

Modification Proposal – BSCP40/03

MP No: P246
(mandatory by BSCCo)

Title of Modification Proposal (mandatory by originator):

Reporting to LDSOs of Aggregated Metering Data for Embedded Networks

Submission Date (mandatory by originator): 30 November 2009

Description of Proposed Modification (mandatory by originator)

The BSC already includes requirements for BSC Agents and Supplier Agents to provide each Licensed Distribution System Operator (LDSO) with metering data for customers connected to their network. However, it does not include any specific requirements to provide metered data for use in Distributor–Distributor charging. Currently these charges are calculated using non-settlement metering data (provided from metering fitted at intra GSP Group distributor – distributor boundary points).

On 20 November 2009, Ofgem approved a Common Distribution Charging Methodology (CDCM) that requires ‘portfolio billing’ for embedded Distribution Systems. This will require LDSOs (or an agent acting on behalf of LDSOs) to receive aggregated metering data for all of the embedded Distribution Systems connected to their networks. Currently there does not appear to be any adequate mechanism that would allow this to happen:

- Section L5 of the BSC (in conjunction with the relevant BSCPs) allows for the LDSO operating the embedded network to receive free of charge metering data for all customers connected to it, “*for the purposes only of the operation of the relevant Distribution System and the calculation of charges for use of and connection to such Distribution System*”. Section S2.7.7 of the BSC states that Suppliers shall “*provide, or procure the provision by the SVAA of, the appropriate data specified in BSCP508 (being certain output from Volume Allocation Runs) to the relevant Distribution System Operators free of charge provided that each Distribution System Operator shall only be entitled to use such data for the purposes of operation of its Distribution System and for the calculation of charges for use of and connection to its Distribution System*”. These provisions create some doubt as to whether an embedded distributor is permitted to provide settlement data provided in respect of its metering points to other distributors.
- Alternatively, it might be possible for the Supplier Volume Allocation Agent (SVAA) to provide the metered data to the Host LDSO as well as the embedded LDSO, if it could be argued that the Host LDSO was a “relevant Distribution System Operator”, and if BSCP508 was changed to allow this.¹ However, a Change Proposal to allow this¹ has already been rejected by the Supplier Volume Allocation Group. One of the reasons for rejecting the Change Proposal was that SVG believed that the cost of developing and operating a solution for portfolio billing should be paid by LDSOs rather than Trading Parties.

To address this issue, and allow implementation of the CDCM on 1 April, it is proposed that the BSC be changed to:

- Oblige the SVAA (in the NHH market) and Supplier Agents and/or the SVAA (in the HH market) to provide LDSOs (or, in each case, an agent acting on their behalf) with consumption data in respect of metering points on embedded networks connected to their Distribution System. The consumption on embedded

¹ Change Proposal CP1280, ‘SVAA to provide LDSOs with aggregated consumption data for embedded Distribution Systems’

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networks would in large part replicate the NHH and HH information currently provided to the embedded distributor for the purpose of use of system billing to supplier (and would be used in accordance with a draft Code of Practice for portfolio billing currently being considered by a DCUSA Working Group). The data provided could be aggregated appropriately across Suppliers, so as not to reveal the consumption of individual Suppliers; and

- As appropriate, include funding arrangements that allow the cost of developing and operating this new reporting to be funded by LDSOs rather than Suppliers and Generators. (The question of how to apportion the cost between LDSOs would be one for the Modification Group to consider.)

This proposed solution would also permit LDSOs (or the DCUSA Secretariat) to appoint a new central agent to carry out portfolio billing calculations using metered data received from settlement. For example, the new central agent could adjust settlement data for losses on embedded networks, and reconcile settlement data to boundary meters.

A DCUSA working group is currently considering what arrangements are required to DCUSA to facilitate portfolio billing. We suggest that a Modification Group set up to consider this proposal be required to liaise with such working group to ensure consistency of approach and to reduce duplication of effort. Such Modification Group may wish to consider exactly where the boundary between existing settlement agents and any new central agent should lie. This Modification Proposal does not consider the question of whether settlement agents should carry out the processes of loss adjustment and reconciliation to boundary metering. These (if required) are matters currently being considered elsewhere.²

It should be noted that LDSOs are not expected to have an enduring solution for portfolio billing in place by 1 April 2010, and will therefore be obliged to introduce a temporary workaround. This Modification Proposal is intended to support both the temporary workaround and the enduring solution.

