

Change Proposal – BSCP40/02	CP No: 1486 <i>Version No:</i> <i>(mandatory by BSCCo)</i>
Title (mandatory by originator) CP1486 'Removing example Advice Notes, Backing Sheets and Confirmation Notices from BSCP301'	
Description of Problem/Issue (mandatory by originator) <p>In 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.</p> <p>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.</p> <p>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.</p> <p>The Funds Administration Agent (FAA) has implemented the reverse charge changes into their system, effective from 1 July 2014. However, reference to the old VAT arrangements are still included within examples in BSC Procedure (BSCP) 301 'Clearing, Invoicing and Payment'.</p> <p>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 'Clearing, Invoicing and Payment'.</p> <p>Therefore, a change is required to remove the examples from BSCP301 'Clearing, Invoicing and Payment', and instead include them within the 'How to read Advice Notes and Confirmation Notices' guidance note.</p> <p>This CP also proposes to update the communication methods between parties to reflect operational practice. This involves removing the old practice of using fax, and replacing it with the current practice of email.</p>	
Proposed Solution (mandatory by originator)	

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

CP1486 proposes 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 ['How to read Advice Notes and Confirmation Notices'](#) guidance note.

CP1486 also proposes 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 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.

Justification for Change (mandatory by originator)

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. Moving the examples into a guidance note means they can be updated in the future without the need for a CP.

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.

To which section of the Code does the CP relate, and does the CP facilitate the current provisions of the Code? (mandatory by originator)

BSC Section N 'Clearing, Invoicing and Payment'

Estimated Implementation Costs (mandatory by BSCCo)

£240 (one ELEXON man day) to implement the necessary document changes.

Configurable Items Affected by Proposed Solution(s) (mandatory by originator)

BSCP301 'Clearing, Invoicing and Payment'

Impact on Core Industry Documents or System Operator-Transmission Owner Code (mandatory by originator) No impacts anticipated.
Related Changes and/or Projects (mandatory by BSCCo) None.
Requested Implementation Date (mandatory by originator) June 2017 BSC Systems Release.
Reason: The June 2017 Release is the next available Release that can include this CP.
Version History (mandatory by BSCCo) Version 2.0 - re-baselined onto current version of the Change Proposal form. Version 3.0 – updated to include opportunity to update communication methods.
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Attachments: N (If Yes, No. of Pages attached:)