

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

P322 'Revised Implementation Arrangements for Mandatory Half Hourly Settlement for Profile Classes 5-8'

P322 proposes new arrangements to migrate sites classed as Profile Class (PC) 5-8 with Advanced Meters installed under the P272 mandate to settle Half Hourly (HH). The Proposer requests that this is treated as an Urgent Modification Proposal.



ELEXON recommends P322 is progressed to the Assessment Procedure for an assessment by a Workgroup

This Modification is expected to impact:

- Suppliers
- Distribution Systems Operators (DSOs)
- Half Hourly Meter Operator Agents (HHMOAs)
- Half Hourly Data Collectors (HHDCs)
- Non Half Hourly Data Collectors (NHHDCs)

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About This Document

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 29 April 2015. The Panel will consider the recommendations and agree how to progress P322.

There are two parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress, including the Workgroup's proposed membership and Terms of Reference.
- Attachment A contains the P322 Proposal Form.
- Attachment B contains the Authority's response to the Panel's request to delay the implementation of P272.



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1 Why Change?

Overview of Approved Modification Proposal P272

Since 6 April 2014, all Meters within Profile Classes (PCs) 5-8 must have an Advanced Meter capable of being read remotely and recording Half Hourly (HH) consumption. Approved Modification [P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8'](#) mandates HH Settlement for all Metering Systems within PCs 5-8 from the P272 Implementation Date of 1 April 2016 (where capable metering has been installed).

Key milestones

- Smartest Energy raised P272 on **20 May 2011**.
- At its meeting on **13 December 2012**, the Panel unanimously recommended to the Authority that both the P272 Proposed Modification and the P272 Alternative Modification should be rejected ([Panel 206/05](#)).
- The Authority issued a [Regulatory Impact Assessment for P272](#) on **29 October 2013**. As part of this, the Authority noted a minded-to position to approve the P272 Alternative Modification.
- On **6 February 2014**, the [Authority issued a direction to the Panel](#) to consult on a revised proposed Implementation Date for the P272 Alternative Modification. The Authority:
 - notified the Panel that any revised Implementation Date for P272 should not be prior to 1 April 2016; and
 - recommended that the Panel conducted its consultation once there was clarity on the timetable for the [Distribution Connection and Use of System Agreement \(DCUSA\) Change Proposal \(DCP\) 179 'Amending the CDCM tariff structure'](#).

The Panel accepted this recommendation at its meeting on **13 February 2014** ([Panel 221/04](#)).

- The results of the consultation were presented along with the Draft Modification Report for Approved Modification [P300 'Introduction of new Measurement Classes to support Half Hourly DCUSA Tariff Changes \(DCP179\)'](#). The Panel recommended that the P272 Implementation Date should be 1 April 2016.
- The Authority approved the P272 Alternative Modification on **29 October 2014** for implementation on 1 April 2016.

Implementation approach

Current implementation approach

Under the approved P272 implementation approach, all applicable Metering Systems will need to have migrated and settled HH by 1 April 2016. This would require significant numbers of Non Half Hourly (NHH) Metering Systems undergoing the change of Measurement Class process, which due to the large numbers are expected to be done over a period of time rather than at the end of March 2016. It also requires Suppliers to be HH Qualified and appoint HH Qualified agents. To oversee this and manage any potential risk,

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the Performance Assurance Board (PAB) have requested migration plans from Suppliers, Distribution Systems Operators (DSOs) and agents; however, these are not mandatory.

Request to delay P272 Implementation Date

RWE npower and Haven Power wrote to the Panel (30 January and 10 February 2015, respectively) identifying concerns with the implementation of P272 and suggesting the Implementation Date of 1 April 2016 should be delayed ([Panel 234/05](#)). The February Panel meeting, npower presented its concerns regarding the P272 Implementation Date.

Ofgem stood by [its letter to the Panel in 2014](#) on P272 implementation, noting that Ofgem considers that timely implementation of change is needed to enable consumers to realise the benefits of Advanced Meters and therefore a strong case for a delay to the implementation of P272 would need to be demonstrated.

Ofgem advised that for a delay to be considered, it would need to see evidence of the materiality of the issues. This, it made clear, should include the impact on customers as well as industry parties, whether they are resolvable in the existing timeframe, and how widespread such issues are (that is whether they are industry-wide problems or limited to a small number of Parties). As such, the Panel asked ELEXON to seek further information to enable it to consider whether to request that the Authority agree to delay the implementation of P272; and, if so, what revised P272 Implementation Date to request.

