Final CP Report

CP1420 'Allowance of mid-year LLF resubmissions due to material consumption or generation changes'

Contents

About This Document

This document is the CP1420 Final CP Report which ELEXON has published following the final decision from the Imbalance Settlement Group (ISG) and the Supplier Volume Allocation Group (SVG) to reject CP1420.

There are three parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, and proposed implementation approach. It also summarises the ISG and SVG's views on the proposed changes and the views of respondents to the CP Consultation, along with the final decision to reject this change.
- Attachment A contains the proposed redlined changes to deliver the CP1420 solution.
- Attachment B contains the full responses received to the CP Consultation.

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1 Why Change?

Background

BSC Procedure (BSCP) 128 'Production, Submission, Audit and Approval of Line Loss Factors' details a set of principles by which Licensed Distribution System Operators (LDSOs) must calculate their Line Loss Factors (LLFs). This requires an audit to take place each year, ahead of the implementation of new annual LLF values on 1 April.

The LLF methodology principles in Section 3 of BSCP128 include the following statements about changing approved LLF values after the annual LLF audit and approval process (referred to as a mid-year resubmission):

- "Changes shall only be made to approved Site Specific LLFs mid-year if there has been a **material change**[1] affecting the site; and the revised LLFs have been approved by the Panel. Annual updates will have an effective from date of 1 April. Where default LLFs have been applied due to an audit failure, these may be updated to the approved LLFs on a prospective basis as determined from time to time by the Panel".
- "All Site Specific LLFs shall be re-calculated when there has been a **relevant change**[2] to the site or network, and at least every 5 years".
- "No retrospective changes shall be made to approved Site Specific or Generic LLFs other than to correct **material manifest errors**[3]".

What is the issue?

A particular site has been highlighted that was allocated an LLF of over 1.800 for the current BSC Year. This is not reflective of the losses the site is experiencing. This issue has arisen because the consumption data used to calculate the LLF was from when the site had a massively reduced consumption, and this reduced consumption was used in the line loss calculation. The method that was used to calculate this abnormally high value was within the guidance and rules of BSCP128 but is having an adverse effect on Settlement for this specific site, and will have for others like it.

However, the current provisions in BSCP128 only allow a mid-year resubmission to be made where the change is due to a material manifest error, material change or relevant change. This scenario does not meet any of these criteria and so a revised LLF cannot be put in place through a mid-year resubmission.

[1] A Material Change (that occurs mid year) to the physical plant, apparatus, or distribution network that causes a significant change to the Technical Losses specific to the Metered Volumes measured by the Metering System as determined by the Panel.

[2] A significant change to the physical plant, apparatus, distribution network, or capacity that causes a change to the Line Loss Factors. This is used to determine whether Site Specific LLFs shall be recalculated for the annual LLF submission.

[3] An unambiguous error in the application of the approved methodology, in the calculation input data or corruption of the LLF values in the submission process in such a way that there is a material impact on Settlement or a material impact to the advantage or detriment of the customer.

2 Solution

Proposed solution

ELEXON raised this CP to explore how BSCP128 could be amended so that, in an event of material change in a site's consumption or generation resulting in an abnormal LLF being calculated, BSCP128 should allow such LLF to be reviewed mid-year using the most recent consumption or generation data. This would provide a value that would be more reflective of the site's future consumption or generation patterns.

CP1420 'Allowance of mid-year LLF resubmissions due to material consumption or generation changes' proposes to change the wording in BSCP128 around material change to allow mid-year resubmissions for LLFs that have:

- exceeded the tolerance level between 0.750 and 1.250 and changed as part of the annual audit by more than ±20% from the previously approved value; and
- been calculated based on, as determined by the BSC Panel, consumption or generation data that is not a true reflection of future consumption or generation for the site in the applicable BSC Year.

Such mid-year LLF changes would need to be approved by the Panel. The Panel would be able to delegate this responsibility to the ISG and SVG as it currently does for all other aspects of BSCP128.

Proposed redlining

The proposed redlined changes to BSCP128 to deliver CP1420 can be found in Attachment A.