Description of Issue or Defect that Modification Proposal Seeks to Address (mandatory by originator)

The BSC does not currently permit metering data for customers on embedded networks to be appropriately used to calculate charges paid by the operator of that network to the Host LDSO, as envisaged by the CDCM (which comes into effect on 1 April 2010). This issue needs to be resolved urgently in order to allow LDSOs to comply with the approved CDCM.

² We note that the DCUSA Working Group is currently consulting on whether these processes are required. If they are not, then it might be possible for all of the data aggregation to be performed by settlement agents, avoiding the need to procure a central agent.

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Impact on Code *(optional by originator)*

This Modification Proposal will impact the following sections of the BSC:

- Section L5.2 (Access to and Use of Metering Data)
- Section S (which describes the provision of metering data to LDSOs)
- Section D (BSC Cost Recovery), which will require a new charge on LDSOs to cover the cost of providing the data

Impact on Core Industry Documents or System Operator-Transmission Owner Code *(optional by originator)*

Potentially an impact on BSCP508.

Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties *(optional by originator)*

SVAA will be impacted by the requirement to provide additional aggregated NHH data to LDSOs.

We suggest the Modification Group consider the most appropriate mechanism to provide aggregated HH data to LDSOs. For example, the data could be provided directly by Half Hourly Data Collectors, or in aggregated form by Half Hourly Data Aggregators, or by those Supplier Agents to the SVAA who then provides the data to the LDSOs.

Impact on other Configurable Items *(optional by originator)*

Justification for Proposed Modification with Reference to Applicable BSC Objectives *(mandatory by originator)*

Arrangements for electricity use of distribution system rely on embedded LDSOs “sub contracting” for use of system with “intermediate LDSOs” (LDSOs who operate ‘intermediate’ distribution systems between the embedded network and the Transmission System). This is different from arrangements for electricity transmission, where suppliers are billed separately for TUoS; it is also different from the arrangements in place for gas transportation. Under the electricity arrangements, suppliers benefit by receiving only one DUoS invoice for the conveyance of electricity across all distribution networks (as opposed to a separate invoice for each distribution system).

So, whilst it may be true that suppliers do not have a direct contractual relationship (under DCUSA) with

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intermediate LDSOs (in respect of metering points connected to embedded networks), they do have an indirect relationship in that they rely on such intermediate distribution systems for the delivery of electricity to consumers. The embedded LDSO is in respect of such intermediate networks, acting as an agent for and on behalf of suppliers in managing the contractual arrangements for suppliers. Currently, this benefits suppliers because they do not have to pay embedded LDSOs additional charges for the management of intermediate LDSOs, nor do they have to manage separately use of system arrangements with intermediate LDSOs. Such contractual arrangements with distributors were established for the purpose of the overall economic and efficient operation of the UK electricity arrangements.

The BSC has always included requirements to provide LDSOs with the metering data they require for the operation of their distribution systems and for DUoS charging. The BSC already provides for LDSOs to receive aggregated consumption data for the purposes of operating their distribution system and for DUoS billing.

Paragraph 1(a) in Condition C3 of the Transmission Licence states that

"[The licensee shall at all times have in force a BSC, being a document] setting out the terms of the balancing and settlement arrangements described in paragraph 2".

Paragraph 2(a) goes on to say

*"[The balancing and settlement arrangements are] arrangements pursuant to which BSC parties may make, and the licensee may accept, offers or bids to increase or decrease the quantities of electricity to be delivered to or taken off the total system at any time or during any period so as to assist the licensee in coordinating and directing the flow of electricity onto and over the national electricity transmission system and balancing the national electricity transmission system; **and for the settlement of financial obligations (between BSC parties³, or between BSC parties and the licensee) arising from the acceptance of such offers or bids".***

The above obligations fall under the applicable objective described in paragraph 3(d) of Condition C3 "promoting efficiency in the implementation and administration of the balancing and settlement arrangements described in paragraph 2".

All the LDSO parties prescribed by this change proposal are also BSC parties. The purpose of the modification proposal is to facilitate the settlement of financial obligations between such BSC parties. However, in respect of the BSC, the relevant applicable objective is that which is prescribed by Condition 3 (3)(a): "the efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence." (in that whilst objective in C3(3)(d) is not specifically required in Section B, paragraph 1.2.1 of the BSC, compliance with the Transmission Licence is).