ELEXON issued a consultation on 17 February 2015 seeking views whether other participants shared the identified concerns, the materiality of the issues and whether they can be resolved. The consultation closed on 3 March 2015 with 22 responses received.

The Panel considered responses to this consultation at its meeting on 12 March 2015 where it determined to seek a 12 month extension to the P272 Implementation Date ([Panel 235/04](#)). On 20 March 2015, the Panel wrote to the Authority to request that the Authority grant a 12 month extension to the Implementation Date for P272 from 1 April 2016 to 1 April 2017.

Authority decision not to delay P272 implementation

On 20 April 2015, the Authority wrote a [letter to the Panel in response to the request](#) (Attachment B). While it shared some of the concerns raised by the Panel, regarding the risks to consumers associated with the P272 implementation approach, it decided not to approve the extension request. The Authority did not believe that an extension on its own would address the risks identified. Furthermore, it believed that such a delay could also reduce the incentives on Suppliers to start migration.

However, in its letter, the Authority said that it would be open to consideration of alternative solutions to address the risks to consumers. An example it provided was for a new Modification that introduced a mandatory start date for migration alongside a later Implementation Date for P272. It suggested that any solution could also consider a reporting requirement to monitor migration. It indicated that an extension to the P272 Implementation Date could be part of the measures to mitigate risk.

What is the issue?

At present, the approach to implementing Approved Modification P272 and the P272 Implementation Date create risks to industry participants and consumers as a result of Meter migration. P322 seeks to introduce an alternative implementation approach for P272, including mandatory reporting and delay to the implementation of the P272 requirements (directly as part of P322 or by creating the conditions in which the Authority believes that delay to the P272 Implementation Date would be prudent), to mitigate the identified risks.

Proposed solution

P322 proposes new arrangements to migrate sites classed as PC 5-8 with Advanced Meters installed under the mandate to settle HH, with the following features:

- Required start and end date of migration.
- Performance Monitoring, most likely through the existing Performance Assurance Framework (PAF) with enhanced reporting.
- An implementation approach, which considers approved Modification P272 and possible amendment to the P272 Implementation Date by the Authority.

Applicable BSC Objectives

The P322 Proposer believes that this Modification would better facilitate Applicable BSC Objectives (c) and (d) for the reasons set out below:

- **Objective (c):**
 - Present implementation timescales for P272 have the potential to disrupt customers unnecessarily. Additional time for implementation could allow Suppliers to choose an implementation path that would reduce this impact. This could help Suppliers facilitate positive engagement with customers, particularly when considering new types of products.
 - Effective competition is unlikely to happen in a market with a disengaged customer base, this is particularly pertinent for P272 given that much of the benefits case is built upon customer engagement and participation with new products, which may include Time of Use products (ToU) that can reduce peak load and associated costs.
 - In addition, Suppliers who are in a position to meet or exceed the existing Implementation Date may be able to offer HH services to new customers, therefore putting competitive pressure onto other Suppliers to transition quickly.
- **Objective (d):**
 - Extending the P272 implementation time will reduce system and development costs for industry participants and increase how efficiently developments can be made alongside other industry requirements.
 - Additionally, many Suppliers stated in the recent BSC Panel 'P272 Extension' consultation that they would be unable or at least would struggle to achieve the existing P272 Implementation Date.
 - An extension would lead to a more economic and efficient implementation than the present mandated timescales



What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(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

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

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

(f) Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

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Implementation approach

The P322 Proposer believes that introducing a mandatory start date, by which migration must have started, would address part of the concerns of the Authority. It believes that this should be 5 November 2015. This is in line with the Implementation Date for P300 and from when Distribution Use of System (DUoS) charges, which are more reflective, will be available for a class of HH Metering Systems.

Part of the solution is required reporting, which is likely to require the need for participants to submit mandatory plans and have these agreed by the PAB. Therefore, an earlier Implementation Date than the 5 November 2015 will be required, which the Proposer believes should be 1 July 2015.

3 Areas to Consider

In this section we highlight areas which we believe the Panel should consider when making its decision on how to progress this Modification Proposal, and which a Workgroup should consider as part of its assessment of P322. We recommend that the areas below form the basis of a Workgroup's Terms of Reference, supplemented with any further areas specified by the Panel.

