



Stage 04: Urgent Modification Report

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

▶ 04 Report Phase

P246: Reporting to LDSOs of Aggregated Metering Data for Embedded Networks

Ofgem has approved a new Common Distribution Charging Methodology (CDCM) that requires portfolio billing for Distribution networks embedded within other Distribution networks.

The BSC currently provides for Licensed Distribution System Operators (LDSOs) that operate embedded networks to receive Settlement data to calculate their own charges, but not for other LDSOs to use this data.

P246 aims to make Settlement data available to other LDSOs to facilitate portfolio billing under the CDCM.



The Panel recommends **Approval** of P246



High Impact: LDSOs, SVAA

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Report

15 January 2010

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Any questions?

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About this document:

This Urgent Modification Report details the solution, impacts, costs, benefits and implementation activities associated with Modification P246, and the discussions of both the P246 Modification Group and the Panel.

This report was sent to the Authority on 15 January 2010 on behalf of the Panel. The Authority will consider the Panel's recommendations and decide whether to approve P246.

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Why change?

From 1 April 2010 LDSOs will be obliged to introduce Portfolio billing. A DCUSA Working Group is considering how to achieve this in both the long- and short-term. It is envisaged the solution will use Settlement data but the BSC imposes restrictions on the use of such data by LDSOs. P246 aims to make Settlement data available to other LDSOs to facilitate portfolio billing under the CDCM.

Solution

Remove restrictions on LDSOs passing NHH Settlement data amongst themselves and permit the SVAA to send NHH data to LDSOs.

Impacts & Costs

P246 would require SVAA system changes with an estimated cost of £22K. All P246 implementation costs would be funded by LDSOs. There are no operational costs.

Implementation

P246 must be in place by 1 April 2010 when the CDCM is introduced. The system changes required need an 8 week lead time. P246 would therefore be implemented on:

- 31 March 2010 if an Authority decision is received on or before 28 January 2010.

The case for change

The Panel unanimously agreed that P246 would better facilitate the Applicable BSC Objectives compared with the existing Code baseline because of benefits against Applicable BSC Objectives (a), (c) and (d).

P246 Group's recommendation

The Panel unanimously recommend that P246 **should be** approved.

Potential alternative solution

The P246 Group considered a potential alternative solution which would remove Code restrictions on LDSOs passing NHH Settlement data amongst themselves. The Group agreed the potential alternative did not better facilitate the BSC Objectives compared with the P246 solution, though it is better than the baseline (for the same reasons as the Proposed).

If P246 is not approved the Group believed that, in order to facilitate portfolio billing, a Party would need to raise the potential alternative as a new Modification, to be treated as urgent and considered promptly by the Authority. To facilitate this eventuality the potential alternative and the Group's consideration of the P246 and alternative solutions is presented in full in this report.

2 Why Change?

Background

Modification Proposal P246 'Reporting to LDSOs of Aggregated Metering Data for Embedded Networks' was raised by the Electricity Network Company on 30 November 2009. The Proposer recommended that P246 should be treated as an Urgent Modification Proposal; the Panel agreed this recommendation and on 4 December the Authority approved Urgent status for P246.

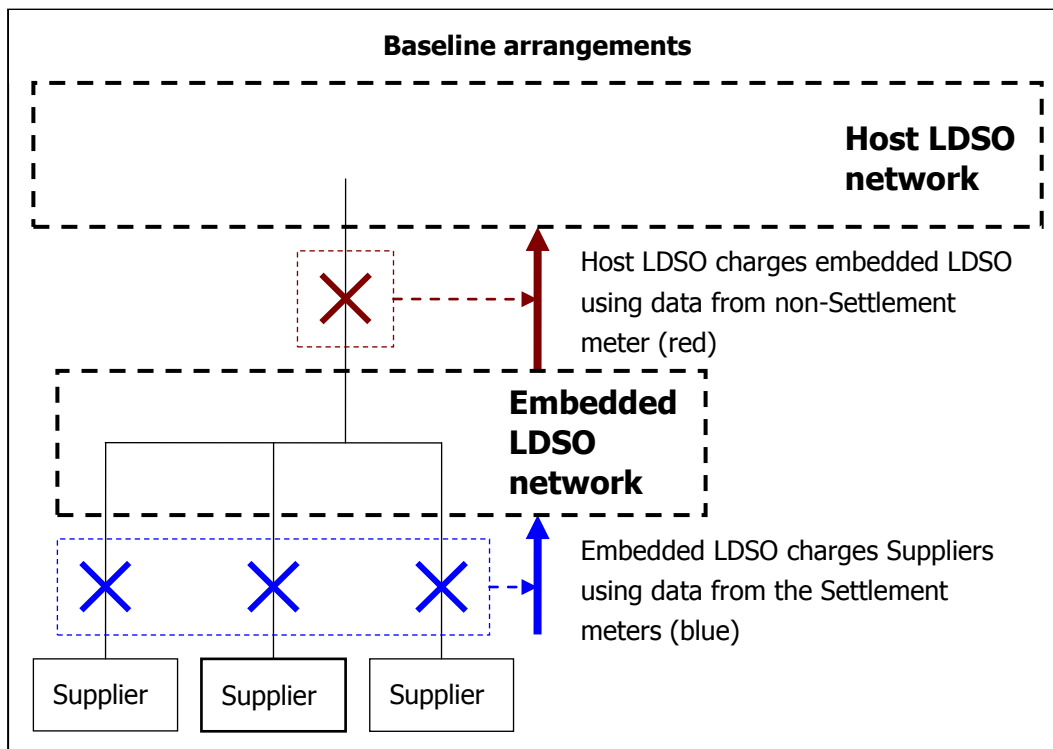
Identified issue

Ofgem approved a new Common Distribution Charging Methodology (CDCM) for introduction on 1 April 2010. The CDCM requires 'portfolio billing' for Distribution networks embedded within other Distribution networks. For the purposes of this report a Distribution network (and its associated LDSO) that contains an embedded network is referred to as a 'host' or 'upstream' Network.

It is envisaged that the host Licensed Distribution System Operator (LDSO) will charge the operator of the embedded network based on aggregated settlement data for the portfolio of customers on the embedded network.

The Code currently provides for embedded LDSOs to receive settlement data to calculate charges for their own networks, but not for host LDSOs to use this settlement data. The Proposer believes that this restriction means it is extremely difficult for LDSOs to comply with their Licence Obligation to implement the CDCM. P246 aims to amend the Code to make settlement data available to host LDSOs to facilitate portfolio billing under the CDCM.

Embedded network LDSOs charge Suppliers based on Settlement data. But embedded LDSOs are charged by host LDSOs based on Half Hourly meter readings from non-Settlement Meters at network boundaries (as shown in the diagram below).



It is envisaged that under portfolio billing the host LDSO will charge the embedded LDSO using aggregated Settlement data from the Settlement meters of the embedded LDSO's entire portfolio of Supplier customers (as in the diagram below).



CDCM

The Common Distribution Charging Methodology will be used by regional distribution network operators to set use of system charges in a coordinated manner.



Portfolio billing

Billing by host LDSOs of embedded LDSOs using charges based on data relating to end users (or further, nested embedded LDSOs).

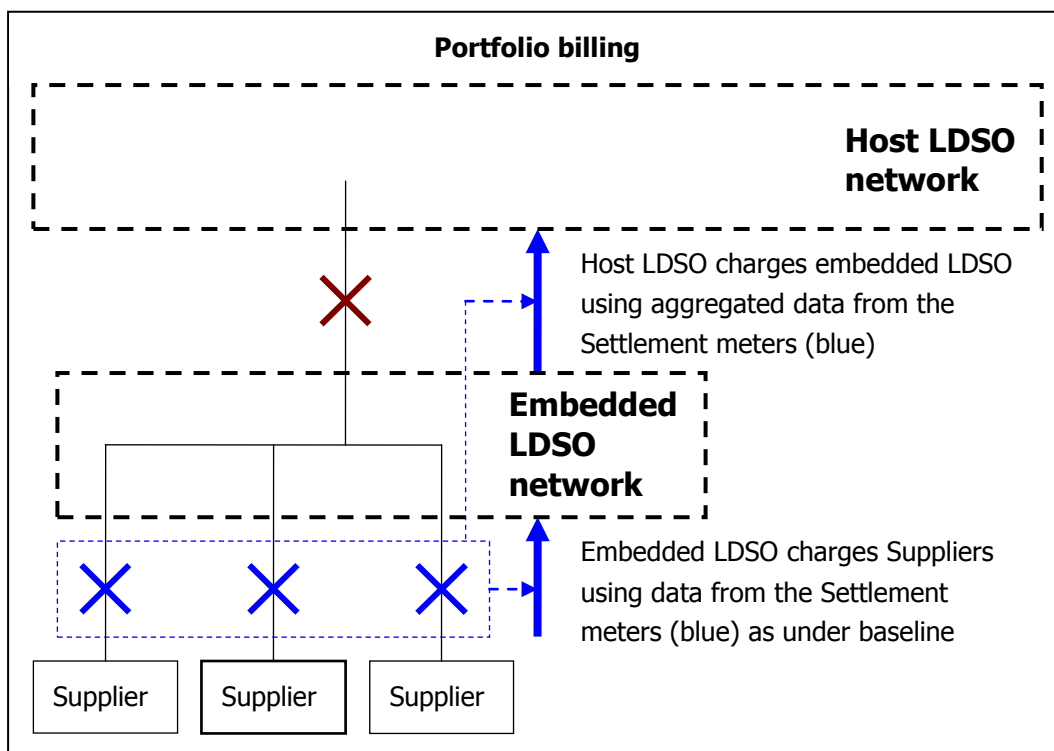
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Urgent status

Proposer's Recommendation

The Proposer requested that P246 be treated as an Urgent Modification Proposal because:

- Changes to the BSC are required well in advance of the introduction of the CDCM on 01 April 2010 to enable LDSOs to develop and implement a solution for portfolio billing for embedded networks; and
- If portfolio billing cannot be implemented as envisaged (i.e. using settlement data) there could be an extremely high impact on LDSOs and less effective charging methodologies and portfolio billing may be introduced (e.g. if the Code is not amended to permit Settlement data to be provided to upstream LDSOs, LDSOs may need to establish arrangements (via the DCUSA) for Suppliers to provide this data to LDSOs).

