CP Assessment Report

CP1434 'Amend the three digit numeric Line Loss Factor Class (LLFC) Id to an alphanumeric LLFC Id'

Committee

BSC Panel

Recommendation

Reject

Implementation Date

30 June 2016 (June 2016 Release)

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About This Document

This document is the Change Proposal (CP) Assessment Report for CP1434 which ELEXON will present to the BSC Panel at its meeting on 11 June 2015. This is being presented to the Panel as the Supplier Volume Allocation Group (SVG) was unable to form a unanimous decision. The Panel will consider the proposed solution, the responses received to our further Request for Information (RFI) and the SVG's recommendations before deciding whether CP1434 should be approved or rejected.

There are six parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, and proposed implementation approach. It also explains all views on the proposed changes and the potential alternative solutions raised.
- Attachments A and B contain the proposed redlined changes to deliver CP1434.
- Attachment C contains the full responses received to the CP Consultation.
- Confidential Attachment D contains the responses to the original RFI.
- Attachment E contains the responses to the further RFI. The version issued to Panel Members contains the confidential responses received; the version published on the ELEXON website contains only the public responses.

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1 Why Change?

What is a Line Loss Factor Class?

A Line Loss Factor Class (LLFC) Identifier (ID) is a three digit numeric code. Distribution System Operators (DSOs) use LLFCs to group particular customer types and voltage levels (low, high and extra-high) together for allocating Distribution Use of System (DUoS) charges. There are currently 999 LLFCs (excluding '0') available to each DSO.

What is the issue?

DSOs that operate in more than one Grid Supply Point (GSP) Group require different LLFCs to identify the different charges in each area. Should a DSO operate in all 14 GSP Groups, 999 LLFCs (an average of 71 per area) may be insufficient to cover all combinations of network connections across all voltage levels.

Rapidly increasing extra-high voltage (EHV) generation customers, which are usually registered specific Line Loss Factors (LLFs) through a site-specific LLFC, has meant that the number of available LLFCs has been quickly reducing for some DSOs.

In addition, many industry participants are developing a broad range of low carbon and smart grid innovations, including the smart metering roll out, which will potentially require significantly more LLFCs to identify additional charging tariffs. Equally, the introduction of Third Party Access to private networks will require DSOs to use more LLFCs to ring-fence such networks for market trading.

The current limitation of available LLFCs therefore needs to be resolved. The risk of not doing so means a temporary workaround will be needed until an enduring solution is in place. This may impose additional billing and administration costs on BSC Parties. If an enduring solution is not achieved DSOs may have to seek long term workaround, potentially increasing costs, inefficiencies and business risks.

What discussions have been held previously?

Previous consultations issued in 2009 and 2010 by the Electricity Networks Association and the Distribution Connection and Use of System Agreement (DCUSA) considered this issue. No change was progressed as a result of these consultations. ELEXON subsequently wrote an information paper to the SVG on the topic in 2011 (SVG121/06).

Two potential solutions to the issue were assessed by the Distribution Charging Methodologies Forum (DCMF) Methodologies Issue Group (MIG) in 2012. These two solutions were:

- **Integer solution:** Expand the LLFC ID to four or five digits, thereby increasing the total number of LLFCs per DSO to 9,999 or 99,999 respectively.
- **Alphanumeric solution:** Amend the LLFC ID to be a three digit alphanumeric ID (consisting of combinations of the digits 0-9 and the capital letters A-Z excluding I and O), thereby increasing the total number of LLFCs per DSO to 39,303.

The assessment concluded that the costs of the central system changes for the integer solution would be significantly more than for the alphanumeric solution. However, neither solution was progressed further at that time.

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2 Proposed Solution

Proposed solution

Scottish and Southern Energy Power Distribution (SSEPD) raised CP1434 'Amend the three digit numeric Line Loss Factor Class (LLFC) ID to an alphanumeric LLFC ID' in February 2015, proposing to implement the alphanumeric solution that had been discussed in 2012.

CP1434 proposes to amend the format of the LLFC ID from a three-digit integer value (INT(3) format) to a three-character alphanumeric ID (CHAR(3) format). These IDs would consist of combinations of the digits 0-9 and the capital letters A-Z excluding I and O. One- and two-character IDs would be permitted, to preserve the existing one-and two-digit IDs (LLFCs 1-99). IDs would not be permitted to start with '0' or '00', and '000' would also be excluded. This would therefore increase the total number of LLFCs per DSO to 39,303.

