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Dear Michael,

Authority decision to 'send back' Balancing and Settlement Code (BSC) Modification Proposal P432 'Half hourly settlement for CT advanced metering systems'

On 20 July 2022 the BSC Panel submitted the Final Modification Report (FMR) for BSC P432 to the Authority.

The Code Change and Development Group (CCDG)¹ recommended moving Current Transformer (CT) Advanced Meters to settle Half-Hourly (HH) by October 2023 in its consultation on the Transition Approach for MHHS.² This recommendation has been made to reduce the risk that there would be insufficient time for any issues that arise as part of these migrations to be addressed, particularly against the existing timescales for the wider MHHS migration activities. As such, this modification seeks to address issues relating to CT Advance Meters; the inconsistent definitions of Advanced Meters in the BSC and Supply Standard Licence Conditions (SLC)³; and the risk of not meeting the MHHS Transition Timetable.

The Proposal aims to align the BSC definition of an Advanced Meter with that in the SLC and to set explicit HH Settlement obligations for CT Advanced Meters ahead of the migration to the MHHS Target Operating Model (TOM). Existing CT Advanced Meters settling NHH are required to move using the Change of Measurement Class (CoMC) process to settle HH by October 2023 and all new connections for CT Advanced Meters will be

¹ <https://www.elexon.co.uk/group/code-change-and-development-group-ccdgd/>.

² [CCDG Consultation on Transition Approach For MHHS - Elexon BSC](#).

³ [Licences and licence conditions | Ofgem](#).

required to settle HH from October 2022. The CoMC will change these customers from Measurement Classes "A" and "B" to Measurement Class "E". The change from the NHH market to the HH market will be completed under the existing CoMC process as defined in the BSCP501,⁴ 502,⁵ and 504.⁶

Many respondents, mainly suppliers, disagreed that P432 would decrease the identified risks with some respondents noting that the October 2023 date would result in additional costs to both the industry and end consumers. Additionally, one respondent believed that this proposal does not better facilitate BSC Objective (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. This was supported at the BSC Panel (Panel) as a majority of Panel considered that P432 would not better facilitate BSC objectives (c) and (d). This was largely due to the potential cost to consumers and perception that this activity would not de-risk the wider MHHS Programme.

When the working group⁷ were asked if they believed P432 would lower customers' bills by controlling, reducing, and optimising spend, the majority of the group, supported by the Proposer felt that the impact is neutral because charges will change but the costs may not necessarily increase. Some bills may be higher, but some may decrease as a result of Distribution Use of System (DUoS) changes, so overall the costs will be neutral. However other respondents believed there to be a clear negative impact as P432 would lead to higher bills for customers, driven by increased costs to serve (higher Supplier Agent costs) and network charging costs.

Similarly, a majority of the Workgroup stated they expected customers to be exposed to higher charges as there is a higher cost to serve HH Settlement than NHH. One member highlighted that charges are set to increase as part of the MHHS Programme regardless, however P432 will bring forward that cost increase by 18 months. Respondents that disagreed with the Workgroup assessment of customer benefits, highlighted that customers will be negatively impacted by the higher costs to serve HH supplies, which is driven by increased Supplier charges (costs that include Supplier imposed Meter Operator charges).

The CCDG recommended moving CT Advanced Meters to settle Half-Hourly by October 2023 to reduce the risk that there would be insufficient time for any issues that arise as part of these migrations to be addressed. The majority of consultation responses disagreed that this activity would decrease this risk and didn't believe the benefit outweighed the risk.

⁴ [BSCP501 - Supplier Meter Registration Service - Elexon BSC.](#)

⁵ [BSCP502 - Half Hourly Data Collection for SVA Metering Systems Registered in SMRS - Elexon BSC.](#)

⁶ [BSCP504 - Non Half Hourly Data Collection for SVA Metering Systems Registered in SMRS - Elexon BSC.](#)

⁷ This Workgroup consists of industry representatives who work with Elexon staff to consider the impact of key changes and associated BSC information.

