

## P346 'Changes to Specified Charges for Elective Half Hourly (HH) Meters'

P346 proposes to amend the method by which the 'Supplier' half of the Supplier Volume Allocation (SVA) Costs are recovered so that all of these costs are recovered through a single 'per Metering System Identifier (MSID)' fixed tariff. This will remove a barrier to Elective HH Settlement.

This Report Phase Consultation for P346 closes:

**5pm on Wednesday 2 November 2016**

The Panel may not be able to consider late responses.



The BSC Panel initially recommends **approval** of P346

This Modification is expected to impact:

- Suppliers
- ELEXON



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## About This Document

This is the P346 Report Phase Consultation, which ELEXON is issuing for industry consultation on the BSC Panel's behalf. It contains the Panel's provisional recommendations on P346. The Panel will consider all consultation responses at its meeting on 10 November 2016, when it will agree a final recommendation to the Authority on whether or not the change should be made.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach. It also summarises the Workgroup's key views on the areas set by the Panel in its Terms of Reference, and contains details of the Workgroup's membership and full Terms of Reference.
- Attachment A contains the draft redlined changes to the BSC for P346.
- Attachment B contains the full responses received to the Workgroup's Assessment Procedure Consultation.
- Attachment C contains the specific questions on which the Panel seeks your views. Please use this form to provide your responses to these questions, and to record any further views/comments you wish the Panel to consider.

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Report Phase Consultation

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14 October 2016

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### Why Change?

The current Specified Charging Methodology for Elective HH Meters in Measurement Classes "F" and "G" will lead to an approximate increase in annual costs of £2.00 per MSID for Suppliers migrating Meters from Non-Half Hourly (NHH) Measurement Classes. Ofgem identified in its consultation on Elective HH Settlement that this may act as a barrier to migration.

### Solution

P346 proposes that the 'Supplier' half of the total SVA Costs will be recovered through the application of a flat charge levied per SVA MSID per month. This will be applied equally to all SVA Metering Systems, both HH and NHH, across all Measurement Classes. As a result, the existing SVA (Consumption) Funding Share will be removed. The determination of the flat charge per SVA MSID will be done prior to the start of the BSC Year (April- March), and will apply throughout the BSC Year.

The 'Generator half' of the total SVA charges will not be impacted by this change. Trading Charges under BSC Section T 'Settlement and Trading Charges' and Supplier Charges under BSC Section S Annex S-1 'Performance Levels and Supplier Charges' are also unaffected.

### Impacts & Costs

P346 will impact the Funding Share System (FSS), an ELEXON system that calculates the SVA Consumption figures. A system change will be required to include all SVA MSIDs in the SVA Specified Charge and remove the calculation of the SVA (Consumption) Funding Share.

No impact is anticipated on BSC Party or Party Agent systems or processes to implement P346.

### Implementation

P346 is proposed for implementation on 01 April 2017 as part of the standalone April 2017 BSC Release. The new charging process will therefore come into effect on 1 April 2017 if approved by the Authority.

### Recommendation

The Panel unanimously considers that P346 would better facilitate Applicable BSC Objectives (c) and (d) and so should be approved.



### Consultation on barriers to Elective HH Settlement

On 5 April 2016 Ofgem held a stakeholder event on the future of Electricity Market Elective HH Settlement. This was to further investigate issues raised in response to the [December 2015 open letter](#) on HH Settlement.

In May 2016 a [conclusions paper](#) was published. Under section 5.27 of the paper it was recommended that a Supplier should raise a Modification to the BSC to reform the SVA Specific Charging structure for Elective HH Settlement.

### How are SVA Charges recovered from participants?

Balancing and Settlement Code Company (BSCCo) Charges are recovered from all BSC Parties in accordance with [Section D 'BSC Cost Recovery and Participation Charges'](#) of the BSC. A portion of these charges relate to the operational aspects of the SVA systems, and these SVA Charges are split equally between Generators and Suppliers.

Generators contribute to the Production half, with these costs referred to as the Production Charging SVA Costs.