The Proposer believes that it is necessary to extend the current limit of 999 LLFCs to allow all market participants to trade in the electricity market without restriction. They consider that the electricity supply, generation and distribution markets are developing rapidly to facilitate greater innovation and competition, increasing access to new entrants. The Proposer therefore considers that increasing the number of LLFCs available would promote competition in supply and distribution.

Proposed redlining

The proposed changes to BSC Procedure (BSCP) 509 Appendix 1 'MDD Entity Change Request Forms' and BSCP509 Appendix 2 'MDD Change Request Entity Validation' to deliver the CP1434 solution can be found in Attachments A and B respectively.

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3 Impacts and Costs

Central impacts and costs

CP1434 will require updates to the Supplier Volume Allocation Agent (SVAA) system, the Market Domain Data (MDD) database, the Non Half Hourly Data Aggregator (NHHDA) database and the 'Pool Application' of the Performance Assurance Reporting and Monitoring System (PARMS) as well as document updates.

Central Impacts	
Document Impacts	System Impacts
• BSCP509 Appendix 1 • BSCP509 Appendix 2	• SVAA system • MDD system • NHHDA • 'Pool Application' of PARMS

The total implementation cost will be approximately £210k.

Changes will also be required to the Data Transfer Catalogue (DTC) to amend the J0147 'Line Loss Factor Class Id' data item, which is currently used in 15 DTC data flows. ELEXON would raise the necessary DTC CP if CP1434 was approved.

Participant impacts and costs

CP1434 will impact Suppliers and DSOs, including impacts on billing, registration and validation systems to facilitate changes to the Meter Point Administration Number (MPAN). There will also be associated changes to documents and reporting requirements.

Party Agents, including Supplier Meter Registration Agents (SMRAs) and Unmetered Supplies Operators (UMSOs), will be impacted due to the changes to the J0147 data item. These will require system changes and amendments to associated documents.

Only a few respondents to the CP1434 CP Consultation and RFI provided indicative costs, which ranged up to £200k, but it was clear that a significant number of systems would be impacted as the LLFC ID appears in numerous places. This would mean significant costs for participants. A number of participants did not provide detailed cost information, but considering the information that was supplied, the total implementation cost across all impacted participants could be significant.

Participant Impacts	
Participant	Impact
Suppliers	System changes will be required to implement the solution, along with changes to associated documents.
Distribution System Operators	
Data Aggregators	
Data Collectors	
Meter Operator Agents	
Supplier Meter Registration Agents	
Unmetered Supplies Operators	

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4 Implementation Approach

Recommended Implementation Date

CP1434 is proposed for implementation on **30 June 2016** as part of the June 2016 BSC Systems Release. The Proposer, who originally sought implementation on 1 April 2016 as a Standalone Release, supports this.

When would changes need to be made by?

BSCP128 'Production, Submission, Audit and Approval of Line Loss Factors' requires DSOs to undertake an audit of their LLFCs before the start of each BSC Year. The BSC Year commences on 1 April, and the LLF Audit commences six months prior to this, with DSOs' initial submissions needing to be with ELEXON by 30 September.

In order for a generic LLFC[1] to be included in the LLF Audit, it must be registered in MDD when the DSO sends its initial submissions to ELEXON on 30 September. Therefore, any changes to the LLFC ID structure must be in effect sufficiently in advance of this date to allow any new generic LLFCs to then be registered in MDD in time. In practice, this means that, to allow new generic LLFCs to be effective for a given BSC Year, any changes to the structure of LLFC IDs must be implemented no later than the June BSC Systems Release of the preceding BSC Year.

At this stage the earliest such Release that can be targeted is the June 2016 BSC Systems Release. This would make the new LLFCs available to use for generic LLFs from 1 April 2017 and for Metering System specific LLFs from June 2016.

Lead times for CP1434

The lead time for the central system changes is approximately seven months.

The DTC change to the J0147 data item will require 30 Working Days for impact assessment and no less than six months to implement, equating to eight months or longer in total.

Participants who responded to the CP1434 CP Consultation (which had a proposed Implementation Date of 1 April 2016) indicated a range of lead times up to around 12 months for them to implement their system changes. It is this lead time that is driving CP1434's cut-off decision date, meaning a decision is necessary by the end of June 2015 in order to implement CP1434 in the June 2016 Release should it be approved.

