

CP1486 'Removing example Advice Notes, Backing Sheets and Confirmation Notices from BSCP301'



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About This Document

This document is the Final Change Proposal (CP) Report for CP1486 which ELEXON has published following the final decision from the Imbalance Settlement Group (ISG) to approve CP1486.

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 views on the proposed changes and the views of respondents to the CP Consultation, along with the final decision on whether to approve this change.
- Attachment A contains the approved redlined changes to deliver the CP1486 solution.
- Attachment B contains the full responses received to the CP Consultation.

CP1486
Final CP Report

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Version 1.0

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1 Why Change?

Background?

As part of the [2014 Budget](#), the Government announced its plans to introduce a reverse charge accounting mechanism (domestic reverse charge) for wholesale supplies of gas and electricity within the United Kingdom (UK). This was in response to the threat of missing trader intra-community fraud in those supplies. The domestic reverse charge was applied to all affected Suppliers with effect from 1 July 2014.

Her Majesty's Revenue and Customs (HMRC) issued a brief '[Revenue and Customs Brief 23 \(2014\): VAT – introduction of a domestic reverse charge for businesses wholesale trading in gas and electricity](#)'. This brief identifies Balancing Mechanism and Imbalance Settlement charges, which are the Trading Charges invoiced in accordance with [Section N 'Clearing, Invoicing and Payment'](#) of the Balancing and Settlement Code (BSC), as falling within the scope of the reverse charge.

A domestic reverse charge means that the customer receiving wholesale supplies of gas or electricity must account for the Value Added Tax (VAT) due on these supplies on their VAT return, rather than the Supplier. The customer can deduct the VAT due on the supplies as input tax, meaning no net tax is payable to HMRC, subject to the normal rules for reclaiming VAT. The domestic reverse charge will not apply to the retail supplies of gas and electricity made under Supply Licence or metered arrangements to domestic and business premises.

What is the issue?

The Funds Administration Agent (FAA) has implemented the reverse charge changes into their system, effective from 1 July 2014. However, references to the old VAT arrangements are still included within examples in [BSC Procedure \(BSCP\) 301 'Clearing, Invoicing and Payment'](#).

Furthermore, a VAT rate of 17.50% is incorrectly referenced in the examples of a Combined Advice Note, Combined Confirmation Notice and Advice Note Backing Sheet in BSCP301.

A change is required to remove the examples from BSCP301 and instead include them within the '[How to read Advice Notes and Confirmation Notices](#)' guidance note. CP1486 proposes to move the example forms into the guidance note and, where appropriate, replacing them with updated examples that reflect current VAT rates and policies.

Therefore, we plan to correct the examples in BSCP301 to reflect changes by HMRC and move them to the guidance document to improve ease of maintenance.

Additionally, some of the communication methods in BSCP301 are outdated and do not reflect current practice.



What is missing trader intra-community fraud?

Also known as missing trader fraud, this is the theft of VAT. Further information can be found [here](#).

Approved solution

[CP1486 'Removing example Advice Notes, Backing Sheets and Confirmation Notices from BSCP301'](#) was raised by ELEXON on 17 March 2017.

The below outlines the specific changes needed to implement CP1486. CP1486 has been approved to remove the following sections from BSCP301:

- Section 5.1.1 'BSCP301/01a Combined Advice Note';
- Section 5.1.3 'BSCP301/03a Combined Confirmation Notice';
- Section 5.1.5 'BSCP301/05a Advice note Backing Sheet'; and
- Section 5.1.6 'BSCP301/05b Default Advice Note Backing Sheet'.

These sections will be moved into a 'How to read Advice Notes and Confirmation Notices' guidance note.

CP1486 has been approved to update the communication methods in the following BSCP301 sections:

- Sections 4.2.2 and 4.2.5 – 'fax' removed and 'email' added;
- Sections 4.5.2.3, 4.5.2.4, 4.5.2.5, 4.6.1.7, 4.6.3.12 and 4.7.6 – 'email' added;
- Sections 4.6.1.1, 4.6.1.3, 4.6.1.5, 4.6.2.2 and 4.6.3.3 – 'fax' removed;
- Section 4.6.4.3 – 'fax' removed, 'letter' added and 'email' added; and
- Sections 4.7.6 – 'manual' added.

Proposer's rationale

BSCPs typically do not contain example documents. Removing the examples will align with common practice and ensure consistency. Having the examples in a guidance note will mean they can be updated in the future without the need for a CP.

The current examples in BSCP301 have a VAT rate of 17.50% which is incorrect and may confuse participants.

