

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

P346 'Changes to Specified Charges for Elective Half Hourly (HH) Meters'

P346 proposes to amend the method by which the 'Supplier' half of the SVA Costs are recovered so that all of these costs are recovered through a single 'per MSID' fixed tariff. This will remove a barrier to elective Half Hourly Settlement.

This Assessment Procedure Consultation for P346 closes:

5pm on Monday 19 September 2016

The Workgroup may not be able to consider late responses.



P346 Workgroup members initially consider that P346 should be **approved**

This Modification is expected to impact:

- Suppliers
- ELEXON



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About This Document

The purpose of this P346 Assessment Procedure Consultation is to invite BSC Parties and other interested parties to provide their views on the merits of P346. The P346 Workgroup will then discuss the consultation responses, before making a recommendation to the BSC Panel at its meeting on 13 October 2016 on whether or not to approve P346.

There are three parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach. It also summarises the Workgroup's key views on the areas set by the Panel in its Terms of Reference, and contains details of the Workgroup's membership and full Terms of Reference.
- Attachment A contains the draft redlined changes to the BSC for P346.
- Attachment B contains the specific questions on which the Workgroup seeks your views. Please use this form to provide your response to these questions, and to record any further views or comments you wish the Workgroup to consider.

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Why Change?

The current Specified Charging Methodology for Elective HH Meters in Measurement Classes "F" and "G" will lead to an approximate increase in annual costs of £2.00 per Metering System Identifier (MSID) for Suppliers migrating Meters from Non Half Hourly (NHH) Measurement Classes. Ofgem identified in its consultation on Elective HH Settlement that this may act as a barrier to migration.

Solution

P346 proposes that the 'Supplier' half of the total Supplier Volume Allocation (SVA) Costs will all be recovered through the application of a flat charge levied per MSID per month. This will be applied equally to all Metering Systems, both Half Hourly (HH) and NHH, across all Measurement Classes. As a result, the existing SVA (Consumption) Funding Share will be removed. The determination of the fixed tariff will be done prior to the start of the BSC Year, and this tariff will apply throughout the BSC Year.

The 'generator' half of the total SVA charges will not be impacted by this change.

Impacts & Costs

P346 will impact the Funding Share System (FSS), an ELEXON system that calculates the SVA Consumption figures. A change will be required to the equations and algorithms to include all MSIDs in the SVA Specified Charge and remove the calculation of the SVA (Consumption) Funding Share.

No impact is anticipated on BSC Parties or Party Agents to implement P346.

Implementation

P346 is proposed for implementation in **March 2017** as part of a Standalone Release. This will align with the start of the new financial year.

Workgroup's initial views

The Workgroup initially unanimously consider that P346 would better facilitate Applicable BSC Objectives (c) and (d) and so should be **approved**.



Consultation on barriers to Elective HH Settlement

On 5 April 2016 Ofgem held a stakeholder event 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 5.27 of the paper it was recommended that a Supplier should raise a Modification to the BSC to reform the SVA Specific Charging structure for Elective HH Settlement.

How are SVA Charges recovered from participants?

BSCCo Charges are recovered from all BSC Parties in line with BSC Section D 'BSC Cost Recovery and Participation Charges'. A portion of these charges relate to the operational aspects of the SVA systems, and these SVA Charges are split equally between generators and Suppliers.

- Generators contribute to the Production half, with these costs referred to as the Production Charging SVA Costs.
- Suppliers pay the other half of the SVA Charges, with this portion split between the SVA Specified Charge and the Monthly Consumption Charging Net SVA Costs.

The SVA Specified Charge is a fixed tariff levied on Suppliers based on the number of HH Metering Systems that they are the Registrant of. This charge is re-determined annually, with the intent that it recovers approximately half of the 'Supplier' share of the total SVA Charges. The charge for the 2016/17 BSC Year has been set at £0.35 per HH MSID per calendar month. Suppliers are therefore allocated this charge based on the number of HH Metering Systems they have registered.