Respondents to the further RFI were also asked to provide information on the lead time required for CP1434. All respondents except one stated they could achieve a 12 month lead time if necessary, although some would ideally prefer longer. One of these respondents queried whether June 2016 would be ambitious due to the amount of industry change already being progressed, and felt an Implementation Date of April 2017 may be better. The one respondent who said they could not implement CP1434 in the June 2016 Release stated that their lead time was only eight to nine months, but they would only be able to commence work in December 2015 due to existing programmes.

[1] Metering System specific LLFCs can be introduced as mid-year submissions.

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5 Potential Alternative Solutions

During the progression of CP1434, some participants expressed support for longer integer LLFCs or extra distributor Market Participant Identifiers (MPIDs) over CP1434's solution.

As it has been several years since these were originally considered by the industry (and since they were not assessed in detail at that time), we sought high-level information on the impacts, costs and lead time of each of these proposed options both centrally and from the wider industry through the RFI. The responses received to the RFI can be found in Attachment E.

Longer integer LLFCs

Under this solution option, the LLFC ID would be extended to be a five-digit integer (INT(5) format), thereby increasing the total number of LLFCs per DSO to 99,999.

Central impacts and costs

The same documents and systems would be impacted under this solution as the CP1434 proposed solution (see Section 3). The total central implementation cost would be approximately £145k, due to some applications already allowing the LLFC ID field to hold five digits.

As under the proposed solution, changes would also be required to the DTC to amend the J0147 data item, which is currently used in 15 DTC data flows. There may also be further consequential Master Registration Agreement (MRA) impacts.

Participant impacts and costs

Respondents to the RFI have indicated that both impacts and costs would be largely the same as under CP1434, with respondents who provided specific cost estimates suggesting costs up to around £200k.

Some respondents noted that this solution would be cheaper for them to implement, as their systems are already configured for this on the basis it would have been the logical solution to expand the number of LLFC IDs. Other respondents felt this solution would be more expensive due to the longer field length.

Lead times

The lead times for the central system changes and the DTC changes are both around eight months. Respondents to the RFI indicated that a lead time of around 12 months would be needed, with some respondents noting that longer would be better if this was possible.

Multiple Market Participant Identifiers

This option was originally discussed in the 2009 and 2010 consultations. It would allow a DSO to register a second MPID when it runs out of LLFCs under its original MPID, thereby gaining a further set of 999 LLFCs. This would be similar to a Supplier registering multiple MPIDs. The DSO could repeat this as and when it runs out of LLFCs under the MPIDs it

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has already registered. There are a total of 456,976 MPIDs available, of which only 614 have been taken to date. This option would have no impacts on the LLFC ID, which would remain unchanged as a three-digit integer, giving DSOs 999 LLFCs per MPID registered.

Central impacts and costs

This solution would have minimal impact on core BSC systems. However, the NHHDA applications maintained by ELEXON would be significantly impacted due to the use of the Distributor Short Code (DTC data item J1310 'Distributor Business Id'). This Short Code is currently a two-digit integer, giving 100 available codes in total, of which 23 have been used (numbers 10-29 and 97-99). This solution would impact this in one of two ways:

- The relevant applications could be configured to allocate multiple MPIDs to a single Short Code. Some of these use the Short Code to validate certain incoming flows, and would need to be amended to use the MPID instead, which would be a significant impact. Breaking the one-to-one relationship could also cause issues elsewhere where multiple instances of the same LLFC ID are mapped to the same Short Code via different MPIDs.
- Alternatively, the existing one-to-one mapping of MPID to Short Code would be maintained. However, it is likely that the available Short Codes would then run out in time if enough DSOs were to register enough additional MPIDs, each with a unique Short Code. This would mean a change to this data item's format is required at a later date, such as more digits and/or inclusion of alphabetical characters. This will have consequential impacts on the NHHDA applications as well as any participant system using the core 13-digit MPAN.

At this stage, we have not been able to obtain detailed central costs for this solution, but it is expected that these would exceed those for CP1434.

What is the Distributor Short Code?

The Distributor Short Code is a two-digit integer used to identify individual DSOs. It can be used by some participants as the primary indicator of which DSO is responsible for an MPAN. Unlike the LLFC, it is also used in the core 13-digit MPANs used to identify individual customers. However, it is not used within the BSC or central BSC systems.

