

## CP1486 'Removing example Advice Notes, Backing Sheets and Confirmation Notices from BSCP301'



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### About This Document

The purpose of this Change Proposal (CP) 1486 CP Consultation is to invite BSC Parties, Party Agents and other interested parties to provide their views on the impacts and the merits of CP1486. The Imbalance Settlement Group (ISG) will then consider the consultation responses before making a decision on whether or not to approve CP1486.

There are three parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, and proposed implementation approach. It also summarises the ISG's initial views on the proposed changes.
- Attachment A contains the proposed redlined changes to deliver the CP1486 solution.
- Attachment B contains the specific questions on which we seek your views. Please use this form to provide your response to these questions, and to record any further views or comments you wish to be considered.

# 1 Why Change?



## What is missing trader intra-community fraud?

Also known as missing trader fraud, this is the theft of VAT. Further information can be found [here](#).

## Background

In the 2014 Budget, the Government announced its plans to introduce a reverse charge accounting mechanism (domestic reverse charge) for wholesale supplies of gas and electricity within the United Kingdom (UK). This was in response to the threat of missing trader intra-community fraud in those supplies. The domestic reverse charge was applied to all affected Suppliers with effect from 1 July 2014.

Her Majesty's Revenue and Customs (HMRC) issued a brief '[Revenue and Customs Brief 23 \(2014\): VAT – introduction of a domestic reverse charge for businesses wholesale trading in gas and electricity](#)'. This brief identifies Balancing Mechanism and Imbalance Settlement charges, which are the Trading Charges invoiced in accordance with [Section N 'Clearing, Invoicing and Payment'](#) of the Balancing and Settlement Code (BSC), as falling within the scope of the reverse charge.

A domestic reverse charge means that the customer receiving wholesale supplies of gas or electricity must account for the Value Added Tax (VAT) due on these supplies on their VAT return, rather than the Supplier. The customer can deduct the VAT due on the supplies as input tax, meaning no net tax is payable to HMRC, subject to the normal rules for reclaiming VAT. The domestic reverse charge will not apply to the retail supplies of gas and electricity made under Supply Licence or metered arrangements to domestic and business premises.

## What is the issue?

The Funds Administration Agent (FAA) has implemented the reverse charge changes into their system, effective from 1 July 2014. However, references to the old VAT arrangements are still included within examples in [BSC Procedure \(BSCP\) 301 'Clearing, Invoicing and Payment'](#).

Furthermore, a VAT rate of 17.50% is incorrectly referenced in the examples of a Combined Advice Note, Combined Confirmation Notice and Advice Note Backing Sheet in BSCP301.

A change is required to remove the examples from BSCP301 and instead include them within the 'How to read Advice Notes and Confirmation Notices' guidance note. CP1486 proposes to move the example forms into guidance and, where appropriate, replacing them with updated examples that reflect current VAT rates and policies.

Therefore, we plan to correct the examples in BSCP301 to reflect changes by HMRC and move them to the guidance document to improve ease of maintenance.

Additionally, some of the communication methods in BSCP301 are out dated and do not reflect current practice.

### Proposed solution

[CP1486 'Removing example Advice Notes, Backing Sheets and Confirmation Notices from BSCP301'](#) was raised by ELEXON on 17 March 2017.

The below outlines the specific changes needed to implement CP1486. CP1486 proposes to remove the following sections from BSCP301:

- Section 5.1.1 'BSCP301/01a Combined Advice Note';
- Section 5.1.3 'BSCP301/03a Combined Confirmation Notice';
- Section 5.1.5 'BSCP301/05a Advice note Backing Sheet'; and
- Section 5.1.6 'BSCP301/05b Default Advice Note Backing Sheet'.

These sections will be moved into ['How to read Advice Notes and Confirmation Notices'](#) guidance note.

CP1486 also proposes to update the communication methods in the following BSCP301 sections:

- Sections 4.2.2 and 4.2.5 fax removed and email added;
- Sections 4.5.2.3, 4.5.2.4, 4.5.2.5, 4.6.1.7, 4.6.3.12 and 4.7.6 email added;
- Sections 4.6.1.1, 4.6.1.3, 4.6.1.5, 4.6.2.2 and 4.6.3.3 fax removed;
- Section 4.6.4.3 fax removed, letter added and email added; and
- Sections 4.7.6 manual added.

### Proposer's rationale

BSCPs typically do not contain example documents. Removing the examples will align with common practice and ensure consistency. Having the examples in a guidance note will mean they can be updated in the future without the need for a CP.