The remainder of the 'Supplier' share of the SVA Charges is allocated through the Consumption Charging Net SVA Costs. This portion of costs is levied on Suppliers based on their SVA (Consumption) Funding Share. This Funding Share, determined for each calendar month, is based on each Supplier's NHH Supplier Deemed Take (the volume of energy deemed to have been consumed through NHH Metering Systems) as a ratio of the total NHH Supplier Deemed Take. Suppliers are therefore allocated this charge based on the proportion of the total NHH energy their customers have consumed.

What is the issue?

The current methodology does not cater for the different types of HH Measurement Classes, so all HH Metering Systems are charged at the same fixed rate regardless of the end Customer (e.g. a large industrial unit or a domestic Customer). Due to this single charge for all HH sites, each individual domestic Customer electing into HH Settlement will result in an approximate £2.00 cost to the Supplier per MSID annually. This cost is based on estimations that ELEXON completed for the Settlement Review Advisory Group (SRAG). In the calculation an assumption was made that with increased volumes of HH sites due to the smart Meter roll out, the current charge of £0.35 per calendar month would reduce.

Specified SVA Charges

The SVA Specified Charge payable by each Supplier is a Half Hourly Metering System Monthly Charge, for each Half Hourly Metering System for which a Supplier is Registrant for all or any part of that month. The charges are determined in accordance with BSC Annex D-3.



Measurement Classes

The Measurement Class of a Metering System reflects how it is settled i.e. HH or NHH. There are seven Measurement Classes:

- A: NHH metered
- B: NHH Unmetered Supply (UMS)
- C: 100kW or above HH metered
- D: HH equivalent UMS
- E: HH current transformer (CT) Metering Systems that have site specific DUoS billing and are not 100kW Metering Systems
- F: domestic HH CT and whole current (WC) Metering Systems that have aggregated DUoS billing and are not 100kW Metering Systems
- G: non-domestic HH WC metered Metering Systems that have aggregated DUoS billing and are not 100kW Metering Systems

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The cost increase of HH charges versus NHH charges, may act as a disincentive to Suppliers promoting Elective HH Settlement in the market, limiting the number of domestic and small non-domestic Customers entering into HH Settlement.

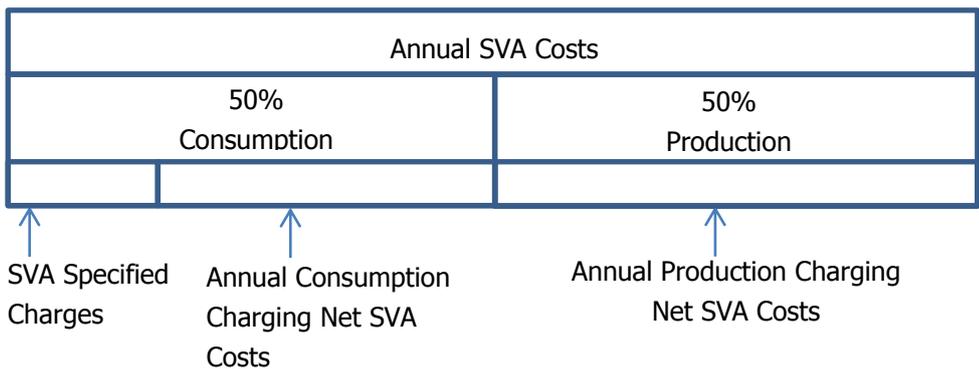
Proposed solution

P346 'Changes to the BSC Specified Charges to facilitate Elective HH settlement' was raised by British Gas on 23 June 2016. It proposes to amend the recovery of SVA Costs such the whole of the 'Supplier' half of the total SVA Costs will be recovered through the application of the SVA Specified Charge, levied per MSID per month. This will be applied equally to all Metering Systems, both HH and NHH, across all Measurement Classes. As a result, the existing SVA (Consumption) Funding Share will be removed.