Participant impacts and costs

Many respondents to the RFI noted significant impacts on their systems to implement this solution, but were unable to provide detail as they felt the solution was not fully defined. In addition to the system impacts under CP1434, this solution would increase the number of DTC flows that need to be sent where a flow is for a specific MPID. There were also concerns over how MPANs would be allocated to or between MPIDs, and whether this would affect how participants use the Short Code. One respondent also queried whether this solution would require an additional licence or amendments to relevant licence obligations.

Many participants were unable to provide detailed cost estimates for this solution. DSO respondents that did provide costs generally noted that these would be much higher than those of the other two solutions, with costs ranging up to £650k cited. Supplier Agents also noted that costs would be significantly more than for CP1434.

Lead times

A central lead time for this solution could not be assessed in the time available. Some respondents to the RFI were also unable to form a view on this, but those that did generally noted that lead times of at least 12 months, and likely more, would be required.

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6 Initial Committee Views

SVG's initial views

We first presented CP1434 to the SVG at its meeting on 3 March 2015 (SVG169/06), prior to the CP Consultation being issued.

The SVG had no initial comments at this stage and did not request additional questions to be asked in the CP Consultation.

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7 Industry Views

This section summarises the responses received to the CP Consultation issued in March 2015. You can find the full responses in Attachment C.

Summary of CP1434 CP Consultation Responses[2]				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the CP1434 proposed solution?	12	5	0	1
Do you agree that the draft redlining delivers the intent of CP1434?	12	4	1	0
Will CP1434 impact your organisation?	17	0	0	0
Will your organisation incur any costs in implementing CP1434?	17	0	0	0
Do you agree with the proposed implementation approach for CP1434?[3]	9	8	0	1
Do you have any further comments on CP1434?	2	15	0	0

Comments on CP1434 and potential alternative solutions

Of the 17 respondents, 12 were in agreement that the alphanumeric solution proposed by CP1434 should be progressed. One respondent highlighted that the limit on the number of LLFCs limits Parties from implementing innovative solutions that would require more LLFCs, prevents Parties from growing and impacts DSOs' ability to operate in the market. Other respondents, though not directly impacted by the issue, recognised the need to implement a solution and so were supportive of CP1434.

The five respondents who disagreed with CP1434 did all agree that something needed to be done. However, they noted the high costs associated with CP1434 and believed further solution development and assessment was needed. Three respondents noted the option to expand the number of digits. One of these believed this to be the logical solution and noted that their systems were already set up to accommodate this. The other two believed this solution needed to be examined further in case costs would be lower.

This alternative solution had been assessed by the DCMF MIG in 2012, which had concluded that extending the numeric integer would be significantly more costly than amending to an alphanumeric solution, as some participants believed existing LLFC IDs would need leading zeroes to be introduced. In practice, an integer format field does not require leading zeroes. Despite this, some organisations may have chosen to store LLFCs as a fixed length field and therefore to add leading zeroes, although this can cause

[2] One response included separate views from the organisation's Supplier and distribution businesses, with opposing views on the proposed solution and implementation approach. For these two questions, we counted the respondent twice, and so the total responses for these questions add up to 18, not 17.

[3] Respondents to the CP Consultation were consulted upon an Implementation Date of 1 April 2016.

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validation issues when flows are sent. Nevertheless, it was for this reason that the Proposer chose to put forward the alphanumeric LLFCs solution under CP1434.

Comments on the alphanumeric format

One respondent had sought clarification on what currently happens with one- and two-digit LLFC IDs (LLFCs 1-99). Another had asked for clarification on whether CP1434 is mandating upper case characters only.

The Data Transfer Service (DTS) Handbook, which includes guidelines for what characters are available, allows character format fields to include spaces, special characters and both lowercase and uppercase characters, which is appropriate for items such as addresses. However, we believe that it is not appropriate to have LLFC IDs with spaces or lowercase characters as this could cause confusion. LLFC IDs will therefore be formed only of the digits 0-9 and the capital letters A-Z excluding I and O, and will exclude '000' and any combinations starting '0' or '00'. We have clarified the redlined text accordingly.

Other comments

One respondent suggested that a full impact assessment across all parties is needed. We note that this is the intent of the CP Consultation, which is issued to all Parties and Party Agents. We received a significant number of responses to the CP Consultation from a range of impacted roles, and so we do not see the need for further impact assessment of the CP1434 solution.