However, responses that did agree that P432 would de-risk the wider MHHS migrations and highlighted that the early moving of NHH CT Meters to HH via CoMC will allow more time to resolve any issues that may arise during the migration to MHHS.

The risk of delaying this implementation and including these customers in the wider migration piece is one that cannot be ignored. If these meters are not migrated early, there is a risk that these Suppliers may miss their migration targets and the MHHS Programme will be unable to close the old arrangements until all MPANs have been migrated, adding costs to all Suppliers for the period of dual running of legacy settlement arrangements and extension of the programme itself. The CCDG recognised this risk and made a related recommendation that 'problem' MPANs should not be left to the end of MHHS migration activity as it makes this slippage more likely.^{8 9}

We understand and appreciate the benefits of de-risking the MHHS Programme and as such agree with the recommendation made by the CCDG to migrate CT Advanced Meters ahead of MHHS migration. However, we also recognise that in current market conditions, which have changed since this modification's conception, it may not be appropriate to require suppliers to prioritise migration of CT meters over the coming months.

We also agree with concerns that costs to customers might increase inappropriately if their capacity requirements are not properly understood ahead of migration. We indicated in our decision on DCP161 that we expected Network Operators to engage with customers being moved to HH to ensure that appropriate capacity limits were being set.¹⁰ We understand that no code requirements have been introduced to ensure that this happens and that customers who are moved to HH in response to regulatory (rather than customer) requirements may be at risk of being exposed to higher prices than is appropriate for their usage. We consider that it is important, particularly in the context of current energy prices, that action is taken to address this generally, and specifically in relation to P432.

Overall, we consider that we have not been provided with sufficient evidence that consumers will not be negatively impacted by increasing costs if migration is delivered on the existing implementation timeframe, or that the timeframe specified is necessary to deliver the required de-risking of MHHS implementation. We are therefore unable to form an opinion on these aspects of BSC P432 as submitted to us and are sending the modification back to the Panel for further work as per BSC Section F, 2.7A.1(a).¹¹

⁸ [CCDG Consultation on Transition Approach For MHHS - Elexon BSC](#)

⁹ Representations given by MHSP.

¹⁰ [Distribution Connection and Use of System Agreement \(DCUSA\) DCP161 - Excess capacity charges | Ofgem.](#)

¹¹ [BSC Section F: Modification Procedures - Elexon Digital BSC.](#)

Considering these views, we therefore direct that additional steps should be undertaken to enable the Authority to make a fully informed decision on this proposal:

1. Generate a revised implementation timeframe for P432 which takes appropriate account of the difficulties faced by suppliers in the current market context but ensures that CT migration is completed sufficiently ahead of the end of MHHS migration to retain the benefit created by de-risking the wider MHHS Programme.

This work should also take account of the desirability of a DCUSA modification being raised as soon as possible to resolve the issues described surrounding excess capacity charging. The purpose of such a modification would be to ensure that the end consumer has the opportunity to discuss their appropriate capacity charging before/when they are migrated to HH. We consider that this DCUSA modification should come into force before the start of migration under P432.

We expect the development and progress of a DCUSA modification proposal to be pursued as a priority so that consumers migrating to HHS can be confident that their capacity charges are appropriate. We would be prepared to use our powers of Direction if that would be helpful to ensure that an appropriate code modification is brought forward and assessed and implemented in a timely manner.

At the same time, we urge relevant parties to ensure that such a DCUSA modification proposal also addresses the situation of any customers who have been migrated to HH under P272, or at any other time without prior agreement with the customer and may still be paying inappropriately high-capacity charges.

After addressing the implementation timeframe issues set out above and revising the FMR accordingly, Modification P432 should be resubmitted to us for decision as soon as practicable and by no later than 30 November 2022.

Yours sincerely



Rachel Clark
Deputy Director, Retail Systems and Processes
Retail Directorate
Ofgem

Signed on behalf of the Authority and authorised for that purpose