Further, these reporting requirements facilitate Applicable BSC Objective (c), in that the existence of a competitive supply market depends upon the existence of Distributors who are able to distribute electricity to these customers. These arrangements also facilitate economic and efficient operation since without these

³ Bold text added for emphasis

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provisions suppliers would have to provide separately relevant data to LDSOs for use of system billing.

Ofgem has approved a new CDCM which requires settlement data to be used for portfolio billing⁴ with effect from 2010. Utilising settlement data in the portfolio approach means that allocation of consumption data to different customer groups is more accurate. The most economic and efficient way of doing this is through utilising and providing data used in settlement. Unless the BSC is changed to provide the data required to support this, 'intermediate' LDSOs will be unable to effectively and efficiently comply with the agreed CDCM (and will presumably have to seek derogations and/or amendments to the CDCM). The end result would be less satisfactory LDSO-LDSO charging arrangements, which would ultimately feed through to less cost-reflective LDSO-Supplier charges. In particular, this is because any inaccuracy in portfolio billing can be said to lead to misallocation of consumption between customer groups, which would ultimately result in misallocation of LDSO operating costs and cross subsidies between consumer groups. This would ultimately reflect in DUoS charges to the Suppliers using those networks. This could potentially create cross-subsidies between Suppliers using one network and Suppliers using another, distorting competition in the supply of electricity.

By permitting the provision of settlement data, this Modification Proposal will facilitate more cost-reflective charging to Suppliers, and hence better facilitate Applicable BSC Objective (c).

Additionally, alternative arrangements are likely to be more complex and may result in higher charges to suppliers and consumers. This could result in suppliers being unwilling to offer supply contracts to consumers on embedded networks. We are already aware that increasingly suppliers are unwilling to offer contracts to consumers connected to embedded gas networks, i.e. competition in supply is constrained.

Additionally:

- We believe that the proposal has widespread support.
- Alternative solutions would either require bilateral agreements between suppliers and distributors agreeing that the data would be forwarded by suppliers or the introduction of a new agent, under the DCUSA, to provide data which the agent would have to procure from settlement. This would similarly require some form of contractual arrangement and payment mechanism to be devised.
- The BSC solution is more efficient than alternative solutions as the systems and processes already exist and the relevant data is already held by BSC Agents.
- providing the data from within existing settlement systems and processes gives some assurance about accuracy and continuity of provision

⁴ Strictly speaking, the CDCM does not require use of settlement data, so it might be possible to devise a 'portfolio billing' solution that does not make use of settlement data. However this was not the intention of the CDCM.

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(mandatory by BSCCo)**Urgency Recommended:** Yes (delete as appropriate) (optional by originator)**Justification for Urgency Recommendation** (mandatory by originator if recommending progression as an Urgent Modification Proposal)

LDSOs are obliged to implement portfolio billing for embedded networks from 1 April 2010, when the CDCM comes into effect. In order to do this, each LDSO would need access to aggregated metering data for all customers connected to Distribution Systems embedded within their own network. However, the BSC currently effectively prevents them from gaining access to this data. Unless the BSC is changed to allow LDSOs access to this data, it will be extremely difficult for them to comply with their Licence Obligation to implement the CDCM.

In order to allow implementation of the agreed CDCM in the manner intended by LDSOs, the BSC needs to be amended to allow data to be used for portfolio billing in sufficient time for LDSOs to implement a temporary portfolio billing solution (consistent with both the CDCM and the amended BSC) by 1 April. In practice this means a decision is required well in advance of 1 April 2010.

In summary, therefore, we request Urgency for this Modification Proposal on the grounds that:

- It is linked to an imminent date-related event i.e. the introduction of portfolio billing for embedded networks on 1 April 2010; and
- The commercial impact on Distributors of not being able to implement portfolio billing in the way they intended could be extremely high. They might have to put in place inferior charging methodologies (via derogations against or changes to the CDCM); and/or invest in developing an alternative (and less efficient and cost effective) portfolio billing solution that does not require settlement data.

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Attachments: No *(delete as appropriate) (mandatory by originator)*

If Yes, Title and No. of Pages of Each Attachment: