savings that your organisation or consumers could achieve from reducing the Settlement timescales and moving to:

Option 1. ***The RF run to R3 timescales by 1 April 2017; and then***

Option 2. ***The RF to R2 timescales by 1 April 2020?***

Please provide rationale *(against the current baseline of 14 months for RF)*.

IMPACTS AND COSTS OF REDUCING SETTLEMENT TIMESCALES

Impacts and costs: Questions for Suppliers

The PSRG discussed the potential impacts and costs of reducing Settlement timescales. They noted that shorter timescales do not increase the number of issues to be resolved but reduce the amount of time available to identify and resolve them. However, the PSRG also pointed out that where Smart Metering has been installed, identification of issues will be far easier and possibly resolved remotely. Whilst, the 97% performance of energy settled on actuals could be impacted, the PSRG believed that currently some Suppliers waited to resolve issues as there was a 14 month window and could actually achieve 97% at R3 if they 'set their mind to it'. Furthermore, since Supplier Charges are currently capped, the 'absolute impact' can be no worse than the current arrangements. The Smart Meter roll-out should also mitigate for poor performance as meter readings can be obtained from Smart Meters in very short timescales.

Question 2. Identify the impacts and costs on your organisation from moving:

1. ***The RF run to R3 by 1 April 2017; and then***
2. ***The RF to R2 by 1 April 2020.***

Please provide rationale.

We need to assess the costs to Suppliers to implement the options and any ongoing costs that can be identified. Consideration should be given to any required system, process and resourcing changes. Please split out these costs, together with, any other cost impacts you identify. ELEXON will summarise the potential costs to Suppliers in its final report to the BSC Panel so we are keen to get as accurate a view as possible.

Question 3. ***Please provide the high level costs associated with Option 1 and Option 2, showing both:***

1. ***Implementation costs***
2. ***Ongoing costs***

Please provide rationale.

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QUESTIONS FOR SUPPLIER AGENTS

Both the options identified by the PSRG will reduce the number of Settlement runs and will therefore impact Supplier Agents. Data retrieval from Smart Metering will be via the Data Communications Company (DCC) and in the first option (April 2017), there will still be approximately 50% of customers on traditional metering. For Option 2 (April 2020) nearly all the metering data will be via the DCC. We would like you to identify the benefits and savings, impacts and costs on Supplier Agents of the two options identified by the PSRG.

Question 4. Identify the benefits and savings, impacts and costs on your organisation from moving:

1. ***The RF run to R3 by 1 April 2017; and then***
2. ***The RF to R2 by 1 April 2020 (against the current baseline of 14 months for RF).***

Please split costs by implementation and ongoing.

Please provide rationale.

QUESTIONS FOR LICENCED DISTRIBUTION SYSTEM OPERATORS

The PSRG has not identified any impacts on DUoS Tariffs or charging methodology that would arise from reduced Settlement timescales. However, we would like you to respond with any benefits and savings, impacts and costs that may arise from the implementation of either of the options identified such that a full industry assessment can be undertaken.

Question 5. Identify the benefits and savings, impacts and costs on your organisation from moving:

1. ***The RF run to R3 by 1 April 2017; and then***
2. ***The RF to R2 by 1 April 2020 (against the current baseline of 14 months for RF).***

Please split costs by implementation and ongoing.

Please provide rationale.

QUESTIONS FOR CONSUMER BODIES AND OTHER ORGANISTATIONS

We are keen to identify any other benefits of reducing Settlement timescales on consumers and other parties in order to fully impact assess the options identified by the PSRG.

Question 6. Identify the benefits and savings, impacts and costs on consumers or other parties from moving:

1. ***The RF run to R3 by 1 April 2017; and then***
2. ***The RF to R2 by 1 April 2020 (against the current baseline of 14 months for RF).***

Please split costs by implementation and ongoing.

Please provide rationale.

