

## CP1442 'Clarifying the application process for Metering Dispensations'



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### About This Document

This document is the Final Change Proposal (CP) Report for CP1442 which ELEXON has published following the final decision from the Imbalance Settlement Group (ISG) and the Supplier Volume Allocation Group (SVG) to approve CP1442.

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's and the SVG's views on the proposed changes and the views of respondents to the CP Consultation, along with the final decision to approve this change.
- Attachment A contains the approved redlined changes to deliver the CP1442 solution.
- Attachment B contains the full responses received to the CP Consultation.

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Final CP Report

11 August 2015

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# 1 Why Change?

## Background

Balancing and Settlement Code (BSC) [Section L 'Metering'](#) requires Metering Equipment to comply with the requirements set out in the relevant metering Code of Practice (CoP) at the time the Metering Equipment is first registered for Settlement. For financial or practical reasons, Metering Equipment does not always comply with all of the relevant CoP requirements. Where this occurs, the Registrant can apply for a Metering Dispensation from the CoP requirements, the process for which is set out in [BSC Procedure \(BSCP\) 32 'Metering Dispersations'](#). ELEXON presents applications for Metering Dispersations to the ISG and/or the SVG under delegated authority from the BSC Panel<sup>1</sup>.

## What is the issue?

Metering Dispensation applicants do not always provide essential information in the initial application form (BSCP32/4.1). This results in ELEXON not being able to progress the application without seeking further evidence. This leads to inefficiencies and delays in the end-to-end process.

We have identified the following issues in the current process:

- applicants do not always provide justification as to why the Metering Dispensation should be on a 'lifetime' (enduring) or on a temporary basis;
- applicants do not always provide justification for the materiality figures provided in the application form;
- the current process to establish whether some or all of an application is confidential is inefficient, as it does not require the applicant to provide justification for confidentiality up front. In addition, the tick box by which applicants can request confidentiality applies by default to the whole application when only some specific elements of it (e.g. costs, site diagrams) may be commercially sensitive. This lacks transparency and can lead to lengthy discussions between ELEXON and the applicant; and
- applicants do not always provide adequate technical and/or financial information for the Metering Dispensation Review Group (MDRG) to make an informed recommendation to the relevant Panel Committee(s).



### What is the MDRG?

The MDRG is a review group formed of industry metering experts. It supports the ISG and the SVG in the technical and financial review of Metering Dispensation applications by providing independent advice and recommendations.

<sup>1</sup> The BSC Panel delegated responsibility for the CoP documents to the ISG and the SVG. The ISG is responsible for CoPs 1, 2, 3 and 4 and the SVG is responsible for CoPs 3, 4, 5, 6, 7, 8, 9 and 10. Metering Dispensation applications against CoPs 3 and 4 need to be approved by both Panel Committees.

### Approved solution

ELEXON raised [CP1442 'Clarifying the application process for Metering Dispensations'](#) to make the following changes to the Metering Dispensation process, which will be reflected in BSCP32:

- Applicants will be required to provide their rationale for needing a Metering Dispensation and explain why they did not install CoP-compliant Metering in the first place.
- Applicants will need to justify the term (period) of the Metering Dispensation (i.e. whether it is lifetime or temporary). Justification should include details of the estimated materiality to Settlement and any potential business revenue loss for the applicant had it installed a CoP-compliant Metering System.
- Applicants will be required to state their views on any risks to Settlement and other BSC Parties that may arise from the Metering Dispensation and the likelihood of such risks. This will encourage applicants to consider carefully their Metering Dispensation and its associated impacts.
- Applicants will be required to state in their application whether any part of it is confidential and, if so, which part(s) and why. As currently, ELEXON can query an applicant's request but can only change which parts are treated as confidential if the applicant agrees. In all cases, the site name, Metering Dispensation number, expiry date (if time limited) and Panel Committee determinations will be made available in the public domain unless the applicant specifically informs ELEXON otherwise.
- Change the layout of the BSCP32/4.1 form to improve its clarity.

In addition to these specific changes to BSCP32, ELEXON will provide a separate guidance note on how to populate the Metering Dispensation application form. This guidance will help applicants to understand the level of detail we require to progress the application and for the relevant Panel Committee(s) to make an informed decision.

### Approved redlining

CP1442 will require changes to BSCP32. The approved redlining to BSCP32 is in Attachment A, which includes amendments agreed following comments from the ISG, the SVG and CP Consultation respondents.

