

## Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

## P347 'Relaxing R1 Read performance'

This Modification seeks to reduce the read performance requirements at the First Reconciliation Volume Allocation Run (R1) for Half Hourly (HH) Metering Systems in Measurement Classes "F" and "G".

This Modification also looks to apply this reduction to Measurement Class "E" until new Consumption Component Classes (CCCs) are introduced; potentially by BSC Modification [P339 'Introduction of new Consumption Component Classes for Measurement Classes E-G'](#) should it be approved.



ELEXON recommends P347 is progressed to the Assessment Procedure for an assessment by a Workgroup

This Modification is expected to impact:

- ELEXON
- Suppliers
- Supplier Agents

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## About This Document

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 14 July 2016. The Panel will consider the recommendations and agree how to progress P347.

There are two parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress, including the Workgroup's proposed membership and Terms of Reference.
- Attachment A contains the P347 Proposal Form.



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### Contact

#### Royston Black

020 7380 4203

royston.black@elexon.co.uk



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# 1 Why Change?

## History of the change

On 5 April 2016 Ofgem held a workshop on the future of Electricity Market Elective HH Settlement. This was to further investigate issues raised in response to the December 2015 [open letter](#) on HH Settlement.

In May 2016 a [conclusions paper](#) was published. Under section 3.13 of the paper it was recommended that a Supplier should raise a Modification to the BSC to reform the performance requirements for HH sites. Npower submitted this Modification Proposal P347 on 29 Jun 2016.

## What is the issue?

### Impacts of the current HH performance threshold

The performance requirements under the BSC are more stringent for HH than for Non Half Hourly (NHH) sites. For HH sites below the 100kW threshold, Suppliers must settle 99% of volumes based on actual Meter read's by the first reconciliation run (R1, around two months after delivery). This is the standard that would currently be applied to elective HH Metering Systems. In contrast, a Supplier only needs to settle 30% of NHH volumes based on actual reads at the same stage. This reflects that NHH sites have historically required a site visit to read the Meter.

Relaxing the rules on how frequently HH data must be submitted into Settlement could potentially reduce the costs of HH Settlement.

Failing to meet the read performance requirements is primarily an issue of compliance with the BSC, rather than one with direct financial consequences. When a Supplier fails to meet certain BSC performance measures, it will incur Supplier Charges. These compensate other Suppliers for the costs of the failure. However, the performance requirement for HH sites below the 100kW threshold only attracts Supplier Charges at the Reconciliation Final (RF) run, around 14 months after delivery.

HH Supplier Agents face higher costs than those operating as NHH. This is seen as a barrier to Elective HH Settlement. Therefore options for preventing higher charges have been assessed by the industry.

The current Performance Level of 99% for Measurement Classes "E", "F" and "G" was introduced by Approved Modifications [P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8'](#) and [P300 'Introduction of new Measurement Classes to support Half Hourly DCUSA Tariff Changes \(DCP179\)'](#). Approved Modification [P338 'Consequential changes to P272 legal text'](#) further clarified the legal text in respect to these two Modifications in light that P272 would have overwritten the legal text introduced by P300.

A second concern with the current 99% target is that it may increase agent costs for Suppliers. For example, many sites may require a physical visit to correct metering issues and there could also be interim communication issues with the Meter resulting in increased costs and inability to meet the 99% requirement.

Potential benefits of reducing the R1 read performance include:

- Make it less urgent for Supplier Agents to visit sites. At the workshop, one stakeholder said that a lower performance requirement could allow repairs to be

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made next time there is a van in the area and would cost less than a specific trip. Equally a missing read could be the result of an intermittent communication signal which over time improves without the need for a further site visit.

- Allow optimisation of how frequently remote reads are taken from advanced or non-Data Communication Company (DCC)-enrolled smart Meters, to manage communications costs.
- Allow more time to manage exceptions in data validation.
- Help manage any temporary uncertainty about the performance of smart Meters, particularly in the early stages of the roll-out.

This change would only affect the minimum performance standards that Suppliers (and their agents) have to meet. Suppliers would be free to agree a higher level of performance with their agents, which might be for a number of reasons.