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GENERIC QUESTIONS FOR ALL RESPONDENTS: IMPLEMENTATION TIMESCALES AND TRANSITION

Implementation timescales

The implementation of changes from a BSC perspective is around six months as identified in the internal impact assessment. If a BSC Modification were to be raised in early 2015 we would need to know at what point it would need to be approved to meet the proposed timescales. Therefore we are asking respondents to identify how long they would need to implement the proposed options to ensure the proposed timescales are viable.

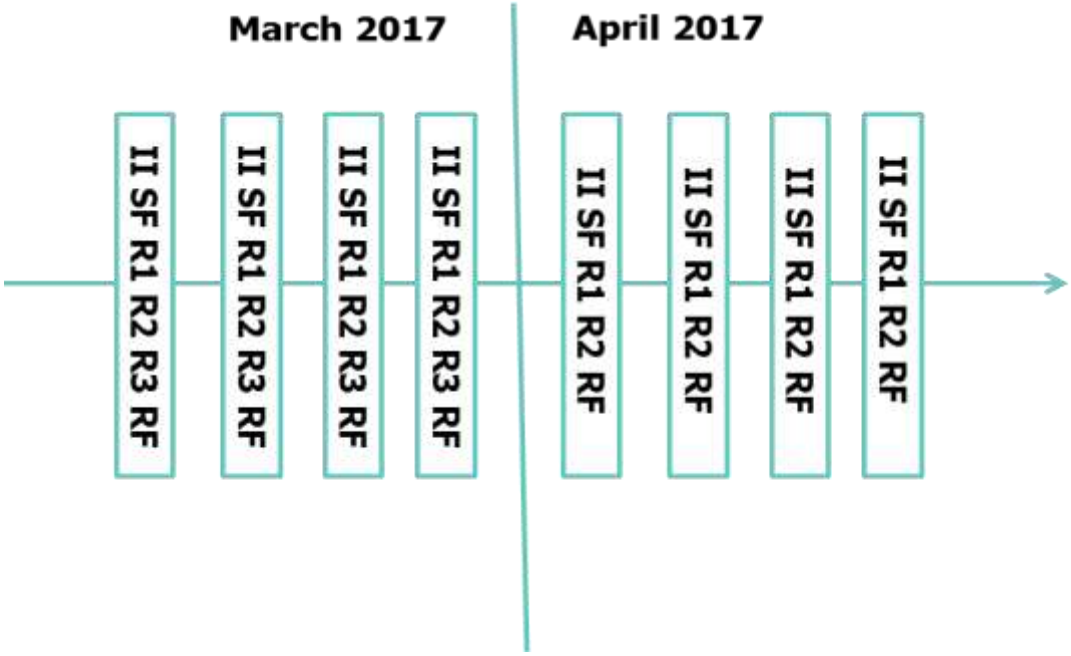
Question 7. ***What are your organisation's lead times for any changes required for moving:***

1. ***The RF run to R3 by 1 April 2017; and then***
2. ***The RF to R2 by 1 April 2020?***

Please provide rationale.

Transition

The PSRG has identified that transition to the new timescales would occur on an 'Effective From Settlement Date' basis:



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This would mean that in 2017 the Settlement calendars would not have the 'R3' run type for Settlement dates after the 31 March 2017 and the 'RF' runs from that date would be scheduled to match the timescales for the current R3 run type. It should be noted that dates prior to 1 April 2017 would still require the R3 and RF runs to be completed to existing timescales:

Settlement date	Settlement Run	Settlement Run date (estimated)
31/03/2017	R3	31/10/2017
31/03/2017	RF	23/05/2018
01/04/2017	RF	01/11/2017

You can see from the above table that a run off of the 14 month RF Settlement run for the pre-implementation Settlement dates will take 7 months. Hence, we are asking respondents to identify any issues with this approach for the transition to the new arrangements.

