

## MODIFICATION REPORT for Modification Proposal P218 'Facilitating Microgeneration within the BSC'

Prepared by: ELEXON<sup>1</sup> on behalf of the BSC Panel

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This document has been distributed in accordance with Section F2.1.10 of the Balancing and Settlement Code.<sup>2</sup>

**Proposed Modification P218** seeks to create a mechanism to allow more microgeneration to be accounted for within Settlement by treating it in a similar way to (but not the same as) Non Half Hourly (NHH) Unmetered Supply (UMS). This Modification aims to introduce a new agent; the Unmetered Export Agent (UEA) who would collate microgeneration data and create Export Estimated Annual Consumptions (EACs) which would be passed into Settlement using the existing Non Half Hourly Data Aggregator (NHHDA) systems. Suppliers would need to register a portfolio Export Meter Point Administration Number<sup>3</sup> (MPAN) per Distributor so as to settle microgeneration in each GSP Group (but would be restricted to one Export MPAN per Distributor, per GSP Group).

**Alternative Modification P218** seeks to create a process similar to the Proposed Modification with the distinction that the UEA collates the microgeneration information into a Supplier Purchase Matrix (SPM) file. This file could be sent directly to the Supplier Volume Allocation Agent (SVAA), therefore bypassing the NHHDA. Suppliers would not be required to register any portfolio Export MPANs.

### BSC PANEL'S RECOMMENDATIONS

Having considered and taken into due account the contents of the P218 draft Modification Report, the BSC Panel recommends:

- that **Proposed Modification P218 should not be made;**
- that **Alternative Modification P218 should not be made;**
- an **Implementation Date for Proposed or Alternative Modification P218 of 05 November 2009 if an Authority decision is received on or before 07 August 2008, or 25 February 2010 if the Authority decision is received after 07 August 2008 but on or before 13 November 2008; and**
- the **proposed text for modifying the Code, as set out in the Modification Report.**

<sup>1</sup> ELEXON Ltd fulfils the role of the Balancing and Settlement Code Company ('BSCCo').

<sup>2</sup> The current version of the Code can be found at <http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx>

<sup>3</sup> MPAN is the term referred to in the MRA, which identifies a SVA Metering System and Metering System Identifier, or MSID is the term used under the BSC. For consistency with the term used in the MRA, this Assessment Report shall refer to MPAN.

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## SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as the Modification Group has been able to assess, the following parties/documents would be impacted by P218.

Please note that this table represents a summary of the full impact assessment results contained in the Assessment Report.

Parties	Sections of the BSC	Code Subsidiary Documents
Distribution System Operators <input checked="" type="checkbox"/>	A <input type="checkbox"/>	BSC Procedures <input checked="" type="checkbox"/>
Generators <input type="checkbox"/>	B <input type="checkbox"/>	Codes of Practice <input type="checkbox"/>
Interconnectors <input type="checkbox"/>	C <input type="checkbox"/>	BSC Service Descriptions <input checked="" type="checkbox"/>
Licence Exemptable Generators <input type="checkbox"/>	D <input type="checkbox"/>	Party Service Lines <input checked="" type="checkbox"/>
Non-Physical Traders <input type="checkbox"/>	E <input checked="" type="checkbox"/>	Data Catalogues <input checked="" type="checkbox"/>
Suppliers <input checked="" type="checkbox"/>	F <input type="checkbox"/>	Communication Requirements Documents <input type="checkbox"/>
Transmission Company <input type="checkbox"/>	G <input type="checkbox"/>	Reporting Catalogue <input checked="" type="checkbox"/>
<b>Party Agents</b>	H <input type="checkbox"/>	<b>Core Industry Documents</b>
Data Aggregators <input checked="" type="checkbox"/>	I <input type="checkbox"/>	Ancillary Services Agreement <input type="checkbox"/>
Data Collectors <input checked="" type="checkbox"/>	J <input checked="" type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>
Meter Administrators <input type="checkbox"/>	K <input checked="" type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>
Meter Operator Agents <input checked="" type="checkbox"/>	L <input checked="" type="checkbox"/>	Distribution Code <input type="checkbox"/>
ECVNA <input type="checkbox"/>	M <input type="checkbox"/>	Distribution Connection and Use of System <input type="checkbox"/>
MVRNA <input type="checkbox"/>	N <input type="checkbox"/>	Grid Code <input type="checkbox"/>
<b>BSC Agents</b>	O <input type="checkbox"/>	Master Registration Agreement <input checked="" type="checkbox"/>
SAA <input type="checkbox"/>	P <input type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>
FAA <input type="checkbox"/>	Q <input type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>
BMRA <input type="checkbox"/>	R <input type="checkbox"/>	<b>BSCCo</b>
ECVAA <input type="checkbox"/>	S <input checked="" type="checkbox"/>	Internal Working Procedures <input checked="" type="checkbox"/>
CDCA <input type="checkbox"/>	T <input type="checkbox"/>	<b>BSC Panel/Panel Committees</b>
TAA <input type="checkbox"/>	U <input type="checkbox"/>	Working Practices <input checked="" type="checkbox"/>
CRA <input type="checkbox"/>	V <input type="checkbox"/>	<b>Other</b>
SVAA <input checked="" type="checkbox"/>	W <input type="checkbox"/>	Market Index Data Provider <input type="checkbox"/>
Teleswitch Agent <input type="checkbox"/>	X <input checked="" type="checkbox"/>	Market Index Definition Statement <input type="checkbox"/>
BSC Auditor <input checked="" type="checkbox"/>	Z <input type="checkbox"/>	System Operator-Transmission Owner Code <input type="checkbox"/>
Qualification Agent <input type="checkbox"/>		Transmission Licence <input type="checkbox"/>
<b>Other Agents</b>		
Supplier Meter Registration <input type="checkbox"/>		
Unmetered Supplies Operator <input type="checkbox"/>		
Data Transfer Service Provider <input checked="" type="checkbox"/>		

## 1 DESCRIPTION OF MODIFICATION

This section outlines the solution for the Proposed Modification and Alternative Modification, as developed by the P218 Modification Group ('the Group') during the Assessment Procedure.

