

Change Proposal – F40/01 (Page 1 of 3)	CP No: 700 <i>(mandatory by BSCCo)</i>
<p>Title <i>(mandatory by originator)</i></p> <p>Calculation of Negative Estimates of Annual Consumption (EAC) by the EAC/AA System</p>	
<p>Description of Change <i>(mandatory by originator)</i></p> <p>The Elexon-developed EAC/AA calculator allows a negative Estimate of Annual Consumption (EAC) to be calculated.</p> <p>A negative Annualised Advance (AA) may arise as a result of an erroneously large previous AA value or as a result of failure to detect a meter-rollover. In the former case, the erroneously large AA and negative AA will cancel out, inasmuch as the overall metered volume over the two meter advance periods will be correct, albeit that the profiled demand values will be inaccurate. In the latter case, no such compensation will take place.</p> <p>In either case, the negative AA may (depending on the magnitude of the negative AA, the meter advance period and the value of the Previous Estimated Annual Consumption (PEAC)) result in a negative EAC.</p> <p>Given the current value of the Smoothing Parameter (SPAR) of 2, any negative AA where the sum of the Daily Profile Coefficients for the associated meter advance period is 0.5 or more will lead to a negative EAC.</p> <p>A negative EAC is counter-intuitive. It can only arise from an erroneously calculated AA value and estimating future demand as negative merely compounds the original error.</p>	
<p>Proposed Solution(s) <i>(mandatory by originator)</i></p> <p>Potential alternatives to calculating a negative EAC are:-</p> <ul style="list-style-type: none"> a) to use the previous EAC value; b) to use a GSP Group Profile Class Average EAC value, as defined in Market Domain Data; c) to set the EAC to zero; d) not to calculate an EAC (i.e. set to null). <p>These options are described in more detail in the attachment.</p> <p>The recommended / preferred solution is option (b), namely to use the GSP Group Profile Class Average EAC.</p>	
<p>Justification for Change <i>(mandatory by originator)</i></p> <p>As a result of the volume of erroneously large AA and EAC values (currently subject to data cleansing), large numbers of negative EAC values have been calculated. Not all negative EAC (and associated negative AA) values have been cleansed by the Final Reconciliation (or Disputes Final) Run. This has led to inaccuracies in settlement.</p>	

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Justification for Change (continued)		
<p>For Public Distribution System Operators (PDSO) any negative EACs will initially create a material cash flow impact. Experience of the market has confirmed that on many occasions negative EAC's can still be present and "crystallised" in the Final Reconciliation Run.</p> <p>This flawed process implies a payment from a distributor to a supplier for use of the distribution network rather than a charge leading to a loss of DUoS income. Distributors do not have a direct contractual relationship with a supplier's appointed data collector to monitor ongoing performance and seek appropriate remedies.</p>		
Other Configurable Items Potentially Affected by Proposed Solution(s) (optional by BSCCo)		
Will require a change to the EAC/AA system and related documentation. May also require a change to the algorithm set out in Section S 4.3.7 of the Balancing and Settlement Code.		
Impact on Core Industry Documents (optional by originator)		
Related Changes and/or Projects (mandatory by BSCCo)		
<p>The issue of negative EAC values has been raised before as SIR R0431. The Stage 2 Forum (S2F) recommended withdrawal of the SIR following a cost-benefit analysis (16/12/98) and this decision was endorsed by Trading Stage 2 (TS2) on 06/01/99.</p> <p>It should however be noted that these decisions were taken at a time when the market was still in its infancy and actual experience of this problem was not available.</p>		
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Attachments: Y (If Yes, No. of Pages attached:.....1....)
(delete as appropriate)