Question 8. ***Please identify any transitional issues for moving:***

1. ***The RF run to R3 by 1 April 2017; and then***
2. ***The RF to R2 by 1 April 2020.***

Please provide rationale.

OPTION PREFERENCE AND OTHER CONSIDERATIONS

The two options identified are related as they both move the RF run to R3 timescales in 2017. There is the opportunity to implement Option 1 first and then progress a separate change at a later date when the Smart Metering roll-out progress is better understood and through monitoring the impacts of the first change. However, it is also possible to set the intent now to implement Option 2 which would give parties earlier certainty of the future arrangements which they could plan towards and then consider at a later date whether to complete the implementation. Hence, we are asking respondents to declare their preferences and provide a rationale.

Question 9. Which option does your organisation support and do you agree with the approach to signal the intent to go to Option 2 with the implementation of Option 1?

Please provide rationale.

Other considerations

As stated in the April 2014 consultation, the PSRG identified other areas that will need to be considered such as:

- The Renewables Obligation (RO) and the Electricity Balancing Significant Code Review (EBSCR);
- Electricity Market Reform (EMR) both for Contracts for Difference (CfDs) and the Capacity Mechanism (CM);
- DUoS and TNUoS implications; and
- The impacts of Modification P272.

The options identified by the PSRG following the consultation do not affect the earlier Settlement runs. Hence, we do not believe there are any implications for DUoS or TNUoS charges, other than the earlier certainty of the final consumption volumes. Furthermore, we cannot identify any impacts from Modification P272 which will mandate HH

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Settlement for Profile Classes 5 to 8 which may now be implemented in 2016. Other related Industry changes such as P300 and DCUSA DCP179 which introduce new Measurement Classes or DUoS tariffs do not have any interaction with Settlement timescales.

There is a potential indirect interaction with EBSCR which will incentivise greater accuracy (less imbalance volume) for Suppliers as the options identified would reduce the time available to correct data issues.

The PSRG does not believe there is any interaction with the Renewable Obligation. However, we welcome people's views on any interaction in response to this consultation.

From an EMR perspective, CfDs will have daily reconciliations and in the CM reconciliation it is monthly (for the last Settlement day of the month) which will be governed by a separate CM specific calendar. Hence, we do not believe that there is an interaction with the options identified.

Question 10. ***Can you identify any other considerations?***

Please provide rationale.

NEXT STEPS

ELEXON will collate the responses to this consultation and non-confidential ones will be published on the website. ELEXON and the PSRG will review the responses and complete our assessment of the proposed options. Following the assessment the PSRG will agree its final recommendations for reducing Settlement timescales. A report detailing the options, the assessment, implementation options, transitional approach and PSRG recommendations will be provided to the SVG for agreement. The SVG will then make its recommendations to the BSC Panel.

Response deadline and contact details

Parties are invited to respond to this impact assessment using the response template, which is available on the Consultations page of the BSC website. Responses should be returned to bsc.admin@elexon.co.uk **by 17.00 on 22 September 2014.**

If you have any questions on this consultation please contact Kevin Spencer (ELEXON Market Design and Analysis) on 0207 380 4115 or market.operations@elexon.co.uk.

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GLOSSARY

The following is a list of Party and BSC Agent Roles for the reconciliation processes:

Role	Responsibility
Central Data Collection Agent (CDCA)	Collects power station and Grid Supply Point metered volumes And calculates the net volume of energy in each distribution region in each Settlement period and send them to the SVAA
Data Aggregators (DAs)	Data Aggregators are either HH or NHH aggregate the Suppliers metered volumes and send them to the SVAA
Supplier Volume Allocation Agent (SVAA)	Aggregates Supplier metered volumes from different DAs and sends them to the SAA
Settlement Administration Agent (SAA)	Calculates the charges in £s from MWh data and sends them to the FAA
Funds Administration Agent (FAA)	Sends out the invoices and pays/collects funds

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APPENDIX A: PROJECT TIMELINE

