

CP Progression: CP1377 & CP1378

Meeting Name Supplier Volume Allocation Group

Meeting Date 2 October 2012

Purpose of paper For Decision

Summary This paper provides details of the background, solution, impacts and industry views for Change Proposals (CPs) 1377 and 1378. Both CPs seek to clarify the rules relating to Third Party Access on Licence Exempt Distribution Networks, and the CPs are mutually exclusive (CP1378 is an alternative solution to CP1377). Based on the industry views received, ELEXON invites the SVG to approve CP1377 for implementation in the November 2012 Release and to reject CP1378.

1. Why change?

1.1 Background

- 1.1.1 The [Electricity and Gas \(Internal Market\) Regulations 2011](#) came into force in November 2011, and implement in UK law the EU requirement for customers on private (i.e. licence exempt) networks to be able to purchase electricity from a third party Supplier.
- 1.1.2 Schedule 2 of the Regulations describes the process for customers to choose their own gas and electricity Supplier, which can be summarised as follows:
- A customer who wants to choose their own Supplier must provide the private network operator with an expression of interest, including evidence that at least one Supplier would be willing to provide the supply; and
 - Within 20 Working Days, the private network operator must specify the metering or contractual arrangements that would be required in order to allow competitive supply.
- 1.1.3 The Department of Energy and Climate Change (DECC) has produced [guidance](#) on the steps that private network operators need to take in order to comply with the Regulations.
- 1.1.4 ELEXON has been asked by a number of stakeholders to give advice on the existing Balancing and Settlement Code (BSC) arrangements that support this. We have also identified possible improvements to these BSC processes, and we recommended options to the [SVG \(SVG136/02\)](#) in June 2012.

1.2 **The issue**

- 1.2.1 SVG136/02 originally proposed to relax the requirement to appoint a common Meter Operator Agent (MOA) on the private network. This was subsequently discussed at the Third Party Access Working Group (TPAWG)¹, whose majority view was that retaining the current BSC Procedure (BSCP) requirement to appoint a common MOA on the private network is essential to maintain the complex site supplementary information.
- 1.2.2 SVG136/02 highlighted that Difference Metering will be one of the most likely arrangements for customers within a private network who are seeking Third Party Access.² While this arrangement is recognised in BSCP502³ section 4.9.3 and BSCP514⁴ section 8.4.3, we believe that further clarification can be added to the BSCPs to accurately reflect the process and arrangements. For example, BSCP514 and BSCP502 both recognise a scenario where an embedded customer within a private network uses a Third Party Supplier. However, the existing example only refers to one embedded Metering System ID (MSID).

2. **Solution**

2.1 **Proposed solution**

- 2.1.1 ELEXON raised [CP1377](#) on 3 August 2012.
- 2.1.2 CP1377 seeks to clarify the examples in BSCPs 502 and 514 to more accurately reflect the arrangements for customers within Licence Exempt Distribution Networks (private networks) who are seeking Third Party Access, and to recognise export scenarios.
- 2.1.3 In line with the TPAWG's conclusions, CP1377 retains the current BSCP requirement to appoint a common Half Hourly MOA (HHMOA) and a common HH Data Collector (HHDC). CP1377 simply clarifies the existing rules and does not change these rules or introduce any additional obligations on participants.
- 2.1.4 You can find the redlined changes for CP1377 in Attachment A (BSCP502) and Attachment B (BSCP514).

2.2 **Alternative solution**

- 2.2.1 Smartest Energy raised [CP1378](#) on 3 August 2012.

¹ The TPAWG has been established by the Energy Networks Association (ENA) to evaluate solutions to issues regarding Third Party Access. It is attended by Distribution Network Operators (DNOs), electricity Suppliers, private network operators, code administrators (including ELEXON) and Ofgem.

² For an explanation of Difference Metering, please refer to SVG papers 136/02 and 140/06.

³ 'Half Hourly Data Collection for SVA Metering Systems Registered in SMRS'.

⁴ 'SVA Meter Operations for Metering Systems Registered in SMRS'.