For a full description of the original Modification Proposal as submitted by Good Energy ('the Proposer'), and the background to the proposal, please refer to the P218 Initial Written Assessment (IWA).

### 1.1 Proposed Modification

The Proposed Modification aims to introduce a new agent; the Unmetered Export Agent<sup>4</sup> (UEA) who would collate microgeneration data and create Export Estimated Annual Consumptions (EACs) which would be passed into Settlement using the existing NHHDA systems. Suppliers would be able to register a single portfolio Export MPAN for microgeneration in each GSP Group per Distributor<sup>5</sup>.

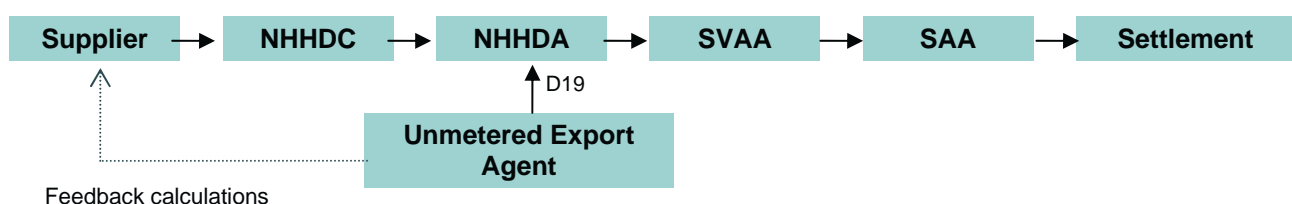
It should be noted that the term pseudo MPAN was used in the Modification Proposal. However, this is already defined in the MRA, therefore the term portfolio MPAN has been used within this document.

It is envisaged that the UEA would receive details of the microgeneration Export site. The UEA would then be able to calculate the Annual Export for the site using the Panel-approved Export Factor. The Annual Export value would be calculated using the equation below (where the 8,766 is derived from 365.25 days\*24hours and the Microgeneration Capacity is confirmed by the Supplier to the UEA):

$$\text{Annual Export} = \text{Microgeneration Capacity} * 8766 \text{ hours} * \text{Export Factor}$$

The UEA would aggregate the Annual Exports for all the sites within a Supplier's portfolio for a particular Distributor within a GSP Group to form an EAC for the portfolio MPAN. This EAC value would be passed to a NHHDA. The NHHDA would then process the EAC in the same way as all other EACs and submit it to the SVAA. The SVAA systems would apply the unrestricted Standard Settlement Configuration (SSC) and Profile Class 8 to calculate Half Hourly (HH) values and pass these to the Settlement Administration Agent (SAA).

#### 1.1.1 P218 Proposed Modification Flow Diagram



Further detail of the P218 Proposed solution is included in sections 4.1 to 4.7 of the Assessment Report.

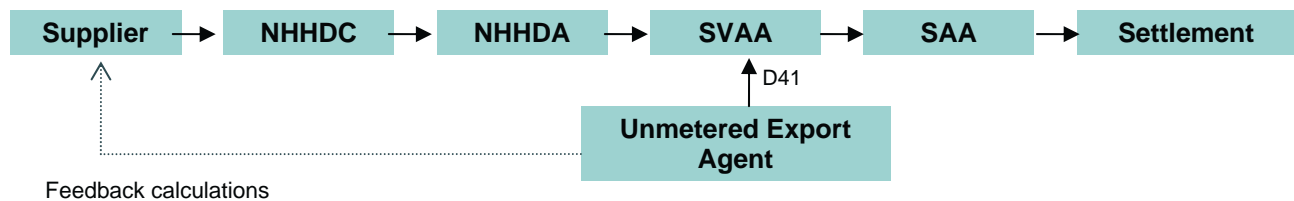
### 1.2 Alternative Modification

P218 Alternative Modification seeks to create a process similar to the Proposed Modification with the distinction that the UEA collates the microgeneration information into a Supplier Purchase Matrix (SPM) file. This information would then be sent directly to the SVAA using the existing flow (D0041).

<sup>4</sup> It is noted that previous P218 Reports have referred to the new BSC Agent as MEO (Microgeneration Export Operator), given that microgeneration is not defined within the BSC; for the purposes of this report and in the attached legal text for P218 the new BSC Agent is referred to as the UEA (Unmetered Export Agent).

<sup>5</sup> It should be noted that the Modification Proposal referred to one MPAN for microgeneration in each GSP Group. However the Group agreed that this was not a workable solution as information would be required separately for different Distributors.

### 1.2.1 P218 Alternative Modification Flow Diagram



The process for registering the microgeneration with the UEA and the process of calculating the EAC would be the same as the Proposed Modification. However the Supplier would not be required to register portfolio MPANs for microgeneration Export and would therefore not be required to appoint any Agents.

In addition, the Group agreed that the solution should be flexible so that initially one EAC would be calculated for microgeneration in each GSP Group per Distributor. However, the Panel would have the ability to decide whether to allow separate EACs to be calculated for each technology type at a later date.

Further detail on P218 Alternative is provided in section 4.8 of the Assessment Report.

## 2 AREAS RAISED BY THE TERMS OF REFERENCE

The following areas were considered by the Modification Group during the Assessment Procedure for P218:

- Details of the Proposed Solution.
- Potential methods for calculating EACs for Microgeneration.
- Current Microgenerators in Settlement and the impact of P218 on existing generators if any.
- Status of Unmetered Export Agent within the industry.
- Auditing and Qualification of the new Unmetered Export Agent.
- Processes required to ensure effective Change of Supplier.
- Master Registration Agreement (MRA) and the impacts to their processes.
- Benefit/Costs analysis of Microgeneration Settlement.

These issues are discussed in the Assessment Report contained in Appendix 3, and are not covered further here.

## 3 IMPLEMENTATION APPROACH AND COSTS

### 3.1 Implementation Approach

To implement P218, the UEA BSC Agent would be established through a procurement exercise undertaken by BSCCo. The UEA would require software to calculate EACs and would maintain a database that registers the different microgenerators and portfolio MPANs. The UEA would also require a connection to the DTN.

