Modification Proposal	MP No: 196

Title of Modification Proposal

Treatment of Long Term Vacant Sites in Settlements

Submission Date

25th November 2005

Description of Proposed Modification

This modification is proposing a solution to allow for the equitable treatment of long term vacant sites within settlements. This modification has been raised following significant work undertaken as part of Issue 14. The Issue 14 Group reviewed the current treatment of long term vacant sites within the BSC and their impact on Settlements and associated areas. The Group concluded (see attached Issue 14 report) that this issue is materially significant and the majority believed that a modification to the BSC should be raised to resolve the problems associated with such sites. This modification therefore includes some of the key outputs from that group as support.

It should be noted that the Issue 14 report uses the term 'unoccupied' to describe sites that are long term vacant. This modification proposal will instead use the term 'long term vacant' as it more accurately reflects what we believe the **key** characteristic of such sites is, namely, a *site where no one is resident or sites where residency is not intended and are therefore empty.* The term 'unoccupied' as used in the Issue 14 report does not necessarily portray this key aspect, as this term could also refer to sites where there are residents that could well have been out when the Non Half Hourly Data Collector (NHHDC) had visited the property to read the meter. Although for this modification both terms are interchangeable, our preference is for the term 'long term vacant'.

The Issue 14 Group agreed that any solution would contain the following three aspects:

- identification of site as long term vacant (definition of long term vacant sites);
- application of suitable (zero) consumption to it; and
- subsequent reoccupation and correction of consumption values in Settlements.

The Group were keen that the solution would be judged against the following criteria:

- as few system changes as possible (aggregation processing, instruction processing);
- compatibility with other Settlements processes (change of Supplier deeming, Final Reconciliation Run (RF) deeming); and
- auditability so there is no misuse of the process.

This modification is proposing Solution 4 from the Issue 14 Report as the most appropriate option to resolve the issues described below.

Description of Proposed Modification (continued)

The proposed solution is to set the Estimated Annual Consumption (EAC) of long term vacant sites to zero.

This solution would not require any amendments to aggregation processing. The process would be auditable since the Supplier would notify the NHHDC of the site's long term vacant status and there would be rules relating to the sites and their treatment. This would fit with deeming rules e.g. RF deeming could still take place (deeming ensures that crystallised data is not changed post-RF). When a meter has been read and the RF Run for the date of the previous meter register reading has taken place, a meter reading is deemed for the earliest practical Settlement Day for which the RF has not yet taken place over the Deemed Meter Advance Period.

In order for this modification to succeed there are six key elements identified by the Group that need to be assessed. These are:

Criteria to determine a site as vacant

The Issue 14 Group agreed the following criteria should be used to identify a site as long term vacant:

- receipt by the Supplier of two D0004 "Notification of Failure to Obtain Reading" flows at least [3] months apart, with Check Code 02 'Site Not Occupied' in the Site Visit Check Code (J0024) or the creation of a new Check Code if 02 is not appropriate; and
- a site where there have been attempts to determine if it is long term vacant or not (how this is judged and by whom was considered under Issue 14 and is included in the Issue 14 report. The Modification Group will need to confirm that this criteria is correct); and
- a site that is energised according to the Supplier Meter Registration Service (SMRS).

The precise definition of the visit interval needs to take account the different read cycles used by Suppliers e.g. 3 months, 6 months, etc. There will also need to be clear and robust guidance on the NHHDC's use of the appropriate Check Codes. If a new Check Code is required then this will have to be assessed and agreed.

Description of Proposed Modification (continued)

How a Data Collector would know the site is long term vacant

The Issue 14 Group discussed the need to firm up the use of codes on the D0004. Currently there are no fixed rules by which a NHHDC assigns Site Visit Check Codes. The Group judged it essential to set such rules in order that these codes would be used by different NHHDCs in the same manner. Without this there would be little certainty that sites were correctly being assigned long term vacant status.

The process to follow once a site has been classed as long term vacant

The Supplier would have to contact the NHHDC to notify them of a long term vacant site start date. The start of the site being long term vacant could be either the date of the first or second D0004 with Code 02 or a Change of Tenancy (CoT) agreement date. The latter is where there is a CoT reading, and also an absence of a new occupier's details. The Group recommended that the start date for the vacancy should be the date of the initial D0004 or the CoT agreement date (however as stated above two D0004s with Code 02 will have had to have been received before the site could be classed as long term vacant).

The NHHDC would then deem a reading on the start date using the previous reading and corresponding EAC (D1). The NHHDC would then apply a zero EAC to the site from this date.

How the Data Collector would know the site is re-occupied (no longer long term vacant)
The Group considered several triggers that would identify re-occupation and therefore an end to long term vacant site status (see attached Issue 14 report). There may also be a new obligation to check long term vacant sites every 3 or 6 months.

What to do once the site is re-occupied

Upon re-occupation, the NHHDC would either

- have an actual reading D2 which would generate an Annualised Advance (AA) and initial EAC in the usual manner; or
- calculate a reading D2 where D2 = D1. The forward EAC would be the initial [class average] EAC.

The process must be auditable to prevent potential abuse of the solution

This will be critical to ensure suppliers and their agents are following the correct procedures and that any solutions are not misused, either deliberately or by accident.

All these key elements will be progressed further during this modification, to ensure a robust set of agreed processes and procedures to the solutions, are developed.

Description of Issue or Defect that Modification Proposal Seeks to Address

If a site is empty, but the metering system has not been de-energised, the volume of energy allocated to the Supplier in respect of the metering system will be calculated using the latest Estimate of Annual Consumption (EAC) (whether it is an EAC derived from previous consumption history and calculated in accordance with the algorithm contained in the BSC, an initial (Class Average) EAC or a Default EAC). The resulting EAC that enters Settlements is unlikely to be zero. When the NHHDC gains access to the site and records a meter reading, an Annualised Advance (AA) can be calculated which should reflect the true consumption on site. However, in many cases NHHDCs are unable to gain access to long term vacant sites. This will result in the energy volumes attributable to the Supplier for the metering system concerned being overstated.

The current treatment of long term vacant sites as described above has a number of significant consequences for settlements and DUOS charging:

Overstatement of Energy

When a site is vacated without de-energisation, Settlements will continue to be based on a (usually non-zero) EAC, as it has been since the last meter reading. The forward EAC will only reduce to zero once a zero Meter Advance has been processed. Depending on the length of the Meter Advance Period, more than one zero Meter Advance may be required in order to generate a zero EAC. The implication is that, if a site is genuinely long term vacant, the EAC will only reflect this once a reading(s) has been obtained during the period of vacancy. Obtaining a reading once the site is long term vacant is not easy. The energy volumes attributed to a Supplier for a long term vacant site will thus be too high. All Suppliers of NHH sites will have their own demand reduced accordingly via GSP Group Correction. Thus the error in the volume attributed to a supplier in a GSP Group will be determined by the relationship between the Supplier's NHH market share in the GSP Group and the proportion of energised long term vacant premises (with meters unread at Final Reconciliation) that it supplies.

This is reinforced by the current levels of Annual Demand ratios. ELEXON have given some consideration to the impact of energised, long term vacant sites as part of its analysis of Annual Demand Ratios (ADR). An ADR is calculated as the ratio of corrected to uncorrected annualised NHH consumption totals over a year for a given GSP Group. It provides an impression of underlying trends in the GSP Group Correction Factor. Currently, ADR values are below unity in ten GSP Groups and just above unity in the remaining two. ADR values have not been calculated for Scotland yet. Thus in a significant majority of GSP Groups, there appears to be an overstatement of the energy metered (or estimated) at metering system level (given the unlikelihood of a significant and widespread understatement of GSP Group Takes). Allowing for varying levels of energised long-term vacant sites in each GSP Group, it seems reasonable to assume that long term vacant sites being settled on non-zero EACs are contributing to this general over-accounting of energy. The difficulty arises in estimating the extent to which long term vacant sites are contributing to the overstatement of energy evident in the ADR values.

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The Issue 14 Group was tasked to understand this materiality and their report indicated that about 1% of sites can be classified as long term vacant. Some Suppliers indicated that this was a conservative figure.

The Issue 14 Group unanimously agreed that this was a significant issue that needed to be addressed. The Group's findings were further reinforced by studies carried out by the Halifax Bank and the Government which indicated that there were a substantial number of long term vacant sites in Great Britain. Their figures were actually larger than those given by Suppliers. This confirms that the Group's analysis is based on very conservative figures. The analysis by the Halifax and the Government is included in the attached Issue 14 report.

The number of long term vacant sites can then be translated into what this means in terms of the cost impact on Suppliers. The Group arrived at some significant indications for this and these are detailed in the attached report. Again the cost figures are on the conservative side.

Allocation of Energy Between Suppliers

Since customer transfers are unlikely to take place once a premise becomes long-term vacant, Suppliers entering the market since 1998 are likely to derive a net benefit from any over-statement of energy at the expense of the former PES companies. As further sites fall long term vacant, this distinction is likely to reduce. One of the key principles of Settlements has always been equitability and the recent conclusions of the BSC Review confirm this. The consequence of the current treatment of long term vacant premises in Settlements is that the allocation of energy between certain Suppliers is inequitable.

Impact on a Supplier's Performance

The amount of energy settled on a non-zero EAC where the site is known to be long term vacant causes an overstatement of estimated energy attributable to a Supplier. It also impacts on the number of meters that a Supplier can obtain an actual read on. Where a site is known to be long term vacant a Supplier currently has no choice but to enter a non-zero EAC which impacts their achievement of the NHH performance target (SP08a).

Incorrect Distribution Use of System (DUoS) Charges

Suppliers have to pay DUoS charges to DNOs based on either the actual metered consumption or the estimated meter reading. The former outcome is fair and equitable as payment of these charges is based on consumption and the DNOs receive payment for the amount of volume going through their wires. The latter outcome is patently unjust where a Supplier has no choice but to pay DUoS charges on long term vacant sites based on estimated reads which will not be zero, as it would be in reality. DUoS charges are calculated on the uncorrected volume and therefore DNOs are receiving revenue based on no actual volume or customer consumption.

Impact on Code

Section S
Annex S-2

Impact on Core Industry Documents or System Operator-Transmission Owner Code

There may be a requirement to change the Data Transfer Catalogue (DTC) which is maintained under the Master Registration Agreement (MRA) to ensure that when a site is visited, the correct codes are used to flag that a site appears to be long term vacant as opposed to there being no-one at home.

Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties

Impact on suppliers' and agents' processes

Impact on other Configurable Items

There may be impact on a number of documents including:

BSCP 504
PSL 120
SVA Catalogue
SA SMRS

Justification for Proposed Modification with Reference to Applicable BSC Objectives

We believe this modification better facilitates the Applicable BSC Objectives (c) and (d):

(c) promoting the effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

- a solution would result in a more equitable treatment of suppliers, as currently those suppliers with few or no long term vacant sites benefit from the over-statement of energy and the inequitable allocation of energy between them, with all those associated costs
- a correct allocation of DUOS charges would bring more equitability between suppliers, and between suppliers and DNOs, thereby bringing more equitability between suppliers

(d) promoting efficiency in the implementation and administration of the balancing and settlements arrangement

- currently suppliers can only correct the over-statement of energy in Settlements for long term vacant sites by obtaining an actual meter reading. The high cost and additional administrative effort to obtain such reads represents significant process inefficiency. The likely requirement for a significant volume of warrants of entry is unlikely to be viewed by magistrates as an effective use of their time. The proposed solution would eliminate these requirements.

- a solution would result in a more equitable treatment of suppliers in settlements, as currently those suppliers with few or no vacant sites benefit from the over-statement of energy and the inequitable allocation of energy between them
- there would be better consumption data entering settlements thereby improving the accuracy of settlements
- the problems associated with Aged EACS would be helped by tackling long term vacant sites which tend to have these EACs

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Attachments: Yes

If Yes, Title and No. of Pages of Each Attachment:

Report for Issue 14 – 'Long Term Vacant Sites and Shut Down Meters' (23 pages)