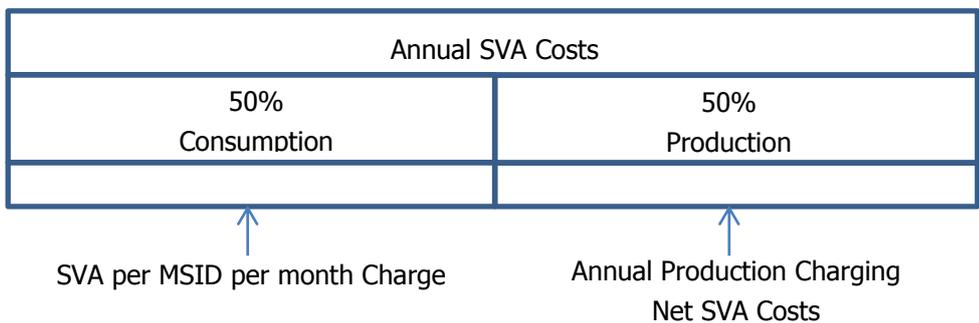
The determination of the SVA Specified Charge will be carried out and approved, as now, prior to the start of each BSC Year. This tariff will then be applied each month across the BSC Year. Each month, each Supplier will be charged this tariff per MSID, both HH and NHH, that was active in that month. Any surplus or shortfall in the amount of SVA Costs recovered across the year will be allocated to the Net Main Costs and recovered using the Main Funding Share.

There will be no change to the recovery of the 'generator' half of the SVA Costs.

Current SVA Charging model



Proposed SVA Charging model



Legal text

The proposed changes to the BSC to deliver P346 can be found in Attachment A.

We have taken this opportunity to include some housekeeping changes identified within the Code Sections impacted by P346, which can also be found in Attachment A. If P346 is approved, these housekeeping changes would be made as part of its implementation.

Assessment Consultation Question

Do you agree that the draft legal text in Attachment A delivers the intention of P346?
Please provide your rationale.

The Workgroup invites you to give your views using the response form in Attachment B

Progression as a Self-Governance Modification

The Workgroup believes that P346, as it is currently formed, would not have any material impacts on participants and so would meet the Self-Governance Criteria. It therefore considers that P346 should be progressed as a Self-Governance Modification.

Assessment Consultation Question

Do you agree that P346 meets the Self-Governance Criteria and so should be progressed as a Self-Governance Modification?

Please provide your rationale with reference to the Self-Governance Criteria.

The Workgroup invites you to give your views using the response form in Attachment B

Other solutions considered by the Workgroup

The Modification originally proposed two other potential solutions. The Proposer and the Workgroup agreed not to progress these options further once they developed the Proposed Modification, as they considered neither would better facilitate the Applicable BSC Objectives compared to this option.

1. Charge HH sites in Measurement Class "C" as they are currently (using the SVA Specified Charge) but charging sites in Measurement Classes "E", "F" and "G" through the SVA (Consumption) Funding Share. This would have the effect of applying the same charges going forward as have been historically.
2. Create a new SVA Specified Charge to reflect the different customer types in the HH market. There would be one tariff applied to Measurement Class "C" and a separate new tariff for Measurement Classes "E", "F" and "G". This method would reflect that the demands of each on the SVA systems are not the same, reducing the cost to Suppliers if they wish to promote the HH market to their customers.

Assessment Consultation Question

Do you agree that there are no other potential Alternative Modifications within the scope of P346 that would better facilitate the Applicable BSC Objectives compared to the Proposed Modification?

Please provide your rationale and, if 'No', please provide full details of your Alternative Modification(s) and your rationale as to why it/they would better facilitate the Applicable BSC Objectives than the Proposed Modification.

The Workgroup invites you to give your views using the response form in Attachment B



What are 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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4 Impacts & Costs

Estimated central implementation costs of P346

The central implementation costs of P346 are approximately £17,000. These costs would be incurred in making the necessary changes to FSS to calculate and publish the information sought by P346. There are no on-going costs associated with P346.

Indicative industry costs of P346

The implementation of P346 is not expected to require any effort from any BSC Party or Party Agent, as all the changes will be to central systems. Equally, no on-going costs or impacts from industry participants are anticipated. However, the Workgroup seeks confirmation of this through this Assessment Consultation.

Assessment Consultation Questions

Will P346 impact your organisation?

If 'Yes', please provide a description of the impact(s) on your organisation and any activities which you will need to undertake between the approval of P346 and the P346 Implementation Date (including any necessary changes to your systems, documents and processes). Where applicable, please state which of the roles that you operate as will be impacted and any differences in the impacts between each role.

Will your organisation incur any costs in implementing P346?

If 'Yes', please provide details of these costs, how they arise and whether they are one-off or on-going costs.