Suppliers pay the other half of the SVA Charges, with this portion split between the SVA Specified Charge and the Monthly Consumption Charging Net SVA Costs.

The SVA Specified Charge is a flat charge per SVA MSID levied every month on Suppliers based on the number of HH SVA Metering Systems where they are the Registrant. This charge is re-determined annually, to recover approximately half of the 'Supplier half' of Shared SVA cost (i.e. Annual SVA Costs that are not NHH-specific). The charge for the 2016/17 BSC Year is set at £0.35 per HH SVA MSID per calendar month. Suppliers are allocated this charge based on the number of HH SVA Metering Systems they have registered for all or any part of any given month.

The remainder of the 'Supplier' share of the SVA Charges is allocated through the Consumption Charging Net SVA Costs. This portion of costs is levied on Suppliers via the SVA (Consumption) Funding Share. This Funding Share, determined for each calendar month, is based on each Supplier's NHH Supplier Deemed Take (the volume of energy deemed to have been consumed through NHH Metering Systems) as a ratio of the total NHH Supplier Deemed Take. Suppliers are therefore allocated this charge based on the proportion of the total NHH energy their customers have consumed each month.

### What is the issue?

The current methodology does not cater for the different types of HH Measurement Class, so all HH SVA Metering Systems are charged at the same fixed rate regardless of the end Customer (e.g. a large industrial unit or a domestic Customer). Applying this single charge to all HH SVA sites, results in each domestic Customer electing into HH Settlement, attracting an approximate £2.00 cost to the Supplier per SVA MSID annually. This cost is based on estimations that ELEXON completed for the Settlement Review Advisory Group (SRAG). In the calculation an assumption was made that with increased volumes of HH SVA sites due to the smart Meter roll out, the current charge of £0.35 per calendar month would reduce.

#### Measurement Classes

The Measurement Class of a Metering System reflects how it is settled i.e. HH or NHH. There are seven Measurement Classes:

- A: NHH metered
- B: NHH Unmetered Supply (UMS)
- C: 100kW or above HH metered
- D: HH equivalent UMS
- E: HH current transformer (CT) Metering Systems that have site specific DUoS billing and are not 100kW Metering Systems
- F: domestic HH CT and whole current (WC) Metering Systems that have aggregated DUoS billing and are not 100kW Metering Systems
- G: non-domestic HH WC metered Metering Systems that have aggregated DUoS billing and are not 100kW Metering Systems

The cost increase of HH charges versus NHH charges, 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.

### Proposed solution

[P346 'Changes to the BSC Specified Charges to facilitate Elective HH settlement'](#) was raised by British Gas on 23 June 2016. The initial solution proposed was such that the BSCCo Charges calculation for Suppliers is modified to reflect the different types of HH SVA customer and the level of strain they put on BSC Systems. This will remove the aforementioned barrier and encourage Suppliers to participate in Elective HH Settlement.

However, at the first Workgroup held on 25 July 2016, the Proposer amended the proposed solution based on Workgroup discussions.

The new proposed solution is:

To amend the recovery of SVA Costs such the whole of the 'Supplier half' of the total SVA Costs will be recovered through the application of the SVA Specified Charge, levied per SVA MSID per month. This will be applied equally to all SVA Metering Systems, both HH and NHH, across all Measurement Classes. As a result, the existing SVA (Consumption) Funding Share will be removed.

The determination of the SVA Specified Charge will be carried out and approved, as now, prior to the start of each BSC Year. This tariff will then be applied each month across the BSC Year. Each month, each Supplier will be charged this tariff per SVA MSID, both HH and NHH, that was registered to them on the first day in that month. Any surplus or shortfall in the amount of SVA Costs recovered across the year will be allocated to the Net Main Costs and recovered using the Main Funding Share.

There will be no change to the recovery of the 'Generator half' of the SVA Costs.

### Legal text

The proposed changes to the BSC to deliver P346 can be found in Attachment A.

We have taken this opportunity to include some housekeeping changes identified within the Code Sections impacted by P346, which can also be found in Attachment A. If P346 is approved, these housekeeping changes would be made as part of its implementation.