3 Impacts and Costs

Central impacts and costs

CP1420 would require updates to BSCP128 to implement the proposed solution. No system changes would be required for this CP.

Central Impacts	
Document Impacts	System Impacts
• BSCP128	*None*

The central implementation costs for CP1420 would be approximately £240 (1 man day) for ELEXON to implement the relevant document changes. There are no BSC Agent costs or impacts.

BSC Party & Party Agent impacts and costs

There is no direct impact and cost to BSC Parties and Party Agents to implement CP1420. However, LDSOs may need to undertake mid-year LLF submissions under the proposed solution, which will increase operational resources and costs accordingly.

BSC Party & Party Agent Impacts	
BSC Party/Party Agent	Impact
LDSOs	CP1420 may lead to an LDSO making additional mid-year LLF submissions and would require more administration and staff resources to be delegated which associates with extra costs. LDSOs may need to change their internal processes including introducing the tolerance checks. There is a risk that a LDSO has to review all the LLFs during mid-year.
Suppliers	There will be positive impacts from improved accuracy of Settlement and the application of line losses.

4 Implementation Approach

CP1420 was initially recommended with an Implementation Date of 25 June 2015 as part of the June 2015 BSC Systems Release.

Since the ISG and the SVG have rejected CP1420, there will be no implementation for CP1420.

5 Initial Committee Views

ISG's initial views

The ISG considered CP1420 at its meeting on 23 September 2014 (ISG161/04).

It was the general view of the ISG that it supported mid-year revision to LLF values that have dramatically changed from previous years and are outside the tolerance levels.

SVG's initial views

The SVG considered CP1420 at its meeting on 30 September 2014 (SVG164/06).

The SVG cautioned about opening the floodgate for mid-year LLF resubmissions as it was the intention of P216 'Audit of LLF Production' to prevent mid-year LLF changes.

An SVG Member agreed that a 20% change in line losses seems to be a reasonable threshold for a mid-year LLF resubmission.

Another SVG Member was concerned about the timeframe between when an LLF issue would be first noticed and when a revised LLF gets approved and used in Settlement. They noted that LLFs are reviewed annually, and queried how much time a mid-year revised LLF would be effective for before it gets annually reviewed again.

6 Industry Views

This section summarises the responses received to the CP Consultation. You can find the full responses in Attachment B.

Summary of CP1420 CP Consultation Responses				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the CP1420 proposed solution?	5	4	0	0
Do you agree that the draft redlining delivers the intent of CP1420?	6	3	0	0
Will CP1420 impact your organisation?	6	3	0	0
Will your organisation incur any costs in implementing CP1420?	3	6	0	0
Do you agree with the proposed implementation approach for CP1420?	5	4	0	0
Do you have any further comments on CP1420?	2	7	0	0

Comments on the proposed solution

There was a roughly even split of views from the respondents on whether CP1420 should be approved. However, five out of the six LDSOs responded to the consultation with only one LDSO supporting the CP and the remaining four objecting to it.

The respondents who favoured the CP believe that the CP would increase accuracy for Settlement by allocating more reflective line losses to Site Specific sites.

Two respondents who objected to the CP noted that they agreed with the change in principle, but had concerns with the proposed process for mid-year submissions, believing this needed to be more detailed.

One respondent expressed concerns that, by allowing an LLF of 1.800 to be approved, this could suggest that the LLF methodology may have inherent flaws within it, by not recognising sites that may have differing consumption levels for economic reasons. Another respondent thought that if the site is known to have unreliable data then the LDSO could apply a generic LLF during the annual audit, or could flag that a mid-year review may be needed. If the unreliability was unknown at the time of the annual audit then the respondent queried how it would be identified mid-year.

It was thought that LLF mid-year submissions should only be allowed in exceptional circumstances, and that this CP may open the floodgates for mid-year resubmissions, counter to the aims of recent reforms of the LLF processes.

