

<b>Modification Proposal – BSCP40/03</b>	MP No: P346 <i>(mandatory by BSCCo)</i>
<p><b>Title of Modification Proposal</b> <i>(mandatory by originator):</i></p> <p>Changes to the BSC Specified Charges to facilitate Elective HH settlement.</p>	
<p><b>Submission Date</b> <i>(mandatory by originator):</i></p> <p>15<sup>th</sup> June 2016</p>	
<p><b>Description of Proposed Modification</b> <i>(mandatory by originator)</i></p> <p>This Modification looks to amend the BSC Specified Charging Methodology to remove a barrier to Elective Half Hourly (HH) Settlement.</p> <p>BSC Specified Charges are used to recover some of the costs of running the BSC. A different charging methodology is applied to HH and Non Half Hourly (NHH) sites:</p> <ul style="list-style-type: none"> <li>- HH Sites are charged on a Metering System Identifier (MSID) basis per month to recover Suppliers' share of HH related Supplier Volume Allocation (SVA) costs. The current charge is £0.35/MSID/Month. ELEXON has estimated that this will further reduce to £0.24/MSID/Month once the P272 migration is complete.</li> <li>- NHH site costs are recovered through the 'Annual Consumption Charging Net SVA Costs'. This is based on a Supplier's NHH volumes rather than allocated on a MSID basis. The current cost of this is £0.0006/MWh.</li> </ul> <p>The current methodology does not cater for different types of Measurement Class (MC) in HH Settlement so all sites are charged the same regardless of end use type (e.g. large industrial units and domestic customers). Due to this single charge for all HH sites each domestic customer electing into HH Settlement will result in an approximate £2 cost to the Supplier. This cost is based on estimation ELEXON completed for the Settlement Review Advisory Group (SRAG). This cost increase may act as a disincentive to Suppliers promoting Elective HH Settlement in the market, limiting the number of domestic and small non-domestic customers entering into HH Settlement.</p> <p>Modifying the Specific Charges to reflect the different types of HH customer and the level of strain they put on BSC systems will remove this barrier to encourage Suppliers to be active in the Elective HH market. This can be completed through one of two methods:</p> <ol style="list-style-type: none"> <li>1. Charging HH sites in MC C as they are today but charging sites in MCs E, F and G through the NHH method. This will have the effect of applying the same charge as if there was no change in the recording method.</li> <li>2. Creating a new Specified Charge to reflect the different customer types in the HH market. There would be a charge for MC C and a separate charge for MCs E, F and G. This method</li> </ol>	

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<p>will reflect that the demands on the SVA systems are not the same, reducing the cost to Suppliers if they wish to promote the HH market to their customers.</p> <p>Method 1 will be the simpler approach to removing the cost. However, this is only possible if there is no further cost that needs to be recovered for HH Metering Systems. If there is a cost associated with the HH Metering Systems then Method 2 provides a means to recover these costs and differentiating between the different customer types in the HH market.</p>	
<p><b>Description of Issue or Defect that Modification Proposal Seeks to Address</b> <i>(mandatory by originator)</i></p> <p>The smart Meter rollout will see Metering Systems installed in domestic and non-domestic (Profile Classes (PCs) 1-4) premises capable of HH Settlement. Ofgem has expressed that it would like to remove the barriers to Elective HH Settlement so that domestic customers can elect to be settled as HH without complication and without added cost due to the way their consumption is measured.</p> <p>P339 has proposed new Consumption Component Classes (CCCs) which will allow MCs E, F and G to be considered separately rather than as a group of &gt;100kw HH Metering Systems. This segregation of MCs will allow different obligations to be placed on each MC reflecting the different type of HH customer in the future.</p> <p>A barrier to elective HH Settlement highlighted by Ofgem and discussed at the SRAG is the BSC Specific Charging methods. The current methods of recovering costs would mean that all HH customers, regardless of their end use type and potential risk to Settlement, will be charged the same base rate on a monthly basis.</p> <p>The cost increase when moving from NHH to HH Settlement can act as a disincentive to a Supplier if they wish to enter the elective HH market on a larger scale. This will result in Suppliers not making full use of the Smart Meter equipment improving the accuracy of Settlement.</p> <p>This Modification will reduce BSC costs to Suppliers for entering domestic and small non-domestic customers into elective HH Settlement and could encourage Suppliers to promote such Settlement on a larger scale. This will help meet the intentions of Ofgem to increase HH Settlement across the market, improving Settlement accuracy and promoting innovation into the market.</p>	
<p><b>Impact on Code</b> <i>(optional by originator)</i></p> <p>To be determined.</p>	
<p><b>Impact on Core Industry Documents or System Operator-Transmission Owner Code</b> <i>(optional by originator)</i></p> <p>None anticipated.</p>	

