ISSUE 84 SUMMARY

MEETING NAME	Issue 84 Workgroup Meeting
Meeting number	1
Date of meeting	31 July 2019
Venue	ELEXON Ltd, 4th Floor, 350 Euston Road, London, NW1 3AW
Classification	Public

MEETING SUMMARY

1. Meeting Objectives

1.1 The purpose of our meeting was to consider:

- Extending the existing Radio Teleswitch Service (RTS) Contract between the Energy Networks Association (ENA) and ELEXON, to facilitate RTS cost recovery across all Trading Parties; or
- Raising a Balancing and Settlement Code (BSC) Modification to introduce a requirement for the BSCCo to recover additional RTS costs from Suppliers under BSC recovery mechanisms.

2. BSC Issue Process

2.1 ELEXON provided an overview of the BSC Issue process noting that Issue 84 may be progressed outside of the standard BSC Issues process should the WG choose to use the existing RTS contract between the ENA and ELEXON.

3. Background to Issue 84

3.1 ELEXON provided the background to Issue 84 highlighting that:

- The RTS contract extension will apply from 1 April 2020 to 31 March 2021. The Workgroup should consider solutions to enable RTS cost recovery from 1 April 2020.
- Two Distribution Network Operators (DNOs) Northern Ireland Electricity Networks (NIE) and Scottish and Southern Electricity Networks (SSEN) will continue to contribute costs to the RTS extension with the remainder of the costs being recovered from BSC Parties. NIE arrangements are outside of the BSC remit.
- The DNOs cover Load Managed Areas (LMA) with direct impact on the Distribution Network. It is important that RTS continues to support customers on Load switching devices until an alternative method is available. It was noted that DCP 326 being progressed under DCUSA[1] is seeking to introduce a process for retaining the diversification of demand in LMAs during the replacement of RTS.
- The ENA noted that the BBC contract extension has been agreed from April 2020. The £1.4M will apply for April 2020 to March 2021. The cost may be higher going forward.

[1] The Distribution Connection and Use of System Agreement

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4. Extent of the Issue

4.1 On the extent of the issue the Workgroup (WG) noted that the RTS service should continue to ensure customers do not lose hot water and heating functionality. Currently there are approximately £1.46Million (M) RTS related MPANs covered by 113 Supplier ID's (out of 228). This is a high proportion of Suppliers, an RTS costs recovery method would need to be in place by April 2020 when the BBC contract extension begins.

4.2 Also DNOs could lose the ability to manage their load managed areas.

5. Current Arrangements

5.1 The ENA presented the current RTS cost recovery arrangements highlighting that:

- Currently access providers recover costs using different methods such as DUoS charges, direct invoicing, and miscellaneous charge per customer, while some do not recover any costs. It was clarified that access providers are only DNOs. They may have a code sponsor which will be a Supplier. A member asked for clarification on which DNO and what method they are using to recover RTS costs. The ENA agreed to check the DNO cost recovery methods and provide a response to the WG.
- The arrangements for Central Teleswitch Control Unit (CTCU) costs for equipment come to an end in 2020. The hardware to support the system may need upgrading sometime in 2020. There should be a principle for managing these arrangements in place going forward.
- It was clarified that Suppliers are the only RTS users.

6. Proposed Solutions

6.1 ELEXON presented the following two solutions for recovering RTS cost:

1. Utilising the existing RTS Contract between the ENA and ELEXON that is already in place, to facilitate the RTS cost recovery.
2. Raising a Modification to the BSC to introduce a requirement for the BSCCo to recover the costs of RTS under the BSC.

6.2 The WG asked for clarification on the current RTS contract between the ENA and ELEXON. ELEXON explained that the current RTS contract falls under the SVA cost recovery arrangements in the BSC Section D. The current provision allows for costs associated with the Teleswitch Agent to be recovered. The existing contract is for the provision of the service for transmitting messages that go into SVAA.

6.3 The WG discussed the proposed solutions and implementation options:

Solution 1 Option a)

6.4 Solution 1 Option a) proposes a change to the existing RTS contract between the ENA and ELEXON. For the first year of the contract, £1.4M will be apportioned across all trading Parties. 50% would be recovered from Suppliers via the SVA Metering System Specified Charge and 50% recovered from Generators via Funding Share.