In addition, the Implementation Date for P218 would need to be set to take into account the raising, progression and implementation of changes to SVAA, the DTC, the BSC and its subsidiary documents. Export Factors would need to be determined by the Panel and provided to the UEA prior to the Implementation Date. Suppliers and LDSOs would also need to update their processes to ensure they can meet the new obligations introduced by P218.

Parties and Party Agents generally indicated that one year was required to implement P218 and the Group believes that the associated MRA changes (including any decisions required by the Authority) could be progressed within this timeframe.

Taking into account all the impact assessment responses, the proposed Implementation Date for P218 Proposed and Alternative Modifications is:

- **05 November 2009** should an Authority decision be received by 7 August 2008; or
- **25 February 2010** should an Authority decision be received after 7 August 2008 but before 13 November 2008.

This would allow implementation of P218 as part of a Release. The Group did not consider that P218 should be implemented outside of a standard release.

P218 would be implemented such that Settlement systems and processes are capable of supporting portfolio MPANs from the Implementation Date. P218 would be implemented on a Settlement Day basis i.e. microgeneration sites could be registered on or after the Implementation Date with the Effective From Date of Implementation Date + 1 at the earliest. Data for registered sites would therefore enter Settlement at the first Settlement Run for the Implementation Date + 1.

### 3.2 Costs

Details of the costs central for the Proposed and Alternative Modifications are included in the below table. Details of the costs provided by BSC Parties are included in section 3.3 below.

#### PROPOSED MODIFICATION IMPLEMENTATION COSTS<sup>6</sup>

		Proposed Solution	Alternative Solution	Tolerance
<b>Service Provider<sup>7</sup> Cost</b>				
<b>New Service Provider</b>		£250,000	£250,000	+/-50%
<b>Current Service Provider</b>		£49,560	£50,100	+/-20%
	Total Service Provider Cost	£299,560	£300,100	
<b>Implementation Cost</b>	External Audit	£0	£0	+/-10%
	Design Clarifications	£20,969	£21,007	
	Additional Resource Costs	£0	£0	
	Additional Testing and Audit Support Costs	£0	£0	
<b>Total Demand Led Implementation Cost</b>		£320,529	£321,107	
<b>ELEXON Implementation Resource Cost</b>		man days £73,810	man days £73,810	+/- 10%
<b>Total Implementation Cost</b>		£394,339	£394,917	

<sup>6</sup> An explanation of the cost terms used in this section can be found on the BSC Website at the following link:  
[http://www.elexon.co.uk/documents/Change\\_and\\_Implementation/Modifications\\_Process\\_-\\_Related\\_Documents/Clarification\\_of\\_Costs\\_in\\_Modification\\_Procedure\\_Reports.pdf](http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf)

<sup>7</sup> BSC Agent and non-BSC Agent Service Provider and software costs (new service provider costs were estimated by ELEXON).

## PROPOSED MODIFICATION ONGOING SUPPORT AND MAINTENANCE COSTS

	Proposed Solution	Alternative Solution	Tolerance
ELEXON Operational Cost	£29,040 annum	£29,040 annum	+/-10%
The Service Provider Operation and Maintenance Costs can not be provided until the procurement is progressed.			

### 3.3 Impact Assessment

#### a) BSC Agent Impact

**Central System costs:** Changes are required to SVAA based on the addition of new CCCs. The costs are estimated to be approximately £50k.

#### b) BSC Party and Party Agent Impact

BSC Parties and Party Agents	Impact of Proposed Modification	Impact of Alternative Modification
Suppliers	Suppliers wishing to use the P218 process would need to communicate with the UEA regarding registration and deregistration of microgeneration sites. Suppliers would also need to register portfolio MPANs with SMRS. Suppliers would be obliged to deregister microgeneration sites when they are no longer responsible for the Export.  In addition, all Suppliers would be obliged to inform the UEA when they wish to register a microgeneration Export MPAN under the current P081 rules.	As per the Proposed Modification, except Suppliers wishing to use the P218 process would not be required to register portfolio MPANs.
Licensed Distribution System Operator (LDSO)	LDSOs would need to create portfolio MPANs on request from a Supplier. In addition LDSOs may need to create a LLFC for portfolio Export MPANs and submit LLFs for approval through the current process.	As per the Proposed Modification. Note – BSCCo would need to inform the UEA which LLFCs to use within the SPM.
Supplier Meter Registration System (SMRS)	SMRS would need to register portfolio MPANs on request from a Supplier.	There would be no impact on the SMRS as no portfolio MPANs are created.
NHHDA	Only NHHDA which have been contracted by Suppliers wishing to use the P218 process would be affected by this Modification.  Affected NHHDA would need to accept D0019 data from the UEA. As this information should look as though it has been submitted by a normal NHHDC, it is not anticipated that there would be any changes required to NHHDA systems and processes.	NHHDA would not be affected by P218 Alternative Modification.

BSC Parties and Party Agents	Impact of Proposed Modification	Impact of Alternative Modification
Meter Operators and Data Collectors	Meter Operators and Data Collectors would not be affected by P218.	As per Proposed Modification.

**Supplier and Supplier Agent Costs:** Limited costs were provided by Parties and Party Agents. The Group noted some concerns over costs for NHHDA's (under the Proposed solution), however as the UEA would effectively be acting as a NHHDC, under a role code 'D', the Group reiterated their view that NHHDA impact and costs should be small.

Supplier costs ranged from a small Supplier verbally quoting a few thousand pounds to £3-4 million estimated costs from a large Supplier based on developing an automated process for Settlement and other business systems. The Group noted that P218 was not compulsory and Suppliers could still opt not to settle microgeneration, in which case they would not be impacted by P218. However any Supplier currently settling using the P081 metered arrangements would have to adapt their systems and processes to support provision of information to the UEA regardless of whether or not they wished to use the P218 mechanism.

