

Guidance

BSC Modifications P272 and P322 Factsheet

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This factsheet aims to provide information on Balancing and Settlement Code (BSC) Modifications P272 and P322 and the changes that were implemented. It is aimed at consumers who want to better understand the Modifications and their impact.

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1. Introduction

Context

1.1. This factsheet is intended to provide information in summary. It is not intended to be a definitive guide to half-hourly settlement for business customers. More detailed information on P272 and P322 can be found on the [Elexon](#) website.

Your Feedback

General

1.2. We believe that consultation is key to good policy development. We are keen to receive your comments about this guidance. We would also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this guidance?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Any further comments?

Please send any general feedback comments to: Smartmetering@ofgem.gov.uk

2. BSC Modifications P272 and P322 factsheet

Summary

Balancing and Settlement Code (BSC) Modifications¹ P272 and P322 changed the way electricity suppliers buy energy and pay to transport it to some business consumers. This factsheet provides background and information around its impact on consumers.

Questions and Answers

Q1. What is settlement?

In Great Britain, suppliers and generators trade bilaterally to meet the needs of electricity consumers. For each half-hour period, a process called 'settlement' is undertaken to:

- compare the amount of energy a supplier's customers have consumed and the amount it has bought; and
- determine the charges the supplier needs to pay for any difference (imbalance).

The way to work out how much energy each supplier's customers have consumed is set out in the BSC, which contains the governance arrangements that underpin the settlement process. The information on the amount of energy customers have consumed is used to calculate each supplier's energy costs and the charges it needs to pay for using the transmission and distribution networks.

At present, before the introduction of Market-Wide Half Hourly Settlement², working out how much electricity consumers use every half-hour largely relies on estimates. This is because consumers either do not have meters that can record their half-hourly consumption, or do not allow this data to be shared with suppliers.

Q2. What is BSC Modification P272?

Most consumers in Profile Classes 5-8 (see Q5) already have advanced meters (see Q7) that can record their consumption in each half-hour. BSC Modification P272 requires that these

¹ BSC modification proposals, modification reports and representations can be viewed on the Elexon website at www.elexon.co.uk

² <https://www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/smarter-markets-programme/electricity-settlement-reform>

customers must be settled using their actual half-hourly consumption data from advanced meters instead of estimates. In industry terms, consumers in Profile Classes 5-8 with advanced meters are 'half-hourly settled' as a result of P272.

Q3. What is BSC Modification P322?

BSC Modification P322 provided a phased and orderly transition to half-hourly settlement for consumers in Profile Classes 5-8 before P272 and took effect on 1 April 2017. It requires suppliers to half-hourly settle consumers in Profile Classes 5-8 using their actual half-hourly consumption data from advanced meters within 45 business days of acquiring the customer, or renewing their contract.

Q4. Why have these changes been made?

P272 protects the interests of both present and future consumers by promoting value for money, creating a more sustainable energy system, and helping to maintain security of supply.

In particular it promotes competition by placing incentives on suppliers to offer a wider range of products to their customers. This is because using half-hourly consumption data will more accurately allocate costs to suppliers, which will encourage them to reduce their costs by creating incentives for their customers to consume energy more efficiently. Suppliers can achieve this by offering more innovative products and services, such as smart tariffs, that reward customers for moving their consumption to periods when it is cheaper to purchase and transport electricity. Such innovation, together with more active selling of these offerings, increases competitive pressure on suppliers.

Q5. How do I know if I am in Profile Classes 5-8?

You can find out if your premise(s) is (are) in Profile Classes 5-8 by looking at the Meter Point Administration Number/Supply Number on your electricity bill. If the first two-digit number, in the box to the immediate right of the 'S', is 05, 06, 07 or 08 and you have an advanced meter (see Q7), then you will be affected by P272 and P322. Otherwise, if the number is 01, 02, 03, 04 or 00, you will see no difference.

Q6. Can I downgrade to Profile Classes 3 or 4?

Industry are currently reviewing and amending their approach to downgrading to Profile Classes 3 and 4. This includes reviewing the rules under BSCP516. The following [link](#) provides further information. Please contact your supplier whilst the industry change process is ongoing.