LDSOs therefore need to know the outcome of P246 well in advance of 1 April so they can implement the best possible billing solution in light of the available settlement data. The commercial impact on Distributors of not being able to implement portfolio billing in the way they intended could be extremely high.

Panel Views

The Panel considered the request for Urgent status for P246 on 3 December 2009 and unanimously recommended that P246 should be treated as an Urgent Modification Proposal. The Panel believed that P246 was linked to the introduction of the CDCM on 1 April 2010 and that the decision on P246 would have a significant impact on how LDSOs implement their charging methodologies, specifically in the area of portfolio billing.

The Panel noted P246 was primarily an 'enabling' change, with the aim of removing Code restrictions to allow LDSOs the freedom to implement the most effective charging solution. The Panel agreed that whether or not P246 was approved it was important for LDSOs to know the decision in advance of introduction of the CDCM on 1 April.

Authority Decision to Approve Urgent Status

After considering the Panel's recommendation the Authority approved the treatment of P246 as an Urgent Modification Proposal. In reaching this decision they considered the



Urgent status

The Authority can grant status as an Urgent Modification Proposal.

When Urgency is granted the Modification is not subject to the normal timetable and process constraints applied of the Modification process.

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details in the modification proposal, together with the Proposer's justification for urgency and the Panel's views.

The Authority considered that P246 satisfies the criteria for granting urgent status to a Modification Proposal, in particular:

- The proposal is linked to an imminent date related event, insofar as the requirement to adhere to the CDCM takes effect 1 April 2010; and,
- There is a real likelihood of significant commercial impact upon LDSOs if the proposed Modification is not treated as urgent and decided upon within this timeframe.

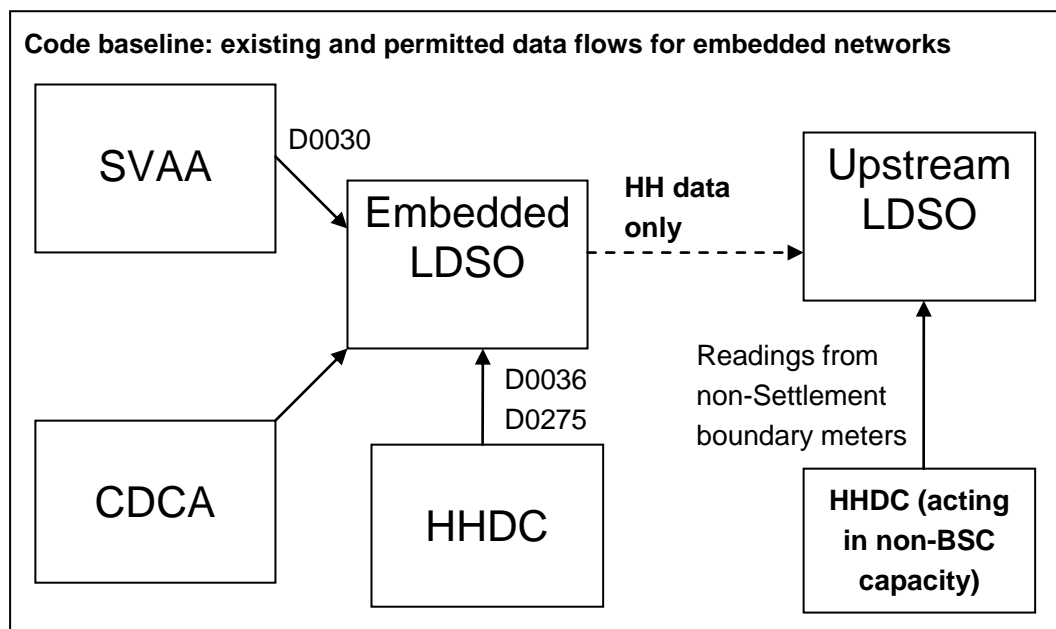
The Authority noted that the P246 process and timetable was challenging but acknowledged that LDSOs require reasonable notice of the P246 decision to make suitable arrangements for implementation or to pursue alternatives as appropriate. The Authority also noted the need for a timely decision on their part.

Existing BSC arrangements

Provisions in Section S of the Code cover the provision of data to LDSOs and the restrictions on the use of that data. The particular paragraphs relevant to P246 are S2.3.1 (HH data - HHDCs) and S2.7.7 (NHH data - Suppliers/SVAA). Additionally, paragraph L5.2.4 covers provision of data to LDSOs by the CDCA (HH data).

Essentially, the Code provides for the relevant LDSO (not currently defined, but meaning the LDSO whose network a customer is connected to) to receive Settlement data for use in calculating charges for the use of, and connection to, its Distribution System. Such data is received from Suppliers (i.e. SVAA), HHDCs and the CDCA.

The diagram below shows the current flows of information between LDSOs, BSC Agents and Party Agents (acting in BSC and non-BSC capacities) and the new flow of information that would already be permitted under the Code (this potential flow shown by a dashed arrow).



There are no Code restrictions on LDSOs passing on any HH data they receive under the Code to other LDSOs. However, the Code does not permit relevant LDSOs to pass NHH data to other LDSOs, and does not contain provision for any BSC Agents or Party agents to pass Settlement data to LDSOs other than relevant LDSOs, or to any central agent that may be appointed by LDSOs.

DCUSA Working Group

A Working Group has been set up under the Distribution Connection and Use of System Agreement (DCUSA) to consider the enduring solution for portfolio billing. The enduring solution will not be ready for the date the CDCM is introduced, so a DNO/IDNO sub-group of the DCUSA Working Group is developing an interim solution for use from 1 April 2010.

Interim solution

The DNO/IDNO sub-group is looking specifically for a solution for implementation by 1 April 2010. So far two options have been identified:

- Option 1: embedded LDSOs extract data from their systems and pass to upstream LDSOs for use in portfolio billing; and
- Option 2: the SVAA provides aggregated NHH Settlement data, and embedded LDSOs provide HH data, to upstream LDSOs for use in portfolio billing.

Enduring solution

The enduring solution for portfolio billing is still being developed by the DCUSA Working Group. Though the details are not finalised, it is envisaged that the enduring solution will involve procurement of a central agent by LDSOs. The central agent will receive the necessary data from LDSOs or some other source (e.g. BSC Agents) and perform data aggregation and any other operations necessary to achieve portfolio billing.

Interaction with P246

The Group developed the P246 solution to reflect the interim solution Option 2, with legal text that would allow the central agent in an enduring solution to receive data directly from the SVAA as well as from LDSOs. Option 2 was developed into the P246 solution because the proposal stated that the solution would involve provision of data by the SVAA. Though the proposal also mentioned HH data, the Group ruled out provision of HH data by any source other than LDSOs due to the complexity it would add to P246, both technically and in terms of justifying costs and identifying/apportioning costs between Parties.

The Group developed a potential P246 alternative solution based on interim solution Option 1. This would be a Code only change that would allow the central agent, in an enduring solution to receive data directly from LDSOs. This alternative would therefore be a Code-only change that would give LDSOs permission to use data as they need to for portfolio billing and facilitating an enduring solution that sits completely outside the BSC, i.e. LDSOs providing data to a central agent, with no Settlement Agents or Party Agents interacting with that agent.

Related previous work

Approved Modification Proposal P62

P62 'Changes to Facilitate Competitive Supply On the Network of New Licensed Distributors' facilitated the introduction of the Utilities Act 2000 (which made electricity distribution a distinct licensable activity), by changing the Code so multiple distributors are permitted to operate within each of the existing GSP Groups. There is some similarity in principle between P62 and P246, since P246 seeks to change the Code to facilitate the introduction of the CDCM, i.e. another outside change that affects Distributors.

However beyond this similarity in principle there is no direct connection between P62 and P246. P62 did not take any account of Distribution Use of System (DUoS) billing, and at the time of P62 the concept of embedded networks did not exist, let alone portfolio billing.

P62 was considered to better facilitate Applicable BSC Objective (c) by promoting effective competition in Supply due to its facilitation of competition in Supply on the networks of new licensed distributors.

Rejected Modification Proposal P70

P70 'CMRS Metering for inter-DNO Boundaries within a GSP Group' was raised as a consequence of P62, during which it was suggested it would be desirable to have the option to place a Central Meter Registration Service (CMRS) registered meter at the connection point of the existing Distribution Network and any new Distribution Network. P70 therefore sought to modify the Code to permit registration in CMRS of a meter at the connection point between two distribution networks within the same GSP Group in CMRS.

It was suggested that P70 would better facilitate Applicable BSC Objectives (c) and (d); Ofgem was not convinced that this was demonstrated, and believed that any benefits were available without change to the Code, and therefore rejected P70.

There is no direct relation between P70 and P246, given that it is acknowledged that the Code places definite restriction on the use of Settlement data by LDSOs which, depending on whether they are amended, will affect how LDSOs are able to implement portfolio billing.

Rejected Change Proposal CP1280

CP1280 'SVAA to provide LDSOs with aggregated consumption data for embedded Distribution Systems' sought to address similar issues to P246. CP1280 proposed that the SVAA should provide LDSOs with aggregated consumption data for customers on networks embedded within that LDSOs' network, with the rationale of avoiding the need for unnecessary metering at boundaries between networks.