The housekeeping change removes the duplicated sub bullets (v) and (vi) in Section D, subsection 4.1 (a).

#### Report Phase Consultation Question

Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P346?

[The Panel invites you to give your views using the response form in Attachment C](#)

### Self-Governance

The Workgroup did not identify any reason why Modification P346 should not progress as Self-Governance.

## Are there any alternative solutions?

The Workgroup considered the initial Proposed solution from the time of raising the Modification, along with a potential Alternative solution discussed by the Workgroup. However, the Workgroup has determined that none of these solutions would better facilitate the Applicable BSC Objectives in comparison to the updated Proposed solution that the Proposer adopted following Workgroup comments.

We have summarised the initial Proposed solution from the time of raising the Modification, along with a potential Alternative solution discussed by the Workgroup below, and the full Workgroup discussions on each can be found in Section 6:

### Initial Proposed solution (at time of raising Modification)

Charge HH sites in Measurement Class C as they are currently (using the SVA Specified Charge) but charging sites in Measurement Classes "E", "F" and "G" through the NHH method (using the SVA (Consumption) Funding Share). This would have the effect of applying the same charges going forward as have been historically.

### Potential Alternative solution (as discussed by the Workgroup)

Create a new SVA Specified Charge to reflect the different customer types in the HH market. There would be one tariff applied to Measurement Class "C" and a separate new tariff for Measurement Classes "E", "F" and "G". This method would 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.

### Estimated central implementation costs of P346

The internal impact assessment undertaken by ELEXON and our Service Providers indicated a cost of £16,500 for the system changes required to implement the solution. This work has been estimated to take 8 weeks to complete in full.

The central implementation costs will be approximately £240 (one ELEXON working day) to implement the relevant document changes.

### Indicative industry costs of P346

Two of the five consultation responses received indicated very minor costs to adapt to the new charging structure outlined in the Solution. Respondents and the Workgroup agreed that these costs are negligible and far outweighed by the benefits the change will bring.

### P346 impacts

| Impact on BSC Parties and Party Agents |   |
|--|---|
| Party/Party Agent                      | Impact  |
| Suppliers                              | Suppliers will be indirectly impacted due to the change in how their share of the SVA Costs is calculated. Some smaller Suppliers may find the amount payable falling below the £500 billing threshold, resulting in bills being carried forward until this threshold is breached or to the quarter ends. |

  

| Impact on Transmission Company |  |
|--------------------------------|--|
| None anticipated               |  |

  

| Impact on BSCCo |  |
|-----------------|--|
| Non anticipated |  |

  

| Impact on BSC Systems and process |   |
|-----------------------------------|---|
| BSC System/Process                | Impact  |
| Funding Share System (FSS)        | Changes are required to FSS to remove the existing SVA (Consumption) Funding Share Provision and amend the PARMS query. Finally the new SVA Specified Charges equation will be applied. |

| Impact on Code      |  |
|---------------------|--|
| Code Section        | Impact   |
| Section D           | Changes will be required to deliver the proposed solution. |
| Section X Annex X-1 | <i>The proposed changes can be found in Attachment A.</i>  |
| Section X Annex X-2 |  |

## 5 Implementation

### Recommended Implementation Date

The Workgroup recommends the following Implementation Date if P346 is approved as Self-Governance:

- **01 April 2017** as part of a standalone April 2017 BSC Release.

If not Self-Governance, the Workgroup recommends an Implementation Date of:

- **01 April 2017** as part of a standalone April 2017 BSC Release. If an Authority decision is received on or before **1 December 2016**.

The Workgroup originally recommended an Implementation Date of 23 February 2017. However, due to the estimated time required for systems changes and the requirement to align implementation with the start of the new financial year, the Workgroup agreed that an Implementation Date of 23 February 2017 was no longer appropriate.

### Consideration of industry views on the implementation of P346

The Workgroup issued the P346 Assessment Procedure Consultation with a recommended Implementation Date of 23 February 2017.