Q7. What is an advanced meter?

An advanced meter is one that can record half-hourly consumption data and gives the supplier remote access to that data. If you are unsure whether your meter is an advanced meter, please contact your supplier, as they should be able to tell you.

Q8. Does my supplier need to install a new meter at my premises?

There should be no need for you to change your meter because of P272 and P322. However, under the electricity supply licence (Standard Licence Conditions (SLC)), suppliers have been prevented from supplying electricity to premises in Profile Classes 5-8 through any meter other than an advanced meter since 6 April 2014 (SLC 12.18). The only exception to this is where the supplier has been unable to have an advanced meter installed, despite taking all reasonable steps to do so (SLC 12.19). This means your supplier has an obligation to install an advanced meter at your premises. This is a separate obligation to BSC Modifications P272 and P322.

Q9. What do I need to do?

Suppliers are responsible for implementing BSC Modifications P272 and P322. If you are affected by the changes, then your supplier will have been in contact with you, and we expect them to have been clear about your options.

Q10. What is a Maximum Import Capacity (MIC)?

If your site has a whole current meter, then this question is not relevant for you. If your site has a current transformer (CT) meter³, then the original connection agreement with the

³ CT meters are used for sites where it would not be possible to route the whole current through the meter. A 'meter multiplier'

Distribution Network Operator (DNO) should include agreement of the amount of capacity (known as maximum import capacity (MIC)) that the DNO reserved for the site on its electricity network. You can ask your DNO for a copy of the connection agreement to check whether the MIC has been revised when there has been a change of owner of the site.

It is important to ensure that the MIC has not been overestimated by the DNO. The individual maximum demand of a consumer and deemed MIC do not necessarily match. The consumer should however be aware of exceeding the agreed MIC and potential penalties.

Following implementation of P272, suppliers will pay a capacity charge for CT-metered premises, based on the agreed MIC for the site. For more information on the agreed MIC for your site, you should contact your DNO. Links to the DNOs' websites can be found here: <https://www.energynetworks.org/operating-the-networks/whos-my-network-operator>

Q11. Do I need to appoint my own Supplier Agents?

The BSC requires suppliers to ensure that, for every consumer premises that they supply, the following are appointed⁴:

- A Meter Operator (MO), who is responsible for installing, commissioning and maintaining the meter.
- A Data Collector (DC), who is responsible for retrieving and processing meter readings.
- A Data Aggregator (DA), who is responsible for packaging up consumption information to meet the requirements in the BSC.

The MO, DC and DA are collectively called Supplier Agents. In many cases, one Supplier Agent will perform all three roles.

In most cases, the supplier appoints the Supplier Agents on the customer's behalf and then incorporates the agent costs into their charges. However, customers are able to appoint their own agents instead of using the supplier appointed one. You may wish to investigate the prices Supplier Agents are able to offer, as it may be cheaper for you to appoint your own Supplier Agent. However, you should be mindful of the Supplier Agent's other contract terms,

determines the relationship between the current in the circuit used for the meter and the main current. The multiplier varies between sites.

⁴ Sometimes the supplier may appoint its preferred Supplier Agent(s) and provide the consumer with the opportunity to contract with the Supplier Agent(s). However, if the consumer also prefers the supplier to carry out the latter on their behalf then the supplier must do so, in line with the requirements.

such as the length of the contract, which may not reflect the period you remain with your energy supplier.

You can find a list of Supplier Agents in the current list of Qualified Persons available here: <https://www.elexon.co.uk/bsc-and-codes/bsc-signatories-qualified-persons/>. The relevant Supplier Agents are those that are half-hourly qualified (marked as HHMOA, HHDC and HHDA in the workbook).

Q12. If I have already appointed my own Supplier Agent(s), will these changes affect the contracts I have with them?

This will depend on your existing contractual arrangements and you should contact your Supplier Agent(s) to discuss any changes with them.

Q13. How will this impact on my bill and what can I do about it?

The costs of buying and transporting electricity vary significantly over the day. This means that some customers will be cheaper to serve and others more expensive, depending on how much electricity they consume during peak periods when it is more expensive to buy and transport energy.

