



Stage 04: Draft Urgent Modification Report

P246: Reporting to LDSOs of Aggregated Metering Data for Embedded Networks

Ofgem has approved a new Common Distribution Charging Methodology (CDCM) that requires portfolio billing for Distribution networks embedded within other Distribution networks.

The BSC currently provides for Licensed Distribution System Operators (LDSOs) that operate embedded networks to receive Settlement data to calculate their own charges, but not for other LDSOs to use this data.

P246 aims to make Settlement data available to other LDSOs to facilitate portfolio billing under the CDCM.

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase



The P246 Group initially recommends **Approval** of P246



High Impact: LDSOs, SVAA

n/a

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Any questions?

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About this document:

This Draft Urgent Modification Report details the solution, impacts, costs, benefits and the potential implementation activities associated with Modification P246 and the discussions of the P246 Modification Group. Attachment A contains the P246 Consultation Questions response form, which includes all the questions highlighted throughout this Draft Report.

The purpose of issuing the P246 Draft Urgent Modification Report for consultation is to obtain views or further evidence from BSC Parties and other interested parties. The P246 Modification Group will discuss any substantial issues arising from the consultation and will update this report with their final recommendations and submit a final report to the Panel for consideration at its meeting on 14 January 2010.

The Panel will consider the Group's recommendations and agree a final view on whether or not P246 should be approved. A Final Urgent Modification Report will then be produced, reflecting the discussions and recommendations of the Panel, and will be submitted to the Authority which will decide whether or not to approve P246.

n/a

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Why Change?

From 1 April 2010 LDSOs will be obliged to introduce Portfolio billing. A DCUSA Working Group is considering how to achieve this in both the long- and short-term. It is envisaged the solution will use Settlement data but the BSC imposes restrictions on the use of such data by LDSOs. P246 aims to make Settlement data available to other LDSOs to facilitate portfolio billing under the CDCM.

Solution

Remove restrictions on LDSOs passing NHH Settlement data amongst themselves and permit the SVAA to send NHH data to LDSOs.

Alternative Solution

Remove restrictions on LDSOs passing NHH Settlement data amongst themselves.

Impacts & Costs

P246 Proposed would require SVAA system changes and would therefore incur the associated costs in implementation. However, all P246 Proposed implementation costs would be funded by LDSOs. The ongoing operational costs are minimal and would be funded in the same way as other BSC arrangements.

P246 Alternative is a Code-only change and as such has minimal implementation costs associated with it.

Implementation

P246 needs to be in place before 1 April 2010.

The Case for Change

Proposed and Alternative

The Group unanimously agreed that both P246 Proposed and P246 Alternative better facilitate the Applicable BSC Objectives compared with the existing Code baseline because of benefits against Applicable BSC Objectives (a), (c) and (d).

Proposed vs. Alternative

The Group agreed by majority that P246 Alternative does not better facilitate the Applicable BSC Objectives compared with P246 Proposed.

- The majority of the Group believed that P246 Proposed would better facilitate Applicable BSC Objectives (a) and (c) compared with P246 Alternative
- The minority of the Group believed that P246 Alternative would better facilitate Applicable BSC Objective (d) compared with P246 Proposed

P246 Group's provisional recommendations

The initial recommendations of the Group, subject to the results of the P246 consultation and further considerations, are:

- Approve Proposed Modification P246;
- Reject Alternative Modification P246;
- Implement Proposed Modification P246 on 31 March 2010 if an Authority decision is received on or before 28 January 2010; and
- Implement Alternative Modification P246 2 working days after an Authority decision.

n/a

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Background

Modification Proposal P246 'Reporting to LDSOs of Aggregated Metering Data for Embedded Networks' was raised by the Electricity Network Company on 30 November 2009. The Proposer recommended that P246 should be treated as an Urgent Modification Proposal; the Panel agreed this recommendation and on 4 December the Authority approved Urgent status for P246.

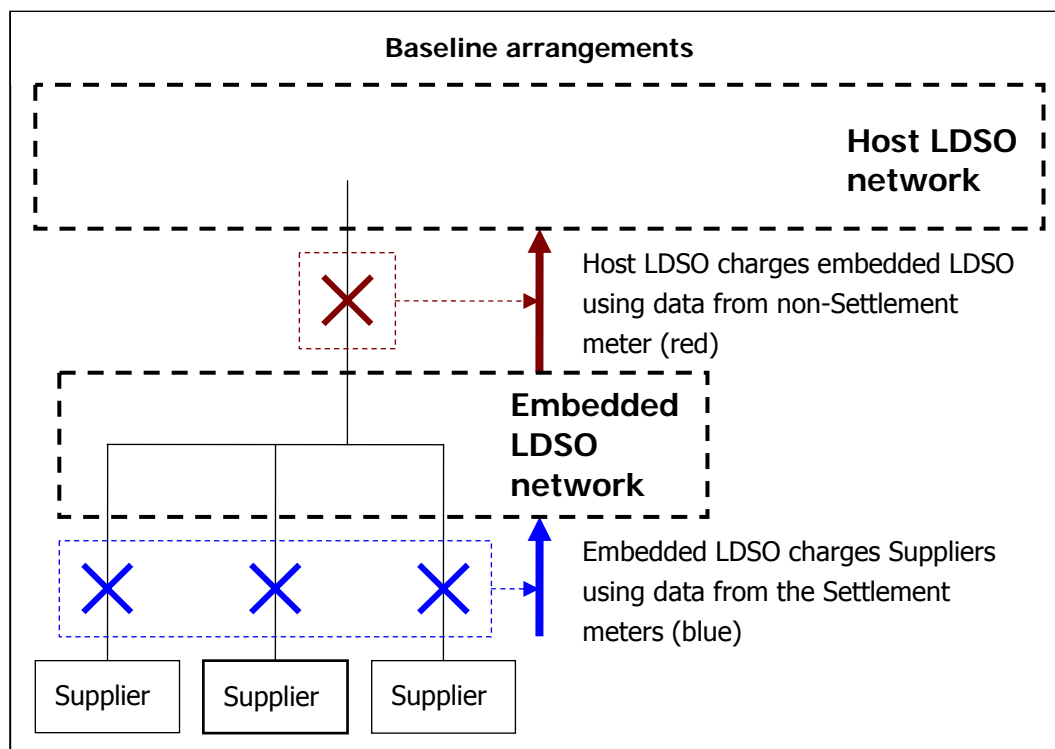
Identified issue

Ofgem approved a new Common Distribution Charging Methodology (CDCM) for introduction on 1 April 2010. The CDCM requires 'portfolio billing' for Distribution networks embedded within other Distribution networks. For the purposes of this report a Distribution network (and its associated LDSO) that contains an embedded network is referred to as a 'host' or 'upstream' Network.

It is envisaged that the host Licensed Distribution System Operator (LDSO) will charge the operator of the embedded network based on aggregated settlement data for the portfolio of customers on the embedded network.

The Code currently provides for embedded LDSOs to receive settlement data to calculate charges for their own networks, but not for host LDSOs to use this settlement data. The Proposer believes that this restriction means it is extremely difficult for LDSOs to comply with their Licence Obligation to implement the CDCM. P246 aims to amend the Code to make settlement data available to host LDSOs to facilitate portfolio billing under the CDCM.

Embedded network LDSOs charge Suppliers based on Settlement data. But embedded LDSOs are charged by host LDSOs based on Half Hourly meter readings from non-Settlement Meters at network boundaries (as shown in the diagram below).



It is envisaged that under portfolio billing the host LDSO will charge the embedded LDSO using aggregated Settlement data from the Settlement meters of the embedded LDSO's entire portfolio of Supplier customers (as in the diagram below).



CDCM

The Common Distribution Charging Methodology will be used by regional distribution network operators to set use of system charges in a coordinated manner.



Portfolio billing

Billing by host LDSOs of embedded LDSOs using charges based on data relating to end users (or further, nested embedded LDSOs).

n/a

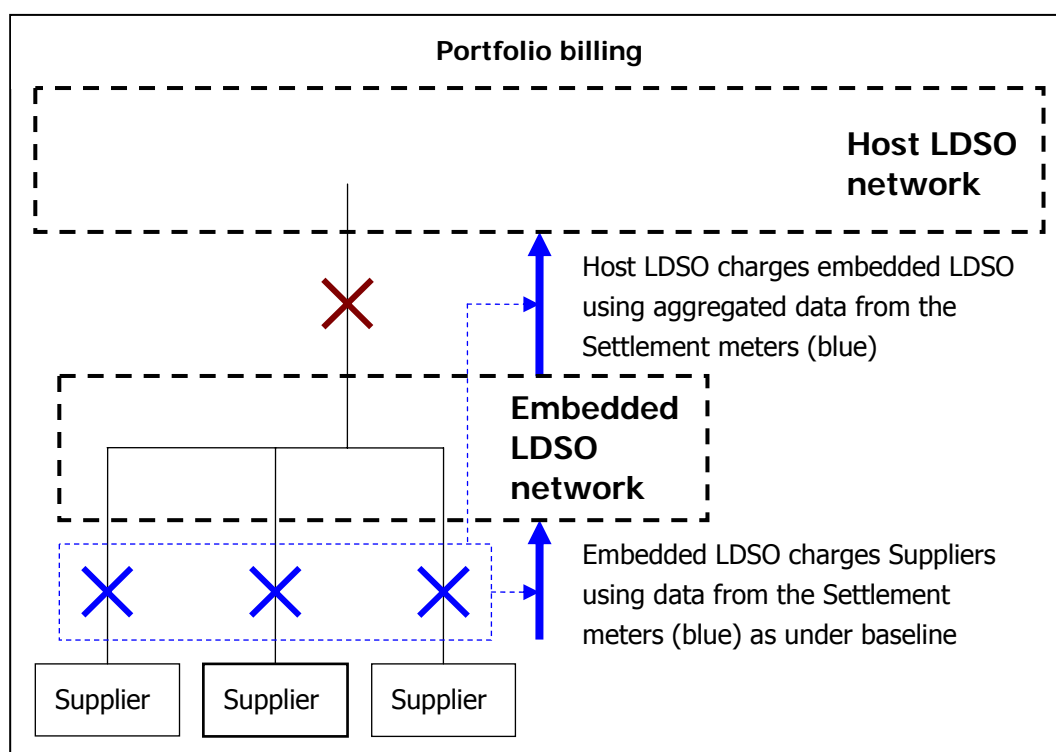
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Urgent Status

Proposer's Recommendation

The Proposer requested that P246 be treated as an Urgent because:

- Changes to the BSC are required well in advance of the introduction of the CDCM on 01 April 2010 to enable LDSOs to develop and implement a solution for portfolio billing for embedded networks; and
- If portfolio billing cannot be implemented as envisaged (i.e. using settlement data) there could be an extremely high impact on LDSOs and less effective charging methodologies and portfolio billing may be introduced.

LDSOs therefore need to know the outcome of P246 well in advance of 1 April so they can implement the best possible billing solution in light of the available settlement data. The commercial impact on Distributors of not being able to implement portfolio billing in the way they intended could be extremely high.

Panel Views

The Panel considered the request for Urgent status for P246 on 3 December 2009 and unanimously recommended that P246 should be treated as an Urgent Modification Proposal. The Panel believed that P246 was linked to the introduction of the CDCM on 1 April 2010 and that the decision on P246 would have a significant impact on how LDSOs implement their charging methodologies, specifically in the area of portfolio billing.

The Panel noted P246 was primarily an 'enabling' change, with the aim of removing Code restrictions to allow LDSOs the freedom to implement the most effective charging solution. The Panel agreed that whether or not P246 was approved it was important for LDSOs to know the decision in advance of introduction of the CDCM on 1 April.

Authority Decision to Approve Urgent Status

After considering the Panel's recommendation the Authority approved the treatment of P246 as an Urgent Modification Proposal. In reaching this decision they considered the details in the modification proposal, together with the Proposer's justification for urgency and the Panel's views.



Urgent status

The Authority can grant status as an Urgent Modification Proposal.

When Urgency is granted the Modification is not subject to the normal timetable and process constraints applied of the Modification process.

n/a

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The Authority considered that P246 satisfies the criteria for granting urgent status to a Modification Proposal, in particular:

- The proposal is linked to an imminent date related event, insofar as the requirement to adhere to the CDCM takes effect 1 April 2010; and,
- There is a real likelihood of significant commercial impact upon LDSOs if the proposed Modification is not treated as urgent and decided upon within this timeframe.

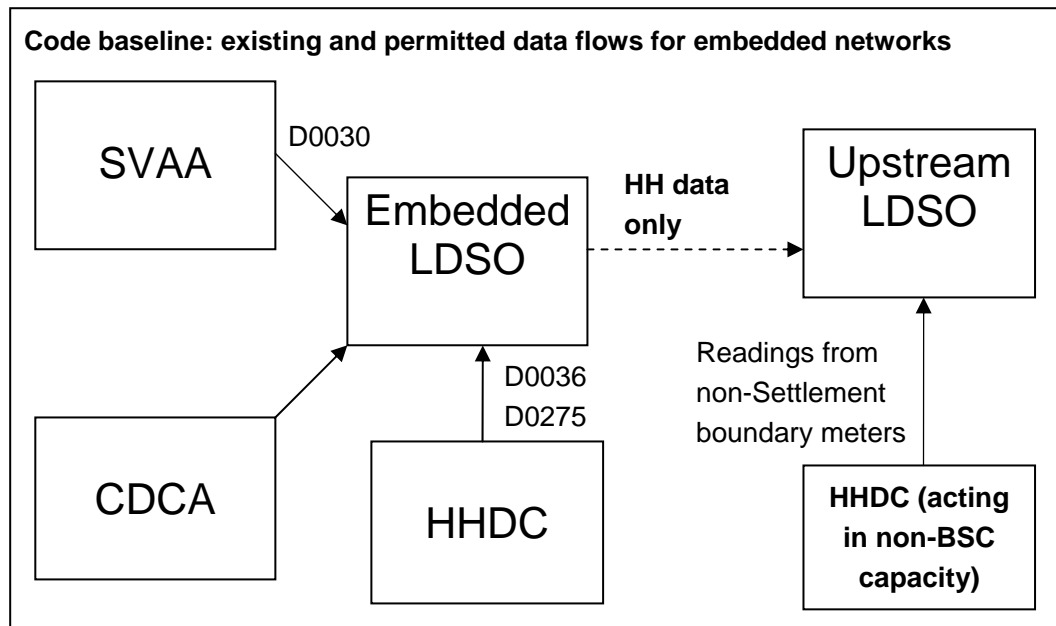
The Authority noted that the P246 process and timetable was challenging but acknowledged that LDSOs require reasonable notice of the P246 decision to make suitable arrangements for implementation or to pursue alternatives as appropriate. The Authority also noted the need for a timely decision on their part.

Existing BSC arrangements

Provisions in Section S of the Code cover the provision of data to LDSOs and the restrictions on the use of that data. The particular paragraphs relevant to P246 are S2.3.1 (HH data - HHDCs) and S2.7.7 (NHH data - Suppliers/SVAA). Additionally, paragraph L5.2.4 covers provision of data to LDSOs by the CDCA (HH data).

Essentially, the Code provides for the relevant LDSO (not currently defined, but meaning the LDSO whose network a customer is connected to) to receive Settlement data for use in calculating charges for the use of, and connection to, its Distribution System. Such data is received from Suppliers (i.e. SVAA), HHDCs and the CDCA.

The diagram below shows the current flows of information between LDSOs, BSC Agents and Party Agents (acting in BSC and non-BSC capacities) and the new flow of information that would already be permitted under the Code (this potential flow shown by a dashed arrow).



There are no Code restrictions on LDSOs passing on any HH data they receive under the Code to other LDSOs. However, the Code does not permit relevant LDSOs to pass NHH data to other LDSOs, and does not contain provision for any BSC Agents or Party agents to pass Settlement data to LDSOs other than relevant LDSOs, or to any central agent that may be appointed by LDSOs.

n/a

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Work of DCUSA Working Group

A Working Group has been set up under the Distribution Connection and Use of System Agreement (DCUSA) to consider the enduring solution for portfolio billing. The enduring solution will not be ready for the date the CDCM is introduced, so a DNO/IDNO sub-group of the DCUSA Working Group is developing an interim solution for use from 1 April 2010.

Interim solution

The DNO/IDNO sub-group is looking specifically for a solution for implementation by 1 April 2010. So far two options have been identified:

- Option 1: embedded LDSOs extract data from their systems and pass to upstream LDSOs for use in portfolio billing; and
- Option 2: the SVAA provides aggregated NHH Settlement data, and embedded LDSOs provide HH data, to upstream LDSOs for use in portfolio billing.

Enduring solution

The enduring solution for portfolio billing is still being developed by the DCUSA Working Group. Though the details are not finalised, it is envisaged that the enduring solution will involve procurement of a central agent by LDSOs. The central agent will receive the necessary data from LDSOs or some other source (e.g. BSC Agents) and perform data aggregation and any other operations necessary to achieve portfolio billing.

Interaction with P246

The Group developed the P246 Proposed solution to reflect the interim solution Option 2, with legal text that would allow the central agent in an enduring solution to receive data directly from the SVAA as well as from LDSOs. Option 2 was developed into the Proposed solution because the proposal stated that the solution would involve provision of data by the SVAA. Though the proposal also mentioned HH data, the Group ruled out provision of HH data by any source other than LDSOs due to the complexity it would add to P246, both technically and in terms of justifying costs and identifying/apportioning costs between Parties.

The Group based the potential P246 Alternative on interim solution Option 1, with legal text that would allow the central agent in an enduring solution to receive data from LDSOs. The Alternative is therefore a Code-only change giving LDSOs permission to use data as they need to for portfolio billing, and the legal text would facilitate an enduring solution that sits completely outside the BSC, i.e. LDSOs would provide data to a central agent, no Settlement Agents or Party Agents would directly interact with that agent.

Related previous work

Approved Modification Proposal P62

P62 'Changes to Facilitate Competitive Supply On the Network of New Licensed Distributors' facilitated the introduction of the Utilities Act 2000 (which made electricity distribution a distinct licensable activity), by changing the Code so multiple distributors are permitted to operate within each of the existing GSP Groups. There is some similarity in principle between P62 and P246, since P246 seeks to change the Code to facilitate the introduction of the CDCM, i.e. another outside change that affects Distributors.

However beyond this similarity in principle there is no direct connection between P62 and P246. P62 did not take any account of Distribution Use of System (DUoS) billing, and at the time of P62 the concept of embedded networks did not exist, let alone portfolio billing.

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P62 was considered to better facilitate Applicable BSC Objective (c) by promoting effective competition in Supply due to its facilitation of competition in Supply on the networks of new licensed distributors.

Rejected Modification Proposal P70

P70 'CMRS Metering for inter-DNO Boundaries within a GSP Group' was raised as a consequence of P62, during which it was suggested it would be desirable to have the option to place a Central Meter Registration Service (CMRS) registered meter at the connection point of the existing Distribution Network and any new Distribution Network. P70 therefore sought to modify the Code to permit registration in CMRS of a meter at the connection point between two distribution networks within the same GSP Group in CMRS.

It was suggested that P70 would better facilitate Applicable BSC Objectives (c) and (d); Ofgem was not convinced that this was demonstrated, and believed that any benefits were available without change to the Code, and therefore rejected P70.

There is no direct relation between P70 and P246, given that it is acknowledged that the Code places definite restriction on the use of Settlement data by LDSOs which, depending on whether they are amended, will affect how LDSOs are able to implement portfolio billing.

Rejected Change Proposal CP1280

CP1280 'SVAA to provide LDSOs with aggregated consumption data for embedded Distribution Systems' sought to address similar issues to P246. CP1280 proposed that the SVAA should provide LDSOs with aggregated consumption data for customers on networks embedded within that LDSOs' network, with the rationale of avoiding the need for unnecessary metering at boundaries between networks.

CP1280 was rejected because it did not have complete support from Distributors and because it did not contain any funding element, leaving Suppliers concerned that they would be required to help fund arrangements required solely by Distributors. P246 includes consideration of how changes will be funded by LDSOs, and is based on further development work by Distributors, so the Group believes the CP1280 concerns do not apply to P246.

Prior assessment of SVAA data provision

Following an approach by an LDSO, ELEXON asked the SVAA service provider to assess several options for providing SVAA data to LDSOs to facilitate charging between embedded and upstream LDSOs.

The SVAA impact assessment indicated that the most feasible option could be implemented with around 22 days' effort. ELEXON estimated this equates to less than £20,000 cost, and assessed that if ELEXON was involved to facilitate transfer of data between SVAA and LDSOs there would be a relatively modest annual ELEXON cost (in the order of £200) associated with each distribution network for which data is provided.

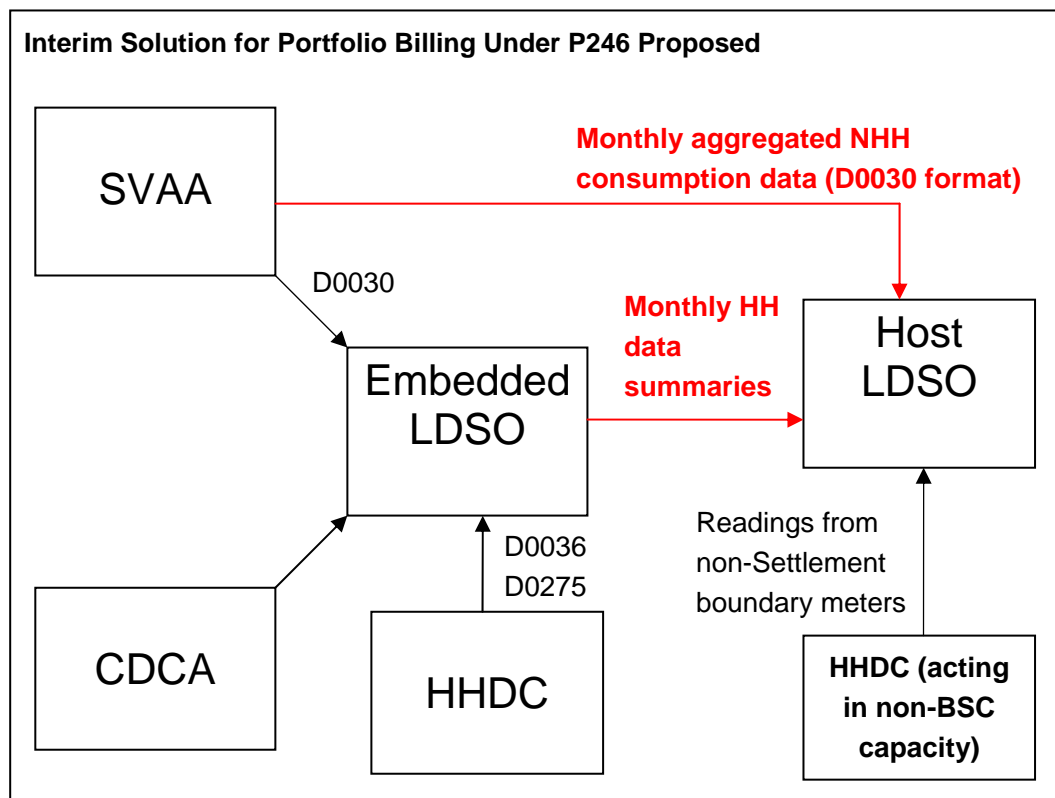
The Group used this previous solution to help it develop P246 Proposed, and used the results of the impact assessment to inform its discussions around timescales and costs associated with P246. There are however differences between P246 Proposed and the previously assessed solution, but a new impact assessment of P246 will be conducted and taken into consideration by the Group.

P246 Proposed Solution

P246 Proposed is intended to support both interim and enduring solutions to portfolio billing.

For the interim solution (from 1 April 2010 onwards) host LDSOs will receive Half Hourly data from embedded LDSOs, and Non Half Hourly data from the Supplier Volume Allocation Agent (SVAA), as shown in the diagram below. New data flows are shown in red.

The key change to the Code to achieve this is to amend paragraph S2.7.7 to specify that SVAA may provide Settlement data on behalf of Suppliers to host LDSOs (or a central agent appointed by LDSOs) in addition to relevant LDSOs.



The enduring solution will be similar, except that:

- It is anticipated that LDSOs may appoint a new central agent (under DCUSA governance) to process flows on their behalf. If this happens, the portfolio billing data flows (i.e. the flows in red on the above diagram) would be sent to this central agent rather than upstream LDSOs.
- Subject to appropriate DTC changes being agreed, the portfolio billing flows may be sent over the DTN (rather than via email as they would upon implementation of P246 Proposed, if approved).
- The enduring solution will need to cope with nested networks, and it is anticipated that will be done by the LDSO's central agent i.e. outside the Code.

The following sections provide more detail of the P246 impacts (for both interim and enduring solutions).

n/a

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Impact on SVAA (Interim solution for 1 April 2010)

Under P246 Proposed, for the interim portfolio billing solution, SVAA (or ELEXON) is required to email each of the fourteen Host LDSOs a zipped set of D0030 files for each Calendar Month and Run Type. These D0030 files (which are separate and additional to the 'normal' D0030 files) contain aggregated data for all Embedded Networks in the GSP Group associated with that LDSO. Data would be provided broken down to half hourly granularity (to meet LDSO tariff structure/billing needs).

For example, EDF (as Host LDSO for the Eastern GSP Group) would receive data for all other LDSOs operating in that GSP Group. Data for each Calendar Month would be provided five (or six) times in accordance with the Settlement Calendar:

- Once all Settlement Days in the Calendar Month had completed Initial Settlement (SF), SVAA would be able to construct a package of Initial Settlement data. This would include one file (in D0030 format) per Settlement Day. However, note that the file would not include data for individual Suppliers. Data for all Suppliers would be aggregated up to the LDSO level, and the LDSO's Market Participant Id would appear in the file in place of the Supplier Id.
- Revised sets of files would then be provided as data for each subsequent Run Type became available. First Reconciliation (R1) data would be sent once all days in the Calendar Month had completed R1; Second Reconciliation (R2) data once all days had completed R2; and so on up to Final Reconciliation (RF) and (if applicable) Dispute Final (DF).

The SVAA processing to construct the extract files for a Calendar Month and Settlement Run Type would therefore be as follows:

For each GSP Group, identify the Host Distributor.

For each Settlement Day in the Month being processed

For each Distributor D0030 file on the host OS for the Run Type and Settlement Day being processed.

For each VMR, SPX and TOT records for a SUP, DIS, GSPG, Profile Class, LLFC, SSC, TPR combination

If the DIS is the Host for the GSP Group then do nothing

Else Find the internal current running totals record for this combination of DIS, GSPG, Profile Class, LLFC, SSC, TPR and add in the VMR, SPX and TOT fields to the totals fields (or create this combination if it doesn't exist)

For Each GSP Group and Settlement Day

Append to the result file

For each combination of DIS, Profile Class, LLFC, SSC, TPR

Write out the running total

At the end of this processing, there will be one file for each GSP Group and Settlement Day. The files for each GSP Group will then need to be zipped and emailed to the relevant Host LDSO for that GSP Group.

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Impact on SVAA (Enduring Solution)

Given the current uncertainty over the enduring solution, the SVAA impact assessment will focus on the initial changes required for April 2010. Nonetheless, it should be noted that the SVAA solution is intended to be relatively future-proof, and should require only relatively minor changes to support an enduring solution. These changes would potentially include:

- Redirecting the output files to a central agent (appointed by LDSOs under DCUSA governance) rather than individual LDSOs;
- Sending the output files via the DTN rather than email (subject to appropriate DTC changes);
- Including data for Host LDSO embedded networks in the extract file. Under the interim solution, the extract files will include data only for Distributors other than the Host LDSO. For an enduring solution, the extract files may also need to include data for any embedded networks owned by the Host LDSO (i.e. if the Host LDSO builds a network that connects to another LDSO's Embedded Network). These are likely to be identified by their Line Loss Factor Class.

Impact on ELEXON

The impacts of P246 Proposed on ELEXON are as follows:

- For the interim solution, there may be a requirement to email files to LDSOs (unless this is done by SVAA).
- There is a one-off requirement to recover central implementation costs from LDSOs. This would be implemented as a one-off charge on the BSC invoices issued by ELEXON Finance (the same amount for each LDSO).

Question 1

Are you impacted by the P246 Proposed solution? Please provide any details of impacts that you can (ELEXON will treat information as confidential if requested).

Legal text

Annex D-2 'SVA Costs' will be amended to effect the Group's agreed funding of P246 implementation. This will be achieved by adding a new paragraph 5 which states that SVA costs include the P246 implementation costs, but that these will be paid by all Licensed Distribution System Operators (LDSOs) in equal proportion. To avoid double-charging of the P246 implementation costs it is specified that they shall not be treated as Annual SVA Costs.

Paragraph S2.7.7 in Section S 'Supplier Volume Allocation' will be amended to expand the provision of the appropriate data from the SVAA to relevant DSOs to also include other LDSOs or an agent appointed on behalf of LDSOs, though it is specified that only relevant DSOs will receive the appropriate data free of charge (as at present). It is not felt to be necessary to further define 'other LDSOs' as new paragraph S2.7.7B explicitly limits the purpose for which LDSOs in general are permitted to use such data (see below). Of course, rules regarding use of, and access to, the appropriate data could be put in place under the DCUSA governance arrangements.

A new paragraph S2.7.7A will be added to clarify that relevant LDSOs are permitted under the Code to pass the NHH or HH data they receive under the relevant clauses in Section S to other LDSOs or an agent appointed on behalf of LDSOs.

n/a

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A new paragraph S2.7.7B will be added to specify that however the appropriate data is received, ultimately LDSOs or their agent can use such data only to operate its Distribution System and to calculate charges for use of and connection to its Distribution System. The new paragraph S2.7.7C is inserted to make it clear that Parties agree to the provision of the appropriate data, but on the terms set out in S2.7.7B.

Finally, a new paragraph S2.7.12 will be added to clearly define the term 'relevant Distribution System Operators' in order to clearly distinguish those LDSOs who will continue to receive the appropriate data free of charge.

Question 2

Do you agree that the legal text delivers the intention of P246 Proposed?

n/a

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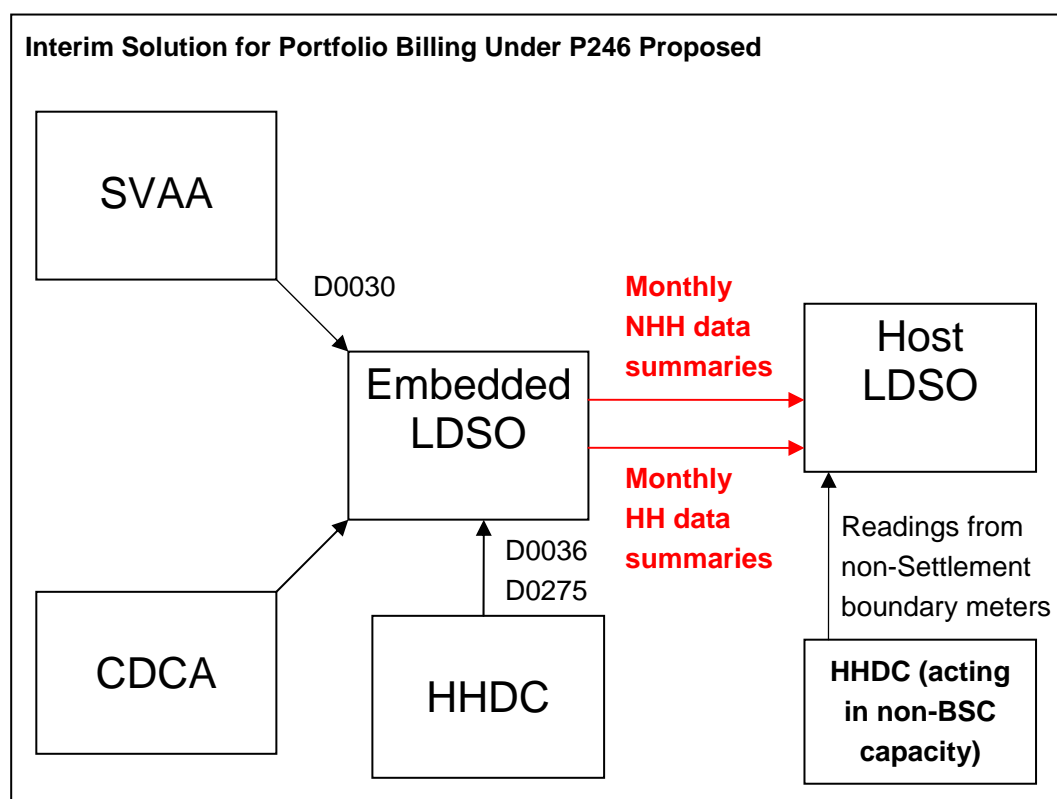
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P246 Alternative Solution

The potential P246 Alternative is intended to support low BSC impact interim and enduring solutions to portfolio billing. For the interim solution (from 1 April 2010 onwards) host LDSOs will receive both Half Hourly data and Non Half Hourly data from embedded LDSOs, as shown in the diagram below. New data flows are shown in red. The key change to the Code to achieve this is to amend paragraph S2.7.7 to specify that LDSOs may provide Settlement data to upstream LDSOs (or a central agent appointed by LDSOs).

There is no impact on any BSC Agent or operational impact on ELEXON under the potential P246 Alternative. The only BSC impact would be a change to the Code. Changes to facilitate portfolio billing would take place outside the Code, i.e. embedded and host LDSOs would need to make arrangements to provide and use the relevant data.

Note that though the Alternative solution is deliverable under the Code, it is understood that the DCUSA Working Group is still assessing the feasibility of its associated interim and enduring portfolio billing solutions. Particularly, issues have been identified around the ability of embedded LDSOs to provided data of half hourly granularity, as required by some LDSOs for billing.



The enduring solution will be similar to the enduring solution envisaged under P246 Proposed, with a LDSO appointed central agent receiving data and carrying out portfolio billing operations, except that the new central agent appointed by LDSOs (under DCUSA governance) would receive data exclusively from LDSOs (i.e. the flows in red on the above diagram would be sent to the central agent rather than upstream LDSOs).

- Subject to appropriate DTC changes being agreed, the portfolio billing flows may be sent over the DTN (rather than via email as they would upon implementation of P246 Proposed, if approved).
- The enduring solution will need to cope with nested networks, and it is anticipated that will be done by the LDSO's central agent i.e. outside the Code.

n/a

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Question 3

Are you impacted by the P246 Alternative solution? Please provide any details of impacts that you can (ELEXON will treat information as confidential if requested).

Question 4

Are there any P246 Alternative solutions that the Modification Group has not identified that they should consider?

Legal text

The potential P246 Alternative has no significant implementation costs associated it (as it is a Code-only change), so the Alternative legal text has no provisions for LDSOs funding implementation. S2.7.7 is amended under the Alternative, but the effect is less material than the changes under the Proposed; it is just removing details of how LDSOs may use the data they receive, as this provision has been moved to paragraph 2.7.7B.

A new paragraph S2.7.7A will be added to clarify that relevant LDSOs are permitted under the Code to pass the NHH or HH data they receive under the relevant clauses in Section S to other LDSOs or an agent appointed on behalf of LDSOs (i.e. the same as under P246 Proposed).

The new paragraph S2.7.7B specifies that however the appropriate data is received, ultimately LDSOs or their agent can use such data only to operate its Distribution System and to calculate charges for use of and connection to its Distribution System (i.e. as under P246 Proposed). The new paragraph S2.7.7C is inserted to make it clear that Parties agree to the provision of the appropriate data but on the terms set out in S2.7.7B (i.e. as under P246 Proposed).

In the same way as for P229 Proposed, a new paragraph S2.7.12 will be added to clearly define the term 'relevant Distribution System Operators' in order to clearly distinguish those LDSOs who will continue to receive the appropriate data free of charge.

Question 5

Do you agree that the legal text delivers the intention of P246 Alternative?

n/a

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This section outlines the discussions and conclusion of the P246 Modification Group. Further information on the Group's Terms of Reference can be found in Section 9.

Principles of Code change

The Proposer noted that P246 had some similarity to Approved Modification Proposal P62 'Changes to Facilitate Competitive Supply on the Networks of New Licensed Distributors'. P62 facilitated the introduction of the Utilities Act 2000 (which made electricity distribution a distinct licensable activity) by changing the Code so multiple distributors are permitted to operate within each of the existing GSP Groups. However, at that time embedded networks were a new concept, and P62 did not consider the implications of the Code for future developments in LDSO-LDSO charging arrangements.

P246 draws parallels with P62, as P246 aims to facilitate the principle of portfolio billing into the Code, which is introduced as part of the CDCM. The Group noted that Suppliers already agree under the DCUSA that data owned by them can be used for portfolio billing (Section 42 of the DCUSA covers provision of data by the Supplier to the Distributor).

It was also noted that if the Code was not changed to allow the provision of Settlement data to upstream LDSOs by embedded LDSOs and potentially the SVAA, the alternative would be for LDSOs to obtain the necessary data from Suppliers directly. The Group believed this would result in an associated cost (although this could not be clearly quantified at this stage). If Suppliers were obliged to provide such data they would directly bear the cost. Alternatively LDSOs could negotiate with Suppliers to obtain the data, with costs varying from case to case, however these costs are likely to be recovered from Suppliers using DUoS charges. Neither of these alternatives appears to be as clear or efficient as allowing the provision of Settlement data by the SVAA and LDSOs under the BSC.

The Group noted that there are two prospective interim portfolio billing solutions in development by the DCUSA DNO/IDNO working group (see Section 2). ELEXON clarified that the solution involving SVAA system change (the DCUSA DNO/IDNO working group 'Option 2') should form the Proposed Modification. The Group acknowledged this, and therefore agreed that the provision of data from embedded LDSOs to upstream LDSOs ('Option 1') should be developed as a potential P246 Alternative.

A Group member noted that 'relevant Distribution System Operator' is not a Code-defined term and suggested its meaning might be ambiguous. The Group considered clarifying the term by referencing a suitable BSC Procedure (BSCP). After consideration the Group agreed it could be useful to clarify 'relevant DSO', but believed it would be better to do so within the Code (i.e. without referencing a BSCP) since BSCPs can be changed without a Modification Proposal. The Group therefore agreed that as part of P246 a definition of 'relevant DSO', relating specifically to the Code provisions pertinent to P246, would be added to the Code.

Data requirements

The Group considered the actual data requirements of upstream LDSOs for portfolio billing. A member noted that as well as 'downward' flows (i.e. delivery of power from an upstream LDSO to an embedded LDSO, then from the embedded LDSO to a Supplier) provision of Settlement data must also cover 'upward' flows (i.e. delivery from a Supplier (due to some form of embedded generation) to an embedded LDSO, then from the embedded LDSO to the upstream LDSO).

n/a

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The Group also noted that at least one LDSO needs Settlement data broken down to a half hourly granularity due to its tariff structures. If this LDSO receives data aggregated at the incorrect level its billing processes for some tariffs will be disrupted; for the interim solution the LDSO envisages billing manually, for the enduring solution they need HH data for billing and tariffs. P246 Proposed will provide the necessary HH data for the interim solution and go some way to forming the basis of an acceptable enduring solution (the SPX data in the file extraction example in Section 3 is the HH values).

A Group member noted that the previously investigated SVAA solution would deliver an aggregated monthly summary, and suggested that in order to facilitate an eventual enduring solution (i.e. without requiring further SVAA system change) it would be better for daily information to be delivered. The Group confirmed that this would mean data being delivered by SVAA each month (not each day) but the data would include distinct information for each day in that month. The Group agreed that this would best facilitate potential future solutions.

The Group also agreed P246 should solution reflect the D0030 flow, as it was envisaged that portfolio billing would require the same data, in the same structure, as the D0030 flow already sent by the SVAA to Suppliers (or a sub-set of this data).

The Group discussed the possibility of 'nested' embedded networks, i.e. where a network is embedded in an upstream network, which is itself embedded within another upstream network. This is understood to not be currently widespread, but should be provided for under the enduring portfolio billing solution. The Group noted that SVAA Settlement data provision (i.e. P246 Proposed) would not cover nested embedded networks under the interim solution, because data would be provided only to the ultimate upstream LDSO. However, under the anticipated enduring portfolio billing solution, i.e. procurement of a central agent to receive all data from the SVAA, nested embedded networks would be covered because the Group believed that the central agent could handle identification of and provision of data to nested LDSOs, as necessary. The Group was therefore satisfied that P246 Proposed would permit an interim portfolio billing solution that is practically adequate and would not constrain a long-term enduring solution.

Half Hourly data

The Group noted that there are no Code requirements that stop the provision of Half Hourly data by embedded LDSOs (received because they are 'relevant LDSOs' under the Code) to upstream LDSOs. And that the issue of permission under the Code to pass data to upstream LDSOs (paragraph S2.7.7) only restrains LDSOs in passing Non Half Hourly data to other LDSOs.

The Group considered the issues around provision of HH data. As noted above, there is not a permissions issue regarding HH data. However, there are issues around potentially enabling or requiring HHDCs to provide HH Settlement data directly to upstream LDSOs or agent acting on behalf of LDSOs. This would be somewhat analogous to the provision of NHH data by the SVAA, and might be desirable under a long term portfolio billing solution.

The issue around HHDC data provision is funding, since HHDCs are Supplier Agents. The Group acknowledged Suppliers might be reluctant to fund changes specifically for the benefit of LDSOs and therefore some special funding arrangements would probably be required to specify that LDSOs would pay for the changes.

However, unlike the SVAA system changes, HHDC system changes to deliver Settlement data to LDSOs or a central agent:

- Cannot be implemented by the 1 April 2010 introduction of the CDCM;
- Have not been previously assessed in any form; and

n/a

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- The approximate cost and impact of HHDC changes is not well understood.

The Group therefore decided that due to their complexity, and the risk that might be added to approval of P246 if they were included, HHDC system changes under the Code should be ruled out of P246. The extent of the impact of P246 on HH Settlement data should be that the Code is changed to clearly state that HHDCs **may** pass HH Settlement data to LDSOs or a central agent appointed by LDSOs. This would mean LDSOs would deal with HHDCs directly, and therefore no system changes would be required and costs incurred under the Code. This obviates the need for special funding to avoid cost impacts on Suppliers.

The Group noted that they considered this the best solution in the context of P246, and believed it allowed sufficient flexibility in the enduring portfolio billing solution being considered, but that if Parties believed there was a better Code solution for facilitating portfolio billing in the long term, a different solution could be pursued in future via a separate Modification Proposal.

Funding

As noted above, the Group agreed with the removal of HHDC changes from the scope of P246. The remaining impacts (and sources of cost) under P246 Proposed are:

- Implementation: SVAA system changes to deliver data; and
- Ongoing operation: ELEXON processes to facilitate delivery of data and answer queries.

On the basis of the previously assessed SVAA solution, and subject to impact assessment of P246, the Group believed that neither of these costs would be significant. The cost of the SVAA changes was anticipated to be around £20,000 and the Group believed it was acceptable for LDSOs fund this by splitting the cost evenly amongst them.

