P274 Consultation Responses

Consultation issued on 26 October 2012

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

We received responses from the following Parties

Company	No BSC Parties / Non-Parties Represented	Role of Parties/non-Parties represented
IMServ Europe Ltd	0/1	NHHDC
SSE Energy Supply	3/1	Supplier, Generator, Trader, Party agent
TMA Data Management Ltd	0/1	NHHDC, NHHDA, HHDC and HHDA
Scottish Power	1/0	Supplier
British Gas	1/0	Supplier
RWE npower	10/0	Supplier/Generator/Trader/Consolidator/Exemptible Generator/Party Agent
Hudson Energy	1/0	Supplier
EDF Energy	2/3	Supplier/ Party Agent
E.ON	5/7	Supplier & Supplier Agents

Question 1: Do you agree with the Panel's initial view that the P274 Proposed Modification should be approved?

Summary

Yes	No	Neutral/Other
0	9	0

Responses

Respondent	Response	Rationale
IMServ Europe Ltd	NO	We believe that the role of GVC serves a sensible purpose for those sites where it is not possible to gain a read on a frequent basis – and that the proposed extra controls and audits around GVC would have ensured that Suppliers did not abuse this technique without the need to scrap it
SSE Energy Supply	NO	We believe there is still a need for GVC, the main concern is for sites under £3000 which will have to be written off with no settlements adjustment, and this surely goes against the BSC remit of accurate settlements data. We also believe the TDC will not be able to cope with the increase in disputes for sites over the £3000 limit. We believe this proposal is unworkable and will be difficult to audit**.**
TMA Data Management Ltd	NO	The added complexity to the process proposed by P274 is not justified given that the Panel agreed that P274 did not better serve BSC objectives than the current baseline.
Scottish Power	NO	The decision made by the BSC Panel disregarded overwhelming Industry and Mod Group opposition with the ONLY support coming from the proposer, Engage Consulting and the proposers sponsor, Electricity North West. • No Supplier, large or small has indicated support for this proposal. The proposer believes that the P274 solution will restrict the use of GVC to errors that are not excessive. However, there is insufficient evidence post CP1310 (Clarifications to GVC Correction Process) to support the fact that there are excessive occurrences of GVC actually being made. Consequently, without such evidence, we believe this decision should not be ratified.

Respondent	Response	Rationale
		The majority of the Mod Group made it clear to ELEXON that CP1360 (Inclusion of Audit Records for GVC and Dummy Meter Exchanges) should be implemented i.e. for Suppliers to record all instances of GVC going forward, so that a true picture of its use could be established in order that an informed decision on the merits of P274 could be made. However, it was also felt that further work would be required by ELEXON to CP1360 to establish the means for tracking and reporting of such corrections, in order to provide the necessary guidance to Suppliers, so that a common format and approach can be agreed. Once data has been received and collated, and conclusions reached about the use of GVC, then we can then consider its future use. From our perspective we feel consideration should be given to the controls around how far back GVC can be applied, but we remain convinced that GVC is an effective correction technique, as it reduces the need for disputes. This is particularly important as we head towards SMART, and as the Industry looks to reduce settlement timescales. Currently, both TDC and PAB are looking at ways to stop the current 'institutionalised' DF runs for the excessive erroneous EAC/AA issue – However, if we give parties no other choice but to raise a dispute we will in affect end up with DF runs for at least 2 years past the completion of SMART rollout. In addition, we would like to highlight the following: • ELEXON have admitted that it was difficult to analyse GVC with the information available, and that a request for data had garnered less information than hoped. The majority of the Mod Group felt that the data provided was flawed as it covered the date from which the error started, rather than from the date when data was actually corrected. This was highlighted by 2 instances which had an error start date of 1957 and 1964 (although these examples were at least removed from the sample). • Group Correction Factor (GCF) has been well within 0.9 -1.1 range since CP1310 (Feb 2010) implementation, with only small variations between Settlement Runs being reported. • OFGEM in their report dated 16th Nov 2012

Respondent	Response	Rationale
		'Decision not to activate the Losses Mechanism in the Fifth Distribution Control' referred to the high level of data cleansing (GVC) in Settlements prior to DPCR4 as legitimate, and that the volatility seen in settlement data when used for measuring losses does not mean that there is a problem with Settlement data, which is accurate for the purpose for which it was designed. • We believe that as GVC is a permitted correction technique under the code, the use of it did not constitute a defect. • We feel that the P274 had only been raised due to the impact of GVC on the DLIM. However, this was due to a spike in GVC in Feb 2010 caused primarily by the introduction of CP1310 (to remove Suppliers ability to use GVC to DF). This CP was introduced primarily to address a concern of the TDC which was to stop unauthorised corrections in a TDC approved dispute (DF) run. An unforeseen consequence of this CP was a rush of trading parties to correct errors prior to its introduction. This created a spike in corrections which had an adverse impact on losses in DLIM – hence why Distributors were keen to see its removal. However, since Feb 2010, Suppliers are only able to use GVC up to RF run, which P274 now seeks to limit further. • As the link between the DLIM and Settlement data has now been severed, there seems no good reason to proceed with this change. The proposer's rationale for P274 is that GVC replaces one error with another, by correcting volumes in the wrong time periods. However, we believe that the use of GVC is the lesser of two evils in that at least the overall total of gross energy volume is correct, which is preferable to simply writing off error. This raises some fundamental questions about the BSC: • If P274 is approved, and therefore under the BSC error is knowingly written off, should we have a Trading dispute process / trading Disputes Committee (TDC)? • Ultimately for a dispute to be approved by TDC there has to be a Settlement error, why then are we then considering resolving some errors yet writing off others?