### Proposed solution

#### Performance Levels for Measurement Classes "F" and "G"

This Modification seeks to reduce the read performance requirements at R1 for HH Metering Systems in Measurement Classes "F" and "G".

#### Performance Levels for Measurement Class "E"

This Modification also looks to apply this reduction to Measurement Class "E" until new CCC's are introduced by Modification P339 should it be approved. If P339 is not approved, then it would seek to make the change permanent.

#### What is P339?

P339 was also raised following Ofgem's recommendation on the future of Electricity Market Elective HH Settlement. It seeks to introduce new CCCs for Measurement Classes "E", "F" and "G" to allow aggregated consumption volumes for both Active Import (AI) and Active Export (AE) to be identified separately. The new CCCs will enable:

- The aggregation of HH Export volumes for Settlement and the billing for Distribution use of System (DUoS) charges;
- The application of different Performance Levels to Measurement Classes "E", "F" and "G";
- The application of different Grid Supply Point Group Correction Factor (GSPGCF) scaling weights to Measurement Classes "E", "F" and "G"; and the ability to apply different BSC specified charges to smaller Customers.

P339 will also enable revision of the GSPGCF Scaling Weights for each of Measurement Classes "E", "F" and "G".

### Applicable BSC Objectives

#### Applicable BSC Objective (c)

The Proposer believes implementation of a less stringent, more achievable performance target will encourage facilitation and take up of Elective HH Settlement, thereby promoting competition.

#### Applicable BSC Objective (d)

The Proposer believes this Modification will provide a more realistic performance target and therefore make the agreement more efficient to operate.



#### What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

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### 3 Areas to Consider

In this section we highlight areas which we believe the Panel should consider when making its decision on progression of this Modification Proposal, and which a Workgroup should consider as part of its assessment of P347. We recommend that the areas below form the basis of a Workgroup's Terms of Reference, supplemented with any further areas specified by the Panel.

#### What interactions with P339 need to be considered?

The proposed solution in Modification P347 suggests also reducing the R1 read requirement for Measurement Class "E" from 99% to 90% until P339 is implemented, should it be approved. If P339 is not approved, then P347 seeks to make that reduction permanent. The interactions with P339 therefore need to be considered. Considering that P339 is unlikely to have been approved before P347 solution has been developed, it is our expectation that another Modification would be required to reset the requirement for Measurement Class "E" to 99%.

#### What will the interaction be between P347 and Approved BSC Modifications P272 and P338?

The Workgroup should consider the interaction between easing performance targets for the non-domestic Measurement Classes "E" and "G", and the incentives on Suppliers, to resolve issues with the transition of advanced Meter to HH Settlement under Approved Modifications [P272](#) and [P338](#).

While, the proposed change is beneficial to Suppliers in meeting the new performance standard it is potentially detrimental to Settlement. This is an explicit consideration that should help the Workgroup form an opinion on the Applicable BSC Objectives.

In addition, P272 and P338 are approved for implementation on 1 April 2017. Should P347 be implemented before this date, there would introduce a conflict with P272 and P338 approved legal text. As such, the options would be to align the implementation with 1 April 2017 and explicitly address the conflict; or for a subsequent Modification to be raised to address the conflict, in the same way that P338 did.

#### Areas to consider

The table below summarises the areas we believe a Modification Workgroup should consider as part of its assessment of P347:

Areas to Consider
What interactions with P339 need to be considered?
What will the interaction be between P347 and Approved Modifications P272 and P338?
What changes are needed to BSC documents, systems and processes to support P347 and what are the related costs and lead times?
Are there any alternative Modifications?
Does P347 better facilitate the Applicable BSC Objectives than the current baseline?
Should P347 be treated as a Self-Governance Modification?

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### Next steps

We believe that P347 should go into an Assessment Procedure so that a Workgroup can consider the areas set out in Section 3.

### Self-Governance

This Modification seeks to reduce the read performance requirements at R1 for HH Metering Systems in Measurement Classes "F" and "G". The Proposer believes this will have no material impact on any of the areas listed under the Self-Governance Criteria. They therefore believe that this Modification should be progressed as a Self-Governance Modification. We agree with this view.

### Workgroup membership

We recommend that the P347 Workgroup should be formed of Performance Assurance Board (PAB) members, Suppliers and Supplier Agents with expertise on HH and NHH Data Collection and Settlement. In addition we should seek to include members who had previously attended the [P339](#) Workgroup.