ELEXON's ongoing operational costs are also expected to be minor, of the magnitude of £200 per annum per distribution area. The Group believed that any special arrangements for identifying and treating these costs differently to other BSC charges would be more complex and costly than the P246 activities themselves. In addition these ELEXON activities would be required only for so long as the interim portfolio billing solution was in place. The Group therefore agreed that it was acceptable for such costs to be funded in the normal manner, i.e. counted as normal ELEXON costs and split between BSC Parties.

The Group therefore agreed that the legal text for P246 should include provisions that the costs associated with the implementation of P246 shall be paid by LDSOs on the basis of an even split across all LDSOs. No reference would be made to any ongoing costs associated with P246 as these would be charged as normal.

Note that there would be no system change implementation costs of ongoing operation costs associated with the potential P246 Alternative solution. From a Code perspective the Alternative would be a Code only change.

Question 6

Do you agree with the Group's proposed approach to funding P246?

- Implementation (i.e. costs split evenly between all LDSOs); and
- Ongoing operation (i.e. costs distributed among Parties in the normal manner).

n/a

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6 Implementation

Given the CDCM will be introduced on 1 April 2010 the Group notes that it is very important that the Authority makes a decision on P246 as quickly as it can.

P246 Proposed

P246 Proposed involves SVAA system changes as well as changes to Code text. ELEXON normally implements system changes in regular BSC Releases each year (in February, June and November). However, since P246 is related to the introduction of the CDCM on 01 April 2010 it is important that it is implemented as quickly as possible. This is determined by the lead-time for making the SVAA system changes, currently estimated at 22 working days, though this may change following updated impact assessment. Some additional time for testing may also be required.

The Group therefore believes that P246 should be implemented by 31 March as this will mean P246 is in place for the introduction of the CDCM on 1 April. As noted above, the lead time for P246 is dependent upon the SVAA impact assessment response. In line with the Modification Group's expectation that the Authority will make a timely decision on P246, the proposed implementation date is:

- 31 March 2010 if an Authority decision is reached on or before 28 January 2010.

Following industry consultation and the updated SVAA impact assessment the Group will re-evaluate its suggested implementation approach for P246 Proposed and will confirm its final recommended approach.

P246 Alternative

The P246 Alternative is a Code only change. The Group believes that if approved by the Authority P246 Alternative should be implemented 2 working days after an Authority decision is received.

Question 7

Do you support the proposed P246 implementation approach?

n/a

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Group's initial view against the Applicable BSC Objectives

The Group considered P246 Proposed and Alternative in the context of the Applicable BSC Objectives. The Group believed the benefits of P246 Proposed against the Objectives would also apply to the potential Alternative; only the relative magnitude of benefits varies. No drawbacks were identified. The following table summarises the Group's conclusions against the Objectives:

P246 Group's initial assessment of P246 benefits against the Applicable BSC Objectives (both Proposed and potential Alternative)	
Description of Objective	Identified benefit
a) Efficient discharge of the obligations of the Transmission Licence.	Facilitates ability of Code arrangements to provide for determination and financial settlement of obligations between BSC parties
b) Efficient, economic and co-ordinated operation of the GB transmission system.	None identified.
c) Promoting effective competition in the generation and supply of electricity and in the sale and purchase of electricity.	P246-enabled portfolio billing arrangements would be more transparent and efficient than the potential alternative, with benefits for market participation and competition; and Facilitates a competitive Supply market by promoting efficient Distribution activities.
d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.	Aligning the BSC and the DCUSA arrangements would improve the efficiency and clarity of the Code.



Applicable BSC Objective

The benefits and drawbacks of BSC Modifications must be considered against the Applicable BSC Objectives, which are contained in the Transmission Licence.

Group's Rationale

Objective a)

The Group noted that the Proposer's reference to paragraph 2(a) of Condition C3 of the Transmission Licence was erroneous, and that the reference should actually be to paragraph 2(b), which reads:

The balancing and settlement arrangements are

(b) arrangements:

- (i) for the determination and allocation to BSC parties of the quantities of electricity delivered to and taken off the total system, and*
- (ii) which set, and provide for the determination and financial settlement of, obligations between BSC parties, or (in relation to the system operator's role in co-ordinating and directing the flow of electricity onto and over the GB transmission system) between BSC parties and the licensee, arising by reference to the quantities referred to in sub-paragraph (i), including the imbalances (after taking account of the arrangements referred to in sub-paragraph*

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(a)) between such quantities and the quantities of electricity contracted for sale and purchase between BSC parties.

The Group was more comfortable considering a benefit against this paragraph, since 2(a) contains reference to 'settlement of financial obligations arising from the acceptance of such offers or bids' which made it difficult to see how the paragraph could be applied to distributor's activities.

The Group agreed that there was a benefit of P246 against Objective (a) because it would facilitate the ability of the Code arrangements to provide for the determination and financial settlement of obligations between BSC parties (i.e. as LDSOs are BSC Parties).

Objective c)

The Group considered the Proposer's arguments put forward against Objective (c), and did not believe that they could all be used to identify benefits against (c). The Group did not believe that Supplier charging would be affected, since P246 concerns charges between LDSOs, and did not believe that it could be argued that P246 would relieve a constraint on Supply competition, since the constraint described was nebulous and involved a somewhat convoluted supporting argument.

However, the Group agreed with the suggestion that a competitive Supply market would be facilitated by efficient operation of Distribution activities, and that P246 would promote efficient Distribution activities. The Group therefore agreed this constitutes a benefit against Objective (c).

The Group also believed that provision of Settlement data in a P246-enabled manner, i.e. either from LDSOs to upstream LDSOs or from SVAA and LDSOs to upstream LDSOs, would be more transparent and efficient than the potential alternative of upstream LDSOs making individual arrangements with the necessary Suppliers for the data required. The Group considered that transparency and efficiency in arrangements could generally be considered to increase confidence in the arrangements and be beneficial to market participation and competition; therefore the Group agreed there was a benefit of P246 against Objective (c).

Objective d)

The Group considered that a change to align the Code with the DCUSA arrangements regarding the provision of data between LDSOs for portfolio billing could, since the existing source of misalignment does not exist for any good reason, be regarded as improving the efficiency of the Code arrangements. The Group therefore agreed there was a benefit of P246 against Objective (d).

Non-BSC factors

The Group believed that, notwithstanding the identified benefits against the Applicable BSC Objectives, the main benefits of P246 probably fall outside the scope of the Code. The Group was constrained, as the Panel will be, to consider P246 strictly in terms of the Objectives, but noted that when P246 is submitted for decision the Authority will have the ability to take into account factors that fall within its wider regulatory remit.

The benefit of P246 outside of the Code is that it will enable LDSOs to implement the Authority-approved CDCM using the most effective means of portfolio billing. The LDSOs believe that using Settlement data is the most efficient and effective way to realise portfolio billing, and it is how they have been intending to put it into practice.

If LDSOs are forced at this stage to change their anticipated methods of implementing both an interim and an enduring solution for portfolio billing it is likely to have a significant commercial impact on LDSOs and will result in the introduction of some alternative

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solution which, in the Group's view, is bound to be inferior to a solution using Settlement data. Increased applications for derogations from the CDCM could also result, and the Group believes the Authority will wish to minimise derogations to the minimum number necessary.

The Group believes that the Authority should note the non-BSC benefits of P246 and use their wider remit to take them into account when making a decision on P246.

