

Report Phase Consultation Responses



P320 'Reporting on Profile Classes 5-8 Metering Systems after the implementation of P272'

This Report Phase Consultation was issued on 9 July 2015, with responses invited by 28 July 2015.

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

Consultation Respondents

| Respondent | No. of Parties/Non-Parties Represented | Role(s) Represented |
|----------------------------|--|--|
| British Gas | 1/0 | Supplier |
| TMA Data Management Ltd | 0/1 | Supplier Agent |
| Haven Power Ltd | 1/0 | Supplier |
| SmartestEnergy | 1/0 | Supplier |
| Western Power Distribution | 4/0 | Distributor |
| EDF Energy | 9/0 | Supplier; Generator; Non Physical Trader |
| Npower | 5/0 | Supplier; Supplier Agent |

P320
Report Phase Consultation
Responses

30 July 2015

Version 1.0

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Question 1: Do you agree with the Panel's initial unanimous recommendation that P320 should be approved?

Summary

| Yes | No | Neutral/No Comment | Other |
|-----|----|--------------------|-------|
| 6 | 0 | 0 | 1 |

Responses

| Respondent | Response | Rationale |
|----------------------------|----------|--|
| British Gas | Yes | Yes we agree with the Panels unanimous recommendation to approve P320. We believe that a centrally controlled report will be the simplest and most efficient method of monitoring performance in meeting the P272 implementation criteria. It will provide an appropriate tool to monitor non-compliance without requiring any PARMS system changes for Suppliers and Supplier Agents. It will also allow performance to be monitored without having to rely on reporting created by the Supplier or Supplier Agents. |
| TMA Data Management Ltd | Yes | N.A |
| Haven Power Ltd | Yes | P320 clearly meets objective D, as it removes unnecessary complexity and is a more cost effective solution. |
| SmartestEnergy | Yes | N.A |
| Western Power Distribution | Yes | It clearly meets objective d as it is a more efficient and more cost effective solution. |
| EDF Energy | Unsure | <p>It may be possible that P320 does better meet the objectives but at this time with the information and analysis available it is not clear that this is the case. The following paragraphs explain our uncertainty.</p> <p>If the costs described to deliver the P272 Supplier Charge changes using the existing Performance Assurance and Reporting Monitoring System (PARMS) are correct, then it seems likely they will outweigh the benefit of having a simple automated monitoring and charging process. However a more manual ad-hoc process will also have costs, especially if there are significant levels of non-compliance, and under this proposal there would be shared costs of central administration also borne by those with good performance, and no compensation to participants who would otherwise receive it</p> |

| Respondent | Response | Rationale |
|------------|----------|---|
| | | <p>through reallocation of Supplier Charges. The measures that would be adopted by the BSC Panel and Performance Assurance Board to promote equitable compliance are unknown, and these and other uncertainties mean we cannot be sure that the proposal will better meet BSC objectives (c) for competition and (d) delivery efficiency.</p> <p>P272 introduced revisions to the SP04 performance measure which are sensible in principle and provide a strong incentive for compliance. Automated monitoring of non-compliance, with charges reflecting the cost to other participants, can provide a simple method of managing compliance by incentivising efficient behaviours.</p> <p>However, it is clear that the consequential cost to other participants of non-compliance for an individual meter in PC5-8 will be much lower on average than for a 100kW meter (although there is probably a wide range among both groups), and it is disappointing that solutions with lower charge for meters in PC5-8 could not be found.</p> <p>It is also disappointing that the central and participant costs to modify the existing PARMS arrangements appear to be so high, although no firm evidence is provided on these costs, and that no cheaper methods maintaining the same intent could be found.</p> <p>The consultation reports an opinion that meters in PC5-8 which remain NHH despite all reasonable steps having been taken, pursuant to the licence requirement for advanced meters, should be excluded from the SP04 performance measure. It is suggested it would be unfair to charge when all reasonable steps have been taken.</p> <p>However, a counter-argument is that the cost to other participants (for example in the form of reduced accuracy, reduced timeliness, and loss of assumed benefit for consumers in general) due to non-compliance is the same regardless of the cost of achieving compliance. Supplier Charges are a form of commercial compensation arrangement, and it seems quite rational that the cost to other participants (and therefore, in the presence of competition, indirectly to consumers) of non-compliance (in the form of a Supplier Charge) should be weighed against the cost of achieving compliance when deciding the best course of action</p> |