Four of the five consultation respondents agreed with the proposed date noting that there should be minimal impact on the industry and that the date should be achievable. One respondent provided a neutral view expressing a desire for publication of estimates of the charges before the end of 2016.

The Workgroup considered the views put forward by respondents. The Workgroup unanimously agreed that it was appropriate to implement P346 at the start of a new financial year on 1 April 2017. Estimation of the potential charges is included within Section 6 of this document and the Panel approves the next year's budget publicly before each new financial year.

### Self-Governance appeal window

The Workgroup is recommending to the Panel that P346 be treated as a Self-Governance Modification Proposal. Therefore, if this Modification is approved by the BSC Panel at its meeting on 10 November 2016, it will be subject to a 15 Working Day appeal window, which would close on 01 December 2016.

If an appeal is received, the implementation of the Modification will be suspended and the appeal tabled at the next available Panel meeting. In the case of this Modification this would be on 12 January 2017. If no appeals are received, the Panel will be advised and the Modification will be implemented on 01 April 2017 as part of a standalone BSC Release.

#### Report Phase Consultation Questions

Do you agree with the Panels recommended Implementation date for P346?

[The Panel invites you to give your views using the response form in Attachment C](#)

### What are the possible solutions and what advantages / disadvantages do they have?

The Workgroup discussed the initial Proposed solution from the time of raising the Modification, along with a potential Alternative solution discussed by the Workgroup:

#### Initial Proposed solution (at time of raising Modification)

Charge HH sites in Measurement Class C as they are currently (using the SVA Specified Charge) but charging sites in Measurement Classes "E", "F" and "G" through the NHH method (using the SVA (Consumption) Funding Share). This would have the effect of applying the same charges going forward as have been historically.

#### Potential Alternative solution (as discussed by the Workgroup)

Create a new SVA Specified Charge to reflect the different customer types in the HH market. There would be one tariff applied to Measurement Class "C" and a separate new tariff for Measurement Classes "E", "F" and "G". This method would 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.

The Workgroup questioned if there was a risk that the Initial Proposed solution could create disconnect, making it more expensive for smaller sites. For example a Profile Class 5 site could have lower consumption than a Profile Class 3-4 site. In discussion this was thought to be unlikely as they would pay the same amount as when they were NHH, and, under this volume-based methodology, a smaller site would pay less than a larger site. Further, although the costs might change for particular consumers, relative to under the current rules, it would help to remove barriers to elective HHS, giving consumers new options.

The Workgroup believed that the potential Alternate solution would add additional complexity to the Charging Methodology and this would not increase efficiency in the BSC arrangements.

The Workgroup agreed that initial Proposed solution was more optimal than the potential Alternative solution, as creating a new tariff for Measurement Classes "E" "F" & "G" was more subjective.

#### Rationale for the Specific Charging structure

The Workgroup discussed the reasons behind the current Specific Charging structure. It was established that it was a historical decision based on data collection costs for different Measurement Classes, with infrastructure and other costs included. The intention was to resolve the issues caused by significant numbers of Meters being settled as NHH.

A Workgroup member asked how much was recovered annually through the SVA Specified Charge. ELEXON confirmed that in the current BSC Year it was £4.5million. This was split 50/50 between Production and Consumption SVA costs and then allocated via the relevant Funding Shares.

A Workgroup member suggested that there was no rationale for the current structure unless different costs were incurred.

## The proposed solution: changing everything to Funding Shares

It was suggested that charging to the whole of the 'Supplier' SVA Costs via Funding Shares may incur higher costs for those who only supply large HH sites. Members felt it would be fairer to charge on a per MSID basis. This would:

bring costs down;

remove the difference between HH and NHH; and

mean that Suppliers with small number of sites may pay nothing in some months due to the invoices falling below billable threshold, encouraging competition.

A concern was raised by a member about how appropriate it was to recover costs for NHH sites from HH sites. The Workgroup agreed that this was a reasonable question. However, it believed that the costs were reasonable and provided assurance for the application of Grid Supply Point (GSP) Group Correction Factors. Members therefore were not concerned by this element. Further, adoption of the new solution would remove an issue arising from [P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8'](#) mandating sites paying costs for Measurement Class "C" and would stop the current two way cross-subsidy.

