

Issue 8 Report - Addendum

APPARENT INCONSISTENCY BETWEEN REQUIREMENTS FOR RECTIFYING NHH METER READING HISTORY ANOMALIES AND THE BSC

1. BACKGROUND

- 1.1 The Volume Allocation Standing Modification Group (VASMGM) met to discuss Issue 8 on 29 June 2004. They concluded that Issue 8 should be split into two distinct parts: (a) the inconsistency between the Code and Code Subsidiary Documents (CSDs); and (b) the deeming of Meter readings as part of Gross Volume Correction (GVC).
- 1.2 The VASMGM produced a report (Issue 8 Report) detailing their conclusions in respect of Issue 8(a). The VASMGM concluded that GVC was another subject for consideration in its own right as the deeming required as part of GVC is different to the deeming required in all other circumstances and there was concern over whether the current methodology was still appropriate.
- 1.3 A second VASMGM meeting was therefore held on 26 July 2004 to discuss GVC. This addendum to the Issue 8 Report details the discussions and conclusions reached by the VASMGM at that meeting in respect of Issue 8(b).

2. GVC AS AN ONGOING SOLUTION?

- 2.1 Following a request from the Group for ELEXON to provide clarity on the process required to perform GVC and the circumstances for which it was designed to be used, ELEXON gave a presentation on GVC.
- 2.2 GVC was designed as a compensatory tool that would allow for the compensation of crystallised errors in fluid Settlement Days. For example if an incorrect Meter reading enters Settlements and the error is not detected before the relevant Settlement Day has passed Final Reconciliation (RF) leading to an amount of energy not being accounted for (crystallised error), then a deemed Meter reading can be used to allow this energy to be taken into account over Settlement Days that have not yet passed RF (fluid Settlement Days).
- 2.3 This process creates an incorrect EAC which will cause further errors entering Settlements on subsequent days. Therefore GVC also includes a process for calculating a revised realistic forward looking EAC.
- 2.4 ELEXON advised that there is not a rigidly defined set of rules stating when GVC is allowable, although there are high level concepts and Pool Circular CEO00557 provides a number of detailed examples showing when to use GVC and provides a number of worked examples. It is assumed that GVC would be used by Non Half Hourly Data Collectors (NHHDCs) to correct erroneously high Estimated Annual Consumption/Annualised Advances (EAC/AAs) which are over the threshold specified by Performance Assurance Board (PAB). It was noted that the majority of

GSP Groups are currently required to perform Dispute Final (DF) Settlement Runs in order to correct erroneously high EAC/AAs and it is a requirement that Data Collectors provide confirmation that they are capable of using GVC before they are able to exit the Dispute. However it is possible that some NHHDCs are using GVC to correct data that is not above the threshold.

- 2.5 In addition TS2¹ agreed an operational workaround using GVC which was notified to Parties on 8 February 2001 via circular CEO00581 allowing initial readings to be deemed where actual readings were invalid or unobtainable. Change Proposal (CP) 909, which would have formalised this, has been withdrawn on the basis that it is inconsistent with the Balancing and Settlement Code (the Code).
- 2.6 The calculation of forward looking EACs was discussed. It was stated that the rules in this area are not strictly defined and a number of options could be used e.g. application of a default EAC, a class average EAC or a previous EAC. There was a concern that any rules which are not strictly defined could be misinterpreted by NHHDCs.
 - 2.6.1 The forward looking EAC that will be calculated when applying GVC is very unlikely to reflect the consumption through the Metering System. Currently the EAC/AA calculator is used by NHHDCs to calculate Deemed Meter Advances. It was felt that this calculator could not be used for calculating the forward looking EAC due to the complexity of the process, therefore this was a more manual process which was prone to error. It was noted that a draft CP has been put together which, if progressed, would enhance the functionality of the EAC/AA calculator by providing a manual (non-batch) interface. Amongst other things, this would make the deeming of initial reads, and application of GVC easier.
- 2.7 The use of GVC does have some limitations:
 - 2.7.1 GVC must compensate within the correct supplier registration otherwise one Supplier may be compensating for another Supplier's error.
 - 2.7.2 GVC requires a reasonable deemed reading to be calculated after all errors and compensatory readings are processed. This will mean that Change of Meter will prevent GVC from working as currently specified.
 - 2.7.3 Changes in market share between Settlement Days affected by the error and the Settlement Days affected by the compensation will mean that the impact of the GSP Group Correction Factor may not be equal. The extent of this is likely to be minimal.
 - 2.7.4 GVC should be performed over a reasonable timescale. There have been instances where Settlements has been delayed, where large errors have been compensated for in too short a period, creating extremely large AAs and having a significant effect on GSP Group Correction Factor. To counter this, ELEXON have advised that any compensatory action is spread over at least two months.
- 2.8 Three options were put forward for dealing with the issue of using GVC as a compensatory tool;
 - (a) Remove the use of GVC and no longer allow the compensation of crystallised errors in fluid

¹ TS2 was a Committee under the Pooling and Settlement Agreement that dealt with operational issues in the Supplier Volume Allocation (SVA) market.

periods (b) allow the use of GVC in certain circumstances (c) allow the use of GVC in certain circumstances and enforce the use of GVC above certain error thresholds.

- 2.9 The VASMG felt that GVC should be used going forward as a mechanism for correcting errors. The Group also discussed the possibility of mandating the use of GVC in certain circumstances, however no firm conclusion was reached.
- 2.10 It was agreed that the potential modification discussed at the first Issue 8 meeting to remove the inconsistency between the Code and Code Subsidiary Documents (CSDs) in relation to the deeming of Meter Advances should introduce the methodology for GVC into the Code and introduce the circumstances in which GVC should be used into the CSD. The Modification Group assessing this change would need to discuss whether the use of GVC should be mandatory.
- 2.11 The Group also discussed whether Suppliers had sufficient understanding of the processes that needed to be undertaken when deeming Meter Advances and enough visibility of actual use of GVC by NHHDCs. It was agreed that education should be provided to Suppliers and NHHDCs as part of the modification process. It was also suggested that the Data Transfer Catalogue (DTC) D0019 (Metering System EAC/AA Data) flow could be enhanced to report to Suppliers when NHHDCs have applied GVC.
- 2.12 Finally the VASMG were asked if the comments from the BSC Auditor and the PAB had affected their views on the grouping of circumstances where deeming is allowable. The VASMG agreed that by including an exhaustive list of circumstances where deeming was allowable within a CSD the process would have greater clarity than attempting to group these circumstances and there would be less scope for misinterpretation.

3. NEXT STEPS

- 3.1 The Issue 8 Report will be presented to the SVG and Panel for information with the recommendation from the VASMG that a Modification Proposal should be raised by a BSC Party.
- 3.2 It is envisaged that if a Modification Proposal is received then a three month Assessment Procedure will be needed.