| Respondent | Response | Rationale |
|------------|----------|---|
| | | <p>to take. Provided the cost associated with non-compliance were determined and applied as a Supplier Charge for PC5-8, distinct from larger site volumes and costs for non-compliance of 100kW sites, the Supplier Charge approach for all energised NHH PC5-8 sites could be valid. This would not apply if the Supplier Charge is intended to include the cost for a future supplier to achieve compliance, but this would not represent a rational charge given that the future supplier is unknown and would not receive the full benefit.</p> <p>The Supplier Charge analysis at appendix 1 of the consultation document is unclear. To a large extent, supplier charges are a zero sum delivering relative charges or revenues according to relative performance, subject to fairly arbitrary charge caps. Making an assumption of the same relative performance for all suppliers will tend to deliver no change to relative net charges and revenues, subject to anomalies of the supplier charge mechanism and effects caused by the charge caps. However, the analysis concludes that, in the scenario modelled of uniform 10% non-compliance, Supplier Charges would increase in total by 68.63% and that all suppliers would see an average increase in Supplier Charges of 53.68%. However, it says that due to GSP Group and Supplier Market Share capping this would provide no incentive in real terms to be compliant. No further explanation is given, and this seems to contradict earlier statements about the effect on suppliers who are unable to achieve compliance. We are unsure what conclusions to draw from the analysis presented. Note that the indexed SP04 charge for 2015/16 is 4.11 £/day.</p> |
| Npower | Yes | <p>Yes, we agree with the Panel's view that P320 is approved. The approval of P320 will facilitate BSC objective of promoting efficiency in the implementation of the Balancing and Settlement code arrangements. The report will provide one consistent and central source of data and removes any ambiguity that could be derived from using multiple data sources.</p> |

Question 2: Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P320?

Summary

| Yes | No | Neutral/No Comment | Other |
|-----|----|--------------------|-------|
| 6 | 0 | 1 | 0 |

Responses

| Respondent | Response | Rationale |
|----------------------------|------------|---|
| British Gas | Yes | N.A |
| TMA Data Management Ltd | Yes | N.A |
| Haven Power Ltd | Yes | N.A |
| SmartestEnergy | No comment | N.A |
| Western Power Distribution | Yes | N.A |
| EDF Energy | Yes | <p>The P320 proposal indicated two main stated changes:</p> <p>(a) to remove the PARMS reporting elements of the approved P272 solution, enabling the proposed Supplier Charge to be removed, with</p> <p>(b) all reporting, including the content and frequency of such reports, to be left up to the relevant Panel Committees to determine.</p> <p>The first of these aims appears implicitly to relate only to the PARMS SP04 Serial (number of meters which should be HH) and the proposed legal text removes the requirement for meters captured by P272 to be subject to this performance measure and associated charge. The proposal, assessment and legal text make no explicit reference or change to the SP08c serial (eg. BSC Section S-1 2.2.8/2.2.8A) concerning estimated vs actual measurement from HH meters, and we assume this is intentional.</p> <p>The proposed legal text makes no explicit reference to the second aim above, which is literally left entirely to the BSC Panel and relevant Panel Committees, including decision on whether to report at all, and what action to take on the basis of reports.</p> |

| Respondent | Response | Rationale |
|------------|----------|---|
| Npower | Yes | Yes, we agree with the changes made to the redlining of Section S – Annex S1. The changes will facilitate the intention of modification P320. |

Question 3: Do you agree with the Panel's recommended Implementation Date?