In the consultation one respondent commented: "The additional complexity of the SVA NHH arrangements, particularly profiling, involves additional costs, and it could be considered reasonable for the population of NHH meters to contribute proportionally more towards the central SVA costs than the SVA HH population. The proposal as consulted on would achieve this while the NHH population remains much larger, although not in a quantifiably cost-reflective basis. A more cost-reflective charging approach would be more complicated, and the benefits may well not justify the costs and complexity".

The respondent also commented that they would like to see some analysis and estimation of the charges for the new solution prior to it being released. ELEXON had completed some analysis of the solutions impact vs the current baseline and shared that with the Workgroup.

| Baseline Consumption Share recovery |   |                            |
|-------------------------------------|---|----------------------------|
| Ref                                 | Description   | Amount                     |
| (a)                                 | Annual SVA Costs                                    | £3,556,058.15 <sup>1</sup> |
| (b)                                 | Annual Supplier Half                                | £1,778,029.08 <sup>2</sup> |
| (c)                                 | <b>Monthly SVA Specified Charge (£/HH SVA MSID)</b> | <b>£0.35<sup>3</sup></b>   |
| (d)                                 | Count of HH SVA MSIDs                               | 171,879 <sup>4</sup>       |
| (e)                                 | Count of NHH SVA MSIDs                              | 30,041,894 <sup>4</sup>    |
| (f)                                 | Count of SVA MSIDs                                  | 30,213,773 <sup>5</sup>    |
| (g)                                 | Total SVA Specified Charges (per month)             | £60,157.65 <sup>6</sup>    |
| (h)                                 | Total SVA Specified Charges (annual)                | £721,891.80 <sup>7</sup>   |

1 Source: 2015-16 Review of Specified Charges, ELEXON Finance Department

2 (a) x 0.5

3 Source: Schedule of Main and SVA Specified Charges v7.0

4 Source: ELEXON FALCON database (as at 30 June 2016)

5 (d) + (e)

6 (c) x (d)

7 (g) x 12

| Baseline Consumption Share recovery |  |                              |
|-------------------------------------|--|------------------------------|
| Ref                                 | Description  | Amount                       |
| (i)                                 | Annual Consumption-Charging Net SVA Costs                    | £1,056,137.28 <sup>8</sup>   |
| (j)                                 | Monthly Consumption-Charging Net SVA Costs                   | £88,011.44 <sup>9</sup>      |
| (k)                                 | May 2016 Total NHH Supplier Deemed Take (MWh)                | 11,804,951.381 <sup>10</sup> |
| (l)                                 | SVA (Consumption) Funding Share                              | £0.00746 <sup>11</sup>       |
| (m)                                 | <b>SVA (Consumption) Funding Share Charge (per NHH MSID)</b> | <b>£0.00293<sup>12</sup></b> |

| Post P346 Consumption Share recovery |  |                              |
|--------------------------------------|--|------------------------------|
| Ref                                  | Description                              | Amount                       |
| (a)                                  | Annual SVA Costs                         | £3,556,058.15 <sup>1</sup>   |
| (b)                                  | Annual Supplier half                     | £1,778,029.08 <sup>13</sup>  |
| (c)                                  | Count of HH SVA MSIDs                    | 171,879 <sup>4</sup>         |
| (d)                                  | Count of NHH SVA MSIDs                   | 30,041,894 <sup>4</sup>      |
| (e)                                  | Count of SVA MSIDs                       | 30,213,773 <sup>14</sup>     |
| (f)                                  | <b>SVA Specified Charge (£/SVA MSID)</b> | <b>£0.00490<sup>15</sup></b> |
| (g)                                  | Annual HH Total SVA Specified Charges    | £10,114.79 <sup>16</sup>     |
| (h)                                  | Annual NHH Total SVA Specified Charges   | £1,767,914.29 <sup>17</sup>  |

### Key points of the analysis

The proposed solution will result in the transfer of approximately £700,000 in SVA costs from HH to NHH based on the current split of NHH and HH MSIDs. The estimated cost per MSID following implementation of the proposed solution is £0.005 pounds per MSID per Month.