Email is a prevalent and accepted communication method between individuals and Parties. Updating BSCP301 to include email as an acceptable form of communication will bring BSCP301 in line with this practice and better align it with other BSCPs. With the addition of email, the fax option becomes redundant.

Approved redlining

Attachment A contains the approved redlined changes to deliver the CP1486 solution.

3 Impacts and Costs

Central impacts and costs

Central impacts

CP1486 will make changes to BSCP301. No system changes are required to implement this CP and there will be no other impacts on BSC Agents.

Central Impacts	
Document Impacts	System Impacts
<ul style="list-style-type: none">BSCP301	<ul style="list-style-type: none"><i>None</i>

Central costs

The central implementation costs for CP1486 will be approximately £240 (one ELEXON Working Day) to implement the relevant document changes.

BSC Party & Party Agent impacts and costs

The changes to BSCP301 by CP1486 are document changes only. There are no impacts on any BSC Parties or BSC Party Agents. This was supported by the two respondents to the CP Consultation, who confirmed that there would be no impact or cost on their organisation for implementing CP1486.

4 Implementation Approach

Approved Implementation Date

CP1486 has been approved for implementation on **29 June 2017** as part of the June 2017 BSC Systems Release.

The June 2017 Release is the next available Release that can include this CP.

ISG's initial views

The ISG considered CP1486 at its meeting on 28 March 2017 ([ISG192/05](#)).

An ISG Member noted that it would be preferable to keep examples in the BSCP rather than move it to guidance notes, as it is difficult to locate the guidance notes on the ELEXON website. The ISG Member requested making the guidance notes easier to locate.

At the time, ELEXON advised that the website and how information, such as the guidance notes are displayed, was currently being looked into. On 25 April 2017, ELEXON updated the ISG ([ISG193/07](#)), noting that guidance notes can be found on the relevant page on the ELEXON website. ELEXON also noted that we had started a project to re-design the website. We anticipate making changes to the website, starting in Spring 2018. In the meantime we would like to remind ISG that all guidance notes are available on a single [page](#).

6 Industry Views

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

Summary of CP1486 CP Consultation Responses				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the CP1486 proposed solution?	2	0	0	0
Do you agree that the draft redlining delivers the intent of CP1486?	2	0	0	0
Will CP1486 impact your organisation?	0	2	0	0
Will your organisation incur any costs in implementing CP1486?	0	2	0	0
Do you agree with the proposed implementation approach for CP1486?	2	0	0	0
Do you have any further comments on CP1486?	0	2	0	0

Comments on the CP

The two respondents to the CP Consultation agreed with the proposed changes for CP1486. No further comments were received on the CP.

Comments on the proposed redlining

Both respondents to the CP Consultation agreed that the proposed redlining delivered the intention of CP1486. No further comments were received on the redlined text.

ISG's final views

ELEXON presented CP1486 to the ISG at its meeting on 23 May 2017 ([SVG194/05](#)). The ISG had no final comments to make on the CP.

Final decision

The ISG have:

- **APPROVED** CP1486 for implementation on 29 June 2017 as part of the June 2017 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
BSCP	Balancing and Settlement Code Procedure (<i>Code Subsidiary Document</i>)
CP	Change Proposal
CPC	Change Proposal Circular
FAA	Fund Administration Agent
HMRC	Her Majesty's Revenue and Customs
ISG	Imbalance Settlement Group (<i>Panel Committee</i>)
UK	United Kingdom
VAT	Value Added Tax

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	2014 Budget	https://www.gov.uk/government/topical-events/budget-2014
2	VAT domestic reverse charge policy paper on government website	https://www.gov.uk/government/publications/revenue-and-customs-brief-23-2014-vat-introduction-of-a-domestic-reverse-charge-for-businesses-wholesale-trading-in-gas-and-electricity
2	BSC Sections page on the ELEXON website	https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/
2	BSCPs page on the ELEXON website	https://www.elexon.co.uk/bsc-related-documents/related-documents/bscps/
2	BSC Guidance Notes on ELEXON website	https://www.elexon.co.uk/bsc-related-documents/bsc-guidance-notes/
3	CP1486 page on the ELEXON website	https://www.elexon.co.uk/change-proposal/1486/
6	ISG192 page on the ELEXON website	https://www.elexon.co.uk/meeting/isg-192/
6	ISG193 page on the ELEXON website	https://www.elexon.co.uk/meeting/isg-193/

External Links

Page(s)	Description	URL
6	Guidance notes on ELEXON website	https://www.elexon.co.uk/bsc-related-documents/bsc-guidance-notes/
8	ISG194 page on the ELEXON website	https://www.elexon.co.uk/meeting/isg-194/