### Rationale for change

We believe CP1442 will ensure that Metering Dispensation applicants provide improved levels of justification. This will allow the relevant Panel Committee(s) and the MDRG to better understand the situation and make informed decisions on Metering Dispensation applications. The changes will reduce the time required for ELEXON to process applications and improve the efficiency of the end-to-end process.

The CP will also promote transparency in the Metering Dispensation process, as it requires applicants to provide improved levels of justification, including for anything that they request to be confidential. By strengthening the requirements for an application and

releasing more information regarding each Metering Dispensation into the public domain, applicants may be discouraged from applying for a Dispensation without clear justification. In turn, this may encourage the installation of CoP-compliant Metering Equipment. Potential applicants will have more information available to them about past applications and the level of detail required to support an application. This should help them when deciding whether an application is appropriate or necessary and if so how to apply for a Metering Dispensation.

## 3 Impacts and Costs

### Central impacts and costs

CP1442 will cost ELEXON £240 (equal to one man day of effort) to implement the document changes. There will be no system changes required to implement this CP.

| Central Impacts  |                |
|--|----------------|
| Document Impacts                                       | System Impacts |
| <ul style="list-style-type: none"><li>BSCP32</li></ul> | <i>None</i>    |

### BSC Party & Party Agent impacts and costs

There will be no mandatory impacts on BSC Parties and Party Agents in implementing this CP as no system changes will be required. However, there will be impacts on future Metering Dispensation applicants, who will be required to provide more information up front when submitting their applications rather than subsequently when requested by ELEXON.

Two consultation respondents believed that there will be positive impacts as the CP will ensure applicants provide sufficient information to allow the MDRG and the relevant Panel Committee(s) to make a more prompt decision. One respondent noted that there will be no system changes required and therefore the impact on them will be minimal. The other four respondents believed that there will be no impacts on them to implement the CP.

All the respondents confirmed that there will be no costs for them to implement the CP solution. The full responses to the CP Consultation are in Attachment B.

## 4 Implementation Approach

### Approved Implementation Date

The ISG and the SVG approved CP1442 for implementation on **5 November 2015** as part of the November 2015 BSC Systems Release. This is the earliest possible Release in which this CP can be included.

All respondents to the CP Consultation agreed with the proposed Implementation Date.

### ISG's initial views

We presented CP1442 to the ISG for initial comment at its meeting on 26 May 2015 ([ISG169/02](#)).

The ISG believed that the applicant should be required to explain the rationale for their Metering Dispensation application and why the current Metering Equipment is not CoP-compliant. One Member proposed that ELEXON should amend the 'Reason for Application' section of the application form to ask why the applicant needs the Dispensation in the first place. We agreed that this change would be appropriate and included it in the solution that we consulted on.

ISG Members were also concerned that the proposed changes to how an applicant would request confidentiality would give ELEXON the power to overturn an applicant's request, and considered whether an appeals process was needed. We can confirm that it is not the intention of CP1442 to allow ELEXON to be able to overturn a request for confidentiality. CP1442 is proposing that the applicant be formally required to provide their rationale for requesting confidentiality, and to specify which part(s) are confidential, rather than simply being able to tick a box to request that the whole application is confidential as currently. As now, ELEXON would be able to challenge the applicant's request, but could only change which parts are treated as confidential if the applicant agrees.

The original CP solution required applicants to provide a risk rating based on their own judgement of any impacts on Settlement that may arise from the Metering Dispensation and the probability of such impacts occurring. We intended the inclusion of the risk rating to stimulate thoughts from the applicant on the risks of their Metering Dispensation. However, the ISG was concerned that this may lead to Panel Committees' relying overly on a subjective measure when deciding whether to approve a Metering Dispensation. The ISG also felt that without clear guidance the risk rating would be very subjective and used inconsistently, with a risk that applicants would be more likely to rate their application as low risk in order to have it approved.

### SVG's initial views

We presented CP1442 to the SVG for initial comment at its meeting on 2 June 2015 ([SVG172/05](#)). We also informed the SVG about the ISG's comments on the CP.

SVG Members noted and agreed with the ISG's comments that Panel Committees could use the risk rating to support their determination on a Metering Dispensation. One Member questioned whether there would be any merits in introducing a risk rating, querying what it was trying to achieve, and considered whether a question should be asked in the CP Consultation on this. Another Member questioned whether it was for applicants to rate the risk, feeling that this was the Committees' responsibility. It was felt that a clear framework was needed for any risk rating to ensure consistency between applications.