The respondent also suggested that there should be a review of the existing DUoS tariffs, with a view to rationalising them before undertaking changes to increase the number even further. Before raising CP1434, the Proposer had advised that DSOs have already carried out rationalisation and that the change is being driven by the significant number of enquiries into Third Party Access that will require a substantial number of new LLFC IDs.

One respondent suggested that other options other than amending the LLFC ID format should be looked at, which could include an assessment of whether site specific LLFCs are required, changing the charging methodology or even changing DSO systems.

Comments on the proposed redlining

We received some minor comments on the proposed redlined changes to BSCP509 which were all clarifications to the text. These have subsequently been made and updated versions can be found in Attachments A and B.

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8 Subsequent Committee Views

SVG's views

The SVG considered CP1434 and the responses received to the CP Consultation at its meeting on 28 April 2015 (SVG171/05).

The SVG noted the view of some respondents that alternative options to CP1434 had not been sufficiently considered and felt more assessment was needed. In particular, respondents had flagged the option to expand the number of digits in the LLFC ID to a four or five digit integer form, with one respondent noting this would be cheaper for them to implement. SVG Members highlighted the high implementation cost associated with CP1434, and felt that more work was needed to confirm if this was the most cost-effective solution. It was at this point that one Member raised the further solution option of allowing DSOs to register multiple MPIDs.

However, an SVG Member commented that the Proposer of CP1434 was the only organisation to have taken any solution to this issue forward. They felt that the Proposer had put forward clear rationale as to why DSOs need a solution, and that doing nothing was not an option. The SVG noted that it needed to assess whether CP1434 would better facilitate the achievement of the Applicable BSC Objectives when compared with the current baseline (i.e. with doing nothing).

The SVG noted that DSOs have been working to rationalise and re-use redundant LLFCs. However, one Member considered that DSOs could put in place pragmatic contingency workarounds to mitigate any risk in the short-term while the industry discussed the best long-term solution. For example, DSOs could allocate the same Metering System Specific LLFC to multiple Metering Systems, allocating them an LLFC that was 'about right'. Other Members highlighted that new sites are initially allocated a 'generic' LLFC until sufficient information can be gained to calculate suitable site-specific LLFCs, and observed that many Metering System specific LLFCs currently appear to use generic values.

A majority of Members were not convinced of the case for change or by the view that doing nothing was not an option. They commented that they had insufficient understanding of the risks posed by the issue, the consequences of DSOs running out of LLFCs and the timescales in which a solution needed to be put in place. They felt that this had not been sufficiently articulated under CP1434 for them to be able to make a decision on whether approving this solution was better than rejecting it.

The SVG, by a majority of eight to two, concluded that it needed further information on the following areas before it could make a decision on whether CP1434 should be approved:

- When will DSOs run out of LLFCs under the existing limit of 999 LLFCs per DSO?
- Why would DSOs run out of LLFCs?
- What would be the consequences of DSOs running out of LLFCs and could these impacts be mitigated in the short-term?
- Which of the solutions would be the most cost-effective way to address this issue?

SVG Members believed it would be beneficial to establish a CP Workgroup to answer these questions, accepting that this approach would rule out the possibility of implementing CP1434 in the June 2016 Release.

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As the SVG's decision to defer was not unanimous, CP1434 was presented to the BSC Panel.

BSC Panel's views

The BSC Panel considered CP1434, the responses received to the CP Consultation and the SVG's conclusions at its meeting on 14 May 2015 (Panel 239/08).

The Panel noted a separate three Working Day RFI that ELEXON had issued to DSOs between the SVG meeting and the Panel meeting. This RFI had sought further information on the questions posed by the SVG, to assist the Panel in making its decision on CP1434. The information from this RFI had been collected on the basis that it would be seen only by the SVG and the Panel, and these responses can be found in Confidential Attachment D. Panel Members felt that the information that had been obtained from this was very useful and went a long way to answering the SVG's questions.

The Panel concluded that it would be more pragmatic to issue a public RFI to a wider audience for a longer duration, to seek further information on the SVG's questions. The SVG would then consider these responses at its next meeting. This would allow an informed decision to be made on CP1434 before it became too late to implement it in the June 2016 Release should it be approved.

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9 Request for Information Responses

This section summarises the responses received to the further RFI. You can find the full responses in Attachment E.

What is the impact of running out of LLFCs?