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<p><b>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties</b> <i>(optional by originator)</i></p> <p>To be determined.</p>	
<p><b>Impact on other Configurable Items</b> <i>(optional by originator)</i></p> <p>To be determined.</p>	
<p><b>Justification for Proposed Modification with Reference to Applicable BSC Objectives</b> <i>(mandatory by originator)</i></p> <p>This proposal will meet Applicable BSC Objectives ‘C’ and ‘D’.</p> <p><i>Objective ‘C’ promoting effective competition in the generation and Supply of Electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity.</i></p> <p>Removing barriers to HH Elective Settlement will allow Suppliers, who choose to, to develop innovative new products for elective HH sites. This will increase competition by enabling the development of a range of product offerings.</p> <p><i>Objective ‘D’ promoting efficiency in the implementation and administration of the Balancing and Settlement arrangements described in paragraph 2.</i></p> <p>Reducing the cost of HH Settlement for domestic and small non-domestic sites will increase the number of HH sites in the market. Settlement accuracy will be improved as well as the speed that consumption is entered into Settlement.</p> <p>The current Specified Charges within the BSC are set at a limit to allow ELEXON to recover their costs in line with expectations. Should Elective HH Settlement occur in any significant volumes ELEXON may over-recover their costs in the current mechanism, which would have to later be corrected through future cost recovery adjustments. This Modification would remove any potential inefficiency in the Code Administration by removing this possibility.</p>	
<p><b>Is there a likely material environmental impact?</b> <i>(mandatory by originator)</i></p> <p>No</p>	
<p><b>Urgency Recommended: Yes/No</b> <i>(delete as appropriate) (optional by originator)</i></p> <p>No</p>	

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<p><b>Justification for Urgency Recommendation</b> <i>(mandatory by originator if recommending progression as an Urgent Modification Proposal)</i></p> <p>N/A</p>	
<p><b>Self-Governance Recommended: Yes/No</b> <i>(delete as appropriate) (mandatory by originator)</i></p> <p>No</p>	
<p><b>Justification for Self-Governance Recommendation</b> <i>(mandatory by originator if recommending progression as Self-Governance Modification Proposal)</i></p> <p>N/A</p>	
<p><b>Fast Track Self-Governance Recommended: Yes / No</b> <i>(delete as appropriate) (optional by originator)</i></p> <p>No</p>	
<p><b>Justification for Fast Track Self-Governance Recommendation</b> <i>(mandatory by originator if recommending progression as Fast Track Self-Governance Modification Proposal)</i></p> <p>N/A</p>	
<p><b>Should this Modification Proposal be considered exempt from any ongoing Significant Code Reviews?</b> <i>(mandatory by originator in order to assist the Panel decide whether a Modification Proposal should undergo a SCR Suitability Assessment)</i></p> <p>Yes – this Modification is not related to Ofgem’s ongoing SCR on faster switching</p>	
<p><b>Details of Proposer:</b></p> <p><i>Name: Mitch Donnelly</i></p> <p><i>Organisation: British Gas</i></p> <p><i>Telephone Number: 07789 570610</i></p> <p><i>Email Address: mitch.donnelly@centrica.com</i></p>	

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<b>Details of Proposer's Representative:</b>	
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<b>Attachments: No</b> <i>(delete as appropriate) (mandatory by originator)</i>	