SVG Members also noted that the intent of the changes to how applicants requested confidentiality would be beneficial in order to obtain the applicant's rationale behind this. ELEXON confirmed that this process was intended to formalise what we already do in contacting applicants to confirm what information is confidential and why. SVG Members agreed that transparency is a principle of good governance but that confidentiality could be justified by exception on grounds of commercial sensitivity.

The SVG acknowledged that, while CP1442 would not necessarily change the information presented to the Panel Committees, it would make the process more efficient for ELEXON and the applicant by removing the current to-and-fro involved in gathering the information.

SVG Members agreed with the ISG's sentiment that Metering Dispensations should be difficult to obtain and an exception, not a default option.

## Changes made following the Committees' initial comments

Following the discussions with the ISG and the SVG, we made amendments to the proposed solution to better deliver the intent of CP1442.

## Changes from the original CP solution

We agreed with the ISG to include a requirement in the Metering Dispensation application form for the applicant to explain their rationale for needing a Metering Dispensation, and amended the proposed redlining accordingly.

In response to the concerns around potential disagreement between the applicant and ELEXON on confidentiality, we can confirm that it is our current practice to seek justifications for any confidentiality request following an application's submission. CP1442 sought to formalise this process and promote it to an earlier point in the process, i.e. that applicants should provide justification on the face of the application. We have amended the section on confidentiality to include a question in the application form asking the applicant whether their request contains any confidential information. If the answer is 'yes', the applicant will need to explain which parts are confidential and the rationale for this. This replaced the original proposal for the applicant to send a separate request for confidentiality. We believe this will more clearly deliver the intent of the CP. As now, ELEXON can discuss the confidentiality request with the applicant but can only change which elements it treats as confidential if the applicant agrees.

We changed the proposed wording in BSCP32/4.1 'Part A – Applicant Details' to reflect that ELEXON will not overturn an applicant's confidentiality request. The applicant will need to inform ELEXON of such request at the time of their application and provide justification for their confidentiality request.

We also took on board the ISG and the SVG's concerns around the risk rating, and reconsidered this part of the proposal in response to these comments. Since Panel Committees consider Metering Dispensation applications on a case-by-case basis and given that each application is different, we believe that it would be extremely difficult to produce general guidance in sufficient clarity to cover how the rating would apply to all possible scenarios. We also noted that the intention of the risk rating was to get applicants to more carefully consider the wider impact of their proposal rather than solely focus on how the proposal would benefit themselves. Taking these considerations into account, we removed the requirement to calculate a specific risk rating, and instead will ask applicants to provide their views on the risk to Settlement and the risk to other BSC Parties because of their application. We believe this will better enable the information sought from applicants to be provided in a more consistent manner.

## **Respondents' views on the revised solution**

The revised CP solution (as reflected in Section 2) and the revised redlined BSCP32 were put forward for CP Consultation.

All the respondents agreed with the changes made to the original CP solution following the ISG and the SVG's comments. Two respondents noted that requesting additional information on the rationale for the application and risks to Settlement will be an enhancement to the process and therefore better delivers the intent of the CP.

The full responses to the CP Consultation can be found in Attachment B.



## 6 Industry Views

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

| Summary of CP1442 CP Consultation Responses   |     |    |                           |       |
|---|-----|----|---------------------------|-------|
| Question  | Yes | No | Neutral/<br>No<br>Comment | Other |
| Do you agree with the CP1442 proposed solution?   | 7   | 0  | 0                         | 0     |
| Do you agree that the amendments made to the proposed solution in response to the Committees' comments better deliver the intent of CP1442? | 7   | 0  | 0                         | 0     |
| Do you agree that the draft redlining delivers the CP1442 proposed solution?  | 5   | 2  | 0                         | 0     |
| Will CP1442 impact your organisation?   | 3   | 4  | 0                         | 0     |
| Will your organisation incur any costs in implementing CP1442?  | 0   | 7  | 0                         | 0     |
| Do you agree with the proposed implementation approach for CP1442?  | 7   | 0  | 0                         | 0     |
| Do you have any further comments on CP1442?   | 1   | 6  | 0                         | 0     |

### Comments on the CP

All the respondents supported CP1442. Respondents commented that it would improve the current Metering Dispensation application process by more efficiently and thoroughly seeking the necessary information from applicants to support their applications, with improved transparency in the process.

### Comments on the proposed redlining

One MDRG member commented that the MDRG could have reviewed the CP before ELEXON presented it to the ISG and the SVG. The respondent also provided a number of comments on the redlined changes to BSCP32, and we summarise our response to these below.