The current examples in BSCP301 have a VAT rate of 17.50% which is incorrect and may confuse participants. Email is a prevalent and accepted communication method between individuals and parties. Updating BSCP301 to include email as an acceptable form of communication will bring BSCP301 in line with this practice and better align it with other BSCPs. With the addition of email the fax option becomes redundant.

#### CP Consultation Question

Do you agree with the CP1486 proposed solution?

*Please provide your rationale.*

We invite you to give your views using the response form in Attachment B

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### Proposed redlining

Attachment A contains the proposed changes to BSCP301 to deliver CP1486.

### CP Consultation Question

Do you agree that the draft redlining delivers the CP1486 proposed solution?

*If 'No', please provide your rationale.*

We invite you to give your views using the response form in Attachment B

## 3 Impacts and Costs

### Central impacts and costs

#### Central impacts

CP1486 will require changes to BSCP301. No system changes are required to implement this CP and there will be no other impacts on BSC Agents.

Central Impacts	
Document Impacts	System Impacts
<ul style="list-style-type: none"><li>BSCP301</li></ul>	<ul style="list-style-type: none"><li>None</li></ul>

#### Central costs

The central implementation costs for CP1486 will be approximately £240 (one ELEXON Working Day) to implement the relevant document changes.

### BSC Party & Party Agent impacts and costs

The changes to BSCP301 proposed by CP1486 are document changes only. There are no anticipated impacts on BSC Parties or BSC Party Agents. We seek confirmation of this through this CP Consultation.

#### CP Consultation Questions

Will CP1486 impact your organisation?

*If 'Yes', please provide a description of the impact(s) on your organisation and any activities which you will need to undertake between the approval of CP1486 and the CP1486 Implementation Date (including any necessary changes to your systems, documents and processes). Where applicable, please state which of the roles that you operate as will be impacted and any differences in the impacts between each role.*

Will your organisation incur any costs in implementing CP1486?

*If 'Yes', please provide details of these costs, how they arise and whether they are one-off or on-going costs.*

We invite you to give your views using the response form in Attachment B

## 4 Implementation Approach

### Recommended Implementation Date

CP1486 is proposed for implementation on **29 June 2017** as part of the June 2017 BSC Systems Release.

The June 2017 Release is the next available Release that can include this CP.

#### CP Consultation Question

Do you agree with the proposed implementation approach for CP1486?

*Please provide your rationale.*

We invite you to give your views using the response form in Attachment B

### ISG's initial views

The ISG considered CP1486 at its meeting on 28 March 2017 ([ISG192/05](#)).

An ISG Member noted that it would be preferable to keep examples in the BSCP rather than move it to Guidance notes, as it is difficult to locate the guidance notes on the ELEXON website. The ISG Member requested making the guidance notes easier to locate.

ELEXON responded that the website and how information, such as the guidance notes are displayed, was currently being looked into, and ELEXON will update the ISG with further details at the next meeting.

There were no further comments.

## Appendix 1: Glossary & References

### Acronyms

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

Acronyms	
Acronym	Definition
BSC	Balancing and Settlement Code
BSCP	Balancing and Settlement Code Procedure (Code Subsidiary Document)
CP	Change Proposal
CPC	Change Proposal Circular
FAA	Fund Administration Agent
HMRC	Her Majesty's Revenue and Customs
ISG	Imbalance Settlement Group
UK	United Kingdom
VAT	Value Added tax

### 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	VAT domestic reverse charge policy paper on government website	<a href="https://www.gov.uk/government/publications/revenue-and-customs-brief-23-2014-vat-introduction-of-a-domestic-reverse-charge-for-businesses-wholesale-trading-in-gas-and-electricity">https://www.gov.uk/government/publications/revenue-and-customs-brief-23-2014-vat-introduction-of-a-domestic-reverse-charge-for-businesses-wholesale-trading-in-gas-and-electricity</a>
2	BSC Section 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>
2	BSCP page on the ELEXON website	<a href="https://www.elexon.co.uk/bsc-related-documents/related-documents/bscps/">https://www.elexon.co.uk/bsc-related-documents/related-documents/bscps/</a>
3	CP1486 page on the ELEXON website	<a href="https://www.elexon.co.uk/change-proposal/1486/">https://www.elexon.co.uk/change-proposal/1486/</a>
3	BSC Guidance Notes on ELEXON website	<a href="https://www.elexon.co.uk/bsc-related-documents/bsc-guidance-notes/">https://www.elexon.co.uk/bsc-related-documents/bsc-guidance-notes/</a>
7	ISG192 page on the ELEXON website	<a href="https://www.elexon.co.uk/meeting/isg-192/">https://www.elexon.co.uk/meeting/isg-192/</a>

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