Activity/Timescale	Feb '14	Mar '14	Apr '14	May '14	June '14	July '14	Aug '14	Sep '14	Oct '14	Nov '14	Dec '14	Jan '15
Draft Options	Draft PSRG Review	SVG										
Consultation on options , issues, risks, benefits		Draft PSRG Review	4 week Consult	PSRG Review SVG Publish								
Option development and impact assessments					SVG Internal IA, PSRG review	SVG, PAB, Internal and Central Agent IA	PSRG					
Consult on Impacts and benefits						Draft structure	Finalise Draft PSRG Review	3 week Industry consultation (benefits and costs)	PSRG Review Publish	SVG		
Finalise CBA results, draft and deliver Report									Initial Draft	PSRG Review report and agree recommendations	SVG Agree report	Panel decision

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APPENDIX B: BSC INTERNAL IMPACT ASSESSMENT

ELEXON conducted an internal impact assessment of the two options identified by the PSRG. The following is a summary of the impacts on BSC systems and processes and estimates of implementation costs and timescales are identified. Furthermore some savings have also been identified that arise from reducing the number of Settlement runs.

BSC System impacts

System	Description	Impact
MDD	The Market Domain Data system that holds the standing data used for Settlement	None
SVAA	The Supplier Volume Allocation System that performs the Volume Allocation runs for Settlement	None
Pool Application	The application that performs the daily Profiling calculations	None
Data Marshalling	The system that receives all the aggregated volumes and other files submitted by Parties and their agents	None
ECVAA	The system that receives the Energy Contract Notifications from Trading Parties	None
NHHDA	The ELEXON developed software fused for aggregating energy volumes	Documentation changes only.
EAC/AA software	The ELEXON developed software for calculating Estimated Annual Consumptions and Annualised Advances	None
BMRS	The Balancing Mechanism Reporting Service System that reports data from the Balancing Mechanism and other sources	None
CDCA	The Central Data Collection Agent System that collects meter data from centrally registered metering systems	Validation and Front end screens
SAA	The Settlement Administration Agent System that performs the imbalance and pricing calculations	Validation and Front end screens
FAA: Settlement Calendar	The Funds Administration Agent (FAA) System that calculates the FAA payment calendar on an annual basis.	Changes to remove the redundant Settlement Run types from the calendar
PARMS	The Performance Assurance Resolution Monitoring System that receives data from suppliers and their Agents used to assess Supplier performance	Software and Documentation Changes
Supplier Charges and SRR and Dashboards	System used to charge Suppliers based on their Settlement performance, the Settlement Risk Register and Supplier Dashboards	Changes to the system to remove the SP08a R3 charge, or move it to R2. Repeated for 2020 if option 2 is implemented and to remove other references to the run types.

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BSC process impacts

There are a number of internal ELEXON processes that would be affected by implementation of the options identified.

Process	Description	Impact
Settlement Calendar Review Process	The process that review the SVAA and SAA Settlement calendars	Change to remove redundant run types from the calendars
PARMS	The Performance Assurance Resolution Monitoring System reporting and processes undertaken by ELEXON staff	Update of tables, scripts, reports, BSCP533 -PARMS DATA PROVISION, REPORTING AND PUBLICATION OF PEER COMPARISON DATA and internal processes
MDD	The process to update the Market Domain Data	Housekeeping change
Other Processes	Other processes that may be impacted as a result of this change	A number of potential impacts identified that may give rise to process review or redefined standards

Central implementation costs and implementation timescales

The following is a summary of the implementation costs and timescales identified in the internal impact assessment based on estimates from our existing service providers.