When customers are settled on their actual half-hourly consumption, suppliers are able to offer them smart tariffs, such as time-of-use tariffs, where the price varies according to the time of day that electricity is used.

If you use most of your electricity at cheaper times, then you may benefit from switching to a time-of-use tariff without needing to make many changes to your consumption behaviour. Even if you use electricity at the most expensive times, you may still be able to save money by switching to a time-of-use tariff, if you are able to reduce your consumption during peak periods and instead consume electricity when it is cheapest (or reduce your overall consumption).

Because the changes in your charges will depend on a number of factors, you may also end up paying more under half-hourly settlement. If you do end up paying more, there are some actions you can take to reduce the impact on your bill:

- Consider moving to a time-of-use tariff, if you are able to reduce your consumption during peak periods by shifting it to cheaper times, or reducing it altogether.

- Suppliers are responsible for deciding how they reflect the impact of moving to half-hourly settlement on their customers' bills. You should investigate the products being offered by other suppliers to see if there is something more suitable for your business.
- It is more expensive for Supplier Agents (see Q12) to undertake meter readings and other services for half-hourly settled customers. Although in many cases, your supplier will appoint the Supplier Agents on your behalf, you are able to appoint your own. You may be able to find a Supplier Agent that can provide these services for a lower price (subject to the other terms in the contract).
- As identified in Q10, you can contact your DNO to discuss reducing your MIC, if you think it is too high for your business's needs, which could lead to lower charges. As well as explaining how to reduce your MIC, the DNO should also clearly explain the potential downsides of reducing it (e.g. if you exceed your agreed MIC, you will incur penalties).

Appendix 1 Glossary

These definitions relate to the meaning of the words as they are used in the documents and are to be used solely as an aid to understanding, not further to the text.

A

Advanced meter

An electricity advanced meter which is capable of recording half-hourly consumption data and of providing suppliers with remote access to this data (and is not a smart meter).

Advanced meters are largely used by non-domestic customers.

B

Balancing and Settlement Code (BSC)

The Legal document setting out the rules for the operation and governance of the Balancing Mechanism and Imbalance Settlement. All licensed electricity generators and suppliers in Great Britain must sign up to the BSC and other interested parties may also choose to do so.

D

Distribution Network Operators (DNOs)

DNOs own, operate and maintain the distribution networks. They do not sell electricity to consumers, this is done by the electricity suppliers. There are 14 licensed DNOs in Great Britain, and each is responsible for a regional distribution services area.

E

Electricity supplier

A company licensed by Ofgem to sell energy to and bill customers in Great Britain.

Elexon

Elexon is the organisation responsible for administering the BSC. They are also known as the BSC Company (BSCCo). The role, powers, functions and responsibilities of Elexon are set out in Section C of the BSC.

M

Market-Wide Half-Hourly Settlement (MHHS)

Market Wide Half-Hourly Settlement will utilise the ability of smart meters to record a customer's usage during each half hour period to move domestic and small non-domestic customers to half-hourly settlement. Medium and larger non-domestic consumers have been settled half-hourly since BSC modification P272.

N

Non-half-hourly (NHH) settlement

As part of the settlement process, NHH settlement is the arrangement for estimating how much energy a supplier's customers use in each settlement period based on meter readings spanning longer intervals. These consumers are not settled using half-hourly consumption data.

O

Ofgem

The Office of Gas and Electricity Markets (Ofgem) is responsible for protecting gas and electricity consumers in Great Britain. It is governed by the Gas and Electricity Markets Authority (GEMA).

P

Profile Class

A Profile Class is a classification which represents an exclusive category of customers whose consumption can be reasonably approximated to a common profile for settlement purposes (in the absence of having those customers' actual consumption data).

S

Settlement process

The method by which suppliers are charged/compensated for any difference between the volume of electricity that they buy and the volume that their customers consume within each 30 minute settlement period.

Supplier Agents

Supplier Agents can carry out certain functions related to settlement on behalf of suppliers,

including data collection, data aggregation and meter operation.

T

Time of use (ToU) tariffs

This refers to time of use tariffs where customers are charged a lower price at off-peak times compared to peak times.