The Workgroup invites you to give your views using the response form in Attachment B

P346 impacts

Impact on BSC Parties and Party Agents

BSC Party	Impact
Suppliers	Suppliers will be indirectly impacted due to the change in how their share of the SVA Costs is calculated. Some smaller Suppliers may find the amount payable falling below the £500 billing threshold, resulting in bills being carried forward until this threshold is breached or the quarter ends.

Impact on Transmission Company

None anticipated.

Impact on BSCCo

None anticipated.

Impact on BSC Systems and process	
BSC System/Process	Impact
FSS	The FSS will be amended to reflect the changes in the charges.

Impact on Code	
Code Section	Impact
Section D Annexe x-1 Annexe x-2	Changes will be required to deliver the proposed solution. <i>The proposed changes can be found in Attachment A.</i>

5 Implementation

Recommended Implementation Date

The P346 Workgroup proposes the following implementation approaches depending on whether P346 is progressed as a Self-Governance Modification:

- If P346 **is** progressed as a Self-Governance Modification then the Panel is currently expected to make its final decision at its meeting on 8 November 2016. If this is the case then the Workgroup recommends an Implementation Date for P346 of **1 April 2017**
- If P346 **is not** progressed as a Self-Governance Modification then the Final Modification Report is currently expected to be issued to the Authority for decision by mid-November 2016. If this is the case then the Workgroup recommends an Implementation Date for P346 of **1 April 2017** if the Authority's decision is received on or before 30 December 2016.

These dates are based on the lead time for the central system changes, which has been assessed at eight weeks for the proposed solution. This means that a standalone release will be required to implement before 1 April 2017. P346 is not expected to require implementation effort from any BSC Parties or Party Agents.

Assessment Consultation Question

Do you agree with the proposed implementation approach?

Please provide your rationale.

The Workgroup invites you to give your views using the response form in Attachment B

What are the advantages and disadvantages of the proposed solution?

The Workgroup discussed the two original solution options put forward by the Proposer, as referenced in Section 3.

The Workgroup questioned if there was a risk that Option 1 could create disconnect, making it more expensive for smaller sites. For example a Profile Class 5 site could have lower consumption than a Profile Class 3-4 site. In discussion this was thought to be unlikely as they would pay the same amount as when they were NHH, and, under this volume-based methodology, a smaller site would pay less than a larger site. Further although the costs might change for particular consumers, relative to under the current rules, it would help to remove barriers to elective HHS, giving consumers new options.

The Workgroup believed that Option 2 would add additional complexity to the Charging Methodology and this would not increase efficiency in the BSC arrangements.

The Workgroup agreed that Option 1 was more optimal than Option 2 as creating a new tariff for Measurement Classes "E" "F" & "G" was more subjective.

Rationale for the Specific Charging structure

The Workgroup discussed the reasons behind the current Specific Charging structure. It was established that it was a historical decision based on data collection costs for different Measurement Classes, with infrastructure and other costs included. The intention was to resolve the issues caused by significant numbers of Meters being settled as NHH.

A Workgroup member asked how much was recovered annually through the SVA Specified Charge. ELEXON confirmed that in the current BSC Year it was £4.5million. This was split 50/50 between Production and Consumption SVA costs and then allocated via the relevant Funding Shares.

A Workgroup member suggested that there was no rationale for the current structure unless different costs were incurred.

New proposed solution: changing everything to Funding Shares

It was suggested that charging to the whole of the 'Supplier' SVA Costs via Funding Shares may incur higher costs for those who only supply large HH sites. Members felt it would be fairer to charge on a per MSID basis. This would:

- bring costs down;
- remove the difference between HH and NHH; and
- mean that Suppliers with small number of sites may pay nothing due to the invoices falling below billable threshold.

A concern was raised by a member about how appropriate it was to recover costs for NHH sites from HH sites. The Workgroup agreed that this was a reasonable question. However, it believed that the costs were reasonable and provided assurance for the application of Grid Supply Point (GSP) Group Correction Factors. Members therefore were not concerned by this element. Further, adoption of the new solution would remove an issue arising from

[P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8'](#) mandating sites paying costs for Measurement Class "C" and would stop the current two way cross-subsidy.