CP1280 was rejected because it did not have complete support from Distributors and because it did not contain any funding element, leaving Suppliers concerned that they would be required to help fund arrangements required solely by Distributors. P246 includes consideration of how changes will be funded by LDSOs, and is based on further development work by Distributors, so the Group believes the CP1280 concerns do not apply to P246.

Prior assessment of SVAA data provision

Following an approach by an LDSO, ELEXON asked the SVAA service provider to assess several options for providing SVAA data to LDSOs to facilitate charging between embedded and upstream LDSOs.

The SVAA impact assessment indicated that the most feasible option could be implemented with around 22 days' effort. ELEXON estimated this equates to less than £20,000 cost, and assessed that if ELEXON was involved to facilitate transfer of data between SVAA and LDSOs there would be a relatively modest annual ELEXON cost (in the order of £200) associated with each distribution network for which data is provided.

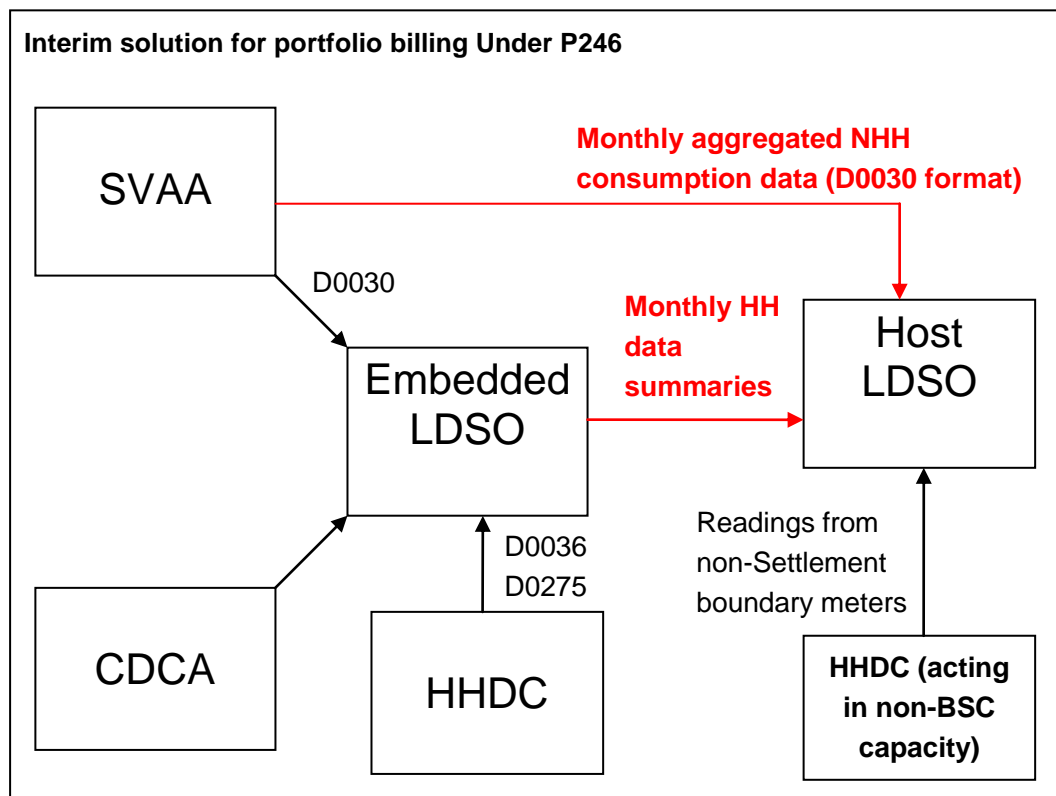
The Group used this previous solution to help it develop the P246 solution, and used the results of the impact assessment to inform its discussions around timescales and costs associated with P246. A new SVAA impact assessment was undertaken, and further information can be found in section 8.

P246 solution

P246 is intended to support both interim and enduring solutions to portfolio billing.

For the interim solution (from 1 April 2010 onwards) host LDSOs will receive Half Hourly data from embedded LDSOs, and Non Half Hourly data from the Supplier Volume Allocation Agent (SVAA), as shown in the diagram below. New data flows are shown in red.

The key change to the Code to achieve this is to amend paragraph S2.7.7 to specify that SVAA may provide Settlement data on behalf of Suppliers to host LDSOs (or a central agent appointed by LDSOs) in addition to relevant LDSOs.



The enduring solution will be similar, except that:

- It is anticipated that LDSOs may appoint a new central agent (under DCUSA governance) to process flows on their behalf. If this happens, the portfolio billing data flows (i.e. the flows in red on the above diagram) would be sent to this central agent rather than upstream LDSOs.
- Subject to appropriate DTC changes being agreed, the portfolio billing flows may be sent over the DTN (rather than via email as they would upon implementation of P246 Proposed, if approved).
- The enduring solution will need to cope with nested networks, and it is anticipated that will be done by the LDSO's central agent i.e. outside the Code.

The following sections provide more detail of the P246 impacts (for both interim and enduring solutions).

Impact on SVAA (Interim solution for 1 April 2010)

Under P246, for the interim portfolio billing solution, SVAA (or ELEXON) is required to email each of the fourteen Host LDSOs a zipped set of D0030 files for each Calendar Month and Run Type. These D0030 files (which are separate and additional to the 'normal' D0030 files) contain aggregated data for all Embedded Networks in the GSP Group associated with that LDSO. Data would be provided broken down to half hourly granularity (to meet LDSO tariff structure/billing needs).

For example, EDF (as Host LDSO for the Eastern GSP Group) would receive data for all other LDSOs operating in that GSP Group. Data for each Calendar Month would be provided five (or six) times in accordance with the Settlement Calendar:

- Once all Settlement Days in the Calendar Month had completed Initial Settlement (SF), SVAA would be able to construct a package of Initial Settlement data. This would include one file (in D0030 format) per Settlement Day. However, note that the file would not include data for individual Suppliers. Data for all Suppliers would be aggregated up to the LDSO level, and the LDSO's Market Participant Id would appear in the file in place of the Supplier Id.
- Revised sets of files would then be provided as data for each subsequent Run Type became available. First Reconciliation (R1) data would be sent once all days in the Calendar Month had completed R1; Second Reconciliation (R2) data once all days had completed R2; and so on up to Final Reconciliation (RF) and (if applicable) Dispute Final (DF).

The SVAA processing to construct the extract files for a Calendar Month and Settlement Run Type would therefore be as follows:

For each GSP Group, identify the Host Distributor.

For each Settlement Day in the Month being processed

For each Distributor D0030 file on the host OS for the Run Type and Settlement Day being processed.

For each VMR, SPX and TOT records for a SUP, DIS, GSPG, Profile Class, LLFC, SSC, TPR combination

If the DIS is the Host for the GSP Group then do nothing

Else Find the internal current running totals record for this combination of DIS, GSPG, Profile Class, LLFC, SSC, TPR and add in the VMR, SPX and TOT fields to the totals fields (or create this combination if it doesn't exist)

For Each GSP Group and Settlement Day

Append to the result file

For each combination of DIS, Profile Class, LLFC, SSC, TPR

Write out the running total

At the end of this processing, there will be one file for each GSP Group and Settlement Day. The files for each GSP Group will then need to be zipped and emailed to the relevant Host LDSO for that GSP Group.

Impact on SVAA (Enduring Solution)

Given the current uncertainty over the enduring solution, the SVAA impact assessment will focus on the initial changes required for April 2010. Nonetheless, it should be noted that the SVAA solution is intended to be relatively future-proof, and should require only

relatively minor changes to support an enduring solution. These changes would potentially include:

- Redirecting the output files to a central agent (appointed by LDSOs under DCUSA governance) rather than individual LDSOs;
- Sending the output files via the DTN rather than email (subject to appropriate DTC changes);
- Including data for Host LDSO embedded networks in the extract file. Under the interim solution, the extract files will include data only for Distributors other than the Host LDSO. For an enduring solution, the extract files may also need to include data for any embedded networks owned by the Host LDSO (i.e. if the Host LDSO builds a network that connects to another LDSO's Embedded Network). These are likely to be identified by their Line Loss Factor Class.

Impact on ELEXON

The impacts of P246 on ELEXON are as follows:

- For the interim solution, there may be a requirement to email files to LDSOs (unless this is done by SVAA).
- There is a one-off requirement to recover central implementation costs from LDSOs. This would be implemented as a one-off charge on the BSC invoices issued by ELEXON Finance (the same amount for each LDSO).

Code impact

Annex D-2 'SVA Costs' will be amended to effect the Group's agreed funding of P246 implementation. This will be achieved by adding a new paragraph 5 which states that SVA costs include the P246 implementation costs, but that these will be paid by all Licensed Distribution System Operators (LDSOs) in equal proportion. To avoid double-charging of the P246 implementation costs it is specified that they shall not be treated as Annual SVA Costs.

Paragraph S2.7.7 in Section S 'Supplier Volume Allocation' will be amended to expand the provision of the appropriate data from the SVAA to relevant DSOs to also include other LDSOs or an agent appointed on behalf of LDSOs, though it is specified that only relevant DSOs will receive the appropriate data free of charge (as at present). It is not felt to be necessary to further define 'other LDSOs' as new paragraph S2.7.7B explicitly limits the purpose for which LDSOs in general are permitted to use such data (see below). Of course, rules regarding use of, and access to, the appropriate data could be put in place under the DCUSA governance arrangements.

A new paragraph S2.7.7A will be added to clarify that relevant LDSOs are permitted under the Code to pass the NHH or HH data they receive under the relevant clauses in Section S to other LDSOs or an agent appointed on behalf of LDSOs.

A new paragraph S2.7.7B will be added to specify that however the appropriate data is received, ultimately LDSOs or their agent can use such data only to operate its Distribution System and to calculate charges for use of and connection to its Distribution System. The new paragraph S2.7.7C is inserted to make it clear that Parties agree to the provision of the appropriate data, but on the terms set out in S2.7.7B.

