

Modification Proposal – BSCP40/03	MP No: 216 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by originator):</i> Audit of LLF Production	
Submission Date <i>(mandatory by originator):</i> 30 th July 2007.	
Description of Proposed Modification <i>(mandatory by originator)</i> <p>Line Loss Factors (LLFs) are currently produced by Distribution Network Operators (DNOs) according to various different models. The methodologies are described in general terms in the DNOs' Use of System Statement of Charges documentation. Resulting LLFs are <i>approved</i> by SVG (for SVA) and ISG (for CVA). The Code does not specifically require that these LLFs are <i>checked</i> by SVG and ISG to confirm that they are consistent with the methodology, nor that the correct Line Loss Factor Class (LLFC) has been applied to each MPAN, nor that the methodologies are in any way consistent with each other or in any way adequate.</p> <p>It is proposed with this modification that ELEXON audits the DNOs' production of LLFs so that SVG and ISG can approve them with some confidence as to their accuracy to the methodology. It is also proposed that ELEXON conducts spot checks that the correct LLFCs have been applied to the correct MPAN.</p> <p>As part of this modification it is also proposed that the Code should state that, should a DNO not make their methodologies and production arrangements available, that their LLFs should not be approved, nor should new LLFs associated with new LLFCs be accepted until such time as they have been audited. In this event, only currently approved LLFs and LLFCs may be used in Settlement.</p> <p>It is further proposed that the Code should state that LLFs may not be changed mid-year.</p> <p>SmartestEnergy believes that, if the DNOs' methodologies and production arrangements are not consistent or adequate, that any new LLFs produced are rejected until they are of a standard consistent with rules to be determined after ELEXON have assessed the different methodologies. This process should be given greater consideration in the modification process.</p> <p>There is no doubt that understanding the DNOs' methodologies is a specialised area and ELEXON may opt to sub-contract responsibility for this to an Agent in the same way that there is a Technical Assurance Agent (TAA). Indeed, it may be appropriate for the audit to come under the remit of the TAA. This is also for discussion within the Group.</p>	

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(mandatory by BSCCo)**Description of Issue or Defect that Modification Proposal Seeks to Address** (mandatory by originator)

SVG and ISG currently have no means of checking the accuracy of the LLFs being submitted for their approval and yet LLFs have a significant impact on Settlement; it is thought that distribution losses represent about 7% of total energy.

On the other hand, there are sufficient audits and controls around other areas which can significantly affect Settlement such as the Balancing Mechanism, Metering etc.

CP1189 is due to be implemented in the November 2007 release. This means that negative LLFs may enter Settlement without any checks as to their accuracy or appropriateness from then on.

The current process as described in BSCP 528 and BSCP 28 allows for some basic checking of values before they are presented for approval:

- Check for completeness
- Spot check of percentage change
- Ensure within 0% and 25%

By and large SVG and ISG have previously given LLFs a reasonableness check against values previously submitted. This is insufficient in itself and will now be difficult to do anyway with the introduction of negative LLFs as per CP1189.

It is understood that ELEXON are currently looking at a more automated and robust way of analysing changes to LLFs but this does not address the issue of whether the LLFs are appropriate in the first place.

In short the defect is that there are insufficient controls around factors which have a significant impact on the output of Settlement.

It is also fair to say that the industry (and ELEXON) currently have very little idea of how much of the GSP Group Correction Factor is due to approximations (and/or inaccuracies) in LLFs. There have been many Modification and Issue Group discussions in the past which have highlighted this lack of understanding as an issue. It is expected that the information which will come out of an investigation of the methodologies will lead to an increased understanding of this issue.

Impact on Code (optional by originator)**Impact on Core Industry Documents or System Operator-Transmission Owner Code** (optional by originator)

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Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by originator)</i>	
Impact on other Configurable Items <i>(optional by originator)</i>	
<p>Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by originator)</i></p> <p>The Panel already has the remit to “approve” LLFs and it delegates this responsibility to its Committees. SmartestEnergy believes that the BSC has an implied duty to check that the values are correct. This needs to be stated explicitly in the Code.</p> <p>As previously stated, losses represent a significant proportion of energy entering Settlement and yet are not audited. An audit process would improve the efficiency of the BSC arrangements.</p> <p>We note that the calculation of Transmission Loss Factors (TLFs) and Transmission Loss Multipliers (TLMs) is within the scope of the BSC and not the CUSC. It is appropriate, therefore, that the calculation of LLFs should be within the scope of the BSC and not, say, the DCUSA. The reason for this is that it is in the BSC that the financial effects of losses of both types are felt by Parties.</p>	
Urgency Recommended: No <i>(delete as appropriate) (optional by originator)</i>	
Justification for Urgency Recommendation <i>(mandatory by originator if recommending progression as an Urgent Modification Proposal)</i>	
<p>Details of Proposer:</p> <p><i>Name.....Colin Prestwich</i></p> <p><i>Organisation...SmartestEnergy</i></p> <p><i>Telephone Number....020 7448 0961</i></p> <p><i>Email Address.....Colin-Prestwich@smartestenergy.com</i></p>	

Modification Proposal – BSCP40/03MP No: 216
(mandatory by BSCCo)**Details of Proposer's Representative:***Name.....Colin Prestwich**Organisation...SmartestEnergy**Telephone Number....020 7448 0961**Email Address.....Colin-Prestwich@smartestenergy.com***Details of Representative's Alternate:***Name... Robert Owens**Organisation... .. SmartestEnergy**Telephone Number....020 7448 0916**Email Address.....Robert-Owens@smartestenergy.com***Attachments:** No (delete as appropriate) (mandatory by originator)**If Yes, Title and No. of Pages of Each Attachment:**