- 2.2.2 CP1378 is identical to CP1377 except that it removes the requirement on Registrants to appoint a common MOA, and instead allows customers to choose their own MOA. The Proposer of CP1378 believes that a free choice of MOA is important for competition and would not cause any risks to Settlement.
- 2.2.3 The Proposer also notes that Industrial and Commercial (I&C) customers are accustomed to signing portfolio-wide MOA agreements in order to obtain competitive pricing. The Proposer therefore considers that these customers would not be getting value for money if they were forced to sign one-off agreements for specific sites with MOAs with whom they do not have other agreements.
- 2.2.4 The Proposer notes that it is the role of the DC (which they agree should be the same HHDC as appointed by the Boundary Point Supplier) in conjunction with the Suppliers to ensure that they receive the correct information from MOAs, and to send the correct data to the Data Aggregator (DA) and Settlement.
- 2.2.5 You can find the redlined changes for CP1378 in Attachment C (BSCP502) and Attachment D (BSCP514).

3. Industry views

3.1 Impact assessment

- 3.1.1 CP1377 and CP1378 were issued for participant Impact Assessment via Change Proposal Circular (CPC) 00716.

3.2 CP1377 responses

- 3.2.1 For CP1377 we received 8 responses of which 7 agreed and 1 disagreed with the CP.
- 3.2.2 The following table shows the breakdown of responses. The full collated participant responses to CP1377 are available in Attachment E or on the BSC Website [here](#).

Respondent Role	Respondent Support		
	Yes	No	Neutral
LDSOs	2	-	-
DC/DA/MOA	2	-	-
Suppliers	1	-	-
Mixed (i.e. two or more of Supplier, Generator, Trader, Party agent or Distributor)	2	1	-
Total	7	1	0

- 3.2.3 One respondent had some questions, and these are summarised in the following table, along with ELEXON's response.



Respondent's queries	ELEXON's response
<p>"Clarification as to whether the customer meter in this scenario has to be a HH meter regardless of the load being used to enable the necessary subtractions to take place at the boundary?"</p>	<p>Yes, the customer has to be HH Settled regardless of the load.</p>
<p>"In regards to scope; the changes to regulations that came in last November do not appear to restrict the type of customer on the private network that can take a competitive supply e.g. does a big house with a single NHH landlord's supply split into multiple bedsits have to offer a 'competitive supply' if one of the tenants requests it – in which case where is the NHH scenario in the BSCP?"</p>	<p>Agree that the regulation does not restrict the type of customer on the private network. As mentioned in SVG paper 136/02, it may be difficult for some agents due to the underlying complexities of NHH agents interacting with HH agents (for example the NHH agents may not be able to send the D0036 flow) and the systems and processes are not in place to allow this to happen.</p> <p>Moreover, Difference Metering (as currently envisaged) requires the Boundary Point Meter and Third Party Meter to be HH (although other non-Settlement meters on the network could be NHH).</p> <p>Third Party supply through NHH meters therefore requires the full Settlement option described in paper 136/02 (or alternatively, Parties can propose new solutions through the CP or Modification Proposal process). At present the only option is therefore to treat these as HH-only, with provision that changes could be raised and progressed in the future.</p>

3.2.4 We provided the above clarifications to the respondent, who had no further comments.

3.3 **CP1378 responses**

3.3.1 For CP1378 we received 9 responses of which 3 agreed, 5 disagreed and 1 was neutral.

3.3.2 The following table shows the breakdown of responses. The full collated participant responses to CP1378 are available in Attachment F or on the BSC Website [here](#).

Respondent Role	Respondent Support		
	Yes	No	Neutral
LDSOs	-	2	-
DC/DA/MOA	-	2	-
Suppliers	1	-	1
Mixed (i.e. two or more of Supplier, Generator, Trader, Party agent or Distributor)	2	1	-
Total	3	5	1



3.3.3 No respondents had any questions as part of their response. One respondent stated that CP1378, in common with CP1377, removes the need for additional applications for Metering Dispensations where the Settlement Metering is not directly connected to a Licensed Distribution Network. ELEXON has clarified that this is incorrect as CP1377 does not remove the need for a Metering Dispensation in this situation (which ELEXON has progressed separately via Generic Metering Dispensation D/380 – see paper SVG140/06) and only clarifies the rules.

3.3.4 There was a general consensus among respondents that while CP1378 may increase competition it also increases risk to Settlement (see Section 4 for more details).

3.4 **Comments on the proposed redlining**

3.4.1 We received one comment on the redlined text as shown in the table below. The comment relates to the redlined text for both CPs.