Respondents to the RFI were of a clear view that running out of LLFCs is not an option due to various obligations placed on DSOs. These include the need to register site-specific LLFCs for EHV sites, which would not be possible if the DSO had no LLFCs remaining when such a site needed to be registered.

DSOs also noted that being unable to allocate sites to the correct LLFC would impact which DUoS tariffs were applied to that site. Being assigned to a generic LLFC rather than a site-specific LLFC would result in the site being charged default tariffs rather than a specific tariff. Furthermore, being on the incorrect LLFC would affect which LLFs were applied, which could have an impact on settlement accuracy.

Respondents noted that this is an obligation on them, and so they need to ensure that they have the LLFCs available to meet their obligations. A new customer that would be classed as needing a site-specific LLFC would be allocated to a generic LLFC at first. Once sufficient data has been obtained, site-specific values are then calculated and it is moved to a site-specific LLFC. One respondent, who does not expect to run out of LLFCs, considered whether more effort should be made by DSOs to rationalise existing tariffs.

When and why would DSOs run out of LLFCs?

One Independent DSO noted that the Common Distribution Charging Methodology (CDCM) tariffs would require a DSO to need enough LLFCs to cover 24 tariffs across seven voltage levels over potentially all 14 GSP Groups should they operate across multiple areas. This would require up to 2,352 LLFCs in all. They have attempted to mitigate this impact by registering LLFCs selectively as particular combinations become necessary for them.

The Proposer's organisation is a Licensed DSO that operates in multiple GSP Groups. They noted in their original proposal that the number of tariffs required from them would far exceed the available number of LLFCs, for similar reasons as the Independent DSO above noted in their RFI response.

Another Independent DSO was unsure whether they would run out of LLFCs in the near future, believing this would be dependent on industry changes that may impact the use of LLFCs. They noted that DSOs use LLFCs to define tariffs for Non Half Hourly (NHH) customers, with EHV customers requiring site-specific LLFS registered under their own individual LLFC. For DSOs that operate in multiple GSP Groups, different LLFCs are needed for each individual GSP Group, so that if a DSO operated in all 14 areas, as they do, then they would only have an average of 71 LLFCs per GSP Group. LLFCs would also need to be further split by the voltage level that a customer is connected to. Further areas such as nested networks and potential future sites subject to smart grid arrangements may also require further LLFCs.

They concluded that the LLFC ID is being used for more than its original intended purpose and has been expanded out to parties with a much more expansive customer base. These are having an effect on a finite data value, and this is likely to prove unsustainable.

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The remaining Licensed DSOs, all of whom operate in only a single GSP Group, all believed that they would not run out of LLFCs in the near future, and that this wasn't an issue for them.

Which is the most cost-effective solution?

As part of the RFI, information was sought from all respondents on the impacts, costs and lead times for each of the alternative solution options. The specific information on each option can be found in Section 5. The views from respondents on which option would be the most cost-effective are summarised here.

Respondents were broadly evenly split between which of the alphanumeric LLFCs or the longer integer LLFCs would be the more cost-effective solution, with no clear view emerging. Although there was a slight majority in favour of the longer integer LLFC solution, many of these respondents noted that they would be able to implement the alphanumeric LLFC solution too. The views of many respondents were broadly based on which would be the more cost-effective solution for them to implement.

The general view of respondents was that the multiple DSO MPID solution would be the least cost-effective due to the scale of the impacts listed in Section 5. However, two respondents did disagree, believing this to be the most cost-effective.

The overall costs across all participants for the alphanumeric LLFC and longer integer LLFC solutions were also broadly the same. Each of these options would see some participants realise cost savings and others incur higher costs compared to the other option. There would therefore be little difference in the overall costs of progressing one solution rather than the other.

Overall, there is a clear view that the multiple DSO MPID solution would not be the most cost-effective solution, but there is no clear view between the remaining solution options.

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10 SVG's Final Views

The SVG considered CP1434 and the responses received to the further RFI at its meeting on 2 June 2015 (SVG172/04).

Is there a case for change?

Most SVG Members remained unconvinced by the case for change put forward under CP1434, and that something needed to be done now. They did not believe that the responses to the RFI had sufficiently demonstrated that DSOs were at risk of running out of LLFCs soon.