### Timetable

We recommend that P347 undergoes a three month Assessment Procedure, with the Assessment Report being presented to the Panel at its meeting on 13 October 2016. This will allow time for the Workgroup to discuss the areas in Section 3 and develop the solution before issuing its 15 Working Day industry consultation.

Proposed Progression Timetable for P347	
Event	Date
Present Initial Written Assessment to Panel	14 Jul 16
Initial Workgroup Meetings	W/C 01 Aug 2016
Further Workgroup Meetings	W/C 29 Aug 16
Assessment Procedure Consultation	09 Sep 16 – 27 Sep 16
Final Workgroup Meeting	W/C 26 Sep 16
Present Assessment Report to Panel	13 Oct 16
Report Phase Consultation (13WD)	14 Oct 16 – 01 Nov 16
Present Draft Modification report to Panel	10 Nov 16

### What is the Self-Governance Criteria?

A Modification that, if implemented:

(a) is unlikely to have a material effect on:

- (i) existing or future electricity consumers; and
- (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
- (iii) the operation of the national electricity transmission system; and
- (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
- (v) the Code's governance procedures or modification procedures; and

(b) is unlikely to discriminate between different classes of Parties.

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## 5 Likely Impacts

### Impact on BSC Parties and Party Agents

Party/Party Agent	Potential Impact
Suppliers	Potentially beneficial change in reduction of penalties for failing to meet R1 Read minimum requirements
Supplier Agents	

### Impact on Transmission Company

No Impact

### Impact on BSCCo

Area of ELEXON	Potential Impact
ELEXON will be required to implement this Modification. Minor change will be required to the reporting graphs provided to the PAB.	

### Impact on Code

Code Section	Potential Impact
Annex S-1	Changes would be required to implement this Modification.



## 6 Recommendations

We invite the Panel to:

- **AGREE** that P347 progresses to the Assessment Procedure;
- **AGREE** the proposed Assessment Procedure timetable;
- **AGREE** the proposed membership for the P347 Workgroup; and
- **AGREE** the Workgroup's Terms of Reference.

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## Appendix 1: Glossary & References

### Acronyms

Acronyms used in this document are listed in the table below

Acronym	
Acronym	Definition
AE	Active Export
AI	Active Import
CCC's	Consumption Component Classes
DUoS	Distribution Use of System
GSPGCF	Grid Supply Point Group Correction Factor
HH	Half Hourly
IWA	Initial Written Assessment
NHH	Non Half Hourly
PAB	Performance Assurance Board
R1	First Reconciliation Volume Allocation Run
RF	Reconciliation Final

### External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
1,5,6,7,	Link to Modification P339 webpage	<a href="https://www.elexon.co.uk/mod-proposal/p339/">https://www.elexon.co.uk/mod-proposal/p339/</a>
3,	Link to Ofgem open letter on Elective Half Hourly Settlement	<a href="https://www.ofgem.gov.uk/sites/default/files/docs/final_open_letter_on_hhs.pdf">https://www.ofgem.gov.uk/sites/default/files/docs/final_open_letter_on_hhs.pdf</a>
3,	Link to Ofgem conclusions paper on Elective Half Hourly Settlement	<a href="https://www.ofgem.gov.uk/system/files/docs/2016/05/elective_hhs_conclusions_paper.pdf">https://www.ofgem.gov.uk/system/files/docs/2016/05/elective_hhs_conclusions_paper.pdf</a>
3,	Link to Modification P300 webpage	<a href="https://www.elexon.co.uk/mod-proposal/p300/">https://www.elexon.co.uk/mod-proposal/p300/</a>
3,6,	Link to Modification P272 webpage	<a href="https://www.elexon.co.uk/mod-proposal/p272-mandatory-half-hourly-settlement-for-profile-classes-5-8/">https://www.elexon.co.uk/mod-proposal/p272-mandatory-half-hourly-settlement-for-profile-classes-5-8/</a>
3,6,	Link to Modification P338 webpage	<a href="https://www.elexon.co.uk/mod-proposal/p338/">https://www.elexon.co.uk/mod-proposal/p338/</a>

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