Finally, those Suppliers wishing to use the P218 mechanism would need to put in place new systems and processes and may also need to handle moving between the current arrangements and a P218 solution. It was acknowledged that an automated solution would only be palatable for Suppliers where there was a critical mass of microgeneration that could be shown to actually be exporting. There is no confidence that anybody understands what that critical mass would be and only one respondent provided a confidential response outlining the likely triggers for their business to automate a solution to settle microgeneration.

**LDSO Costs:** LDSO respondents quoted costs ranging from £500 per year to £50-£100,000 to manage the processes. One respondent expressed concern that customers are not informing LDSOs of installations currently and these arrangements could exacerbate the problem. However the Group noted that under P218 LDSOs could request a list of registered microgeneration sites from the UEA, therefore the visibility of sites should not be reduced. The Group also noted that LDSO costs related to the creation of portfolio MPANs and potentially the creation of an additional LLFC and its associated LLFs. As P218 will be implemented outside of the LLF approval window the costs of creating a new LLFC may be higher.

### c) Transmission Company Impact

No impact.

### d) BSCCo Impact

Area of Business	Impact of Proposed and Alternative Modifications
Implementation	BSCCo would be required to implement changes to the Code, Code Subsidiary Documents (CSDs) and BSC Systems to support this Modification Proposal.
Procurement	BSCCo would be required to procure a new BSC Agent to undertake the role of UEA.
LLF processing	Under the Alternative Modification, BSCCo would be required to send the UEA details of the LLFC to be used in the SPM for each GSP Group/Distributor.
BSC Panel	The BSC Panel would be required to approve Export Factors to be used in the calculation of microgeneration Export EACs. BSCCo would facilitate this process and undertake reviews of the process where requested by the Panel. BSCCo would also



Area of Business	Impact of Proposed and Alternative Modifications
	ensure that the approved Export values are published on the BSC website and sent to the UEA.
Market Domain Data (MDD)	Under the Proposed Modification, the UEA would be registered in MDD as a NHHDC and potentially a MOA. Therefore there would be additional information contained within MDD as a result of P218. However it is assumed that these new data items would be added via the current processes set out in BSCP 509 'Changes to Market Domain Data', therefore no changes to the actual systems would be required.
Performance Assurance	The PAB would be required to ensure that the Suppliers are fulfilling their obligations by updating the UEA with the appropriate information in a timely manner and maintaining an audit trail of information passed between the Supplier and Customers. The actual technique required is yet to be agreed.

Details of the impact of P218 on the BSC and Code Subsidiary Documents are set out in the Assessment Report.

**ELEXON Costs:** ELEXON provided costs based on the implementation work and procurement of a new BSC Agent. The estimated costs are 126K with 50k for implementation and £76k for the procurement exercise (ELEXON also provided a cost estimate of procuring a new Service Provider, as opposed to BSC Agent, these costs were estimated at £62k). ELEXON asked for feedback from a provider of Party Agent services regarding the costs of set up and operation of a service of the type the UEA would provide. An estimate of up to £250k was suggested.

#### e) MRA Impact

Document	Impact of Proposed Modification	Impact of Alternative Modification
Master Registration Agreement	<p>DTC changes would be required to enable new DTC flows to be created for communication between the Supplier and UEA. The recipients of a number of current DTC flows would also need amending to add the UEA to the list.</p> <p>Some changes would also need to be made to the MRA itself, in particular the definition of a Metering Point and Clause 15. These changes are Priority Provisions of the MRA and would therefore require Authority consent.</p>	As per the Proposed Modification although the flows affected would differ.

## 4 DESCRIPTION OF THE PERCEIVED BENEFITS AND CONCERNS OF P218

A summary of the key benefits and concerns raised by the P218 Modification Group ('the Group') are outlined below.

### Benefits:

- P218 aims to increase the amount of microgeneration that is settled;
- P218 attempts to more accurately allocate energy volumes to participants within a GSP Group. This would result in less energy being smeared across Suppliers in Group Correction Factor.

### Concerns:

- The long term aim is that microgeneration Export is metered, therefore P218 is considered to be a costly interim solution, that may need to be 'unpicked' when a more permanent solution becomes available;
- P218 lacks the appropriate assurances to guarantee to the industry that the Settlement process is secure and accurate;
- P218 introduces estimated EACs which could introduce more error into Settlement than not including microgeneration Export at all;
- P218 would require numerous changes at a cost which some consider too high to justify considering the very small volumes of energy that would be involved;
- P218 offers an additional un-mandated option to the industry. Currently Suppliers are able to settle microgeneration by installing Non Half Hourly Metering (this ability was introduced by Modification Proposal P081 'Removal of the Requirement for Half Hourly (HH) Metering on Third Party Generators at Domestic Premises') or Suppliers can choose to spill any surplus energy onto the Distribution System. It has been suggested that multiple options could lead to lack of clarity to the industry on the BSC requirements;
- the Group noted that the majority of consultation respondents said that they would not choose to settle microgeneration if P218 were to be approved, and all those respondents who already settle microgeneration under P081 advised that they would not swap to P218; and
- the Group queried whether there is actually a defect as microgeneration is not required to be settled under the BSC and Suppliers decisions not to settle microgeneration would be taken for commercial reasons. It was noted that customers tend to choose to install microgeneration to reduce their Import during peak hours, rather than to gain benefits from exporting. One member commented, that another option would be to educate customers so that they use more of their own microgeneration on site and Export less and noted that this would need to be taken forward outside the BSC.

## 5 RATIONALE FOR MODIFICATION GROUP'S RECOMMENDATIONS TO THE PANEL

This section summarises the recommendations of the Modification Group, as detailed in the Assessment Report in Appendix 3.

## 5.1 Proposed Modification

### 5.1.1 Modification Group's Initial Discussions

The initial **MAJORITY** view of the Modification Group was that the Proposed Modification **WOULD NOT** better facilitate the achievement of Applicable BSC Objectives (c) and (d) when compared with the existing Code baseline, for the following reasons:

#### Applicable BSC Objective (c)

- It was felt the proposed solution did not encourage greater uptake of microgeneration and no evidence was presented to suggest that it would actually be used;
- This was not the correct or cost effective mechanism to incorporate greater microgeneration into Settlement; and
- It does not encourage competition within the industry; however, it is acknowledged that some Suppliers may receive a benefit, attributed to their microgeneration customers.

#### Applicable BSC Objective (d)

- The proposed solution is inefficient and increases the level of error introduced into Settlement;
- It is over complicated and costly without increased efficiency; and
- By offering an additional option of P218 to the existing process of P081 and the option of spillage, the Group felt that numerous options further complicated the industry and could lead to confusion.

The initial **MINORITY** view of the Modification Group was that the Proposed Modification **WOULD** better facilitate the achievement of Applicable BSC Objectives (c) and (d) when compared with the existing Code baseline, for the following reasons:

#### Applicable BSC Objective (c)

- It was felt the proposed solution would encourage greater Settlement of microgeneration through the ability to settle without a Meter.

#### Applicable BSC Objective (d)

- The proposed solution would be more cost reflective as it allows appropriate volumes to be settled and therefore recorded against the correct Supplier, instead of being spilled.

The Group agreed that the Proposed Modification would have a neutral impact on Applicable BSC Objectives (a) and (b).

### 5.1.2 Views of Respondents to Assessment Procedure Consultation

The **MAJORITY** view of the respondents to the Assessment Procedure consultation was that the Proposed Modification **WOULD NOT** better facilitate the achievement of Applicable BSC Objectives (c) and (d) when compared with the existing Code baseline, for the same reasons identified by the Modification Group.

The **MINORITY** view of the respondents to the Assessment Procedure consultation was that the Proposed Modification **WOULD** better facilitate the achievement of Applicable BSC Objectives (c) and (d) when compared with the existing Code baseline, for the same reasons identified by the Modification Group.

### 5.1.3 Modification Group's Assessment

The final **MAJORITY** view of the Modification Group was that the Proposed Modification **WOULD NOT** better facilitate the achievement of Applicable BSC Objectives (c) and (d) when compared with the existing Code baseline, for the reasons stated above, and in addition:

#### Applicable BSC Objective (d)

- P218 is seen to be an interim solution; however it does not provide a neat 'stepping-stone' to a final solution, which is likely to involve metering of NHH Export. This means that P218 will be costly to implement, and will potentially be removed when a more long term solution becomes available.

The final **MINORITY** view of the Modification Group was that the Proposed Modification **WOULD** better facilitate the achievement of Applicable BSC Objectives (c) and (d) when compared with the existing Code baseline, for the reasons stated above.

The Group confirmed that the Proposed Modification would have a neutral impact on Applicable BSC Objectives (a) and (b).

## 5.2 Alternative Modification Compared to the Proposed Modification

### 5.2.1 Modification Group's Initial Discussions

The initial **UNANIMOUS** view of the Modification Group was that the Alternative Modification **WOULD** better facilitate the achievement of Applicable BSC Objectives (c) and (d) when compared with the Proposed Modification, for the following reasons:

#### Applicable BSC Objective (c)

- A simpler process presented by the Alternative would better facilitate equitable competition to those wanting to settle microgeneration due to reduced impacts on Parties, Party Agents and the MRA.

#### Applicable BSC Objective (d)

- The Alternative solution requires fewer changes to existing processes and systems, simplifying the implementation and impact on the industry; and
- It would be cheaper to implement compared to the proposed solution.

### 5.2.2 Views of Respondents to Assessment Procedure Consultation

The **MAJORITY** view of respondents to the Assessment Procedure consultation was that the Alternative Modification **WOULD** better facilitate the achievement of **Applicable BSC Objectives (c) and (d)** when compared to the Proposed Modification. The same arguments as those expressed in section 5.2.1 were expressed by respondents in support of this view.

The **MINORITY** view of respondents to the Assessment Procedure consultation was that the Alternative Modification **WOULD NOT** better facilitate the achievement of **Applicable BSC Objectives (c) and (d)** when compared to the Proposed Modification, for the following reasons:

#### Applicable BSC Objective (d)

- while the Alternative would be simpler and cheaper in the short term, there would be a lack of visibility and long term costs associated with this solution.

### 5.2.3 Modification Group's Conclusions

The **UNANIMOUS** view of the Modification Group was that the Alternative Modification **WOULD** better facilitate the achievement of **Applicable BSC Objectives (c) and (d)** when compared to the Proposed Modification, for the reasons described above in section 5.2.1.

The Group agreed that the Alternative Modification would have a neutral impact on Applicable BSC Objectives (a) and (b).

## 5.3 Alternative Modification Compared to the Code Baseline

### 5.3.1 Modification Group's Initial Discussions

The initial **MAJORITY** view of the Modification Group was that the Alternative Modification **WOULD NOT** better facilitate the achievement of **Applicable BSC Objectives (c) and (d)** when compared with the existing Code baseline for the same reasons stated in relation to the Proposed Modification (section 5.1.1).

The initial **MINORITY** view of the Modification Group was that the Alternative Modification **WOULD** better facilitate the achievement of **Applicable BSC Objectives (c) and (d)** when compared with the existing Code baseline for the same reasons stated in relation to the Proposed Modification (section 5.1.1).

### 5.3.2 Views of Respondents to Assessment Procedure Consultation

The **MAJORITY** view of respondents to the Assessment Procedure consultation was that the Alternative Modification **WOULD NOT** better facilitate the achievement of **Applicable BSC Objectives (c) and (d)** for the same reasons stated in relation to the Proposed Modification (section 5.1.1).

The **MINORITY** view of respondents to the Assessment Procedure consultation was that the Alternative Modification **WOULD** better facilitate the achievement of **Applicable BSC Objectives (c) and (d)** for the same reasons stated in relation to the Proposed Modification (section 5.1.1).

### 5.3.3 Modification Group's Conclusions

The final **MAJORITY** view of the Modification Group was that the Alternative Modification **WOULD NOT** better facilitate the achievement of **Applicable BSC Objectives (c) and (d)** when compared with the existing Code baseline for the same reasons stated in relation to the Proposed Modification (section 5.1.1).

The final **MINORITY** view of the Modification Group was that the Alternative Modification **WOULD** better facilitate the achievement of **Applicable BSC Objectives (c) and (d)** when compared with the existing Code baseline for the same reasons stated in relation to the Proposed Modification (section 5.1.1).

The Group agreed that the Alternative Modification would have a neutral impact on Applicable BSC Objectives (a) and (b).

## 5.4 Final Recommendation to the Panel

On the basis of the above assessment, the Modification Group therefore agreed a **MAJORITY** recommendation to the Panel that:

- The Proposed Modification **SHOULD NOT** be made; and that
- The Alternative Modification **SHOULD NOT** be made.

Details of the Group's recommended Implementation Date and legal text can be found in sections 5.5 and 5.6 below.

## 5.5 Implementation Date

The Modification Group agreed the following recommended implementation approach for P218 Proposed or Alternative:

- **05 November 2009** should an Authority decision be received by 7 August 2008; or
- **25 February 2010** should an Authority decision be received after 7 August 2008 but before 13 November 2008.

These dates are described in more detail in section 3.1.

## 5.6 Legal Text

The Group reviewed and agreed the Legal Text for P218 Proposed and Alternative. A copy of the Proposed and Alternative draft legal text can be found in Appendix 1.

# 6 RATIONALE FOR PANEL'S RECOMMENDATIONS TO THE AUTHORITY

## 6.1 Panel's Consideration of Assessment Report

The Panel considered the P218 Assessment Report at its meeting on 13 March 2008. This section summarises the Panel's discussions in formulating its provisional recommendation for inclusion in the draft Modification Report. Details of the Report Phase consultation responses, the Panel's discussion of the responses and its final recommendation to the Authority can be found in Sections 6.2, 6.3 and 6.4 respectively.

### 6.1.1 Assessment Procedure Group Discussions

The Panel noted the discussions of the Modification Group as follows:

- P218 aims to increase the amount of microgeneration in Settlement, by creating an easier and cheaper way of settling it;
- P218 requires that EACs are created for Unmetered Export, and there is very limited data on which this could be based. Furthermore, allowing NHH Export sites to be Unmetered is likely to restrict the availability of this data in the future, which would worsen these data issues;
- The number of sites actually capable of Exporting was brought into question, as was the aim to settle more microgeneration. The Group suggested that customers should be encouraged to use their microgeneration rather than seek to Export it;
- For a large Supplier, the cost of implementing an automated system for settling microgeneration is in the region of several million pounds, this is not a cost entirely specific to P218 but would be an investment required if such a Party wished to automate the Settlement of microgeneration. Therefore, the point at which it becomes commercially beneficial to implement such a solution is not affected by P218;
- Issue 2 has looked at the current processes for settling microgeneration (the processes brought in by P081); this has resulted in some minor changes to the current processes, and further consideration being given to reviewing the SSTGPL (Small Scale Third Party Generating Plant Limit) which represents the upper limit for the settlement of microgeneration under the BSC as NHH Export.

### 6.1.2 Assessment Procedure Consultation Responses

The Panel considered the significant majority of responses who did not believe the Proposed or Alternative Modifications better facilitated the BSC and the indication that Parties would not seek to use the P218 provisions.

It was noted that the Proposer had sought to identify whether a simple mechanism could be introduced to allow for Suppliers to receive some Settlement benefit from any microgeneration that may be exporting, as if the site was capable of exporting the appropriate volumes would not be allocated to the Supplier unless they had an Export Meter on site. The cost of Metering Export arguable remains prohibitive as noted by one respondent to the Assessment consultation who observed any site generating under 400kWh per annum is not profitable to meter.

As the solution seeks to work alongside the current arrangements the Modification(s) suffer from the same inefficiency concerns as were stated under P213 Proposed. Any Supplier with Export Meters installed must also be able to accommodate the new arrangements.

The Panel acknowledged the concerns relating to the limited sample upon which the suggested EACs had been calculated (and going forward the uncertainty of how much data would be available to calculate valid EACs as there are a limited number of metered sites in Settlement). A Panel member noted that there are further sites which are metered but believes businesses do not see any cost benefit in settling these sites for the potential Export (if any).

There were further concerns regarding the uncertainty as to how many microgeneration sites are actually capable of exporting, as a number of respondents argued that customers tend to try to offset their Import as opposed to seek remuneration from their Supplier for potential Export. A Panel member noted that other statistics indicated that there are tens of thousands of microgeneration sites and whilst they may not be a concern that these impact Settlement currently, there must be an increased potential to do so in the future. Whilst they agreed that the P218 solution may not be the correct interim solution, at some point in the future Settlement will need to take greater account of this Export.

The Panel turned to the question of whether Settlement is a barrier to microgeneration and referenced the work on P213 and issue 2, as well as the P218 Assessment Report. The issue 2 findings have led to one CP which seeks to ensure Distributors inform the relevant Supplier whenever microgeneration has been installed. Additionally the issue 2 work has run in parallel with a review of the SSTPGPL, which may be revised as a result of this review. There would not seem to be other direct evidence that Settlement is a barrier to microgeneration as Parties currently have the option not to settle or to Meter the site. There would seem to be a body of work wider than the BSC that establishes the correct incentives to promote microgeneration and Settlement changes would likely follow from this activity. Smart Metering was mooted as a potential way forward. Some consultation responses observed that further evidence of the impact of microgeneration on individual customers and its potential to Export was required as a wider industry activity. The Panel noted only one respondent provided a confidential response setting out their view of what the critical mass for adopting a Settlement solution would be, but this would be on the basis that the sites had the capability to Export.

The Panel concluded that whilst the Proposal had some merit in what it sought to achieve they shared the conclusions and arguments of the majority of the Modification Group that P218 Proposed and Alternative do not better facilitate the Applicable BSC Objectives.