The Workgroup discussed the analysis and agreed this was broadly in line with expectations and was not of significant impact to Suppliers in the overall costs of balancing and Settlement. The proposer noted that they were likely to incur a significant proportion of the costs but did not see it as an issue of concern.

8 (b) - (h)

9 (i) / 12

10 Source: Extract from SVAA

11 (j) / (k)

12 (j) / (e)

13 (a) x 0.5

14 (d) + (e)

15 **((b) / (f)) / 12**

16 ((d) x (g)) x 12

17 ((e) x (g)) x 12

## Double charging

A respondent to the Assessment Process Consultation raised concerns over the potential for double charging following CoS events in any given month.

“How will meters which change Supplier during a month be charged? The detailed solution should avoid double charging. For example, a charge based on numbers registered to a Supplier on a particular day of the month. How will cost-recovery mismatches be managed by ELEXON? Will they be wrapped up in net main costs during the year, or somehow reconciled after year end?”

The Workgroup considered that this was an issue now under the existing cost recovery structure. Currently any discrepancy and all double charging are resolved through the reconciliation process as set out in Section D BSC Cost Recovery and Participation Charges 4.0 Recovery of Net Annual Costs of the BSC. Under the new solution this will continue, any surplus or shortfall in the amount of SVA Costs recovered across the year will be allocated to the Net Main Costs and recovered using the Main Funding Share. The Workgroup did agree that further amendment should be made to the Legal text to specify that the count of MSIDs registered to each Supplier upon which the SVA (Consumption) Charges would be split, should be made on the first day of every month. The Workgroup suggested this additional change would bring further clarity to the charging calculation and help Suppliers forecast their liability.

### Final views against the Applicable BSC Objectives

The Workgroup has provided its final views against the Applicable BSC Objectives.

| Does P346 better facilitate the Applicable BSC Objectives? |  |   |
|--|--|---|
| Obj  | Proposer's Views   | Other Workgroup Members' Views <sup>18</sup>  |
| (a)  | <ul style="list-style-type: none"> <li>Neutral – No impact</li> </ul>  | <ul style="list-style-type: none"> <li>Neutral (unanimous) – as Proposer</li> </ul> |
| (b)  | <ul style="list-style-type: none"> <li>Neutral – No impact</li> </ul>  | <ul style="list-style-type: none"> <li>Neutral (unanimous) – as Proposer</li> </ul> |
| (c)  | <ul style="list-style-type: none"> <li>Yes – The proposed Modification will reduce costs for new market entrants with small numbers of registered MSIDs</li> </ul>   | <ul style="list-style-type: none"> <li>Yes (unanimous) – as Proposer</li> </ul>     |
| (d)  | <ul style="list-style-type: none"> <li>Yes – simplification of the SVA charging methodology promotes efficiency in implementation of the BSC arrangements</li> </ul> | <ul style="list-style-type: none"> <li>Yes (unanimous) – as Proposer</li> </ul>     |
| (e)  | <ul style="list-style-type: none"> <li>Neutral – No impact</li> </ul>  | <ul style="list-style-type: none"> <li>Neutral (unanimous) – as Proposer</li> </ul> |
| (f)  | <ul style="list-style-type: none"> <li>Neutral – No impact</li> </ul>  | <ul style="list-style-type: none"> <li>Neutral (unanimous) – as Proposer</li> </ul> |

**The Workgroup unanimously believe that P346 does better facilitate the Applicable BSC objectives compared to the current baseline. It therefore unanimously recommends that P346 should be approved.**

### Assessment Consultation respondents views on the Applicable BSC Objectives

ELEXON received 5 responses to the Assessment Consultation, of which four respondents agreed that P346 does better facilitate the applicable BSC objectives. One respondent was neutral for the following reasons:

- The proposal has an advantage in being simple and understandable, and in being equitable between HH and NHH metering for any given site, and this might help it better meet BSC Objectives (c) concerning competition and (d) concerning efficiency in implementation of the BSC arrangements.

