

By email to: nadir.hafeez@ofgem.gov.uk

Nadir Hafeez
Ofgem, Industry Codes and Licensing
9 Millbank
London
SW1P 3GE

17 July 2017

Dear Mr Hafeez,

Re: Ofgem's provisional thinking on P332 'Revisions to the Supplier Hub Principle'

We are writing to you in accordance with BSC Section F, paragraph 2.6.10(b), to seek your views as to whether the findings of the P332 interim report¹ are consistent with your provisional thinking and strategic direction of Ofgem.

As you know, at its May 2017 meeting, the BSC Panel requested an interim report from the P332 Workgroup in accordance with BSC Section F paragraph 2.6.10(a). The P332 interim report details the Workgroup's provisional findings, including the issue that the Modification seeks to address and the current solution. Currently, the P332 solution proposes to make Supplier Agents signatories to the BSC. The Modification will make changes to the rights and responsibilities of Suppliers and Supplier Agents who are responsible for 'Half Hourly Data Collector (HHDC) serviced' Metering Systems. The solution is being developed with a post-2020 Implementation Date in mind.

The P332 interim report was presented to the BSC Panel on 13 July 2017. The report noted that P332 will likely require framework level changes to the BSC and is expected to have significant impacts on Suppliers and Supplier Agents. The report details an approach that may require a further two-year Assessment Procedure with substantial time and effort required from ELEXON and the Workgroup to develop and assess the solution. The Assessment Phase alone is expected to cost between £250k and £480k. As the solution is not fully developed, the implementation effort and costs have not been assessed, but this will form part of the proposed work going forward.

Before the BSC Panel commits to a lengthy and potentially costly programme of work to prepare a Final Modification Report for your consideration, we are seeking a clear and unambiguous view that the principles at the heart of this proposal are aligned with, or at least do not conflict with, Ofgem's vision of how the market will operate post-2020.

Specifically, the BSC Panel expressed a strong desire to understand Ofgem's position on whether:

- The BSC was the best vehicle to address the issue (e.g. licensing may be an alternative);
- Supplier Agents becoming signatories to the BSC was appropriate (i.e. making a new class of industry participants directly subject to the regulatory framework); and
- Whether Ofgem has plans for similar work in the short to medium term that may impact, interact and/or influence the development of the proposal.

¹ <https://www.elexon.co.uk/mod-proposal/p332/>

- Any specific changes to the rights and responsibilities of Supplier Agents that Ofgem foresees post 2020, both as part of the imminent Significant Code Review on Mandatory Half Hourly Settlement and also more generally across the non-Data Collection Company market.

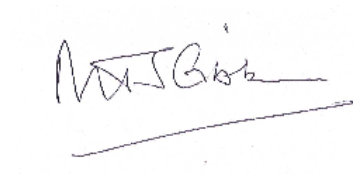
The BSC Panel welcomes any principles or criteria for the Workgroup to work towards when developing P332. At the very least the Panel needs to be sure that the spirit of P332 is not in direct conflict with any early thinking you may have on the direction of the market.

The BSC Panel stressed the importance of a timely response from you in relation to this request, ideally before the August 2017 BSC Panel meeting, to enable the Panel to make an informed decision on how best to proceed.

It should be noted that the BSC Panel has extended the P332 Assessment Procedure until such time as a response to this letter is received. The Panel may direct the Workgroup as it sees fit, in consequence of your view, in accordance with BSC Section F2.6.10(c).

We await your prompt response.

Yours sincerely,



Michael Gibbons
BSC Panel Chair