Two LDSOs believed that, in circumstances where a Site Specific LLF is applied to a site that is unreflective of its true line losses, it would be better to apply the LLF default rules and subsequently use a Generic LLF or the previous year's LLF rather than calculating a new LLF through a mid-year submission.

Comments on the proposed redlining

The respondents who disagreed with the proposed redlining believe that the proposed solution should allow Generic LLFs to be applied in circumstances where unreflective Site Specific LLFs were used. One respondent suggested that, in the redlined BSCP128, 'consistent consumption' should be used instead of 'true consumption', because Site Specific LLFs would have been calculated based on historical true consumption data although it might be unreflective of the future site consumption.

ELEXON's view

CP1420 was raised in response to a specific site suffering from the application of a high LLF. It proposed to amend BSCP128 so that it would allow the LLF values for this site to be more reflective for Settlement Dates between the February 2015 Release date and the new LLF Year beginning on 1 April 2015. While the CP was raised in response to one specific site, it is likely that there may be other such sites for which the solution proposed by CP1420 may be applicable.

However, LDSOs raised concerns in the CP Consultation regarding the solution proposed by CP1420. In particular, there was the view that CP1420 could potentially undo some of the changes introduced under P216 and reopen the floodgate for mid-year LLF resubmissions. We agree that any solution put forward should not be to the detriment of the arrangements put in place under P216. In addition, it was felt by one LDSO the application of such a high LLF could indicate a flaw within the process; if this is the case then CP1420 would not resolve this defect but would simply provide a remedy that would need to be applied on a case-by-case basis. We believe these concerns should be resolved before any change is implemented. Nevertheless, some LDSOs are in support of CP1420 in principle, and we therefore consider that there is appetite to explore this issue further.

We note the potential alternative options raised by LDSOs, such as the application of a suitable Generic LLF or defaulting to the previous year's values. We believe that these alternative options have merits and could resolve the identified issues without adversely impact the P216 arrangements. However, any solution will require more consideration and development before being proposed to the industry.

We therefore believe that the most appropriate course of action would be to reject CP1420. Alternative options should be considered with the LDSOs before raising a new CP. This will be considered in the existing LLF process review recorded in the Panel Strategy.

7 Final Committee Views and Decision

ISG's final views

ELEXON presented the CP to the ISG for decision on 3 March 2015 (ISG166/05).

The ISG agreed with ELEXON's view with an ISG Member believing that the fundamentals of the calculation methodology need to be reviewed.

An ISG Member noted the fact that it is possible to get high values on occasions even when the calculation is applied correctly, but the ISG should be made aware of these values. ELEXON advised that it would highlight any high LLF values to the Committees in the annual LLF audit and approval process going forward.

SVG's final views

ELEXON presented the CP to the SVG for decision on 3 March 2015 (SVG169/03).

The SVG noted ELEXON's view to reject the CP and that ELEXON would highlight any high LLF values to the Committees in the annual LLF audit and approval process going forward.

Final decision

The ISG and SVG have:

- **REJECTED** CP1420.

Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Glossary of Defined Terms	
Acronym	Definition
BSCP	Balancing and Settlement Code Procedure *(document)*
CP	Change Proposal
CPC	Change Proposal Circular
ISG	Imbalance Settlement Group *(Panel Committee)*
LDSO	Licensed Distribution Network Operator
LLF	Line Loss Factor
SVG	Supplier Volume Allocation Group *(Panel Committee)*

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
2	BSCPs page on the ELEXON website (BSCP128)	https://www.elexon.co.uk/bsc-related-documents/related-documents/bscps/
3	CP1420 page on the ELEXON website	https://www.elexon.co.uk/change-proposal/cp1420/
5	ISG161 page on the ELEXON website	https://www.elexon.co.uk/meeting/isg-161/
5	SVG164 page on the ELEXON website	https://www.elexon.co.uk/meeting/svg-164/
5	P216 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p216-audit-of-llf-production/
8	ISG166 page on the ELEXON website	https://www.elexon.co.uk/meeting/isg-166/
8	SVG169 page on the ELEXON website	https://www.elexon.co.uk/meeting/svg-169/