Respondent	Response	Rationale
		• Should it not be the TDC's responsibility to determine whether error in the BSC should be simply written off? When it comes to error in Settlement, we believe that the BSC principles are based on ensuring fairness and equitability in the BSC for all and that TDC ensures that there is a focus on this as well as on maximising accuracy in Settlements. If P274 is approved, this will lead to: • Suppliers having to write off significant levels of error – as the vast majority of error recorded will be under the £3000 dispute threshold this will be written off under this proposal. This will have an adverse impact on Suppliers costs and can only have a detrimental impact on charges passed through to customers. • It will lead to a dramatic increase in the workload of the TDC due to the extra number of disputes raised. We believe a conservative estimate is that at least 100 extra disputes > £3000 will be raised every month. • Will undermine the principles of the BSC – with its emphasis on ' Balancing'. As a result, if this decision if ratified, it will result in Winners and Losers surely a precedent which undermines these principles. The whole concept of writing off error seems counter intuitive to the BSC, which is about accuracy and fairness. Moreover, it has been suggested by both the proposer and BSC Panel Members that Mod P274 would act as an incentive to address errors more quickly. However, given that around 78% of the corrections (from the sample data provided) were for excessive charges, Suppliers already have a clear financial incentive to resolve errors in a timely manner, particularly as the corrections run into £'s million p.a. GVC is used to address a whole multitude of issues most of which are not immediately apparent to a Supplier. These include: • Dial mismatches • Transposed reads • Crystallised erroneous CoS • Erroneous transfers • Stopped meter corrections • Pre-payment fraud • Multiplier issues.

Respondent	Response	Rationale
		Finally, we believe that there are a number of additional points to be made on this proposal as follows: • The Mod Group clearly feel that if P274 is introduced there will be another rush to correct data leading to another spike in corrections. • We see GVC as a pragmatic/efficient way of resolving errors without the need for a dispute. • No Trading party has ever raised an issue let alone a dispute in terms of the current use/application of GVC. • The proposed solution is seen by Suppliers/Agents as overly complex and will be difficult to control from a BSC Audit perspective. • The Proposed solution is seen as expensive with costs to impacted participants being in excess of £100,000. • New or Small Suppliers are currently able to choose whether or not to implement GVC, but P274 would force an onerous process on them, which will require them to build/amend their system accordingly. Some small Suppliers have already indicated that they oppose this Mod. We believe it is therefore in breach of BSC objective C on promoting competition. • The BSC Auditor has not raised any issues following annual TA visits to randomly check its application. • The Distributors who raised this Mod have already benefited from overcharging caused by excessive volumes in the first place. Whilst these types of errors or not of their making, the Distributors make no/little attempt to make sure the data they are using from Settlements is correct.
British Gas	NO	The P274 Proposed Modification would undoubtedly have a detrimental impact to the overall accuracy of Settlements. The proposer has not clearly identified in this proposal how this modification would further the BSC objectives or lead to an improvement from the current Baseline Position. The implementation of this proposal would have

Respondent	Response	Rationale
		significant adverse impacts on both NHHDCs and Suppliers, which have not been justified through the identification of any benefits. Although we believe that it would be beneficial for the market to have a greater visibility and control around the volumes and timescales of GVC, which could be facilitated by the implementation of CP1360, GVC remains a useful means for correcting errors and increases the overall accuracy of Settlement.
RWE npower	NO	The only way in which the Proposed Modification can work efficiently would be if the market was free of error, unfortunately historic error exists and mechanism to correct this is required and catered for under the GVC process, a process implemented via a modification to the BSC and therefore approved by the BSC Panel and the Regulator. The proposed solution would severely restrict the corrective process and increase the level of complexity to BSC arrangements which have not been proved to be deficient. Should issues surrounding the current process have been identified surely they would have been discovered during the annual BSC Audit. However the overly complex solution being proposed would most likely introduce additional audit issues and risks. With the roll out of Smart metering this could highlight existing errors so a mechanism needs to remain by which these errors can be corrected in an efficient and pragmatic manner and as the current view to settlement reform is seeking to simplify settlements this modification would be proposing a significantly more complex approach so taking a detrimental view against the reform process. Although an argument has been presented that the GVC process is detrimental to small suppliers, no objections have been raised by these suppliers and if such an issue did exist surely it would have been raised previously. It is also worth noting that no small suppliers have supported the proposed solution throughout the many consultations. Consideration must also be given to the proposed solution promoting the use of re-initialisation, which is a Dummy Meter Exchange in all but name. How can the wilful writing off of error be of a benefit to the industry? Previously a Dummy Meter Exchange would

Respondent	Response	Rationale
		have been used as a method of last resort, whereas it is now being promoted as the fix for all. Group Correction Factor has been well within 0.9 – 1.1 range since CP1310 was implemented in February 2010 with only small variations between Settlement Runs being reported. This suggests that no trading parties are currently being negatively impacted by GVC. However, writing off error as a result of the proposed solution may see error being smeared across GSP Groups and therefore impacting those parties incorrectly identified as being impacted by GVC. The implementation of the Proposed Solution also has the potential to lead to increased Trading Dispute requests as the vast amount of corrections will exceed the Compensatory Volume criteria so we would question if there would be sufficient industry resources available to efficiently review these requests. It is also worth considering the impacts of the Trading Dispute Process on small suppliers who may not have the resource to raise disputes and an increase in the number of disputes being raised would likely see an increase in the dispute threshold (currently £3,000) which would have a larger impact on smaller suppliers. We are also concerned regarding the potential implementation costs associated to this modification, preliminary discussions indicate that these could be substantial due to the complexity of the process which would raise doubts as to if it could be effectively implemented. A full cost analysis should have been undertaken to determine the full financial impact associated to this modification. Gross Volume Correction is a voluntary process whereas the proposed solution would mandate expensive system changes incurring costs on Suppliers large and small – we believe this is unfair on smaller suppliers who are not currently mandates as to how they amend error in this manner. It is important within the industry to ensure that billing and settlements align and as the Proposed Modification require error to be written off, it would cause these differences to be become more prominent.

Respondent	Response	Rationale
Hudson Energy	NO	All suppliers are unanimously against the proposal.
EDF Energy	NO	There is no evidence that the proposal would better meet the BSC Objectives. Specifically: **BSC Objective (c) concerning competition** In limiting the use of GVC, the proposal would cause historic misallocation between suppliers to remain uncorrected, which would not obviously promote BSC Objective (c). All suppliers face difficulty obtaining accurate meter reads from some customer sites in a timely manner. Growth of automatic reading technology should help in the long term, but is not without cost. More invasive data-collection measures are possible, but are expensive and unpopular. Prolonged settlement timescales could allow historic errors to be resolved, but carry cost and complexity. Gross Volume Correction provides a cost-effective method of compensating for past errors when they are detected, avoiding expensive data-collection measures to avoid errors, prolonged settlement timescales, or misallocation of energy between suppliers. Opposition to the proposal from a majority of suppliers indicates they also consider it a cost-effective method of achieving accuracy, despite its shortcomings. **BSC Objective (d) concerning implementation and administration of the BSC** The implementation costs for the proposal, together with the likelihood of an increased volume of disputes seeking to resolve qualifying errors, mean that BSC Objective (d) concerning settlement efficiency would not be better met. We have not identified any obvious impacts on BSC Objectives (a), (b) and (e). **Detailed Comments** • The data used to support the modification proposal related to a period of heightened GVC usage caused by the introduction of CP1310 which restricted GVC to the pre-RF period (dates yet to be subject to Final Reconciliation) rather than the pre-DF period (dates yet to be subject to Post-Final Settlement). The probability that this data

Respondent	Response	Rationale

		accurately reflects the impact that current GVC activity has on the settlements process is low.
		
		• The proposed modification involves writing-off energy imbalance errors that have occurred in Final Reconciliation where:
		  ○ the absolute value of a particular error(s) is greater than twice the EAC value for the site (so cannot be corrected using GVC), but falls below the TDC threshold value (so cannot be disputed). In such cases, meter re-initialisation would be required to obtain correct data in future Final Reconciliation runs going forward, and/or
		  ○ Any erroneous volume occurring more than about 28 months before the time at which the error is identified and corrective measures determined. Even if GVC in RF runs yet to be performed for dates going back about 14 months were allowed under the previous condition, this condition would limit the volume that could be corrected.
		Writing-off errors which could not reasonably or effectively have been detected earlier will increase supplier uncertainty and/or costs and, given all suppliers face these issues, costs would ultimately be likely to be recovered from customers.
		
		• Post-RF energy imbalances (for dates which have passed Final Reconciliation) where the value of the error is above the TDC threshold value must either be written-off or addressed via a trading dispute. This is likely to cause a substantial increase in the volume of trading disputes that are raised. In the event that a trading dispute cannot be raised for practical reasons, the resulting write-off of energy will increase supplier uncertainty and/or costs and, given all suppliers face these issues, costs would ultimately be likely to be recovered from customers.
		
		• The proposed modification seeks to replace the optional GVC process with a more

Respondent	Response	Rationale
		complex mandatory re-initialisation process. It introduces a significant system change to NHHDC systems with no associated benefit if the registered supplier has currently chosen not to use GVC and it will result in additional costs due to the writing-off of identified settlement errors where the supplier currently makes use of GVC. • The current level of compensatory activity has not been accurately determined. This is largely due to the use of "natural compensation" as an alternative approach to GVC. "Natural compensation" occurs where the validation of a reading has been changed from "failed" to "valid" because a manual review process has identified that the reading is actually correct and that the validation failure was the result of an error in the reading history. The advance between the newly validated reading and the previous reading will compensate for any prior error but there is no current requirement to record whether or not this error related to the post-RF period (Final Reconciliation already performed). • None of the major suppliers have indicated support for this proposal. • OFGEM has decided not to activate the DLIM in DPCR5 so any impact that GVC would have had on distributor costs as a result of the loss incentive mechanism should no longer be considered. • The NHHDC system changes required to process this change will cost approximately £50k.
E.ON	NO	• The application of P274 presents the Supplier with several technical impossibilities. Stage one of P274 is a compensatory adjustment, but based on new parameters - this new calculation will have to be "hard-wired" into the system, enabling it to compare both positive and negative corrective values against the new threshold, and flag up the need for a P274 re-initialisation. The new calculation is sufficiently complicated that the detection aspect of the process will have to be

Respondent	Response	Rationale
		automated, as will the partial compensatory advance, but how will systems be able to distinguish between genuine high consumption and a corrective advance in the first place? This will require very sophisticated logic and errors will inevitably occur where the system incorrectly presumes a need for a partial corrective advance and a re-initialisation. Additionally, the cost of re-training staff and amending all related processes would be very onerous. The mod group's recommendation to reject P274 was not just the desire to retain a corrective mechanism, but because we believe the solution to be unworkable and not even close to being fit for purpose. • Removing GVC in its current form interferes with performing standard fixes in the following Supplier and DC processes: dial mismatch, transposed reads, crystallised erroneous CoS, erroneous transfers, transposed reads, stopped meter corrections, pre-payment fraud, and multiplier issues. This list is not exhaustive, and demonstrates the need for GVC as part of these processes. • Far from incentivising Suppliers to address errors, approving P274 disincentives Suppliers from correcting errors as soon as they are discovered. If the error is not addressed until it begins to crystallise, re-initialisation becomes a way of avoiding correction of data processing. • Different NHHDC systems presume negative advances and process them in the fluid period depending on varying percentage comparisons of the advance against a full meter rollover (varying between a 5% assumption to a 30% assumption). This will result in unofficial compensatory advances happening on a larger scale for some Suppliers than others, depending on who their appointed DC is. • P274 will inevitably lead to a proliferation of Trading Disputes. It will not resolve the problem of erroneously settled volumes, but will simply push the addressing of those issues down a different route. • The link between the Loss Incentives Scheme and Settlement data was the primary driver for the

Respondent	Response	Rationale
		distribution company raising this modification. We did not believe at the time the mod was raised that there was a valid defect in the BSC. GVC was a mechanism introduced in to the BSC by modification P176, and the authority recognised that the "inability of BSC parties to correct errors negatively impacted parties where customers changed suppliers" and for that reason agreed that "strengthening supplier' ability to correct errors using GVC better facilitated Applicable BSC Objective (C)." • As GVC is a permitted corrective technique under the code, the use of it does not constitute a defect, which in itself questions the validity of the proposal. We did not accept that the defect was valid and were against progressing an alternative on that basis, however, we accepted that it would be beneficial to have a better understanding of the amount of error being corrected by GVC, and considered that the rollout of smart metering will inevitably lead to the discovery of historic and on-going error, we agreed that more rigour around the use of GVC would be appropriate and for that reason we supported CP136. We also felt that the use of GVC would effectively become redundant by the end of the smart roll out with new HH capable meters providing more actual data that the alternative proposal of a time-limit on it's use would be inevitable. • ELEXON suggested that the data received as a result of the request for information was of questionable sufficiency, making it hard to analyse the use of GVC with the information available. The modification group concluded that CP1360 should be progressed to facilitate more transparency around the use of GVC, rather than progress with P274 with a potentially misleading understanding of the extent of GVC currently in play across the industry. • If P274 is approved, Suppliers will have to write off significant levels of error. As the vast majority of error recorded will be under the £3000 dispute threshold this will be written off under this proposal. This will cost Suppliers millions of pounds per annum and will ultimately result in charges being passed through to customers. • The approval of P274 will result in a set of

Respondent	Response	Rationale
		arrangements that are no longer accurate or fair. It will be biased in favour of distributors, who will have already benefited from any over-settlement that GVC would previously have permitted, and against Suppliers, whose ability to redress error will be curtailed. • If P274 is introduced we hope that there would not be another rush to correct data leading to another spike in corrections. Settlement is currently performing well – we are exceeding the 97% performance target, trading disputes are declining, volatility in Group Correction Factor has been smoothed and audit issues greatly reduced. It would be nice to continue to have a fair, balanced and equitable settlement regime. • We consider the proposed solution is expensive with costs to impacted participants being difficult to quantify, given that we aren't confident that we can actually deliver the system and process changes to ensure that we can achieve what is required by the modification. • New or Small Suppliers are currently able to choose whether or not to implement GVC, but P274 would force an onerous process on them, which will require them to build/amend their system accordingly. The proposer argues that GVC is a barrier to competition, and as such P274 would be of benefit to smaller Suppliers, but given that smaller Suppliers are in fact in opposition to P274, they believe they would be disadvantaged by the approval of this modification. They feel that whereas GVC is optional, P274 forces them to adopt a process that is not cost-effective to implement. It is therefore does not facilitate Applicable BSC objective (C) - promoting competition. • The onerous and overly complex nature of this proposal does the very opposite of promoting efficiency in the operation of settlements. • This proposer believes that BSC Parties correct only where it benefits them, however the analysis of the data collected demonstrated that both positive and negative corrections occur. Removing this correction technique would also prevent the benefit of the repayment of previously

Respondent	Response	Rationale
		under-settled volume to parties that has been paid for by the smearing through GCF being returned to those parties – and would constitute a defect in the BSC. At the end of the day, all suppliers large and small want to achieve the same thing, a balance between their purchases and their sales, reflective of the volumes their customers have consumed; anything else leads to increased overheads which ultimately find their way on to customer bills, and no supplier wishes to burden their customers with unnecessary costs.

Question 2: Do you agree that the legal text delivers the intention of P274 Proposed Modification?

Summary

Yes	No	Neutral/Other
8	1	0

Responses

Respondent	Response	Rationale
IMServ Europe Ltd	YES	None Provided
SSE Energy Supply	NO	The principle of the BSC – accuracy and correction of error. The concept of writing of error as proposed completely undermines that principle
TMA Data Management Ltd	YES	None Provided
Scottish Power	YES	Whilst the solution itself is clearly complex and will be difficult to Audit, the legal text is a fair reflection of the proposed Modification
British Gas	YES	The legal text appears to deliver the intention behind the proposal.
RWE npower	YES	The legal text delivers to the intention of P274 Proposed Solution
Hudson Energy	YES	None Provided

Respondent	Response	Rationale
EDF Energy	YES	None Provided
E.ON	YES	The legal text is cumbersome and complex, but that fairly reflects the nature of the proposal.

Question 3: Do you agree with the Panel's initial view that the P274 Alternative Modification should be rejected?

Summary

Yes	No	Neutral/Other
5	4	0

Responses

Respondent	Response	Rationale
IMServ Europe Ltd	YES	None Provided
SSE Energy Supply	NO	This would prove to be more beneficial in enabling settlements to be reflected accurately under the terms of the BSC
TMA Data Management Ltd	YES	CP1360 could be progressed and cater for additional Audit Trail requirements.
Scottish Power	NO	With the exception of the Proposer, ALL the Mod Group members do not believe that there is a BSC defect due to a lack of evidence, as it is a permitted corrective technique under the BSC. However, as the BSC is silent on the timescales of the use of GVC, the Mod Group felt that this was a loophole, and that there should be a time limit defined within the BSC to prevent the potential excessive use of GVC. The five years + RF limit suggested was agreed as an initial cut off point to avoid any repeat of CP1310 which led to a major spike in GVC; which impacted both the DLIM as well as creating issues around load shape & load management. The 5 year limit took into account tax and billing time limits; and more importantly allowed time for data to be gathered via CP1360 to make an informed decision on the future of GVC. Once, the scale of GVC is

Respondent	Response	Rationale
		established under CP1360, the SVG could review its use annually; and reduce the timescales via a CP – all of which is a low cost solution to Industry and Party systems, and should address any concerns around the use/controls of GVC.
British Gas	YES	We do not accept that either the original or alternate proposals are addressing a defect within the current arrangements and implementation of either would lead to a reduction in the accuracy of Settlements, increased costs to both NHHDCs and Suppliers and would not facilitate the efficient administration of the Balancing and Settlement Code. Therefore we do not support the implementation of either proposal. The P274 Alternate proposal was developed by the Modification Group in response to the original and does have a single advantage, in that it would create a framework, which if combined with the implementation of CP1360 would provide an evidential basis for any future changes. This makes the alternate preferable to the original Proposal, which has no basis in fact, as the data looked at by the Workgroup spanned the period in the run up to the implementation of CP1310, where there was a marked 'spike' in the instances of GVC being carried out. Failing to omit this accepted error from the analysis has rendered a large part of the workgroup report irrelevant.
RWE npower	NO	No We disagree with the recommendation to reject the Alternative modification. As there is still error within the market that will need to be corrected as fully as possible and although the Alternative solution will restrict the use of GVCs to five years plus RF it still allows errors to be corrected so has a less detrimental effect upon the industry, our organisation, and ultimately our customers. As the full scope of the impact of GVCs is unavailable due to a lack of clearly defined records the Alternative Modification was a necessity as it would still allow for error to be corrected but also allow for a periodic review of the restriction based upon progress being made cleansing industry data. Should enhanced accurate data be provided (CP1360) reflecting the full impact of the GVC process this can facilitate the reduction in proposed GVC timescales under the Alternate Modification.

Respondent	Response	Rationale
		The current process is already well established within the industry so the implementation of the Alternative Solution would only raise minor issues from a training and system development perspective while adding additional control to the GVC process without excessive additional costs which are yet to be fully identified. As no concerns have been raised by any suppliers or identified through audits then the current process can be seen as operating effectively however the amendments proposed by the Alternative Solution would appear to be the next logical steps in improving the existing approach while acknowledging that significant historic errors are not compensated for. Coupled with what CP1360 would deliver, the industry would be in a position to make informed decisions on GVC and its use and decide on appropriate time constraints based on clear evidence. The primary goal of a GVC is to correctly capture settled volumes and a process must exist to enable this, while errors should be addressed prior to RF there will be occasions when this isn't physically possible so the facility to correct these errors is key to ensuring data is cleansed correctly with a view to the impending settlement reform. The Alternative solution will also continue to provide support to smaller suppliers who under the Proposed solution would not have the facility to recover from historic inherited errors but be mandated to use an expensive and complex corrective technique which may not suit their current business model.
Hudson Energy	NO	The alternative is also not necessarily the best solution either
EDF Energy	YES	It does not provide a better solution than the baseline arrangement
E.ON	YES	Whilst the alternative solution proposes an improvement to the already sophisticated workings of GVC, and quite rightly, concerns have been raised about GVCs being performed to correct decades of settlement error, introducing CP1360 will allow performance assurance mechanisms to verify the appropriate use of GVC in the future. Data will help determine whether further changes to the process or the BSC itself are required to limit its use. It is likely that with the rollout of smart meters, that errors will become evident much earlier and settlement is

Respondent	Response	Rationale
		unlikely to be inaccurate for any sustained period, and therefore GVC will cease to be necessary. A further CPs could be introduced if necessary to limit the period over which corrections may be applied, subject to review, as evidence of improved data quality is available.

Question 4: Do you agree that the legal text delivers the intention of P274 Alternative Modification?

Summary

Yes	No	Neutral/Other
9	0	0

Responses

Respondent	Response	Rationale
IMServ Europe Ltd	YES	None Provided
SSE Energy Supply	YES	None Provided
TMA Data Management Ltd	YES	None Provided
Scottish Power	YES	These minor legal text changes to the BSC cover the intention of the alternative modification, to close a loophole, by introducing a time limit in the use of GVC.
British Gas	YES	The legal text appears to deliver the intention behind the proposal.
RWE npower	YES	The legal text delivers to the intention of P274 Alternative Solution
Hudson Energy	YES	None Provided
EDF Energy	YES	None Provided
E.ON	YES	The changes to the legal text are simple, and fairly reflect the efficacious nature of the alternative solution

Question 5: Do you agree with the proposed implementation date for the P274 Proposed Modification?

Summary

Yes	No	Neutral/Other
7	2	0

Responses

Respondent	Response	Rationale
IMServ Europe Ltd	YES	This is a very significant change to the NHHDC read processing rules and as such will take a significant amount of resource to specify, test and implement
SSE Energy Supply	NO	We believe that both the proposal and alternate should be rejected enabling a review (perhaps by the original working group) that would give opportunity to a more robust and enduring solution.
TMA Data Management Ltd	YES	None provided
Scottish Power	YES	None provided
British Gas	YES	We agree that the implementation for this proposal would need to be 12 months from a direction in order that Suppliers and Agents can make necessary amendments to their systems and carry out training and testing. However, we are concerned following discussion with NHHDCs about the ability of our agents to deliver this change at all. It is still unclear at this point how the NHHDC systems would be required to calculate EAC/AAs where reads span the RF date. At the moment NHHDC systems automatically carry out 'natural corrections' across RF, the proposer is seeking in this proposal to remove this functionality but has not clearly stated how NHHDCs would need to operate. Without significant further clarification, we cannot be certain that if implemented this change can be managed by NHHDC Agents.

Respondent	Response	Rationale
RWE npower	YES	The timescale of 12 months is an acceptable minimum however; this may lead to a significant increase in GVCs in the run up to implementation as suppliers will be able to focus resource on correcting historic errors. Has consideration been given to the overall industry impact of this increase in corrections, will this in turn present an incorrect view of settlements for the period prior to implementation?
Hudson Energy	NO	The timescale does not allow for sufficient implementation.
EDF Energy	YES	There is a risk that the fixed implementation period of 12 months could lead to a significant increase in the use of GVC similar to that seen when CP1310 was introduced.
E.ON	YES	Non provided

Question 6: Do you agree with the proposed implementation date for the P274 Alternative Modification?

Summary

Yes	No	Neutral/Other
8	1	0

Responses

Respondent	Response	Rationale
IMServ Europe Ltd	YES	This is a relatively minor change and as such would just need some user training
SSE Energy Supply	NO	We believe that both the proposal and alternate should be rejected enabling a review (perhaps by the original working group) that would give opportunity to a more robust and enduring solution.
TMA Data Management Ltd	YES	None provided

Respondent	Response	Rationale
Scottish Power	YES	None provided
British Gas	YES	We agree that the implementation for this proposal would need to be 3 months from a Direction in order that Suppliers and Agents can make necessary amendments to their systems and carry out training and testing. Given that the Alternate Proposal is seeking to limit corrections at an initial 5 year period, this would not have the same scale of impact to the NHHDC systems that the original would. While implementation of the Alternate would require a significant amount of manual effort on behalf of the NHHDC Agents to effect the change, we believe that this is achievable as it would be on a small scale and does not involve the complexities of dealing with reads spanning the RF boundary in the same way as the original.
RWE npower	YES	As little will be changing compared with the current process a three month lead time is acceptable.
Hudson Energy	YES	None provided
EDF Energy	YES	None Provided
E.ON	YES	None Provided

Question 7: Do you have any other comments on P274?

Summary

Yes	No	Neutral/Other
7	2	0

Responses

Respondent	Response	Rationale
IMServ Europe Ltd	NO	None Provided
SSE Energy Supply	YES	There are some valid questions still to be answered around this modification, for example, what happens when a GSP Group is in not in dispute? Can a BSC

Respondent	Response	Rationale
		Party raise a dispute in accordance with BSCP11 (i.e. RF +70 WDs /materiality > £3000 criteria) to address excessive volumes in accordance with the proposed P274 solution? Or, are we saying that under the proposed P274 solution, GVC may only be applied up to 28 months if the MPAN is in a GSP Group area ALREADY subject to a dispute run, approved by TDC to address the erroneous /excessive EAC/AA dispute? This would mean that this solution could not be applied to the 3 GSP Groups not in the dispute process. Also, there is no guarantee that the TDC will continue to endorse dispute runs for the other 11 GSP Groups going forward. So to apply the proposed methodology that GVC can be applied up to 28 months, would mean that BSC Parties only option would be raise a dispute in accordance with BSCP11 – is this right??? Furthermore, you state that there is no direct link to the dispute process, but given the points above, how can this be correct? ALL data that is amended in Settlement up to 28 months should be subject of an approved dispute, at least according to the principles of the BSC. We have also discussed this with SSE NHHDC who state that the proposed modification would be : 1) a complex and costly change to implement 2) a possibility that this may prove to be impossible to implement due to the complex nature of the requirement.
TMA Data Management Ltd	NO	None Provided
Scottish Power	YES	Whilst we fully respect the decision making process of the BSC Panel, we were somewhat surprised as to its provisional decision, particularly due to the almost unprecedented agreement of ALL Trading Parties that responded against this change. One of the concerns that we have is that given the overwhelming opposition to this; we do feel that the BSC Panel received a rather one sided view (i.e. from the Proposers perspective) of this Modification; and that maybe a review of just how Modifications are presented to the BSC Panel should be considered to ensure Panel Members are clearly aware of both the issue/s for and against a modification.
British Gas	YES	We are concerned that the panel have, in their initial view, indicated that they support the implementation

Respondent	Response	Rationale
		of this proposal, despite the overwhelming view of the Modification Workgroup that it should not be implemented. This proposal was raised on the back of concerns around the impacts that GVC post CP1310 had on the calculation of the Distribution Losses Incentive Mechanism (DLIM). We do not believe that this Modification has been shown to address any defect in the current arrangements and no benefit associated with it has been identified. GVC is a permitted correction technique under the BSC and its use does not constitute a defect. We accept that greater visibility is required and believe that CP1360 should be implemented i.e. for Suppliers to record all instances of GVC going forward, so that a true picture of the use of GVC can be established. Significant improvements have already been achieved since the implementation of CP1310 in February 2010, since which time Group Correction Factor (GCF) has been well within 0.9 -1.1 range. OFGEM in their report dated 16th Nov 2012 'Decision not to activate the Losses Mechanism in the Fifth Distribution Control' referred to the high level of data cleansing (GVC) in Settlements prior to DPCR4 as legitimate, and that the volatility seen in settlement data when used for measuring losses does not mean that there is a problem with Settlement data, which is accurate for the purpose for which it was designed.
RWE npower	YES	It should be noted that there has been a shift in this modification which is no longer clearly identifiable by the title, originally the modification sought to removal the GVC process in its entirety hence the title "Cessation of Compensatory Adjustments" however throughout the life of the modification the desired outcome from the Proposed and Alternate Solution is actually to restrict the use not to remove the process, should this have been resubmitted as a new modification to correctly identify its aims? Further analysis should be provided regarding the volumes of corrections currently being processed within the industry. The focus of the brief analysis was to report as a net value, where this is reported as total corrected volume and not netted off as the GVC process exists to correct error not just recover. We believe CP1360 should be implemented and be given time to build a picture of GVC usage within the industry to allow both the BSC Panel and the Regulator to make an informed judgement.