Comments on BSCP redlining			
Organisation	Document name & location	Comment	ELEXON's recommendation
npower	BSCP502 and BSCP514, page 4	<p>During the review of the red line changes a potential inconsistency was identified:</p> <p>The section titled 'Export on Licence Exempt Distribution Network' references on page 4 of the BSCP redline states that 'If Total Boundary Demand is positive then the Boundary Point Supplier is a net Importer, and the Total Boundary Demand should be entered in Settlement as a positive quantity of Active Import.' This seems to contradict a statement in the current BSCP not amended in the redline version, 'The HHDC is required to establish gross energy for the site for each settlement period. This is achieved by applying the aggregation rule to the metered data values. If the resultant value applied to the rule positive, the site is exporting, and the import value is zero.'</p>	ELEXON agrees, has investigated the issue further by looking at other BSCPs, and has added further clarity in the redlining to avoid confusion. The amendments made as a result are highlighted in yellow in Attachments A-D.

3.12.2 We provided the above recommendation to the respondent, who had no further comments.

4. Intended benefits

- 4.1 Customers on private networks have had a legal right to third party supply since November 2011. Discussions at the TPAWG indicate that a number of customers are currently in negotiation with Suppliers and private network operators to exercise this right.
- 4.2 The current lack of clarity in BSCPs 502 and 514 regarding the existing rules increases the risk of error in Settlement as customers exercise their right to Third Party Supply. To avoid this it is desirable to change the BSCPs as soon as possible (i.e. in the November 2012 Release, as the next available BSC Release).
- 4.3 All respondents tend to agree with the changes which are common to both CP1377 and CP1378, on the grounds that they will introduce efficiencies into the process and do not place additional obligations on participants. However, there is significantly more support for CP1377 over CP1378.
- 4.4 ELEXON agrees with the majority view of respondents that CP1378 would increase risks to Settlement, due to its use of different MOAs for the same site and because it does not specify processes for these MOAs to communicate data between each other. ELEXON also notes the views of some respondents that they would not be able to implement CP1378 in the November 2012 Release (see Section 5 below).

5. Impacts, costs and implementation approach

- 5.1 The following table summarises the effort required by ELEXON and participants to implement CP1377.

Market participant	Cost/effort	Implementation time needed
ELEXON (implementation)	1 man day, equating to £240.	November 2012 Release is suitable.
Service Provider	No system impact identified.	n/a
DC/DAs	30 man days.	November 2012 Release is suitable provided this CP is confirmed and approved at the end of September/early October SVG. Otherwise propose delaying until February 2013.
LDSO, DNO	30 man days.	November 2012 Release is suitable.
Supplier	90 - 180 man days.	November 2012 Release is suitable.

5.2 The following table summarises the effort required by ELEXON and participants to implement CP1378.

Market participant	Cost/effort	Implementation time needed
ELEXON (implementation)	1 man day, equating to £240.	November 2012 Release is suitable.
Service Provider	No system impact identified.	n/a
DC/DAs	30 man days.	November 2012 Release is suitable.
LDSO, DNO	30 - 120 man days.	November 2012 Release is <u>not</u> suitable. February 2013 would be achievable provided a decision is made by the end of September/ early October 2012.
Supplier	180 man days.	November 2012 Release would be suitable.

5.3 Some respondents believe that more work would be needed on CP1378 before it could be implemented, e.g. to specify formal BSCP processes for the different MOAs to communicate with each other. This would require additional BSCP drafting and a second industry impact assessment before the CP could be approved – ruling out a November 2012 implementation, and meaning that the CP could not be implemented before 2013 (in either the February or June Release, depending on how much extra work is needed). While SVG has the option to approve CP1378 in its current form, we agree with respondents that this could increase risks to Settlement.

5.4 We agree with the majority view of respondents that CP1377 should be approved and that CP1378 should be rejected.

6. Recommendations

6.1 ELEXON invites the SVG to:

- a) **APPROVE** CP1377 for implementation on 29 November 2012, as part of the November 2012 Release;
- b) **AGREE** the proposed amendments to BSCP502 and BSCP514 for CP1377; and
- c) **REJECT** CP1378.

Appendices:

None

Attachments:

Attachment A – CP1377 - BSCP502 redlining v0.2

Attachment B – CP1377 - BSCP514 redlining v0.2

Attachment C – CP1378 - BSCP502 redlining v0.2

Attachment D – CP1378 - BSCP514 redlining v0.2

Attachment E – Collated Responses to CPC00716 for CP1377 v0.1

Attachment F – Collated Responses to CPC00716 for CP1378 v0.1

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