### 6.1.3 Applicable BSC Objectives

#### a) Proposed Modification compared to the Code Baseline

The **UNANIMOUS** provisional view of the Panel was that the Proposed Modification **WOULD NOT** better facilitate the achievement of **Applicable BSC Objectives (c) and (d)** when compared to the current Code baseline, for the following reasons:

### Applicable BSC Objective (c)

- It was felt the proposed solution did not encourage greater uptake of microgeneration and no evidence was presented to suggest that it would actually be used;
- This was not the correct or cost effective mechanism to incorporate greater microgeneration into Settlement; and
- It does not encourage competition within the industry; however, it is acknowledged that some Suppliers may receive a benefit, attributed to their microgeneration customers.

### Applicable BSC Objective (d)

- The proposed solution is inefficient and increases the level of error introduced into Settlement;
- P218 is seen to be an interim solution; however it does not provide a neat 'stepping-stone' to a final solution, which is likely to involve metering of NHH Export. This means that P218 will be costly to implement, and will potentially be removed when a more long term solution becomes available;
- It is over complicated and costly without increased efficiency; and
- By offering an additional option of P218 to the existing process of P081 and the option of spillage, the Panel felt that numerous options further complicated the industry and could lead to confusion.

The Panel agreed that the Proposed Modification would have a neutral impact on Applicable BSC Objectives (a) and (b).

### b) Alternative Modification compared to the Code Baseline

The **UNANIMOUS** provisional view of the Panel was that the Alternative Modification **WOULD NOT** better facilitate the achievement of **Applicable BSC Objectives (c) and (d)** when compared to the current Code baseline for the same reasons stated in relation to the Proposed Modification (set out in 6.1.3 a)).

The Panel agreed that the Alternative Modification would have a neutral impact on Applicable BSC Objectives (a) and (b).

### c) Alternative Modification compared to the Proposed Modification

The **UNANIMOUS** provisional view of the Panel was that the Alternative Modification **WOULD** better facilitate the achievement of **Applicable BSC Objectives (c) and (d)** when compared to the Proposed Modification, for the following reasons:

#### Applicable BSC Objective (d)

- The Alternative Modification represents a simpler, more effective solution.

The Panel agreed that the Proposed Modification would have a neutral impact on Applicable BSC Objectives (a) and (b).

### d) Provisional recommendation to the Authority

The Panel therefore agreed a unanimous provisional recommendation to the Authority that:

- The Proposed Modification should not be made; and that
- The Alternative Modification should not be made.

### 6.1.4 Implementation Date

The Panel agreed with the Modification Group's recommendation regarding the Implementation Dates.



### 6.1.5 Legal Text

The Panel reviewed the draft text and agreed that it addresses the defect identified by the Modification Proposal.

## 6.2 Results of Report Phase Consultation

There were 10 respondents to the consultation, the majority of which endorsed the Panel recommendations. The responses were as follows:

Question	Yes	No	No response
Do you agree that Proposed Modification should not be made?	10	-	-
Do you agree that Alternative Modification should not be made?	9	1	-
Do you agree that Alternative Modification is better than the Proposed?	8	2	-
Do you agree with the Implementation Date?	8	1	1
Do you agree with the legal text?	7	-	3
Any further comments?	3	6	1

All respondents agreed that the Proposed Modification should not be made. One respondent reiterated the view that the BSC is not a barrier to any increase in the take up of microgeneration. Two respondents noted that this solution could introduce error into Settlement and reduce data quality. One respondent expressed sympathy with the principle of P218. A new comment was raised that the solution could create a cross subsidy between Suppliers and between individual customers.

One respondent reiterated their view that P218 Alternative would better facilitate the BSC for the reasons stated in their Assessment consultation response. All other respondents agreed that the Alternative should not be made, citing reasons similar to those for the Proposed, a further comment was made that the Alternative is less transparent and more complex as it removes the visibility through the use of pseudo Metering Systems.

Only two respondents disagreed that the Alternative better facilitated the applicable objectives than the Proposed, one referred to the arguments regarding reduced transparency and the other stated that neither solution was better than the baseline.

Only two respondents did not agree with the Implementation dates. One respondent suggested 18 months was needed but did not specify any detail as to why, the other response did not indicate agreement or disagreement but set out the activities required for them to implement P218. A final ELEXON review of the proposed implementation date has noted that the February 2010 Release will be implemented on 25 February 2010. As P218 is to be included as part of a scheduled BSC Systems Release the implementation dates for both the Proposed and Alternative Modification has been changed from 04 February 2010 to the 25 February to align any potential implementation.

A majority of respondents agreed with the legal text, three did not indicate agreement or disagreement noting that they had not read the text or had no comment.

Finally respondents made the following additional comments:

- The rejection only makes sense in the context of an increase in metered microgeneration making this interim solution redundant;
- Export Metering costs are small compared with the costs of installing microgeneration, if Metering is deemed to be a barrier then subsidy should be made available. The central costs of P218 would cover the provision of thousands of export meters; and
- Metered data is required to ensure data accuracy is maintained.

## **6.3 Panel's Consideration of Draft Modification Report**

### **6.3.1 Report Phase Consultation Responses**

The Panel noted that the Report Phase consultation responses contained few new arguments regarding the merits of P218 Proposed or Alternative and that no further comments were received on the legal text.

### **6.3.2 Applicable BSC Objectives**

Panel Members confirmed that their previous views (as set out in Section 6.1.3 of this report) remained unchanged following their consideration of the Report Phase consultation responses. Those Panel Members who had not been present at the previous meeting added their support for the modification and endorsed the views outlined in Section 6.1.3. The Panel reiterated their view that neither the Proposed Modification nor the Alternative Modification better facilitates the Applicable BSC Objectives, but that the Alternative does better facilitate when compared to the Proposed for the reasons set out in 6.1.3.

One Panel Member observed that some respondents had again referred to the need for export metering and they agreed that greater understanding of export consumption patterns and volumes through use of metered data can help inform future discussions in this area. The Panel Member observed that the

discussions continue to throw up the same questions regarding why more export is not being settled and whether the Small Scale Third Party Generating Plant limit is appropriate. Finally the Panel Member asked the question, what would happen next in this area? The Ofgem representative noted that it is likely a microgeneration forum would be occurring later this year.