Finally, a new paragraph S2.7.12 will be added to clearly define the term 'relevant Distribution System Operators' in order to clearly distinguish those LDSOs who will continue to receive the appropriate data free of charge.

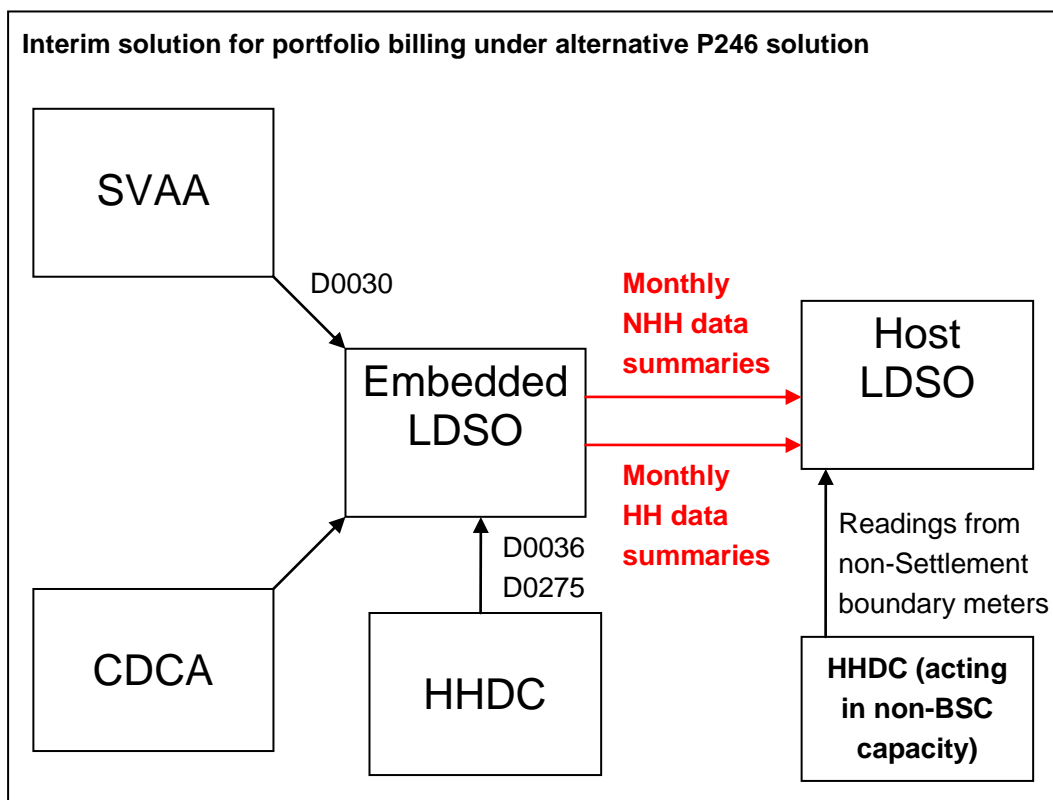
The Group further developed the P246 legal text

Potential alternative solution

The Group developed a potential alternative solution that intended to support low BSC impact interim and enduring solutions to portfolio billing. For the interim solution (from 1 April 2010 onwards) host LDSOs will receive both Half Hourly data and Non Half Hourly data from embedded LDSOs, as shown in the diagram below. New data flows are shown in red. The key change to the Code to achieve this is to amend paragraph S2.7.7 to specify that LDSOs may provide Settlement data to upstream LDSOs (or a central agent appointed by LDSOs).

There is no impact on any BSC Agent or operational impact on ELEXON under the potential alternative. The only BSC impact would be a change to the Code. Changes to facilitate portfolio billing would take place outside the Code, i.e. embedded and host LDSOs would need to make arrangements to provide and use the relevant data.

Note that though this alternative solution is deliverable under the Code, it is understood that the DCUSA Working Group is still assessing the feasibility of its associated interim and enduring portfolio billing solutions. Particularly, issues have been identified around the ability of embedded LDSOs to provided data of half hourly granularity, as required by some LDSOs for billing.



The enduring solution will be similar to the enduring solution envisaged under the P246 solution, with a LDSO appointed central agent receiving data and carrying out portfolio billing operations, except that the new central agent appointed by LDSOs (under DCUSA governance) would receive data exclusively from LDSOs (i.e. the flows in red on the above diagram would be sent to the central agent rather than upstream LDSOs).

- Subject to appropriate DTC changes being agreed, the portfolio billing flows may be sent over the DTN (rather than via email as they would upon implementation of P246 Proposed, if approved).
- The enduring solution will need to cope with nested networks, and it is anticipated that will be done by the LDSO's central agent i.e. outside the Code.

Code impact

The potential alternative has no significant implementation costs associated it (as it is a Code-only change), so its legal text has no provisions for LDSOs funding implementation. S2.7.7 would be amended under the alternative, but the effect is less material than the changes under the P246 solution; it is just removing details of how LDSOs may use the data they receive, as this provision has been moved to paragraph 2.7.7B.

A new paragraph S2.7.7A will be added to clarify that relevant LDSOs are permitted under the Code to pass the NHH or HH data they receive under the relevant clauses in Section S to other LDSOs or an agent appointed on behalf of LDSOs (i.e. the same as under P246).

The new paragraph S2.7.7B specifies that however the appropriate data is received, ultimately LDSOs or their agent can use such data only to operate its Distribution System and to calculate charges for use of and connection to its Distribution System (i.e. as under P246 Proposed). The new paragraph S2.7.7C is inserted to make it clear that Parties agree to the provision of the appropriate data but on the terms set out in S2.7.7B (i.e. as under P246).

In the same way as for the P246 solution, a new paragraph S2.7.12 will be added to clearly define the term 'relevant Distribution System Operators' in order to clearly distinguish those LDSOs who will continue to receive the appropriate data free of charge.

This section outlines the initial discussions and conclusions of the P246 Modification Group. Further information on the Group's Terms of Reference can be found in Section 11.

Principles of Code change

The Proposer noted that P246 had some similarity to Approved Modification Proposal P62 'Changes to Facilitate Competitive Supply on the Networks of New Licensed Distributors'. P62 facilitated the introduction of the Utilities Act 2000 (which made electricity distribution a distinct licensable activity) by changing the Code so multiple distributors are permitted to operate within each of the existing GSP Groups. However, at that time embedded networks were a new concept, and P62 did not consider the implications of the Code for future developments in LDSO-LDSO charging arrangements.

P246 draws parallels with P62, as P246 aims to facilitate the principle of portfolio billing into the Code, which is introduced as part of the CDCM. The Group noted that Suppliers already agree under the DCUSA that data owned by them can be used for portfolio billing (Section 42 of the DCUSA covers provision of data by the Supplier to the Distributor).

It was also noted that if the Code was not changed to allow the provision of Settlement data to upstream LDSOs by embedded LDSOs and potentially the SVAA, the alternative would be for LDSOs to obtain the necessary data from Suppliers directly. The Group believed this would result in an associated cost (although this could not be clearly quantified at this stage). If Suppliers were obliged to provide such data they would directly bear the cost. Alternatively LDSOs could negotiate with Suppliers to obtain the data, with costs varying from case to case, however these costs are likely to be recovered from Suppliers using DUoS charges. Neither of these alternatives appears to be as clear or efficient as allowing the provision of Settlement data by the SVAA and LDSOs under the BSC.

The Group noted that there are two prospective interim portfolio billing solutions in development by the DCUSA DNO/IDNO working group (see Section 2). ELEXON clarified that the solution involving SVAA system change (the DCUSA DNO/IDNO working group 'Option 2') should form the Proposed Modification. The Group acknowledged this, and therefore agreed that the provision of data from embedded LDSOs to upstream LDSOs ('Option 1') should be developed as a potential P246 alternative solution.

A Group member noted that 'relevant Distribution System Operator' is not a Code-defined term and suggested its meaning might be ambiguous. The Group considered clarifying the term by referencing a suitable BSC Procedure (BSCP). After consideration the Group agreed it could be useful to clarify 'relevant DSO', but believed it would be better to do so within the Code (i.e. without referencing a BSCP) since BSCPs can be changed without a Modification Proposal. The Group therefore agreed that as part of P246 a definition of 'relevant DSO', relating specifically to the Code provisions pertinent to P246, would be added to the Code.

Data requirements

The Group considered the actual data requirements of upstream LDSOs for portfolio billing. A member noted that as well as 'downward' flows (i.e. delivery of power from an upstream LDSO to an embedded LDSO, then from the embedded LDSO to a Supplier) provision of Settlement data must also cover 'upward' flows (i.e. delivery from a Supplier (due to some form of embedded generation) to an embedded LDSO, then from the embedded LDSO to the upstream LDSO).

The Group also noted that at least one LDSO needs Settlement data broken down to a half hourly granularity due to its tariff structures. If this LDSO receives data aggregated at the incorrect level its billing processes for some tariffs will be disrupted; for the interim solution the LDSO envisages billing manually, for the enduring solution they need HH data for billing and tariffs. P246 Proposed will provide the necessary HH data for the interim solution and go some way to forming the basis of an acceptable enduring solution (the SPX data in the file extraction example in Section 3 is the HH values).

A Group member noted that the previously investigated SVAA solution would deliver an aggregated monthly summary, and suggested that in order to facilitate an eventual enduring solution (i.e. without requiring further SVAA system change) it would be better for daily information to be delivered. The Group confirmed that this would mean data being delivered by SVAA each month (not each day) but the data would include distinct information for each day in that month. The Group agreed that this would best facilitate potential future solutions.

The Group also agreed P246 should solution reflect the D0030 flow, as it was envisaged that portfolio billing would require the same data, in the same structure, as the D0030 flow already sent by the SVAA to Suppliers (or a sub-set of this data).