Areas to consider

The table below summarises the areas we believe a Modification Workgroup should consider as part of its assessment of P322:

Areas to Consider
To what extent should the solution dictate the PAB's actions; and how much discretion should the PAB have? What powers should the PAB be given and what requirements should be placed on it?
What monitoring requirements should be put in place to support the PAB?
Participant migration plans <ul style="list-style-type: none">• When should participants provide these?• How frequent should these be provided?• What information should participants provide?• What criteria should the PAB use to determine the appropriateness of the plans?• Should there be set standards linked to set dates that Suppliers should meet as part of the migration?• What steps should be taken if plans are not approved by given dates• What steps should be taken if participants do not meet approved milestones
What should the implementation approach be in terms of a phased approach with a start and end date? What interactions would this have with P272 Implementation Date and any other related industry changes? What milestones, if any should be in place; and should these have specific performance standards associated with them?
What further assurance is required to address the risks and issues identified in the Authority's decision letter on P272 implementation delay (Attachment B)?
What changes are needed to BSC documents, systems and processes to support P322 and what are the related costs and lead times?
Are there any Alternative Modifications?
Does P322 better facilitate the Applicable BSC Objectives than the current baseline?

Request to treat as an Urgent Modification Proposal

The Proposer requested that P322 be treated as an Urgent Modification Proposal. It states that at this late stage, Suppliers are most likely either progressing with implementation of P272 or finalising migration plans. It is concerned that any delay to the progression of P322 will adversely impact customers, competition in Supply and the governance of the BSC. It believes that any additional time for effective rollout of P272 provides optionality. Therefore, its view is that this would be unlikely to discriminate against any class of BSC Party. It states that:

- “It is the view of many industry parties and the Authority itself, that present implementation timescales for P272 has the potential to disrupt customers unnecessarily. With the option of additional time that this modification is proposing, suppliers could choose an implementation path that would reduce this impact.
- Effective competition is unlikely to happen in a market with a disengaged customer base, this is particularly pertinent for P272 given that much of the benefits case is built upon customer engagement and participation with new products, which may include ToU products that can reduce peak load and associated costs.
- Many Suppliers stated in the recent BSC Panel P272 Extension consultation that they would be unable or at least would struggle to achieve the existing P272 Implementation Date. Implementing such requirements is not effective governance.”

Additionally, the Authority’s letter on P272 delay (Attachment B) indicated that a risk mitigating Modification should be raised and progressed quickly to minimise uncertainty.

Next steps

We believe that P322 should progress to the Assessment Procedure for assessment by a Workgroup. The appears to be a case for urgent status. However, even if P322 is progressed as urgent, we believe a Workgroup should consider the areas set out in Section 3, develop the solution and assess P322 through a consultation.

Workgroup membership

We propose that the P322 Workgroup is comprised of experts in change of Measurement Class activities and Performance Assurance. In particular, we believe that members of the P272, P300 and [P320 'Reporting on Profile Classes 5 – 8 Metering Systems after the implementation of P272'](#) Workgroups should be included, as well as PAB and Supplier Volume Allocation Group (SVG) members. The Workgroup should also be open to any other relevant experts and interested parties.

Timetable

We believe that P322 should be progressed to Assessment Procedure and treated as an Urgent Modification Proposal. If progressed as such, we will present a Draft Modification

Report to the Panel no later than 11 June 2015. This will allow time for the proposed solution to be assessed before the Workgroup issues a nine Working Day industry consultation, as well as for the Workgroup to fully assess the areas outlined in Section 3. Should the Workgroup progress quicker than anticipated, we would seek to bring the Draft Modification Report back to the Panel at an earlier meeting.

Proposed Progression Timetable for P322	
Event	Date
Present Initial Written Assessment to Panel	29 Apr 15
Development of options and pre-Workgroup activities	29 Apr – 8 May 15
Workgroup Meeting	W/B 11 May 15
Workgroup Meeting (if required)	W/B 18 May 15
Assessment Procedure Consultation	22 May – 5 Jun 15 (9 WDs)
Workgroup Meeting	W/B 8 Jun 15
Present Draft Modification Report to Panel	11 Jun 15
Issue Final Modification Report to Authority	11 Jun 15