One Member believed that the 2,352 LLFCs required to account for all possible CDCM tariffs in all GSP Groups was a theoretical maximum. It was questioned whether the case for change for CP1434 was based on this theoretical number of LLFCs needed or the number actually needed by a given DSO. If DSOs followed the rules completely then the systems would technically need to cater for all possible LLFCs that may be required. This is not currently the case for DSOs that operate in multiple areas due to the existing limit of 999 LLFCs per DSO. It was thought a more pragmatic alternative approach to follow would be to only register LLFCs when they were actually needed, which one Member felt would allow DSOs to fulfil the principles of the licence while still remaining within the current limit.

The SVG noted that DSOs operating in multiple areas have only registered a fraction of the theoretical maximum number of LLFCs. Furthermore, they noted that not all of those LLFCs that have been registered currently have MPANs assigned to them. Some Members felt that these DSOs could undertake a rationalisation exercise to make these LLFCs available to use for alternative tariffs as necessary. As a result, they believed that doing nothing remained an option at this time, as DSOs could adopt the more pragmatic approach of only registering LLFCs when they were actually needed. It was felt that the argument based on the 'theoretical' approach noted above was not compelling when compared to the implementation costs.

Members also noted the significant costs associated with any of the solution options put forward. They questioned whether the industry should incur such significant costs for a change that would only benefit one or two participants. One Member felt that a more general cost-benefit analysis was needed. However, the SVG noted that its view on whether to approve or reject CP1434 should be made against the Applicable BSC Objectives and not based on the costs and benefits to specific participants.

It was also considered whether it would be beneficial to delay this change and consolidate it into the changes that would be required to implement the Data and Communications Company (DCC) centralised registration system, which would affect the same participant systems as CP1434. This would be more cost-effective than implementing a significant change now that could become nugatory later on.

One Member disagreed with the SVG's majority view, considering some of these views to be a subjective interpretation of the RFI responses. They believed that the Proposer had put forward a firm case that action was needed now, and that doing nothing was not an option. It was their view that the Proposer had, in accordance with all requests for information, provided a clear forecast of when they would run out of LLFCs and why, concluding that change was needed now. They also noted that the Proposer had sought to raise a CP to progress a long-term solution now, before the situation became critical. They

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felt that it was right for them to have done this first before considering alternative routes such as seeking derogations from relevant obligations, and believed that it would be inappropriate for the BSC to knowingly put BSC Parties in the position of potentially breaching their licence requirements.

Another Member highlighted that it appeared that those DSOs that would potentially run out of LLFCs were operating within all the current rules and arrangements. The need for more LLFCs was due to them needing to comply with all necessary obligations rather than seeking a commercial benefit. They noted that this issue would likely only apply to DSOs operating in multiple GSP Groups, due to the need to split their allocation of 999 LLFCs across all relevant areas.

Would the other solutions be more cost-effective?

SVG Members considered the alternative solutions that had been put forward and the responses received to those in the RFI.

One Member believed the multiple DSO MPID solution to be the most logical solution to the issue. Another Member considered that the reason the costs for this were so high was because there wasn't enough detail. They thought a Workgroup could be convened to explore this option in more detail. However, another Member noted the impacts on the NHHDA software, which they considered would be an expensive change. It was also felt that such changes would have knock-on impacts on a number of other participants and systems. They concluded that this was unlikely to be cheaper overall compared to CP1434. Other Members agreed, and the SVG elected to rule this option out.

The SVG noted that, based on the responses received to the RFI, there would be little difference in the overall implementation costs and impacts between a move to alphanumeric LLFCs and a move to longer integer LLFCs. However, it was flagged that several respondents, including some of the larger vertically-integrated organisations, had not provided cost information. Nevertheless, the SVG considered that the alphanumeric LLFC solution was the only solution to have been raised and progressed through the CP process to the point of decision, and that the RFI responses was the best information they had on the various options.

Members therefore didn't consider it necessary to agree which of the two solutions would be preferable, electing instead to focus on the question of whether change was actually needed and therefore whether CP1434 should be approved or rejected.

How urgent is this change?

SVG Members queried whether a solution had to be implemented in the June 2016 Release. A majority of Members could not see the need to implement any changes as a matter of urgency, reiterating their previous views given on the case for change. One Member disagreed, believing that a solution needed to be implemented in the June 2016 Release so that new generic LLFCs could be registered with an effective date of 1 April 2017 (see Section 4). They felt that at least one DSO could run out of LLFCs if a solution was not implemented in time for the 2017/18 BSC Year. It was also considered that the industry should not wait for a DSO to actually run out of LLFCs before implementing a solution, as this could have a disproportionate impact on that DSO.