Workgroup's initial views

The Workgroup's initial unanimous view was that the Proposed Solution P346 **would** better facilitate the Applicable BSC Objectives compared to the current baseline and so should be **approved**.

The views given by the Proposer and by Workgroup members against the Applicable BSC Objectives are summarised below.

Proposer's views against the Applicable BSC Objectives

Applicable BSC Objective (c)

The Proposer believes that removing barriers to HH Elective Settlement will allow Suppliers, who choose to, to develop innovative new products for elective HH sites. This will increase competition by enabling the development of a range of product offerings.

Applicable BSC Objective (d)

The Proposer believes reducing the cost of HH Settlement for domestic and small non-domestic sites will increase the number of HH sites in the market. Settlement accuracy will be improved as well as the speed that consumption is entered into Settlement.

The current Specified Charges within the BSC are set at a limit to allow ELEXON to recover its costs in line with expectations. Should Elective HH Settlement occur in any significant volumes ELEXON may over-recover its costs under the current mechanism, which would have to later be corrected through future cost recovery adjustments. This Modification would remove any potential inefficiency in the Code Administration by removing this possibility.

Workgroup's views against the Applicable BSC Objectives

All Workgroup members agree with the views and reasons put forward by the Proposer that P346 would better facilitate Applicable BSC Objectives (c) and (d), and no additional arguments were raised.

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

Assessment Consultation Question

Do you believe that P346 would better facilitate the Applicable BSC Objectives compared to the current baseline and so should be approved?

Please provide your rationale with reference to the Applicable BSC Objectives.

The Workgroup invites you to give your views using the response form in Attachment B

Workgroup's Terms of Reference

Specific areas set by the BSC Panel in the P346 Terms of Reference
Is potential solution 1 or 2 the most appropriate to take forward and approve?
Is it appropriate to recover costs for NHH specific services from Elective HH sites?
Is the accuracy of proposed option 2 acceptable?
Is the Modification impacted by future changes to Measurement Classes "F" and "G"?
What changes are required to Section D Terminology?
Should P346 be progressed as a Self-Governance Modification?
What changes are needed to BSC documents, systems and processes to support P346 and what are the related costs and lead times?
Are there any Alternative Modifications?
Does P346 better facilitate the Applicable BSC Objectives than the current baseline?

Assessment Procedure timetable

P346 Assessment Timetable	
Event	Date
Panel submits P346 to Assessment Procedure	14 Jul 16
Workgroup Meeting 1	25 Jul 16
Central Impact Assessment	03 Aug 16 – 17 Aug 16
Assessment Procedure Consultation	31 Aug 16 – 19 Sep 16
Workgroup Meeting 2	22 Sep 16
Panel considers Workgroup's Assessment Report	13 Oct 16

Workgroup membership and attendance

P346 Workgroup Attendance		
Name	Organisation	25 Jul 16
Members		
David Kemp	ELEXON (<i>Chair</i>)	✓
Royston Black	ELEXON (<i>Lead Analyst</i>)	✓
Mitch Donnelly	British Gas (<i>Proposer</i>)	✓
Philip Russell	Independent	✓
Eric Graham	Independent	✓
Christopher Rotherham	Opus Energy	✓
Cian Fitzgerald	OvO Energy	✓
Dan Starman	Cornwall Energy	☎
Andrew Colley	SSE	✓
James Murphy	Stark Energy	✓
David Finnemore	Engie	✓
Ed Sutton	Clarity Data	✓
Attendees		
Kevin Spencer	ELEXON	✓
Martin Bell	Ofgem	✓
Kathryn Gay	ELEXON	✓
Darren Draper	ELEXON	✓

Appendix 2: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
CoS	Change of Supplier
DCC	Data Communications Company
HH	Half Hourly
MSID	Metering System Identifier
NHH	Non Half Hourly
SRAG	Settlement Review Advisory Group
SVA	Supplier Volume Allocation

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
4	Conclusion paper from Ofgem's consultation on Elective HH Settlement on the Ofgem website	https://www.ofgem.gov.uk/system/files/docs/2016/05/elective_hhs_conclusions_paper.pdf
6	P346 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p346/
11	P272 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p272-mandatory-half-hourly-settlement-for-profile-classes-5-8/