Some suggestions have been incorporated into the BSCP redlining in Attachment A and we have noted these in the table below where appropriate. We believe that all these changes improve clarity and are immaterial.

## Comments on the CP1442 Proposed Redlining to BSCP32

| Location           | Comment  | ELEXON's Response   |
|--------------------|--|---|
| 1.5, 2nd paragraph | Suggest adding a second sentence "Where the design is intended to be non-complaint and therefore require a Dispensation, then the approval must be sought prior to final design approval and procurement." The ISG & SVG comments reinforce the view that Dispensations should be an exceptional case. As a member of MDRG I have seen a number of applications where the original design was non-compliant, while it was only identified by the applicant at the commissioning stage, wherever possible this should be avoided. | This falls outside our scope as it refers to a contractual agreement made before the BSC comes into effect. The BSC states that Metering Systems shall comply with the relevant CoP or be subject to a Metering Dispensation. Therefore, we have been unable to implement this suggestion.                      |
| 1.5 2nd paragraph  | Last sentence, "...unless specifically agreed by the Panel". The Panel can make any such decision at the time of making the determination. Note corresponding amendment for form in 4.1.   | As noted in the consultation document, ELEXON does not have the power to overturn confidentiality requests and can only liaise with the applicant, who ultimately has the final say. The ISG/SVG also does not have the knowledge to determine what may or may not be commercially sensitive for the applicant. |
| 1.5 3rd paragraph  | Suggest adding "...in any event in sufficient time for consideration by the MDRG and the BSC Panel, prior to..."   | We believe that extra wording to clarify that the Metering Dispensation extension should be submitted with enough time for approval would be beneficial. This has been added to Section 1.5 <sup>2</sup> .  |
| 1.6                | And the register shall be published on the BSC Website<br><a href="https://www.elexon.co.uk/reference/technical-operations/metering/metering-dispensations/">https://www.elexon.co.uk/reference/technical-operations/metering/metering-dispensations/</a>  | ELEXON cannot publish its full register of Metering Dispensations due to the details contained within being confidential (for example, explanations of the metering arrangements at the site). ELEXON already publishes details of non-confidential, site-specific  |

<sup>2</sup> For avoidance of doubt, where the draft text reads 'Failure to do so could result in the Metering System being noncompliant with the BSC and hence be subject to escalation to the BSC Panel', under the Panel's delegation, such non-compliances will be overseen by the Performance Assurance Board (PAB). In certain circumstances, the PAB could escalate such non-compliances further to the Panel.

## Comments on the CP1442 Proposed Redlining to BSCP32

| Location     | Comment  | ELEXON's Response  |
|--------------|--|--|
|              |  | Metering Dispensations and generic Dispensations on its Metering Dispensations webpage.  |
| 1.8          | Maintain a list of all Dispensations on the BSC Website.   | ELEXON cannot publish a list of all Dispensations on its website as some are completely confidential. However, where Dispensations are able to be published, we do so as described above.  |
| 3.1.2        | It may be clearer to introduce some explicit steps for the BSCCo to validate completeness and return to applicant with reasons, or to move on to next stage as valid application. This would then give clear timescales for the review stage.  | ELEXON already has pre-defined timescales within BSCP32 in order to validate and progress an application. ELEXON has 2 Working Days (WD) to validate and confirm a Metering Dispensation, which ELEXON sends to the MDRG for comment. If more information is required, ELEXON requests this and as per the BSCP, the applicant has 5WD to respond. ELEXON does not feel that a further breakdown of these timescales is necessary. |
| 3.1.6        | Should the appropriate parties include a reference to MDRG?  | Within the BSCP, 'Appropriate parties' is a defined term for which the definition states that it 'may' include the MDRG. Therefore, this is already included within the CP.  |
| After 3.1.10 | Add new row – within 10WD update BSC Dispensation register on BSC Website.   | We have added this into BSCP32 with a timescale of 3WD as per our timescale to inform the applicant and the Technical Assurance Agent (TAA) of the Committees' determination. This only applies to non-confidential details.   |
| 4.1 part C   | In the questions about materiality we need to include a question about 'risk'. This may be a separate question or added into an existing question. What seeking to identify is the risk associated with the solution. We have seen examples in the past where technically the solution worked, | As per comments from the ISG and SVG detailing concerns around the risk rating and applicants consciously stating that the risk would be low.<br><br>We replaced the risk rating with a question for the applicant to consider and explain the impacts   |

## Comments on the CP1442 Proposed Redlining to BSCP32

| Location | Comment   | ELEXON's Response                      |
|----------|---|--|
|          | but the operational complexities of the proposal led to an increased the risk of subsequent failure which would lead to Settlement error. | to others and the risks to Settlement. |

### ISG's final views

ELEXON presented the CP Assessment Report for CP1442 to the ISG at its meeting on 21 July 2015 ([ISG171/01](#)).