Additionally, though the Alternative is deliverable under the Code, the feasibility of its associated interim and enduring portfolio billing solutions is still being assessed (e.g. due to issues with LDSO provision of data of half hourly granularity). Again, though the Group could not take this into account in their assessment of P246, the Authority should consider this factor under their wider remit when making a decision on P246.

Group view: P246 Proposed

The Group unanimously agreed that P246 Proposed better facilitates the Applicable BSC Objectives compared with the existing Code baseline for the reasons set out above.

Question 8

Would the Proposed Modification P246 help to achieve the Applicable BSC Objectives compared to the current baseline?

Group view: potential P246 Alternative

The Group unanimously agreed that P246 Alternative better facilitates the Applicable BSC Objectives compared with the existing Code baseline for the reasons set out above.

Question 9

Would the Alternative Modification P246 help to achieve the Applicable BSC Objectives compared to the current baseline?

Group view: P246 Proposed vs. potential P246 Alternative

The Group agreed by majority that P246 Alternative does not better facilitate the Applicable BSC Objectives compared with P246 Proposed.

The majority of the Group believed that P246 Proposed would better facilitate the Applicable BSC Objectives compared with P246 Alternative because:

- The Proposed better provides for financial settlement between BSC Parties (i.e. LDSOs) and therefore better facilitates Objective (a); and
- The Proposed involves provision of data from a central point so data provision which will be more transparent and accurate, which better facilitates Objective (c).

The minority of the Group believed that P246 Alternative would better facilitate the Applicable BSC Objectives compared with P246 Proposed because:

- The Alternative has less impact on the Code and is therefore more efficient in relation to the balancing and settlement arrangements, and therefore better facilitates Objective (d).

Question 10

Would the Alternative Modification P246 help to achieve of the Applicable BSC Objectives compared to the Proposed Modification?

n/a

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This section will be finalised following the Group's consideration of the P246 consultation responses and their final discussions.

The **provisional** recommendations of the Group, subject to their consideration of the P246 consultation responses and their final discussions, are as follows.

The P246 Modification Group invites the Panel to:

- AGREE an initial recommendation that Proposed Modification P246 should be made;
- AGREE an initial recommendation that Alternative Modification P246 should not be made;
- AGREE an initial Implementation Date for Proposed Modification P246 of 31 March 2010 if an Authority decision is received on or before 28 January 2010;
- AGREE an initial Implementation Date for Alternative Modification P246 of 2 working days following an Authority decision.
- AGREE the draft legal text for Proposed Modification P246;
- AGREE the draft legal text for Alternative Modification P246; and
- AGREE that Modification Proposal P246 be submitted to the Authority for decision.

Attachments

Attachment **A**: Consultation Questions

Attachments **B** and **C**: Legal Text Proposed and Alternative

Useful links

A complete version of the Draft Urgent Report consultation responses, and all other related documents, will be available on the [P246 page](#) of the ELEXON website.

CP1280 'SVAA to provide LDSOs with aggregated consumption data for embedded Distribution Systems', considered and rejected by the SVG, can also be found on ELEXON's website [here](#).

Glossary

Glossary Table		
Term	Acronym	Definition
Common Distribution Charging Methodology	CDCM	The CDCM has been approved by the Authority for introduction on 1 April 2010. It will be used by regional distribution network operators to set use of system charges in a coordinated manner.
Portfolio billing	n/a	The use of Under the CDCM, portfolio tariff is a 'tariff for use of the network by another licensed distribution network operator where charges are based on flows out of/into the other licensed distribution network from its end users or further nested networks.'
Licensed Distribution System Operator	LDSO	A Party licensed to operate a Distribution network. Also known as Distribution Network Operators (DNOs) outside of the Code.
Supplier Volume Allocation Agent	SVAA	The BSC Agent that manages Supplier Volume Allocation, Daily Profile Production and the Market Domain Data service, ultimately calculating Half Hourly consumption attributable to each Supplier in a GSP Group in respect of registered Metering Systems.
Embedded LDSO	n/a	An LDSO that operates a Distribution network that is embedded within another Distribution network.
Host LDSO	n/a	For the purposes of this document, a host LDSO is an LDSO that operates a Distribution network that contains an embedded network. A host LDSO is considered in this document as 'upstream' of the embedded LDSO.
Distribution Connection and Use of System Agreement	DCUSA	A contract between LDSOs, Suppliers and Generators; concerns use of the electricity distribution systems to transport electricity. All LDSOs and Suppliers must be parties to the DCUSA.
Distribution Use of System	DUoS	DUoS charges are levied for use of and connection to Distribution networks.

Timetable

Urgent P246 timetable	
Activity	Date
Liaise with DCUSA Working Group and IDNO group	Week 7-11 December 2009
First Modification Group meeting	14 December 2009 ¹
P246 consultation	18 December 2009 - 5 January 2010
Second Modification Group meeting (if required)	6 January 2010 (TBC)
Issue Urgent Modification Report to Group for review	7 January 2010 (TBC)
Deadline for Modification Group comments	11 January 2010
Issue Urgent Modification Report to Panel	12 January 2010
Panel considers Urgent Modification Report at January meeting	14 January 2010
Issue Modification Report to Authority for decision	15 January 2010

P246 Modification Group

Modification Group membership		
Member	Organisation	14/12/09
Adam Lattimore	ELEXON (Chairman)	✓
Dean Riddell	ELEXON (Lead Analyst)	✓
Michael Harding	(Proposer)	✓
Howard Gregory	npower	✓
John Daniel	Central Networks	✓
Peter Waymont	EDF Energy	✓
Donna Townsend	ESP Electricity	✓
Dominique Tilquin	SSE Power Distribution	✓
Glenn Sheern	E.ON UK	X
Attendee	Organisation	14/12/09
David Ahmad	ELEXON (Lawyer)	✓
John Lucas	ELEXON (Design Authority)	✓
Mark Askew	Ofgem	✓
James Nixon	BSC Panel	✓

n/a

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¹ Differs from date in urgent timetable approved by the Authority

Terms of Reference

ELEXON has identified the following areas as key issues for consideration during P246 progression. Due to the progression of P246 as Urgent the Panel did not formally consider these areas, but specified that some particular areas should be included.

1. Provision of settlement data

- What data should be provided and to whom? New central agent (procured under DCUSA governance) and/or Host LDSOs.
- Who should provide the data? Options include:
 - Existing settlement agents, i.e. SVAA in the NHH market, HHDCs in the SVA HH market, CDCA in the CRA HH market;
 - Other settlement agents, e.g. if HH data is required only for customers who on embedded networks the HHDA may be better placed than the HHDC to provide data for the HH market; and
 - The embedded LDSO i.e. they pass on to the Host LDSO the data they receive from settlement (with no action needed by settlement).
- What data processing is required?

2. Ongoing work by LDSOs

- The CDCM and interaction with portfolio billing solutions being developed by LDSO groups.
- Compliance with temporary/enduring billing solutions.

3. Funding arrangements

The intention is that costs incurred in developing/operating the new arrangements would be funded by LDSOs rather than all Parties; how will this be achieved?

4. Implementation impact

5. Existing Code provisions

Consider the existing relevant Code provisions to determine there is no intended purpose to the restraint placed on the provision and use of settlement data by LDSOs.

6. Related previous work

Consider previous work in this area, including Change Proposals and Modification Proposals. Review the issues raised and the conclusions reached and consider whether there is any relevance to P246.

7. Legal text for modification of the Code

n/a

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