6.5 A member asked how the £1.4M cost was determined. The ENA explained that it is based on usage per access provider. The two DNOs i.e. NIE and SSEN will continue to pay the same proportion and the left over £1.4M previously paid for by DNOs will be allocated to BSC Trading Parties.

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6.6 The Workgroup agreed that Solution 1 Option a) would be easy to implement and there are no additional costs for making the required change.

Solution 2 Option b) or c)

6.7 Solution 2 Option b) or c) requires a BSC Modification to be progressed and would require system changes. It was suggested that the RTS service should be paid for by Suppliers with RTS customers. This will incentivise Suppliers to move customers from RTS. The Proposer argued that Option b) could also incentivise Suppliers to move from RTS by working together as an industry.

6.8 Option c) could have a detrimental effect on a small Supplier should they be left with a large proportion of RTS related MPANs once other Suppliers move to smart meters. If option c) is progressed a method for apportioning costs when few Suppliers are left with RTS MPANs should be agreed to avoid negative consequences on Suppliers

6.9 The Workgroup considered comments summited prior to the meeting and noted the following:

- The full range of smart meter variants are not yet available.
- Some DNOs no longer have use for RTS hence the proposal to allocate a portion of the costs to Suppliers. As the RTS service comes to an end continuing with previous arrangements will not focus the issue of ending RTS.
- Any Supplier could gain an RTS MPAN. Suppliers need to have the right devices to manage load switching.
- It should be made clear that the NIE arrangements are not recovered by GB Suppliers.

7. Workgroup recommendation

7.1 The WG agreed that:

- The RTS should continue and a cost recovery solution should be implemented before 1 April 2020.
- The WG supports that the BSC is the appropriate mechanism for the RTS to continue.

7.2 The CTCU upgrade costs are not included in the £1.4M to be allocated to Suppliers. The cost for system/ hardware changes has not yet been determined. Any costs will be passed to ELEXON at the appropriate time. The ENA and Energy UK are leading on discussions on ending the RTS and facilitating what Suppliers will need.

7.3 The WG considered pros and cons noting the below points:

Solution 1 – Option [a]	Solution 2 – Option [b]	Solution 2 – Option [c]
There is no cost for making this change. The only timescales would be the discussions to agree the ENA and ELEXON contract extension. Ensures there is cost recovery in the interim.	Utilises the current system and adds new parameters to the existing processes. There will be some costs for implementing this option. This option is equitable with an incentive to roll out smart meters to customers across the industry.	There will be costs for implementing this option. Potential changes to the billing systems and maintenance. The WG determined that 0.0038 charge is not that material to progress with Option c). However, it will provide an

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		incentive for Suppliers to move away from RTS. £1.4m is a small proportion for Suppliers once smeared across all Parties. Option C

7.4 A member suggested that Solution 1 – Option a) could be implemented for the time being and a Modification raised to progress Option b) and c). The WG agreed with the suggestion for option a) to be implemented and a Modification could be raised to implement either option b) or c) placing RTS costs recovery arrangements within the BSC.

7.5 A member asked whether a target end date could be added to the cost recovery mechanism if implemented in the BSC. ELEXON explained that placing an end date to the RTS arrangements could put a risk on consumers. It creates uncertainty as the industry is not fully aware of when the RTS will end.

7.6 To help determine the WG preference members took a vote on whether a Modification should be raised to progress options b) or c). The outcome was split with two votes for Option b) and two for c).

8. Workgroup Conclusions

8.1 The WG agreed that Solution 1 – Option a) should be implemented and a Modification could be raised to progress Solution 2 Option b) or c) if a BSC Party wishes to do so.

8.2 ELEXON is to engage with the ENA to discuss the details of the contract change. Industry will be notified of the contract change outcome and implementation timelines.

8.3 The industry will be notified of the WG decision and Parties can raise a Modification should they wish to progress with Solution 2.

9. Any Other Business

9.1 No other business was discussed.

10. Next Steps

10.1 The WG noted the below next steps for progressing Issue 84:

- ELEXON is to draft the Issue 84 report for WG review
- The Issue 84 report to be submitted to the September BSC Panel meeting
- Industry is to be notified of Issue 84 outcome after September BSC Panel meeting
- ELEXON to notify industry once the contract extension is agreed

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