The Group discussed the possibility of 'nested' embedded networks, i.e. where a network is embedded in an upstream network, which is itself embedded within another upstream network. This is understood to not be currently widespread, but should be provided for under the enduring portfolio billing solution. The Group noted that SVAA Settlement data provision (i.e. P246 Proposed) would not cover nested embedded networks under the interim solution, because data would be provided only to the ultimate upstream LDSO. However, under the anticipated enduring portfolio billing solution, i.e. procurement of a central agent to receive all data from the SVAA, nested embedded networks would be covered because the Group believed that the central agent could handle identification of and provision of data to nested LDSOs, as necessary. The Group was therefore satisfied that P246 Proposed would permit an interim portfolio billing solution that is practically adequate and would not constrain a long-term enduring solution.

Half Hourly data

The Group noted that there are no Code requirements that stop the provision of Half Hourly data by embedded LDSOs (received because they are 'relevant LDSOs' under the Code) to upstream LDSOs. And that the issue of permission under the Code to pass data to upstream LDSOs (paragraph S2.7.7) only restrains LDSOs in passing Non Half Hourly data to other LDSOs.

The Group considered the issues around provision of HH data. As noted above, there is not a permissions issue regarding HH data. However, there are issues around potentially enabling or requiring HHDCs to provide HH Settlement data directly to upstream LDSOs or agent acting on behalf of LDSOs. This would be somewhat analogous to the provision of NHH data by the SVAA, and might be desirable under a long term portfolio billing solution.

The issue around HHDC data provision is funding, since HHDCs are Supplier Agents. The Group acknowledged Suppliers might be reluctant to fund changes specifically for the benefit of LDSOs and therefore some special funding arrangements would probably be required to specify that LDSOs would pay for the changes.

However, unlike the SVAA system changes, HHDC system changes to deliver Settlement data to LDSOs or a central agent:

- Cannot be implemented by the 1 April 2010 introduction of the CDCM;
- Have not been previously assessed in any form; and
- The approximate cost and impact of HHDC changes is not well understood.

The Group therefore decided that due to their complexity, and the risk that might be added to approval of P246 if they were included, HHDC system changes under the Code should be ruled out of P246. The extent of the impact of P246 on HH Settlement data should be that the Code is changed to clearly state that HHDCs **may** pass HH Settlement data to LDSOs or a central agent appointed by LDSOs. This would mean LDSOs would deal with HHDCs directly, and therefore no system changes would be required and costs incurred under the Code. This obviates the need for special funding to avoid cost impacts on Suppliers.

The Group noted that they considered this the best solution in the context of P246, and believed it allowed sufficient flexibility in the enduring portfolio billing solution being considered, but that if Parties believed there was a better Code solution for facilitating portfolio billing in the long term, a different solution could be pursued in future via a separate Modification Proposal.

Funding

As noted above, the Group agreed with the removal of HHDC changes from the scope of P246. The remaining impacts (and sources of cost) under P246 Proposed are:

- Implementation: SVAA system changes to deliver data; and
- Ongoing operation: ELEXON processes to facilitate delivery of data and answer queries.

On the basis of the previously assessed SVAA solution, and subject to impact assessment of P246, the Group believed that neither of these costs would be significant. The cost of the SVAA changes was anticipated to be around £20,000 and the Group believed it was acceptable for LDSOs fund this by splitting the cost evenly amongst them.

ELEXON's ongoing operational costs are also expected to be minor, of the magnitude of £200 per annum per distribution area. The Group believed that any special arrangements for identifying and treating these costs differently to other BSC charges would be more complex and costly than the P246 activities themselves. In addition these ELEXON activities would be required only for so long as the interim portfolio billing solution was in place. The Group therefore agreed that it was acceptable for such costs to be funded in the normal manner, i.e. counted as normal ELEXON costs and split between BSC Parties.

The Group therefore agreed that the legal text for P246 should include provisions that the costs associated with the implementation of P246 shall be paid by LDSOs on the basis of an even split across all LDSOs. No reference would be made to any ongoing costs associated with P246 as these would be charged as normal.

Note that there would be no system change implementation costs of ongoing operation costs associated with the potential alternative solution. From a BSC perspective the alternative solution would be a Code only change.

6 Implementation and Costs

Implementation

Given the CDCM will be introduced on 1 April 2010 the Group notes that it is very important that a prompt decision on P246 is made.

The P246 solution involves SVAA system changes as well as changes to the Code. The estimated lead-time for making the SVAA system changes is 8 weeks.

The Group believes that P246 should be implemented by 31 March as this will mean P246 is in place for the introduction of the CDCM on 1 April. In line with the Modification Group's expectation that the Authority will make a timely decision on P246, the proposed implementation date is:

- 31 March 2010 if an Authority decision is reached on or before 28 January 2010.

Costs

The estimated implementation cost for P246 is £23,150. The table below shows a break-down of this cost.

Estimated implementation costs	
Service Provider impact	£20,750
ELEXON resource	10 man days, equating to £2,400

Potential alternative

The alternative solution is a Code only change that could be implemented two working days after an Authority decision is received, if it were to be raised and presented for decision.

Group's initial views against the Applicable BSC Objectives

The Group considered the P246 solution (as 'P246 Proposed') and the potential alternative solution (as 'potential P246 Alternative') in the context of the Applicable BSC Objectives. The Group believed the benefits of P246 against the Objectives would also apply to the potential alternative; only the relative magnitude of benefits varies. No drawbacks were identified. The following table summarises the Group's conclusions against the Objectives.

P246 Group's initial assessment of P246 benefits against the Applicable BSC Objectives (both Proposed and potential Alternative)	
Description of Objective	Identified benefit
a) Efficient discharge of the obligations of the Transmission Licence.	Facilitates ability of Code arrangements to provide for determination and financial settlement of obligations between BSC parties
b) Efficient, economic and co-ordinated operation of the GB transmission system.	None identified.
c) Promoting effective competition in the generation and supply of electricity and in the sale and purchase of electricity.	P246-enabled portfolio billing arrangements would be more transparent and efficient than the potential alternative, with benefits for market participation and competition; and Facilitates a competitive Supply market by promoting efficient Distribution activities.
d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.	Aligning the BSC and the DCUSA arrangements would improve the efficiency and clarity of the Code.



Applicable BSC Objective

The benefits and drawbacks of BSC Modifications must be considered against the Applicable BSC Objectives, which are contained in the Transmission Licence.

Group's rationale

Objective a)

The Group noted that the Proposer's reference to paragraph 2(a) of Condition C3 of the Transmission Licence was erroneous, and that the reference should actually be to paragraph 2(b), which reads:

The balancing and settlement arrangements are

(b) arrangements:

- (i) for the determination and allocation to BSC parties of the quantities of electricity delivered to and taken off the total system, and*
- (ii) which set, and provide for the determination and financial settlement of, obligations between BSC parties, or (in relation to the system operator's role in co-ordinating and directing the flow of electricity onto and over the GB transmission system) between BSC parties and the licensee, arising by reference to the quantities referred to in sub-paragraph (i), including the imbalances (after taking account of the arrangements referred to in sub-paragraph*

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(a)) between such quantities and the quantities of electricity contracted for sale and purchase between BSC parties.

The Group was more comfortable considering a benefit against this paragraph, since 2(a) contains reference to 'settlement of financial obligations arising from the acceptance of such offers or bids' which made it difficult to see how the paragraph could be applied to distributor's activities.

The Group agreed that there was a benefit of P246 against Objective (a) because it would facilitate the ability of the Code arrangements to provide for the determination and financial settlement of obligations between BSC Parties (i.e. as LDSOs are BSC Parties).

Objective c)

The Group considered the Proposer's arguments put forward against Objective (c), and did not believe that they could all be used to identify benefits against (c). The Group did not believe that Supplier charging would be affected, since P246 concerns charges between LDSOs, and did not believe that it could be argued that P246 would relieve a constraint on Supply competition, since the constraint described was nebulous and involved a somewhat convoluted supporting argument.

However, the Group agreed with the suggestion that a competitive Supply market would be facilitated by efficient operation of Distribution activities, and that P246 would promote efficient Distribution activities. The Group therefore agreed this constitutes a benefit against Objective (c).

The Group also believed that provision of Settlement data in a P246-enabled manner, i.e. either from LDSOs to upstream LDSOs or from SVAA and LDSOs to upstream LDSOs, would be more transparent and efficient than the potential alternative of upstream LDSOs making individual arrangements with the necessary Suppliers for the data required. The Group considered that transparency and efficiency in arrangements could generally be considered to increase confidence in the arrangements and be beneficial to market participation and competition, and therefore agreed there was a benefit against Objective (c).

Objective d)

The Group considered that a change to align the Code with the DCUSA arrangements regarding the provision of data between LDSOs for portfolio billing could, since the existing source of misalignment does not exist for any good reason, be regarded as improving the efficiency of the Code arrangements. The Group therefore agreed there was a benefit of P246 against Objective (d).

Non-BSC factors

The Group believed that, notwithstanding the identified benefits against the Applicable BSC Objectives, the main benefits of P246 probably fall outside the scope of the Code. The Group was constrained, as are the Panel, to consider P246 strictly in terms of the Objectives, but noted that when P246 is submitted for decision the Authority will have the ability to take into account factors that fall under its wider regulatory remit.

The benefit of P246 outside of the Code is that it will enable LDSOs to implement the Authority-approved CDCM using the most effective means of portfolio billing. The LDSOs believe that using Settlement data is the most efficient and effective way to realise portfolio billing, and it is how they have been intending to put it into practice.