The additional complexity of the SVA NHH arrangements, particularly profiling, involves additional costs, and it could be considered reasonable for the population of NHH meters to contribute proportionally more towards the central SVA costs than the SVA HH population. The proposal as consulted on would achieve this while the NHH population remains much larger, although not in a quantifiably cost-reflective basis. A more cost-reflective charging approach would be more complicated, and the benefits may well not justify the costs and complexity.

<sup>18</sup> Shows the different views expressed by the other Workgroup members – not all members necessarily agree with all of these views.

## Self-Governance

The Workgroup unanimously agreed that P346 does meet the Self-Governance criteria and should therefore be treated as a Self-Governance Modification Proposal. Details of the Workgroup rationale for Self-Governance can be found in Section 6.

## Implementation approach

The Workgroup unanimously recommend an Implementation Date for P346 of:

- **01 April 2017** as part of a standalone BSC Release.

## Legal text changes

The Workgroup unanimously agreed with the draft legal text changes to the BSC, which can be found in Attachment A.



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### What are the Applicable BSC Objectives?

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(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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### Panel's discussions

A Panel Member felt that P346 was a pragmatic approach to resolving the issue and although other solutions that would provide more complex and nuanced resolutions had been discussed by the Workgroup, this was likely to be the most practical outcome.

### Initial views against the Applicable BSC Objectives

The Panel has provided its initial views against the Applicable BSC Objectives. It unanimously agreed with the Workgroup's view that P346 better facilitates:

- **Applicable BSC Objective (c)** as the proposed Modification will reduce costs for new market entrants with small numbers of registered MSIDs
- **Applicable BSC Objective (d)** as simplification of the SVA charging methodology promotes efficiency in implementation of the BSC arrangements.

**The Panel unanimously believes that P346 does better facilitate the Applicable BSC Objectives compared to the current baseline. It therefore initially recommends that P346 is approved.**

### Self-Governance

The Panel unanimously agreed that **P346 does meet the Self-Governance criteria** and should therefore be treated as a Self-Governance Modification Proposal.

### Implementation approach

The Panel unanimously agreed with the recommended Implementation Date for P346 of:

- **01 April 2017** as part of a standalone BSC Release.

### Legal text changes

The Panel unanimously agreed with the draft legal text changes to the BSC, which can be found in Attachment A.

#### Report Phase Consultation Questions

Do you agree with the Panel's initial unanimous recommendation that P346 should be approved?

Do you have any further comments on P346?

The Panel invites you to give your views using the response form in Attachment C.

## 9 Recommendations

The BSC Panel initially recommends:

- That the P346 Proposed Modification:
  - **DOES** better facilitate Applicable BSC Objective (c);
  - **DOES** better facilitate Applicable BSC Objective (d);
- That P346 meets the Self-Governance Criteria;
- That P346 should be **approved**;
- That P346 should be **implemented** on 01 April 2017, as part of the April 2017 BSC Systems Release
- The draft BSC legal text for P346 should be **approved**

### Workgroup's Terms of Reference

| Specific areas set by the BSC Panel in the P346 Terms of Reference   |
|--|
| Is potential solution 1 or 2 the most appropriate to take forward and approve?   |
| Is it appropriate to recover costs for NHH specific services from Elective HH sites?   |
| Is the accuracy of proposed option 2 acceptable?   |
| Is the Modification impacted by future changes to Measurement Classes "F" and "G"?   |
| What changes are required to Section D Terminology?  |
| Should P346 be progressed as a Self-Governance Modification?   |
| What changes are needed to BSC documents, systems and processes to support P346 and what are the related costs and lead times? |
| Are there any Alternative Modifications?   |

### Assessment Procedure timetable

| P346 Assessment Timetable                     |                               |
|---|-------------------------------|
| Event   | Date                          |
| Panel submits P346 to Assessment Procedure    | 08 July 2016                  |
| Workgroup Meeting 1                           | 25 July 2016                  |
| Assessment Procedure Consultation             | 31 August – 19 September 2016 |
| Workgroup Meeting 4                           | 26 September 2016             |
| Panel considers Workgroup's Assessment Report | 13 October 2016               |
| Report Phase Consultation                     | 14 October – 01 November 2016 |