An ISG Member echoed the view from a respondent that the basic information about a Metering Dispensation, including the Metering Dispensation number, site name, expiry date and Committee decision, should be made publicly available. ELEXON advised the ISG that there could be a number of scenarios where such information can be commercially sensitive. For example, the sale of assets from one company to another or where a Power Station is expected to shut down could both lead to a Metering Dispensation, and the site names could therefore be confidential.

The Member noted that section 1.5 of the redlined BSCP32 reads that "The BSCCo will make available all information necessary for the MDRG to perform its duties in the technical assessment of the application" and felt that this should be the responsibility of the Panel or the Panel Committees, which is then delegated to the MDRG. ELEXON agreed with this view and amended the proposed redlining to BSCP32.

### SVG's final views

ELEXON presented the CP Assessment Report for CP1442 to the SVG at its meeting on 4 August 2015 ([ISG174/06](#)).

One SVG Member queried how ELEXON would determine confidentiality. ELEXON advised that it would be able to challenge applicants on their confidentiality requests and seek explanations on why any information is confidential. However it would not be able to determine what information is confidential for applicants. Another SVG Member worried that a lack of transparency could have an impact on Committees' determinations on Metering Dispensation applications.

One SVG Member felt that information should be made transparent unless there is a clear reason for confidentiality. He highlighted the [statement from the Competition and Markets Authority on transparency and disclosure](#) and believed that it would be good guidance to follow. Another SVG Member expressed a concern that the guidance may be subjectively interpreted by different people.

### Final decision

The ISG and SVG have **APPROVED** CP1442 for implementation on 5 November 2015 as part of the November 2015 BSC Systems Release.

## Appendix 1: Glossary & References

### Acronyms

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

| Acronyms |   |
|----------|---|
| Acronym  | Definition  |
| BSC      | Balancing and Settlement Code ( <i>industry Code</i> )                      |
| BSCP     | Balancing and Settlement Code Procedure ( <i>Code Subsidiary Document</i> ) |
| CMA      | Competition and Markets Authority   |
| CoP      | Code of Practice ( <i>Code Subsidiary Document</i> )                        |
| CP       | Change Proposal   |
| ISG      | Imbalance Settlement Group ( <i>Panel Committee</i> )                       |
| MDRG     | Metering Dispensation Review Group ( <i>advisory group</i> )                |
| PAB      | Performance Assurance Board ( <i>Panel Committee</i> )                      |
| SVG      | Supplier Volume Allocation Group ( <i>Panel Committee</i> )                 |
| TAA      | Technical Assurance Agent ( <i>BSC Agent</i> )                              |
| WD       | Working Day   |

### 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              | BSC Sections page on the ELEXON website    | <a href="https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/">https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/</a> |
| 2              | BSCPs page on the ELEXON website           | <a href="https://www.elexon.co.uk/bsc-related-documents/related-documents/bscps/?show=all">https://www.elexon.co.uk/bsc-related-documents/related-documents/bscps/?show=all</a>             |
| 3              | CP1442 page on the ELEXON website          | <a href="https://www.elexon.co.uk/change-proposal/cp1442/">https://www.elexon.co.uk/change-proposal/cp1442/</a>   |
| 6              | ISG 169 meeting page on the ELEXON website | <a href="https://www.elexon.co.uk/meeting/isg-169/">https://www.elexon.co.uk/meeting/isg-169/</a>   |
| 6              | SVG 172 meeting page on the ELEXON website | <a href="https://www.elexon.co.uk/meeting/svg-172/">https://www.elexon.co.uk/meeting/svg-172/</a>   |
| 13             | ISG 171 meeting page on the ELEXON website | <a href="https://www.elexon.co.uk/meeting/isg171/">https://www.elexon.co.uk/meeting/isg171/</a>   |
| 13             | SVG 174 meeting page on the ELEXON website | <a href="https://www.elexon.co.uk/meeting/svg-174/">https://www.elexon.co.uk/meeting/svg-174/</a>   |

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| External Links |   |   |
|----------------|---|---|
| Page(s)        | Description   | URL   |
| 13             | The Competition and Markets Authority's statement on transparency | <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/270249/CM_A6_Transparency_Statement.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/270249/CM_A6_Transparency_Statement.pdf</a> |