### 6.3.3 Implementation Date

The Panel noted the majority support for the Implementation Date from Report Phase consultation respondents, however one respondent indicated they required eighteen months to implement but did not specify why. ELEXON had noted the fall back date for implementation had been revised since the report was issued for consultation as the date stated (4 February 2010) was not the correct date for the scheduled February 2010 release. The Panel was therefore asked to revise the fall back implementation date to 25 February 2010 to align with the scheduled release date. As the change was not material the Panel agreed to revise the date.

## 6.4 Panel's Final Recommendation to the Authority

On the basis of the above discussions, the Panel therefore agreed a UNANIMOUS recommendation to the Authority that:

- The Proposed Modification SHOULD NOT be made; and
- The Alternative Modification SHOULD NOT be made.

The Panel unanimously agreed the following recommended implementation approach for P220:

- An Implementation Date for Proposed or Alternative Modification P218 of 05 November 2009 if an Authority decision is received on or before 07 August 2008; or
- 25 February 2010 if the Authority decision is received after 07 August 2008 but on or before 13 November 2008.

The Panel unanimously agreed the legal text for modifying the Code in respect of the Proposed Modification and Alternative Modification, as provided in Appendix 1.

## 7 TERMS USED IN THIS DOCUMENT

Other acronyms and defined terms take the meanings defined in Section X of the Code.

Acronym/Term	Definition
CCC	Consumption Component Class
DTC	Data Transfer Catalogue
DTN	Data Transfer Network
EAC	Estimated Annual Consumption
FAA	Funds Administration Agent
GSP	Grid Supply Point
HH	Half Hourly
LDSO	Licensed Distribution System Operator
LLF	Line Loss Factor
LLFC	Line Loss Factor Class
UEA	Unmetered Export Agent
MOA	Meter Operator Agent
NHHDA	Non Half Hourly Data Aggregator
NHHDC	Non Half Hourly Data Collector
PAB	Performance Assurance Board
SAA	Settlement Administration Agent
SMRS	Supplier Meter Registration Service

SPM	Supplier Purchase Matrix
SSC	Standard Settlement Class/Configuration
SVAA	Supplier Volume Allocation Agent

## 8 DOCUMENT CONTROL

### 8.1 Authorities

Version	Date	Author	Reviewer	Reason for Review
0.1	17/03/08	Ysanne Hills	David Jones	For technical review
0.2	18/03/08	Ysanne Hills	BSC Parties and other interested parties	For consultation
0.3	03/04/08	David Jones	BSC Panel	For authorisation
0.4	10/04/08	David Jones	Change Delivery	For final review
1.0	11/04/08	David Jones		For Authority Decision

### 8.2 References

Ref	Document Title	Owner	Issue Date	Version
1	<a href="#">Ilex Report</a>	DTI	12/2004	N/A
2	<a href="#">SVG Paper 81/03 – Update on CP issue 2</a>	ELEXON	10/2007	1.0
3	<a href="#">SVG Paper 85/03 – Recommendations of the CP issue 2 Working Group</a>	ELEXON	03/2008	1.0
4	<a href="#">SVG Paper 85/04 – Review of the SSTPGPL</a>	ELEXON	03/2008	1.0

## APPENDIX 1: LEGAL TEXT

Draft legal text for the Proposed Modification is attached as a separate document, Attachment A and draft legal text for the Alternative Modification is attached as a separate document, Attachment B.

## APPENDIX 2: PROCESS FOLLOWED

Copies of all documents referred to in the table below can be found on the [P218 Page of the ELEXON Website](#).

Date	Event
23/10/07	Modification Proposal raised by Good Energy
09/11/07	IWA presented to the Panel
12/11/07	First Assessment Procedure Modification Group meeting held
11/12/07	Second Assessment Procedure Modification Group meeting held
07/01/08	Third Assessment Procedure Modification Group meeting held
15/01/08	Requirements Specification issued for BSC Agent impact assessment
14/01/08	Request for Party/Party Agent impact assessments request issued
15/01/08	Request for Transmission Company analysis issued
15/01/08	Request for BSCCo impact assessment issued
25/01/08	BSC Agent impact assessment response returned
25/01/08	Party/Party Agent impact assessment responses returned
25/01/08	Transmission Company analysis returned
25/01/08	BSCCo impact assessment returned
30/01/08	Fourth Assessment Procedure Modification Group meeting held
11/02/08	Assessment Consultation and Questions presented for Industry Review
21/02/08	Industry Consultation responses returned
25/02/08	Fifth Assessment Procedure Modification Group meeting held
13/03/08	Assessment Report Presented to the BSC Panel

### ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL<sup>8</sup>

The Legal/Expert Costs stated here vary from those stipulated in the Initial Written Assessment Report as external Legal costs (£14,000) were incurred to complete the legal text for this Modification.

Meeting Cost	£2,500
Legal/Expert Cost	£14,000
Impact Assessment Cost	£8,000
ELEXON Resource	154 man days £27,315

## APPENDIX 3: ASSESSMENT REPORT

The P218 Assessment Report can be found on the [P218 Page of the ELEXON Website](#) and the full documents are included as Attachment D (as associated Attachments to the Assessment report D1 to D6).

The Assessment Report includes:

- The conclusions of the Modification Group regarding the areas set out in the P218 Terms of Reference;
- Details of the Group's membership;

<sup>8</sup> Clarification of the meanings of the cost terms in this appendix can be found on the BSC Website at the following link:  
[http://www.elexon.co.uk/documents/Change\\_and\\_Implementation/Modifications\\_Process\\_-\\_Related\\_Documents/Clarification\\_of\\_Costs\\_in\\_Modification\\_Procedure\\_Reports.pdf](http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf)

- The full results of the Assessment Procedure impact assessment; and
- Full copies of all responses to the Assessment Procedure consultation.

The Assessment Report attachments are available on the [P218 page of the ELEXON website](#) (and as associated Attachments D1 to D7).

## APPENDIX 5: REPORT PHASE CONSULTATION RESPONSES

The Report Phase consultation responses are included as Attachment C.

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