5 Likely Impacts

Impact on BSC Parties and Party Agents

Party/Party Agent	Potential Impact
Suppliers	<p>In line with P272, Suppliers will need to update their customer and Agent contracts as part of the transition from NHH to HH Settlement. This may require them to change Agents and may require them to update their forecasting, pricing and billing systems.</p> <p>P322 will likely require Suppliers to submit migration plans to the PAB for approval and provide monthly updates on the progression. Any diversion from approved plans may result in escalation and application of Performance Assurance Techniques.</p>
DSOs	<p>P322 may require DSOs to submit migration plans to the PAB for approval and provide monthly updates on the progression. Any diversion from approved plans may result in escalation and application of Performance Assurance Techniques.</p>
Party Agents	<p>In line with P272, existing NHH-only Agents will need to re-qualify for HH should they wish to continue to act as Party Agents for metering sites that fall within PCs 5-8.</p> <p>The increase in the number of HH Metering Systems will likely have an impact on HH Agents, in particular Half Hourly Data Collectors (HHDCs) and Half Hourly Meter Operator Agents (HHMOAs), which will need to support the migration plans of Suppliers.</p> <p>P322 may require Party Agents to submit migration plans to the PAB for approval and provide monthly updates on the progression. Any diversion from approved plans may result in escalation and application of Performance Assurance Techniques.</p>

Impact on Transmission Company

No impact

Impact on BSCCo

Area of ELEXON	Potential Impact
Performance Monitoring and Compliance functions	<p>It is expected that ELEXON will need to provide monitoring and reporting of participant plans and support the PAB in its decisions.</p>

Impact on BSC Systems and processes

No impact

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Impact on Code	
Code Section	Potential Impact
Section L 'Metering'	Alignment with P272 approved legal text.
Section S 'Supplier Volume Allocation'	
Section X Annex X-1 'Glossary'	
Section Z 'Performance Assurance'	The inclusion of requirements around the submission of migrations plans and the PAB approval processes. Any monitoring and reporting requirements.

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6 Recommendations

We invite the Panel to:

- **AGREE** that P322 progresses to the Assessment Procedure;
- **AGREE** to recommend to the Authority that P322 should be treated as an Urgent Modification Proposal;
- **AGREE** the Urgent progression timetable, subject to Authority approval;
- **AGREE** the proposed membership for the P322 Workgroup; and
- **AGREE** the Workgroup's Terms of Reference.

Appendix 1: Glossary & References

Acronyms

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

Acronym	
Acronym	Definition
BSC	Balancing and Settlement Company
CDCM	Common Distribution Charging Methodology
CP	Change Proposal
DCUSA	Distribution Connection and Use of System Agreement
DSO	Distribution Systems Operator
DUoS	Distribution Use of System
HH	Half Hourly
HHDC	Half Hourly Data Collector
HHMOA	Half Hourly Meter Operator Agent
IWA	Initial Written Assessment
NHH	Non Half Hourly
NHHDC	Non Half Hourly Data Collector
PAB	Performance Assurance Board
PAF	Performance Assurance Framework
PC	Profile Class
SVG	Supplier Volume Allocation Group
ToU	Time of Use

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
3	P272 page on the ELEXON website	http://www.elexon.co.uk/mod-proposal/p272-mandatory-half-hourly-settlement-for-profile-classes-5-8/
3	Panel 206 page on the ELEXON website	http://www.elexon.co.uk/meeting/bsc-panel-206/
3	P272 webpage on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p272-mandatory-half-hourly-settlement-for-profile-classes-5-8/

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External Links		
Page(s)	Description	URL
3	P272 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p272-mandatory-half-hourly-settlement-for-profile-classes-5-8/
3, 4	Authority direction to the Panel	https://www.elexon.co.uk/mod-proposal/p272-mandatory-half-hourly-settlement-for-profile-classes-5-8/
3	P272 Regulatory Impact Assessment page on the Ofgem website	https://www.ofgem.gov.uk/publications-and-updates/balancing-and-settlement-code-bsc-p272-mandatory-half-hourly-settlement-profile-classes-5-8-%E2%80%93-draft-impact-assessment-consultation
3	DCP179 page on the DCUSA website	http://www.dcusa.co.uk/Public/CP.aspx?id=201
3	Panel 221 page on the ELEXON website	http://www.elexon.co.uk/meeting/bsc-panel-221/
3	P300 page on the ELEXON website	http://www.elexon.co.uk/mod-proposal/p300/
4	Panel 234 page on the ELEXON website	http://www.elexon.co.uk/meeting/bsc-panel-234/
4	Panel 235 page on the ELEXON website	http://www.elexon.co.uk/meeting/bsc-panel-235/
4	Authority decision in response to Panel request to delay P272	https://www.elexon.co.uk/mod-proposal/p272-mandatory-half-hourly-settlement-for-profile-classes-5-8/
9	P320 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p320/

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