## Workgroup membership and attendance

| P346 Workgroup Attendance |                                    |           |           |
|---------------------------|------------------------------------|-----------|-----------|
| Name                      | Organisation                       | 25 Jul 16 | 26 Sep 16 |
| <b>Members</b>            |                                    |           |           |
| David Kemp                | ELEXON (Chair)                     | ✓         | ✗         |
| Giulia Barranu            | ELEXON (Chair)                     | ✗         | ✓         |
| Royston Black             | ELEXON (Lead Analyst)              | ✓         | ✓         |
| Mitch Donnelly            | British Gas (Proposer)             | ✓         | ✓         |
| Philip Russell            | Independent                        | ✓         | ✓         |
| Eric Graham               | Independent                        | ✓         | ✗         |
| Christopher Rotherham     | Opus Energy                        | ✓         | ✓         |
| Cian Fitzgerald           | OVO Energy                         | ✓         | ☎         |
| Dan Starman               | Cornwall Energy                    | ☎         | ✗         |
| Andrew Colley             | SSE                                | ✓         | ☎         |
| James Murphy              | Stark Energy                       | ✓         | ✗         |
| David Finnemore           | Engie                              | ✓         | ✗         |
| Ed Sutton                 | Clarity Data                       | ✓         | ✗         |
| <b>Design Authority</b>   |                                    |           |           |
| Kevin Spencer             | ELEXON ( <i>Design Authority</i> ) | ✓         | ✗         |
| Elliott Hall              | ELEXON ( <i>Design Authority</i> ) | ✗         | ✓         |
| Nicholas Brown            | ELEXON ( <i>Lead Lawyer</i> )      | ✓         | ✗         |
| Martin Bell               | Ofgem                              | ✓         | ✓         |
| Darren Draper             | ELEXON                             | ✓         | ✓         |
| Kathryn Gay               | ELEXON                             | ✓         | ✓         |

## Appendix 2: Glossary & References

### Acronyms

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

| Acronyms |  |
|----------|--|
| Acronym  | Definition   |
| BSC      | Balancing and Settlement code                                |
| BSCCo    | Balancing and Settlement Company (Code Administrator ELEXON) |
| CoS      | Change of Supplier   |
| DCC      | Data Communications Company                                  |
| FSS      | Funding Share System   |
| GSP      | Grid Supply Point  |
| HH       | Half Hourly  |
| MSID     | Metering System Identifier                                   |
| NHH      | Non Half Hourly  |
| SRAG     | Settlement Review Advisory Group                             |
| SVA      | Supplier Volume Allocation                                   |

### 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   |
| 4              | Ofgem letter on HH Settlement on the Ofgem website            | <a href="https://www.ofgem.gov.uk/sites/default/files/docs/final_open_letter_on_hhs.pdf">https://www.ofgem.gov.uk/sites/default/files/docs/final_open_letter_on_hhs.pdf</a>   |
| 4              | Ofgem conclusions paper on HH Settlement on the Ofgem website | <a href="https://www.ofgem.gov.uk/system/files/docs/2016/05/elective_hhs_conclusions_paper.pdf">https://www.ofgem.gov.uk/system/files/docs/2016/05/elective_hhs_conclusions_paper.pdf</a>                               |
| 4              | BSC Sections page on the ELEXON website                       | <a href="https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/">https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/</a>                             |
| 6              | P346 page on the ELEXON website                               | <a href="https://www.elexon.co.uk/mod-proposal/p346/">https://www.elexon.co.uk/mod-proposal/p346/</a>   |
| 12             | P272 page on the ELEXON website                               | <a href="https://www.elexon.co.uk/mod-proposal/p272-mandatory-half-hourly-settlement-for-profile-classes-5-8/">https://www.elexon.co.uk/mod-proposal/p272-mandatory-half-hourly-settlement-for-profile-classes-5-8/</a> |