Summary

| Yes | No | Neutral/No Comment | Other |
|-----|----|--------------------|-------|
| 6 | 0 | 0 | 1 |

Responses

| Respondent | Response | Rationale |
|----------------------------|----------|---|
| British Gas | Yes | Yes we agree with the Panel's recommendation to Implement P320 on the 01/04/2017 to tie into implementation date of P272. |
| TMA Data Management Ltd | Yes | N.A |
| Haven Power Ltd | Yes | We agree the implementation date should be aligned with the revised P272 (P322) date of 1st April 2017. |
| SmartestEnergy | Yes | N.A |
| Western Power Distribution | Yes | We agree with the implementation date however we note it will be dependent on MRA approval process for granting access to the required data. Therefore BSC Panel should defer making a recommendation to the authority until such approval has been given by MEC. |
| EDF Energy | Yes/No | <p>We note that housekeeping changes to the BSC to deliver Ofgem's decision to delay implementation of P272 to 1 April 2017 have not yet been made, but we take these as given.</p> <p>Implementation of P320 on 1 April 2017 if Authority decision is received on or before 1 December 2016 is consistent with the revised P272 implementation date. However, this gives potentially only 4 months between decision and the P272 date. Given that the main claimed benefit of the proposal is avoided industry IT costs, and the lead time for these is likely to be much longer than 4 months, we think the decision must be made earlier, otherwise industry preparation will be required and a large part of the claimed savings will be lost. We suggest a decision date giving about a year's notice, no later than 1 April 2016.</p> |
| Npower | Yes | We agree with the proposed implementation date of the 1st April 2017 for the reporting in line with |

| Respondent | Response | Rationale |
|------------|----------|--------------------|
| | | modification P320. |

Question 4: Do you have any further comments on P320?

Summary

| Yes | No |
|-----|----|
| 3 | 4 |

Responses

| Respondent | Response | Rationale |
|----------------------------|----------|---|
| British Gas | Yes | As stated in our response to Q1, we believe that P320 will remove unnecessary complications in implementing P272. It will allow Suppliers and Supplier Agents to continue PARMS reporting as it is completed at the moment. The report will be flexible allowing the PAB to determine the regularity of the report, the content of it and ultimately if the report is needed when it reaches a natural conclusion. The centralised report will also mean that the current SP04 report will remain a report to identify sites that qualify as <100kw systems (measurement class C) rather than becoming an all inclusive report stating what sites should move to HH regardless of consumption and Measurement Class to be migrated to. We believe the materiality is different depending on what Measurement Class each MPAN is expected to move to. Allowing SP04 to remain as it is will represent the difference in materiality between sites that are required to move to a <100KW Measurement Class (E, F and G) and the sites that are required to move the >100KW Measurement (C). |
| TMA Data Management Ltd | No | N.A |
| Haven Power Ltd | Yes | We welcome this modification on the grounds that the committee report is more cost effective than the PARMS Serial approach prescribed in P272. We also support the exclusion of P272 exceptions from SP04 supplier charges. It is our view that the supplier charges, whilst appropriate for mandatory HH settlement, are excessive in the case of a profile class 5-8 infringement and do not represent a genuine pre-estimate of loss. |
| SmartestEnergy | No | N.A |
| Western Power Distribution | No | N.A |

| Respondent | Response | Rationale |
|------------|----------|--|
| EDF Energy | Yes | <p>The consultation suggests (eg. pages 3,7) there would be no costs to industry participants to implement the proposed solution. This is not correct:</p> <p>a. Unless a decision is made quickly, there could be costs to industry participants to undo work made towards the existing P272 solution.</p> <p>b. If approved, participants will have to support whatever processes the BSC Panel and Performance Assurance Board (PAB) require for reporting and managing non-compliance. These are uncertain at this stage, but likely to require significant manual input.</p> <p>Views are represented in the consultation which suggest Supplier Charges represent a penalty. This is not the intent of Supplier Charges, and in the case of P272 non-compliance would only constitute a penalty because the standard charge currently applicable to 100kW meters has not been reduced for application to below 100kW meters. No evidence has been provided on the actual cost to other participants (or consumers in general) resulting from non-compliance.</p> <p>At page 4 of the consultation document, it is suggested that the Authority approved Modification P322 "which extended the Implementation Date of P272 to 1 April 2017". This should more correctly say that the Authority simultaneously approved P322 and (separately) extended the Implementation Date of P272 to 1 April 2017, although legal text changes for the latter have not been effected yet.</p> |
| Npower | No | We do not have any further comments in relation to P320. |