Change Proposal – BSCP40/02	CP No: 1310 *Version No: v1.0* *(mandatory by BSCCo)*

Title *(mandatory by originator)*

Clarifications to Gross Volume Correction Process

Description of Problem/Issue *(mandatory by originator)*

We have raised this CP from DCP0041.

What is Gross Volume Correction?

Gross Volume Correction (GVC) is a technique used to correct errors relating to Meter Advance Periods during which some Settlement Dates have already been subject to a last Reconciliation Run (whether a Final Reconciliation or Post Final Settlement Run) – i.e. where part of the error has 'crystallised' in Settlement.

GVC applies the principle that the total gross volume of energy for a given Metering System should be correct. Where energy has been misallocated to a range of Settlement Dates within a Meter Advance Period which have passed through the last Reconciliation Run, GVC can be applied to reallocate the lost or gained energy volume to a range of Settlement Dates which have not yet been subject to a last Reconciliation Run – termed the 'fluid' period.

This process ensures that the total gross volume of energy is correct, although allocated to the wrong Settlement Dates/Settlement Periods.

Why was GVC introduced and how has its use evolved over time?

GVC was introduced in March 2000 as a technique to address errors due to erroneous large Estimated Annual Consumption (EAC) and Annualised Advance (AA) values in Settlement. Its use was later described in Section 4.14 of BSCP504 'Non Half Hourly Data Collection for SVA Metering Systems Registered in SMRS'.

Today, GVC use is much broader. Under the current arrangements it can be used to address almost any Non Half Hourly (NHH) consumption error, no matter how old, and as such is a very powerful technique.

GVC was introduced at a time when electricity prices were fairly constant, and the financial impact of Settling energy in an incorrect Settlement Period was fairly low. Electricity prices have since not only become far more volatile but have also risen dramatically. As a result the impact is far greater, particularly when (for example) energy taken in Settlement Periods in excess of 5 years ago is settled at today's market prices.

What issues with GVC does this CP identify?

Under the current arrangements, GVC is an optional technique. Suppliers can legitimately use GVC selectively and apply it only where it benefits them. The evidence from our monitoring is that there is considerable variance in the degree to which GVC is used.

BSCP504 sets out the basic principles of GVC and the rules surrounding its application. However, there are a number of areas where the BSCP is not prescriptive enough and further clarity is needed.

The lack of definition surrounding GVC has led companies to adopt different approaches. An industry standard is needed to give Suppliers and Non Half Hourly Data Collectors (NHHDCs) control over data correction.

In particular, further clarity is needed in the following 6 areas:

1) The purpose of GVC and the errors for which GVC can be applied.
2) Whether a NHHDC is obliged to carry out GVC when requested by the Supplier, if the benefit in terms of correcting ongoing Settlement is not apparent.
3) The use of GVC where a requirement is identified by the NHHDC, rather than the Supplier.
4) The use of alternative methods to bring consumption histories back 'on track', which result in an under or over accounting of energy.
5) How GVC should be used around a Change of Supplier and other key business events.
6) The appropriateness of the 60 Working Day limit between Error Freezing Reading and Error Correcting Reading as described in Sections 4.14.4.3 – 4.14.4.4 of BSCP504.

Proposed Solution *(mandatory by originator)*

What are the principles behind the changes which this CP proposes?

The original principles of GVC, as agreed by the Trading Stage 2 Committee on 31 May 2000 (Ref. TS2/23/648), included that:

- Compensatory Errors should be used to ensure that overall total energy levels are correctly accounted for in preference to writing off energy;
- Settlement data that has been effective in a Final Reconciliation Run should not be modified unless specifically authorised as part of a Dispute; and
- Small amounts of energy can be left under or over accounted for if the risk or cost of corrective action is high.

This CP retains these original principles, but proposes changes to BSCP504 to clarify how the principles should be applied in practice. While GVC naturally compensates for historical over or under payments, this should not be an end in its own right. As such, the CP will limit the use of GVC to the correction of Meter Advance Periods which span the latest Final Reconciliation Run date or to the compensation of errors that are having an ongoing impact on the NHHDC's ability to validate readings for the Metering System.[1]

What specific changes to BSCP504 does this CP suggest?

This CP proposes changes to Sections 1.6, 3.4.3 and 4.14 of BSCP504, to introduce the following 6 rules around GVC:

- **Rule 1:** GVC can only be used where an error for a given Metering System affects fluid Settlement Dates, or to ensure that there is no ongoing Settlement impact (for example, where the forward EAC is significantly out of line with the expected consumption for the Metering System).

  This rule will allow the use of GVC only where necessary for validation, or where limited to a single partially-crystallised error. It will mean that GVC cannot be used to compensate for crystallised errors unless the fluid Settlement Period is impacted. Where the error is fully crystallised and the fluid period is being settled correctly), GVC cannot be applied.

- **Rule 2:** Where a Supplier has requested that the NHHDC carries out GVC, and the resulting benefit of the request in terms of correcting ongoing Settlement is not apparent, the NHHDC should refer the request back to the Supplier with supporting rationale for why it does not consider that GVC is appropriate.

[1] Meter readings (or rather the associated Meter Advances) are validated against expected consumption, which in turn is usually derived from the latest EAC (or AA). If the latest AA or EAC is out of line with new readings, it will cause these readings to fail validation. GVC brings the latest EAC 'back into line' with actual consumption, allowing the readings to be validated.

Note that Rule 2 is only relevant if you support Rule 1.

- **Rule 3:** While GVC is normally requested by Suppliers, NHHDCs can initiate GVC – although only with the approval of the relevant Supplier or Suppliers.

  Such approval can be obtained on a per-instance or delegated-authority basis, as agreed with the Supplier.

- **Rule 4:** As a last resort, where there is insufficient reading history to apply GVC, or where compensation will introduce error, alternative methods of correction (which effectively re-start the reading history and create a break in the consumption settled) can be used instead of GVC.

- **Rule 5:** In the event of a Change of Supplier, GVC can be applied in respect of partially-crystallised error during either the period of the old Supplier's Registration or the period of the new Supplier's Registration. However, GVC cannot be used to compensate in the new Supplier's Registration period for errors in the old Supplier's Registration period.

  In order to correct errors across Supplier Registrations, the Change of Supplier Reading must be withdrawn and replaced, which requires the agreement of both Suppliers. However, this does not prevent GVC from being applied in respect of an erroneous AA or EAC effective on the Supply Start Date (for example, in the event of a Meter rollover[2]).

  GVC cannot be used to compensate for error across two Meters or two Standard Settlement Configurations (SSCs).[3] In order to correct errors across different Meters or SSCs, the final/initial readings need to be withdrawn and replaced (and potentially the change of Meter/SSC needs to be backed out).

  GVC cannot be applied for a disconnected Metering System or a Metering System which has undergone a change of Measurement Class (NHH to Half Hourly), because the principle of applying GVC where there is an ongoing Settlement impact does not apply.

- **Rule 6:** The 60WD restriction will be modified to a 60WD guideline allowing shorter advance AAs if necessary. This is because the period in which compensation is carried out is driven largely by the dates of available readings in relation to the latest Final Reconciliation Run. For consistency with the guidance that GVC should be used where it is necessary to put the consumption history back 'on track', it is not desirable to limit the NHHDC's ability to do this through a hard-and-fast constraint.

We have also taken the opportunity to correct a housekeeping error in BSCP504 Section 1.1(i). CP1208 (which was implemented in the June 2008 Release) moved the timing of the annual review of Profile Classes from February to May. This change was reflected in BSCP516, but we omitted to make a minor supporting change to BSCP504. We therefore propose to correct this omission at the same time as implementing CP1310.

[2] E.g. if a 6-digit Meter reaches 999999, it will 'roll over' to 000000. If the NHHDC assumes that the Meter has rolled over when it has not, this will result in an erroneously large positive AA. If the NHHDC fails to identify that the Meter has rolled over when it has, this will result in an erroneously large negative AA.

[3] This is because the initial readings on the new Meter/SSC may not be the same as the final readings on the old Meter/SSC, so Meter Advances should not span the change of Meter /SSC. Additionally, an error on an old Meter/SSC should not affect the consumption history on the new Meter/SSC, because the change of Meter/SSC provides a 'clean break' in the consumption history (and because, in the case of a change of SSC, the new and old SSC may have a different number of Settlement registers).

Justification for Change *(mandatory by originator)*

We have investigated those changes to data which take place after the Final Reconciliation Run (RF).

You can find the full results of this analysis in papers SVG87/03 and SVG92/06. The results show that high levels of GVC are being carried out. They also show that Suppliers are carrying out varying degrees of GVC, not necessarily correlating to their ratio of EAC/AA error volume.

There is a risk that, without clarification of the GVC process, energy allocation to Suppliers will not be equitable and that financial certainty at RF will be compromised.

The reduction in energy volumes post-RF also impacts Licensed Distribution System Operators (LDSOs) in terms of calculating distribution losses and setting Distribution Use of System (DUoS) charges.

In some cases, NHHDCs are receiving requests to perform GVC which, if applied, would result in small corrections to crystallised error. Clarifications to the existing process are required to ensure that the cost of correction should not be disproportionate to the Settlement benefit.

To which section of the Code does the CP relate, and does the CP facilitate the current provisions of the Code? *(mandatory by originator)*

This CP will facilitate the provisions of Section S-2 4.3.15 – 4.3.16.

Estimated Implementation Costs *(mandatory by BSCCo)*

Our implementation costs are 2.5 man days of effort (equating to £550) to implement the necessary documentation changes.

There will be some effort savings for us if this CP is implemented alongside related CPs 1311 and 1312 (as all 3 CPs impact the same documents).

Configurable Items Affected by Proposed Solution(s) *(mandatory by originator)*

This CP will impact BSCP504 'Non Half Hourly Data Collection for SVA Metering Systems Registered in SMRS'. Our proposed redlined changes to this document are provided as Attachment A to this CP.

If the SVG approves the CP, we will also update our GVC Guidance Note in line with the amended BSCP.

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

None.

Related Changes and/or Projects *(mandatory by BSCCo)*

We have raised this CP from DCP0041, following majority industry support for the proposed changes (see responses to CPC00662).

DCP0041 arose from the discussions of the GVC Working Group, which was established by the Supplier Volume Allocation Group. Further details of the Group's discussions can be found in paper SVG99/04. We have also raised 2 other CPs for changes which were discussed by the GVC Working Group:

- CP1311 'Replacing Erroneous Forward Looking EACs' (raised from DCP0042); and
- CP1312 'Use of Gross Volume Correction in Post Final Settlement Runs' (raised from DCP0043).

Subject to the SVG's approval, we propose that all 3 CPs are progressed and implemented in parallel.

Requested Implementation Date ***(mandatory by originator)***

February 2010 Release.

Reason:

Next available release

Version History ***(mandatory by BSCCo)***

We issued Version 1.0 of this CP on 4 September 2009 for industry impact assessment.

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Attachments: Y
Attachment A – Redlined BSCP504 v0.5 (9 pages)