Members also queried why it would be possible to implement CP1434 in the June 2016 Release but not the longer integer LLFC solution. Both CP1434 and the longer integer LLFC

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solutions require a minimum of 12 months' lead time between decision and implementation. CP1434 is available for a final decision now, and if it was approved then it could be implemented in June 2016. The longer integer LLFC solution would need to be raised as a CP and progressed through the CP process first, which would mean that the final decision would not be made until early September 2015. This would rule out the June 2016 Release as an implementation option.

What was the SVG's final recommendation?

Seven Members did not believe that there was a case for change, re-iterating their views given above. These Members were unconvinced there was any practical impact on competition, and that such arguments would be outweighed by the inefficiency of the implementation costs and impacts.

One of these Members noted that this would only be an issue for a couple of DSOs, and then only if certain factors were to occur. Other Members noted that they had not seen anything in any of the responses that convinced them that change was needed. One Member didn't disagree with the Proposer's views, but felt that they could not recommend this CP to the Panel.

Two Members believed there was a case for change and that CP1434 should be approved. One Member reiterated their previous view that the Proposer had put forward a clear case and rationale that said change was needed now before DSOs ran out of LLFCs. The other was moderately convinced that DSOs would soon run out of LLFCs, noting that not all Independent DSOs, who generally operate in multiple GSP Groups, had responded to the RFI. They did not like the costs associated with CP1434 but could not see an alternative workaround.

The remaining Member abstained from voting as they felt they did not have enough information to form a view either way.

The SVG, by a majority of seven to two, believes that the case for change is insufficient and recommends to the BSC Panel that CP1434 should be rejected.

As the SVG was not able to make a unanimous recommendation, CP1434 will be presented to the Panel for decision.

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11 Recommendations

The SVG invites you to:

- **NOTE** the Request for Information responses and the views and recommendations of the SVG; and
- **REJECT** CP1434.

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Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
BSCP	Balancing and Settlement Code Procedure *(Code Subsidiary Document)*
CDCM	Common Distribution Charging Methodology
CP	Change Proposal
DCC	Data and Communications Company
DCMF	Distribution Charging Methodologies Forum
DCUSA	Distribution Connection and Use of System Agreement *(industry Code)*
DSO	Distribution System Operator *(BSC Party)*
DTC	Data Transfer Catalogue
DTS	Data Transfer Service
DUoS	Distribution Use of System *(charge)*
EHV	Extra-high voltage
GSP	Grid Supply Point
ID	Identifier
LLF	Line Loss Factor *(value)*
LLFC	Line Loss Factor Class
MDD	Market Domain Data *(database)*
MIG	Methodologies Issue Group
MPAN	Meter Point Administration Number
MPID	Market Participant Identifier
MRA	Master Registration Agreement *(industry Code)*
NHH	Non Half Hourly
NHHDA	Non Half Hourly Data Aggregator *(Party Agent)*
PARMS	Performance Assurance Reporting and Monitoring System
RFI	Request for Information
SMRA	Supplier Meter Registration Agent *(Party Agent)*
SVAA	Supplier Volume Allocation Agent *(BSC Agent)*
SVG	Supplier Volume Allocation Group *(Panel Committee)*
UMSO	Unmetered Supplies Operator *(Party Agent)*

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DTC data flows and data items

DTC data flows and data items referenced in this document are listed in the table below.

DTC Data Flows and Data Items	
Number	Name
J0147	Line Loss Factor Class Id
J1310	Distributor Business Id

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
2	SVG121 page on the ELEXON website	https://www.elexon.co.uk/meeting/svg-121
2	Distribution Charging Working Groups page on the Energy Networks Association website	http://www.energynetworks.org/electricity/regulation/distribution-charging/distribution-charging-working-groups.html
3	CP1434 page on the ELEXON website	https://www.elexon.co.uk/change-proposal/cp1434/
5	BSCPs page on the ELEXON website	https://www.elexon.co.uk/bsc-related-documents/related-documents/bscps/
8	SVG169 page on the ELEXON website	https://www.elexon.co.uk/meeting/svg-169/
11	SVG171 page on the ELEXON website	https://www.elexon.co.uk/meeting/svg-171/
12	Panel 239 page on the ELEXON website	https://www.elexon.co.uk/meeting/bsc-panel-238/
15	SVG172 page on the ELEXON website	https://www.elexon.co.uk/meeting/svg-172/

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