If LDSOs are forced at this stage to change their anticipated methods of implementing both an interim and an enduring solution for portfolio billing it is likely to have a significant commercial impact on LDSOs and will result in the introduction of some alternative

solution which, in the Group's view, is bound to be inferior to a solution using Settlement data. Increased applications for derogations from the CDCM could also result, and the Group believes the Authority will wish to minimise derogations to the minimum number necessary.

The Group believes that the Authority should note the non-BSC benefits of P246 and use their wider remit to take them into account when making a decision on P246.

Additionally, though the potential alternative solution is deliverable under the Code, the feasibility of its associated interim and enduring portfolio billing solutions is still being assessed (e.g. due to issues with LDSO provision of data of half hourly granularity). Again, though the Group could not take this into account in its assessment of P246, the Authority should consider this factor under their wider remit when making a decision on P246.

Group view: P246 Proposed

The Group unanimously agreed that P246 Proposed better facilitates the Applicable BSC Objectives compared with the existing Code baseline for the reasons set out above.

Group view: potential P246 alternative solution

The Group unanimously agreed that the potential alternative solution better facilitates the Applicable BSC Objectives compared with the existing Code baseline for the reasons set out above.

Group view: P246 Proposed vs. potential P246 alternative solution

The Group agreed by majority that the alternative solution does not better facilitate the Applicable BSC Objectives compared with P246 Proposed.

The majority of the Group believed that P246 Proposed would better facilitate the Applicable BSC Objectives compared with the potential alternative solution because:

- The Proposed better provides for financial settlement between BSC Parties (i.e. LDSOs) and therefore better facilitates Objective (a); and
- The Proposed involves provision of data from a central point so data provision which will be more transparent and accurate, which better facilitates Objective (c).

The minority of the Group believed that the potential P246 alternative would better facilitate the Applicable BSC Objectives compared with P246 Proposed because:

- The alternative solution has less impact on the Code and is therefore more efficient in relation to the balancing and settlement arrangements, and therefore better facilitates Objective (d).

8 Consultation Responses

The P246 Draft Urgent Modification Report was issued for industry consultation on 18 December 2009. The responses are summarised below.

Summary

Summary table of responses to the P246 Draft Urgent Modification Report consultation

Question	Response
1. Are you impacted by the P246 Proposed solution? Please provide any details of impacts that you can.	Yes: 12 No: 0
2. Do you agree that the legal text delivers the intention of P246 Proposed?	Yes: 12 No: 0
3. Are you impacted by the P246 Alternative solution? Please provide any details of impacts that you can.	Yes: 12 No: 0
4. Are there any P246 Alternative solutions that the Modification Group has not identified that they should consider?	Yes: 2 No: 10
5. Do you agree that the legal text delivers the intention of P246 Alternative?	Yes: 11 No: 1
6. Do you agree with the Group's proposed approach to funding P246? <ul style="list-style-type: none">• Implementation (i.e. costs split evenly between all LDSOs); and• Ongoing operation (i.e. costs distributed among Parties in the normal manner).	Yes: 11 No: 1
7. Do you support the proposed P246 implementation approach?	Yes: 12 No: 0
8. Would the Proposed Modification P246 help to achieve the Applicable BSC Objectives compared to the current baseline?	Yes: 11 No: 1
9. Would the Alternative Modification P246 help to achieve the Applicable BSC Objectives compared to the current baseline?	Yes: 11 No: 1
10. Would the Alternative Modification P246 help to achieve of the Applicable BSC Objectives when compared to the Proposed Modification?	Yes: 2 No: 10

Group discussion of consultation responses

Impacts

All 12 respondents to the P246 consultation identified impacts due to both the Proposed and potential alternative solutions. The Group noted this but there were no material issues raised for consideration.

Legal Text

Respondents unanimously supported the P246 Proposed legal text, but two respondents had concerns that the legal text was too loose and could permit commercially sensitive data to be passed to LDSOs that do not require it for billing purposes. The Group noted that the legal text restricts the use of any data received under the P246 provisions to the operation of Distribution Systems and the calculation of charges for use of and connection Distribution Systems, and that in practice LDSOs would not receive from SVAA any data not needed for these purposes.

However, the Group agreed that it would be prudent to amend the legal text to clearly reflect how it was intended the solution would actually operate, i.e. if a customer is

connected to the Transmission System via a 'chain' of nested embedded networks then the appropriate data should be provided to any LDSO associated with networks between the customer and the Transmission System.

One respondent did not agree that the legal text for the potential P246 alternative solution delivers the intention of the alternative solution. However, the respondent also stated that the legal text adequately reflects the alternative solution but is limited to such a solution and therefore a further change may be needed depending on the outcome of the DCUSA working group's development of an enduring portfolio billing solution. The Group therefore noted this concern but agreed that the concern was not in relation to the legal text but the alternative solution itself. The Group did not believe it was necessary to make any change to the potential P246 alternative solution to address this concern.

Possible P246 Alternative Solutions

The majority of respondents believed that there are no P246 Alternative solutions not identified by the Group that should be considered. One respondent believed that there were potential P246 Alternatives that could be considered, but did not identify any alternative solutions, stating that the rigidity of the P246 proposal does not allow other P246 Alternatives.

Another respondent suggested that an Alternative solution could be a central agent incorporating aggregated non-half hourly data within the D0275, linking it to an identifier for billing. The respondent believed this would minimise billing system changes because multiple D0275 can be processed on the same day, and noted that this solution has been considered by the DCUSA IDNO/DNO working group.

The Group, most of who are involved in the ongoing DCUSA working Group, noted this suggestion but considered it would not be a P246 Alternative. The Group's understanding was that the use of the D0275 would be for the output of a central agent acting on behalf of distributors to facilitate portfolio billing, and considered that if such an agent received data in the form of D0030-like files, as proposed by P246 Proposed, it would still be able to output the data in a different format, e.g. as D0275-type files. The Group therefore agreed that this suggested P246 Alternative was out of scope of P246 as it relates to the means of implementing portfolio billing after BSC changes have been made via P246.

Approach to Funding P246

11 of the 12 respondents agreed with the Group's proposed approach to funding P246 (i.e. implementation costs split evenly between all LDSOs and operational costs distributed among Parties in the normal manner).

The respondent that disagreed with the proposed approach believed that all costs should be funded by Distributors. Though some costs may be small (i.e. operational) the respondent believed that DUoS costs should be fully cost reflective, and that the funding approach proposed for P246 would spread across all customers the costs incurred by customers connected to an IDNO, therefore subsidising customers connected to an IDNO. The respondent believed that Distributors paying all costs associated with P246 and then recovering these costs through DUoS charging would make it transparent where costs lie.

The Group noted this response, but noted also that the impact assessment provided by the SVAA service provider states that there will be no charge associated with the operational effort required to proceed with the P246 solution. ELEXON clarified that the SVAA would therefore handle the despatch of data, meaning there would be no ELEXON operational cost and hence no operational cost overall for P246. The Group agreed that, since there was no operational cost, the concern of the disagreeing respondent was completely obviated, and no further consideration or action was needed.

The Group discussed comments made by two other respondents with regard to the proposed funding approach. One respondent believed that the funding approach would create a precedent for future Modifications and establishing a principle that costs arising from Modifications should be borne by those Parties that benefit, which would appear to be a departure from the cost principles applied to previous Modifications. The Group noted this comment, but considered that the funding approach would not establish a precedent because each Modification Proposal, or other BSC change, is considered individually and on its own merits and an approach used for one would not necessarily be applied to others.

Another respondent supported the proposed funding approach but commented that this support hinged on the operational costs remaining of the order of magnitude identified to the Group previously, and that recovery of any escalating P246 costs would need to be considered separately. The Group considered that there was now no ongoing cost associated with the P246 solution, therefore there could be no escalation in operational costs but noted that the SVAA impact assessment had identified that there could be further costs associated with the P246 functionality in future as a result of changes to the core SVAA systems i.e. to keep the P246 functionality aligned with the SVAA systems or to incorporate it within the core SVAA function. However, the Group was comfortable that changes would be subject to the scrutiny of the BSC change process, and amendments to SVAA would in any case be subject to the oversight of the SVG which would be mindful of the fact that the P246 functionality was funded by Distributors for the facilitation of the CDCM.

P246 Implementation Approach

All respondents supported the proposed P246 implementation approach. The Group noted a respondent's comment that the implementation timescales for Distributors' activities are tight and the sooner that sample files are available, the sooner Distributors can assess the impact of developing, testing and implementing manual billing solutions in readiness for receipt of the first 'live' data. This respondent noted that it would be helpful to know when the first set of monthly data is likely to be received i.e. for the April SF billing period (inclusive of SVAA processing time), estimating late May. ELEXON confirmed that their discussions with the SVAA service provider lead them to understand the first data would be available by mid to late May.

The Group considered whether there was benefit in providing back-up decision and implementation dates for the P246 Proposed Solution, to mitigate any risk of the Authority not being able to make a decision on P246 by the 28 January cut-off date required for implementation on 31 March 2010. However, the Authority had indicated it would be able to meet the 28 January decision date, and the Group believed that the introduction of the CDCM on 1 April provided drivers that ensured the chance of the decision date being missed were not significant. The Group therefore agreed that the implementation approach consulted upon was suitable for recommendation to the Panel and the Authority.

P246 Proposed compared with the baseline

11 of the 12 respondents agreed that the P246 Proposed solution would better facilitate the Applicable BSC Objectives compared with the existing Code baseline, stating reasons that aligned with the views of the Group put forward in the P246 Draft Urgent Modification Report for consultation. One respondent felt the Objectives were better facilitated by P246 Proposed but felt that this was due only to the promotion of consistency between the Code and the DCUSA.

The respondent that believed the Objectives would not be better facilitated felt that the effect of P246 Proposed would be neutral.

Potential P246 alternative compared with the baseline

Respondent's views relating to the potential alternative compared with the baseline were the same as those for P246 Proposed compared with the baseline.