Respondent	Response	Rationale
		We acknowledge that CP1310 caused a significant spike in GVC usage which could be interpreted as a driver to this modification being raised due to the impact on the Distribution Losses Incentive Mechanism, however the issue surrounding this have since become non applicable due to the recent decision not to activate the Losses Incentive Mechanism in the Fifth Distribution Price Control. Consideration should also be given to the impact of the current economic climate which has caused many properties to become vacant, thus reducing the ability to obtain meter reads so severely reducing the ability to correct errors within the fluid period, the current GVC process and that supported by the Alternative Modification will allow for these error to be accurately corrected, ensuring that accurate billing can take place. Suppliers gain no benefits from not fixing error in the fluid period and would in all cases, prefer to fix things without the need for Gross Volume Correction. However, errors cannot always be identified within the fluid period so the need for a pragmatic fix for these errors is vital.
Hudson Energy	YES	P274 seems to have been raised with a lack of understanding. There are no industry wide complaints regarding GVC and therefore the MOD should probably not have been raised. The BIG 6 are all united and the smaller suppliers would not be happy with the costs that are involved with P274. It seems to undermine the principles of the BSC regarding accuracy, fairness and equality and also may harm competition. This would also have an adverse effect on customers as we would be writing off error regardless of where the error lies.
EDF Energy	YES	Modification P274 was raised due to a perceived deficiency within the BSC because the settlement data for each half-hourly period does not accurately reflect the energy actually generated and utilised within that period. The following adverse impacts attributed to the use of gross volume correction (GVC) were provided: 1. New entrants having volumes attributed to them that relate to periods before they started trading. 2. Suppliers having volumes attributed to them that relate to periods of cheaper wholesale prices

Respondent	Response	Rationale
		Response The view expressed in the modification proposal is that GVC materially compromises the accuracy of settlement data but this completely disregards the fact that GVC is only applied in order to correct erroneous consumption data that has already passed into settlements. The energy volumes recorded must already be inherently incorrect or the need to apply GVC would not exist. No evidence has been provided to support the argument that settlement data without a GVC component would more accurately reflect the actual volume of energy for a period than the data currently provided. With regard to the impacts stated in the proposal and outlined above: 1. No data has been provided to support the view that new entrants are materially impacted through the use of GVC. Any impact that GVC activity has on a new entrant would be applied by the group correction factor in proportion to market share. The impact on any new entrant is therefore likely to be very small. 2. A difference in the wholesale price between the original and corrective settlement periods could be to the benefit or detriment of the supplier making the correction. No evidence has been provided to support the view that this has had a material impact on any party. In summary, no evidence has been provided to support the claim that there is a deficiency within the BSC that needs to be addressed. It is a concern that the initial view of the BSC Panel is to recommend this proposal, despite lack of firm evidence and considerable industry opposition.

Respondent	Response	Rationale
E.ON	YES	It is widely accepted that CP1310 caused unintended consequence for distribution businesses when there was a combination of events in the market. Suppliers seeking to ensure efficiency in their businesses and to ensure that their settlement position in the market matched what customers were being billed resulted in a focus on addressing known data errors. The CP introduced a limit on how volume correction was permitted, and given this time limit, the industry rushed to undertake corrections before the window closed. The smart metering rollout will inevitably lead to the identification of further on-going error, so it is right that what happened with CP1310 doesn't happen again – a rush to correct error before further limits are imposed. However, we do not have a true picture of the extent to which correction is taking place, nor do we have performance assurance around the use of those corrections, so while we reject this modification, we do support the introduction of measures to ensure that GVC when it is used is done in a more transparent way. Similarly, we would like to see Elexon assist smaller BSSC parties, who aren't confident about how to use this corrective technique, to ensure that their balancing and settlement positions reflect their customer's consumption. Finally, it is disappointing, given the very detailed and lengthy work that has been done on this modification that the BSC Panel members failed to accept the recommendation of the technical experts on this modification group. The motives driving this proposal sat outside of the BSC, and the defect was extremely questionable, however, the members of the workgroup put aside their personal views on the proposal and assisted the proposer in developing and refining the proposal (as required by our membership of any modification group) as technical experts in a nonpartisan way, yet our expert views were rejected with very little justification. If there was a deficiency in the work we had done, or a view that the conclusions we had reached were incorrect, based on some lack of understanding of the BSC issues or some other technical reason,

Respondent	Response	Rationale
		then overturning our recommendation would be justified, however, nothing in the relevant Panel Minutes or in feedback we've sought from the analysts involved in the modification group provides us with any reasonable clarity on why our recommendations were rejected, and it is therefore disappointing that the Panel sought to use the modification as some sort of "incentive" to drive data accuracy, when actually implementing the modification has the opposite effect!