Option	Description	Cost (£)	Timescales
1	• The Final Reconciliation (RF) run to be moved to replace the R3 run by 2017; • Existing 97% performance level retained for RF; and • Trading Disputes processes to be reviewed if implemented.	270K	6 Months
2	• The RF run to be moved to replace the R3 run by 2017; • RF then moved to replace the Second Reconciliation (R2) run by 2020; • Existing 97% performance level retained for RF; and • Trading Disputes processes to be reviewed if implemented.	320K	6 Months

Operational savings

It is believed that there will be minimal operational resource saving in undertaking fewer Settlement runs as all the processes would still occur each day for the other run types. However, the following operational savings have been identified due to the reduction in the volume of files that would need to be distributed over the Data Transfer Network (DTN) on the Supplier Volume Allocation Run:

- Option 1: £74K a year
- Option 2: £149K a year

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Flow Name	Description	Per Run Type per Month	Saving Option 1 (£)	Saving Option 2 (£)
D0079	Supplier Purchase Report	367 MB x £2.44/5	1.79	3.58
D0082	Supplier Purchase Matrix	991 MB x £2.44/5	483.61	967.22
D0081	Supplier HH Demand Report	3468 MB x £2.44/5	1,692.38	3,384.77
D0043	Supplier Deemed Take Report	519 MB x £2.44/5	253.27	506.54
D0276	GSP Cons. Totals Report	4711 MB x £2.44/5	2,298.97	4,597.94
D0296	Supplier BM Unit Report	3011 MB x £2.44/5	1,469.37	2,938.74
		Total per Month	6,199.39	12,398.78
		Total per Year	74,392.69	148,785.38

PSRG initial assessment criteria

The PSRG first agreed the following criteria[3] for its initial assessment. These criteria are based on those that Ofgem identified for the Settlement reform work. ELEXON has used the adjusted criteria for its initial assessment for the ELEXON internal impact assessment process.

Criterion	Description
Accuracy	Accuracy in the allocation of volumes through Settlement
Speed	Speed of volume allocation
~~**Coverage**~~	~~Coverage in terms of type and number of customers~~
Simplicity	Simplicity of the volume allocation process
Flexibility	Flexibility to accommodate changes in the regulatory framework and the market

[3] The PSRG agreed that the coverage criterion was not appropriate since any changes would apply to all SVA Settlement metering systems.

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PROFILING AND SETTLEMENT REVIEW: REDUCE TIMESCALES

Criterion	Description
Cost	Cost in managing Settlement
Integration	Integration with other market arrangements
Implementation	Implementation in terms of ease, timing and risks

PSRG's initial assessment

The initial assessment below shows that whilst there may be some initial performance impacts on Suppliers, these would resolve themselves quickly as Smart Meters are rolled out. Both options are faster, simpler and more flexible than the current baseline. Additionally, the central implementation costs could potentially be recouped quickly by operational savings.

Criterion	Initial Assessment
Accuracy	Based on no change in Supplier processes. Potentially 4% on energy on Actuals less accurate on implementation of move to R3 in 2017 but as accurate by 2019. R2 estimated to be at 96.3% by 2020 so marginally less accurate of Option 2 on implementation.
Speed	Both Options provide faster final Settlement than current baseline. Option 1 by 7 months in 2017 and additionally a further reduction of 3 months in Option 2 by 2020.
Simplicity	Both Options simpler than current baseline as less Settlement runs.
Flexibility	More flexible than the current baseline due to earlier certainty of final Settlement positions. Allows easier implementation of new changes and less complex Settlement process.
Cost	*Industry Costs - will be informed from the responses to this consultation* Central Implementation Costs Opt 1: £270K and 6 months Opt 2: £320K and each change requires 6 months- will be determined by the Industry Impact A Central Implementation savings Potential DTS Saving of £6K per month for Option 1 and £12K for Option 2. Over 10 years a saving of £1.5m for Option 2.

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PROFILING AND SETTLEMENT REVIEW: REDUCE TIMESCALES

Criterion	Initial Assessment
Integration	Better than current baseline as final Settlement is sooner and less Settlement runs.
Implementation	Straightforward from a central BSC perspective, as minimal impact. *Responses to this consultation will provide information on implementation timescales for industry.*

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