11 of the 12 respondents agreed that the P246 alternative solution would better facilitate the Applicable BSC Objectives, for reasons that aligned with the views of the Group in the P246 Draft Urgent Modification Report consulted upon. One respondent felt the Objectives were better facilitated by the alternative solution, but only due to the promotion of consistency between the Code and the DCUSA.

The respondent that believed the Objectives would not be better facilitated felt that the effect of the P246 alternative solution would be neutral.

Potential P246 alternative solution compared with P246 Proposed

Ten respondents believed that the P246 Proposed solution would better facilitate the Applicable BSC Objectives compared with the P246 alternative solution, with only two respondents believing that the potential alternative solution was superior.

The views of the respondents that supported the P246 Proposed solution over the potential alternative reflected the arguments put forward by the Group in the P246 Draft Urgent Modification Report, as in Section 7 above.

The respondents who believed the alternative solution would better facilitate the Applicable BSC Objectives compared with P246 Proposed both believed that Objective (d) would be better facilitated. One believed that this was because the DCUSA does not mention the SVAA, so the alternative would lead to better alignment between the Code and the DCUSA, while the other believed the alternative would have less impact on the Code than P246 Proposed and therefore the balancing and settlement arrangements under the alternative solution would be more efficient than under P246 Proposed.

Further Comments

Several respondents made further comments, which variously:

- Reiterated support for the P246 solution over the alternative solution or concerns over the legal text;
- Questioned whether portfolio billing is the best way of charging between Distributors; or
- Noted the importance of ensuring that IDNOs finalise MPAN migration to allow to identification of the type of end user connected to their network and the voltage level at which the IDNO is connected to the upstream DNO, which is under discussion at the interim IDNO/DNO working group and must be finalised by 1 April 2010.

The Group considered that these comments all either covered issues already documented elsewhere in the consultation responses (and therefore considered by the Group) or were outside the scope of P246.

Group discussion of SVAA impacts

Costs

As noted above in the Group's discussion of respondents' views on the P246 funding approach, there will be no charge for the operational effort of conducting the P246 functionality.

The Group noted that the cost of implementing the necessary change to SVAA functionality had increased from the estimate of under £20,000 previously identified and was now assessed to be £20,750. This was, in part, due to the effect of including additional testing and development work above that envisaged originally that would allow the solution to be implemented such that it will not be necessary to levy operational charges. The Group noted that while this was an increase on the estimate they had been given previously, it was of the same order of magnitude as the original estimate. The removal of operational costs was also a mitigating factor. The Group therefore accepted the estimated SVAA implementation costs.

Solution Features

The Group noted that the P246 solution specifies files in the D0030 format, but the SVAA impact assessment indicates files will be identical to the standard D0030 files except that they will not contain the second section. It is understood that this is because there is no benefit in duplicating domain data given that Distributors already have this data. The group considered this and agreed that this would not be a problem for them in terms of their systems and required data processing.

The Group noted that a new script will be run every working day after the relevant SVAA runs have completed to extract the data required under the P246 solution. This script will read the D0030 files which have been produced from the completed runs that day and write out new D0030-like files. The Group was required to decide whether the script should then:

- Check Whether the end of the calendar month has been reached (Option 1) – this would facilitate sending files to Distributors on the same day each month; **OR**
- For each Settlement Code, check whether the complete set of runs for a month are complete (Option 2) – this would facilitate sending files to Distributors as soon as a complete month of Settlement Days is available.

Option 2 matched the approach set out in the Group's specification issued for impact assessment, and the Group agreed that Option 2 should be used in the solution as the data received would be easier for Distributors to manage.

P246 updated legal text

As detailed above, the Group agreed the legal text should clearly reflect that if a customer is connected to the Transmission System via a 'chain' of nested embedded networks then data relating to the customer should be provided to any LDSO associated with networks between the customer and the Transmission System. The legal text was therefore updated to achieve this, and to reflect some further principles agreed by the Group, as set out below.

All LDSOs involved in a chain of nested networks need to receive customer data (directly or via a central agent) because for Portfolio Billing they all need to receive the data for a customer (i.e. meter readings) whether from SVAA, from a central agent appointed by Distributors or from the operator of the network they are upstream of. To enable this, the legal text introduces the concept of networks being upstream from other networks and limits the provision of data to the operators of networks upstream of customers.

The Group agreed the following principles for receipt of data by LDSOs:

1. An LDSO responsible for a distribution network which is upstream of an embedded network that typically exports electricity would still receive data relating to customers on the exporting network (i.e. the same rules apply regardless of whether the embedded network imports from or exports to the upstream network).
2. Where a network is embedded in multiple networks, data relating to customers on that network would be provided to the LDSOs responsible for any networks considered upstream of the embedded network.
3. For the purposes of P246 data relating to networks connected directly to the Transmission System should not be sent to any other LDSO, i.e. a network connected to the Transmission System will not be considered embedded if it is connected to another Distribution network, even if the other network is also connected directly to the Transmission System.

The Group agreed that all these principles were reflected by the P246 legal text.

Group's final views against the Applicable BSC Objectives

The Group confirmed the views against the Applicable BSC Objectives set out in Section 7 above. In addition, a Group member expressed a view that both P246 Proposed and the potential P246 alternative solution would have a neutral impact in terms of facilitating the Applicable BSC Objectives. This member believed that the material effect of P246 would be outside the BSC, and that in terms of the Objectives neither the Proposed nor potential alternative would have any significant positive or negative impact.

Group view: P246 Proposed

The majority of the Group agreed that P246 Proposed better facilitates the Applicable BSC Objectives compared with the existing Code baseline for the reasons set out in Section 7 above.

The Group noted that the benefit against Objective (a), linked to paragraph 2(b) of Condition C3 of the Transmission Licence, related to both part (i) and part (ii) of paragraph 2(b). This is because Distribution activities are part of the process of offtaking quantities of electricity from, and delivering them to, the total system (i.e. part (i)) and Distributors are BSC Parties (i.e. part (ii)).

A small minority of the Group believed that P246 Proposed would have a neutral effect on the Applicable BSC Objectives compared with the existing Code baseline for the reasons set out above.

Group view: potential P246 alternative

The majority of the Group agreed that alternative solution better facilitates the Applicable BSC Objectives compared with the existing Code baseline for the reasons set out in Section 7 above.

The Group noted that the same clarification against the Objective (a) benefit described under their view of P246 Proposed, above, applies to the alternative.

A small minority of the Group believed that the potential alternative would have a neutral effect on the Applicable BSC Objectives compared with the existing Code baseline for the reasons set out above.

Group view: P246 Proposed vs. potential P246 alternative

The Group agreed by majority that the potential P246 alternative does not better facilitate the Applicable BSC Objectives compared with P246 Proposed.

The majority of the Group believed that P246 Proposed would better facilitate the Applicable BSC Objectives compared with the alternative because:

- The Proposed better provides for financial settlement between BSC Parties (i.e. LDSOs) and therefore better facilitates Objective (a); and
- The Proposed involves provision of data from a central point so data provision which will be more transparent and accurate, which better facilitates Objective (c).

A small minority of the Group believed that the potential P246 alternative would better facilitate the Applicable BSC Objectives compared with P246 Proposed because:

- The alternative solution has less impact on the Code and is therefore more efficient in relation to the balancing and settlement arrangements, and therefore better facilitates Objective (d).



Applicable BSC Objective

The benefits and drawbacks of BSC Modifications must be considered against the Applicable BSC Objectives, which are contained in the Transmission Licence.

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A small minority of the Group believed that there was no difference between the facilitation of the Applicable BSC Objectives under P246 Proposed and the alternative solution because they both have a neutral effect on the Applicable BSC Objectives compared with the existing Code baseline.

These views mean the alternative solution is **not** available for approval by the Authority as part of P246. The Group's approach to address this is set out in this section, below.

Non-BSC considerations

The Group noted that notwithstanding the impacts they had identified against the Applicable BSC Objectives, P246 would have an effect outside the Code that the Group could not take into account in their formal assessment of P246 against the Objectives.

The non-BSC factors identified by the Group are detailed in Section 7. In particular, the Group believes that the Authority should take account of the fact that the Group believes that the central cost of the P246 solution would be significantly less than the total cost incurred if individual Distributors were to individually implement their own processes to facilitate portfolio billing (and such costs would ultimately be recouped via DUoS charges).

Full analysis of these costs was not carried out, but one Distributor identified in their consultation response that they had received an indicative estimate of £3,500 - £5,000 to modify their systems to process D0030 flows into a report that can be provided to Distributors.

The Group suggests that the Authority take advantage of their wider regulatory remit to consider the non-BSC factors identified by the Group when making a decision on P246.

Approach to the P246 alternative solution

Since the Group agreed by majority that the potential P246 alternative solution would not better facilitate the Applicable BSC Objectives compared with the P246 solution, the alternative will not be presented to the Panel for decision as part of Modification P246, in accordance with the BSC change procedure.

However, the Group felt that the potential alternative should be presented to the Authority in detail so it can consider all available information when making a decision on P246. The Group also believed that it was of such importance that a Code change is in place to facilitate the CDCM when it is introduced on 1 April that an approach had to be found that would allow the Authority to be in a position to promptly consider the alternative solution if P246 was not approved. The Authority was supportive of the Group's endeavours to provide it with the most information and widest options possible.

The potential P246 alternative solution developed and considered by the Group is therefore detailed in full in this report. Though the Authority cannot approve the alternative solution on the basis of this report, this allows the Proposed and alternative solutions to be considered by the Panel and Authority at the same time.

In the event that P246 Proposed is not approved the P246 alternative solution could be raised by a Party as a new Modification Proposal and, subject to it being granted Urgent status, could be presented to the Authority for decision practically immediately (all views would have been documented during P246 and no Group meeting would be required).

Draft Urgent Modification Report and consultation responses

The Panel noted the P246 solution and the discussions of the P246 Group as documented in the Urgent Modification Report. The Panel also noted the potential P246 alternative solution which the Group had developed and consulted on, that the alternative is detailed fully in this report and that the Group agreed an approach for taking the alternative forward if necessary.

The Panel noted that the majority of consultation respondents supported the Group's view that P246 is better than the baseline and should be approved and implemented. The Panel also noted that respondents unanimously supported the Group's proposed implementation approach and legal text for amendment of the Code, though some respondents had concerns about the legal text. Partly due to the respondents' comments, the Group had amended the legal text so more of the detail of the P246 solution would be reflected in the Code itself (i.e. the P246 solution did not change from that consulted on).

The Panel considered the Group's agreed approach to funding P246, with provision being made that Distributors would pay the P246 implementation costs. A Panel Member noted the Group's initial agreement that P246 operational costs would be funded in the normal manner for BSC costs; this may have been a concern (as suggested by some consultation respondents and Group members) but the Member agreed with the Group that since it transpired that the operational costs for the P246 arrangements were zero it is not an issue.

With regard to the funding approach for P246, the Panel noted that the Group had stated clearly that this did not set a precedent for the approach to funding future Modifications. The Panel agreed with this and reiterated that their view is that each Modification is considered separately and on its own merits, and the P246 funding approach does not set any precedent for future Modifications.

The Panel considered that in general it was a challenging to assess P246 in terms of the Applicable BSC Objectives since its ultimate aim is to resolve Distribution issues, though Parties are impacted. Striking a balance between remaining within the scope of the BSC and providing sufficient information for the Panel to make a recommendation (and the Authority to make a decision) on P246 approval was therefore a delicate task; the Panel believed that overall the Group had accomplished this effectively.

The Panel unanimously supported the Group's proposed P246 implementation approach and the legal text for amending the Code.

Assessment against the Applicable BSC Objectives

The Panel discussed the impact of P246 on the Applicable BSC Objectives. A Panel Member observed that they believed the link to Objective (a) identified by the group was unusual, given that in the Modification process Objective (a) is normally applied in relation to impacts on the Transmission System.

The Member also commented that they believed that was a clear link to Objective (c) because the Code requires the provision of Settlement data to some Distributors for billing but prohibits the provision of data to other Distributors for billing (albeit different types of billing, i.e. 'conventional' billing and portfolio billing, respectively). They believed that it could be argued that this situation is discriminatory and therefore amounts to a defect in the Code, and addressing this defect would better facilitate Objective (c).

The Panel unanimously supported the Group's recommendation to approve P246. Overall the Panel agreed with the Group's views of the benefits of P246 against the Applicable BSC

Objectives, i.e. that P246 would better facilitate Objectives (a), (c) and (d). However, not all Members believed there were benefits against all three Objectives.

A strong majority of the Panel believed P246 would better facilitate (a), and a significant majority believed it would better facilitate (d). A significant majority also believed P246 would better facilitate (c), though most of the Members who believed this also felt that the link to (c) was relatively tenuous. The Panel did not identify any disadvantages of P246 against the Applicable BSC Objectives.

Objective (a)

The majority of the Panel believed P246 had a clear link to Objective (a), and would better facilitate that Objective. Most of the Panel thought that the Objective (a) benefits were the strongest of the identified P246 benefits (i.e. of (a), (c) and (d)). One Member did not believe that P246 could be linked to Objective (a).

Objective (c)

Of the majority of the Panel that agreed that P246 would better facilitate Objective (c), most believed that this Objective was the most tenuously linked to P246.

One Member stated that the arrangements enabled by P246 would be less complex than those that would be required under the current baseline, and that P246 would therefore reduce barriers to market participation. Another Member felt that P246 would promote use of better quality information than would otherwise be the case, and that over time this might be expected to have a positive effect on competition. Another Member, though agreeing a benefit against (c), felt that a fine distinction should be made in that they believed that P246 would enable competition, rather than promoting competition in itself.

One Panel Member believed P246 had a strong and clear benefit against Objective (c). This Member believed that if Distributor's did not have the requisite information for billing it would be impossible for them to charge effectively, and that this would be detrimental to competition. They believed that enabling Distributors to receive and use the data they need for billing must therefore promote competition, and also believed that P246 would remove discrimination in the Code around the provision of data in relation to different types of Distributors.

Objective (d)

The majority of the Panel believed P246 would better facilitate Objective (d). Panel Members commented variously that P246 would remove inconsistencies between the Code and the DCUSA; that the Panel has a duty to facilitate the coordination between different industry codes; and that it was self-evident that P246 would align the Code with the DCUSA.

11 Recommendations

Having considered the P246 draft Urgent Modification Report, the BSC Panel recommends:

- That Proposed Modification P246 should be made;
- An Implementation Date for Proposed Modification P246 of 31 March 2010 if an Authority decision is received on or before 28 January 2010; and
- The proposed text for modifying the Code, as set out in the Modification Report.

Attachments

Attachment **A**: P246 Legal Text

Useful links

A complete version of the P246 Draft Urgent Report consultation responses, and all other related documents, are available on the [P246 page](#) of the ELEXON website.

CP1280 'SVAA to provide LDSOs with aggregated consumption data for embedded Distribution Systems', considered and rejected by the SVG, can also be found on ELEXON's website [here](#).

Glossary

Glossary Table		
Term	Acronym	Definition
Common Distribution Charging Methodology	CDCM	The CDCM has been approved by the Authority for introduction on 1 April 2010. It will be used by regional distribution network operators to set use of system charges in a coordinated manner.
Portfolio billing	n/a	The use of Under the CDCM, portfolio tariff is a 'tariff for use of the network by another licensed distribution network operator where charges are based on flows out of/into the other licensed distribution network from its end users or further nested networks.'
Licensed Distribution System Operator	LDSO	A Party licensed to operate a Distribution network. Also known as Distribution Network Operators (DNOs) outside of the Code.
Supplier Volume Allocation Agent	SVAA	The BSC Agent that manages Supplier Volume Allocation, Daily Profile Production and the Market Domain Data service, ultimately calculating Half Hourly consumption attributable to each Supplier in a GSP Group in respect of registered Metering Systems.
Embedded LDSO	n/a	An LDSO that operates a Distribution network that is embedded within another Distribution network.
Host LDSO	n/a	For the purposes of this document, a host LDSO is an LDSO that operates a Distribution network that contains an embedded network. A host LDSO is considered in this document as 'upstream' of the embedded LDSO.
Distribution Connection and Use of System Agreement	DCUSA	A contract between LDSOs, Suppliers and Generators; concerns use of the electricity distribution systems to transport electricity. All LDSOs and Suppliers must be parties to the DCUSA.
Distribution Use of System	DUoS	DUoS charges are levied for use of and connection to Distribution networks.

Timetable

Urgent P246 timetable	
Activity	Date
Liaise with DCUSA Working Group and IDNO group	Week 7-11 December 2009
First Modification Group meeting	14 December 2009 ¹
P246 consultation	18 December 2009 - 5 January 2010
Second Modification Group meeting (if required)	8 January 2010
Issue Urgent Modification Report to Group for review	11 January 2010
Deadline for Modification Group comments	12 January 2010
Issue Urgent Modification Report to Panel	12 January 2010
Panel considers Urgent Modification Report at January meeting	14 January 2010
Issue Modification Report to Authority for decision	15 January 2010

P246 Modification Group

Modification Group membership			
Member	Organisation	14/12/09	08/01/10 (teleconference)
Adam Lattimore	ELEXON (Chairman)	✓	✓
Dean Riddell	ELEXON (Lead Analyst)	✓	✓
Michael Harding	The Electricity Network Company (Proposer)	✓	X
Howard Gregory	npower	✓	✓
John Daniel	Central Networks	✓	✓
Peter Waymont	EDF Energy	✓	✓
Donna Townsend	ESP Electricity	✓	✓
Dominique Tilquin	SSE Power Distribution	✓	✓
Glenn Sheern	E.ON UK	X	✓
Attendee	Organisation	14/12/09	08/01/10
David Ahmad	ELEXON (Lawyer)	✓	✓
John Lucas	ELEXON (Design Authority)	✓	✓
Mark Askew	Ofgem	✓	✓
James Nixon	BSC Panel	✓	X

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¹ Differs from date in urgent timetable approved by the Authority

Terms of Reference

ELEXON has identified the following areas as key issues for consideration during P246 progression. Due to the progression of P246 as Urgent the Panel did not formally consider these areas, but specified that some particular areas should be included.

1. Provision of settlement data

- What data should be provided and to whom? New central agent (procured under DCUSA governance) and/or Host LDSOs.
- Who should provide the data? Options include:
 - Existing settlement agents, i.e. SVAA in the NHH market, HHDCs in the SVA HH market, CDCA in the CRA HH market;
 - Other settlement agents, e.g. if HH data is required only for customers who on embedded networks the HHDA may be better placed than the HHDC to provide data for the HH market; and
 - The embedded LDSO i.e. they pass on to the Host LDSO the data they receive from settlement (with no action needed by settlement).
- What data processing is required?

2. Ongoing work by LDSOs

- The CDCM and interaction with portfolio billing solutions being developed by LDSO groups.
- Compliance with temporary/enduring billing solutions.

3. Funding arrangements

The intention is that costs incurred in developing/operating the new arrangements would be funded by LDSOs rather than all Parties; how will this be achieved?

4. Implementation impact

5. Existing Code provisions

Consider the existing relevant Code provisions to determine there is no intended purpose to the restraint placed on the provision and use of settlement data by LDSOs.

6. Related previous work

Consider previous work in this area, including Change Proposals and Modification Proposals. Review the issues raised and the conclusions reached and consider whether there is any relevance to P246.

7. Legal text for modification of the Code