

Modification proposal:	<b>Balancing and Settlement Code (BSC) P425: Amendment to the definition of Shared SVA Meter Arrangement</b>		
Decision:	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>		
Target audience:	National Grid Electricity System Operator (NGESO), Parties to the BSC, the BSC Panel and other interested parties		
Date of publication:	28 September 2022	Implementation date:	5 October 2022

## Background

Shared Supplier Volume Allocation (SVA) Meter Arrangements<sup>3</sup> comprise a single SVA metering system, capable of recording both imports and exports, which is the responsibility of two or more Suppliers.<sup>4</sup> These are predominantly found within the non-domestic sector, where multiple customers seek to benefit from a single network connection. For example, two individual customers can agree to make an investment in a generation asset that has a single connection to a distribution network on a shared investment basis. A Shared SVA Meter Arrangement is facilitated by the creation of multiple Metering System Identifiers (MSIDs).<sup>5</sup>

Existing rules within the Balancing and Settlement Code (BSC) state that any Shared SVA Meter Arrangement must be between two or more Suppliers. This places a requirement for each end customer to procure different electricity Suppliers before a Shared SVA Meter Arrangement can be put in place and each Supplier must form a working relationship and agree who is to act as the Primary Supplier<sup>6</sup> and who is to act as Secondary Supplier(s)<sup>7</sup>. In

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> 'Shared SVA Meter Arrangement' is defined in BSC Section X-1: General Glossary

<sup>4</sup> 'Supplier' is defined in BSC Section X-1: General Glossary

<sup>5</sup> 'Metering System Identifiers' is defined in BSC Section X-1: General Glossary

<sup>6</sup> 'Primary Supplier' is defined in BSC Section X-1: General Glossary

<sup>7</sup> 'Secondary Supplier' is defined in BSC Section X-1: General Glossary

this arrangement, the Primary Supplier is responsible for the Primary MSID, and one or more Secondary Suppliers are responsible for the relevant pseudo-Secondary MSIDs. Energy is split between the various MSIDs through a specific splitting method.

Under the current arrangements, BSC Section K 2.5<sup>8</sup> requires two or more Suppliers to be involved for Shared SVA Meter Arrangement to be set up by customers. The Proposer believes this current requirement acts as a barrier to competition because the Primary Supplier is prohibited from agreeing supply contracts with all customers involved in a Shared SVA Meter Arrangement. Therefore, the requirement should be reduced from two or more Suppliers to one or more Suppliers. This would allow multiple Suppliers to continue facilitating a Shared SVA Meter Arrangement, while also allowing a single Supplier to make use of such an arrangement.

### **The modification proposal**

On 6 October 2021, E.ON Energy Solutions Limited (the Proposer), raised BSC modification P425 'Amendment to the definition of Shared SVA Meter Arrangement'.<sup>9</sup>

The Proposer believes the requirement for two or more Suppliers in the current arrangements can introduce unnecessary set-up issues for customers where the circumstances would be suited to a single Supplier facilitating the Shared SVA Meter Arrangement. The set-up of the arrangement involves the Primary Supplier registering the MSID while the Secondary Supplier(s) separately registers each pseudo-Secondary MSID. The Suppliers must also appoint the same Supplier Agents<sup>10</sup> and agree a volume allocation schedule prior to the arrangement taking effect. This requires each Supplier to form a working relationship and agree who is to act as the Primary Supplier and who is to act as Secondary Supplier(s).

It should be noted that Suppliers are currently able to work around the requirement for a Shared SVA Meter Arrangement to involve two or more Suppliers. One method for a single Supplier to replicate a Shared SVA Meter Arrangement is to use a billing only solution,

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<sup>8</sup> [BSC Section K - Classification and Registration of Metering Systems and BM Units - Elexon BSC](#)

<sup>9</sup> [Modification Proposal Form \(elexon.co.uk\)](#)

<sup>10</sup> 'Supplier Agents' is defined in BSC Section X-1: General Glossary

where an algorithm can be used internally to split the consumption across multiple billing entities. However, this option may act as a barrier to competition, as both customers would have to remain with the same Supplier for it to function.

### **BSC Panel<sup>11</sup> recommendation**

At the BSC Panel meeting on 14 July 2022, the Panel agreed by majority with the Proposer that P425 would better facilitate objectives (c)<sup>12</sup> and (d).<sup>13</sup> A Final Modification Report (FMR) was subsequently sent to Ofgem recommending its approval.<sup>14</sup>

### **Our decision**

We have considered the issues raised by the modification proposal and the FMR dated 17 August 2022. We have considered and taken into account the responses to the industry consultation(s) which are attached to the FMR.<sup>15</sup> We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC;<sup>16</sup> and
- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>17</sup>

### **Reasons for our decision**

We consider this modification proposal will better facilitate BSC objectives (c) and (d) and has a neutral impact on the other BSC applicable objectives.

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<sup>11</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and [Standard Special Licence Condition C3 of the Electricity Transmission Licence](#).

<sup>12</sup> BSC Objective (c) "promoting effective competition in the generation and supply of electricity, and (so far as consistent whether therewith) promoting such competition in the sale and purchase of electricity"

<sup>13</sup> BSC Objective (d) "promoting efficiency in the implementation of the balancing and settlement arrangements"

<sup>14</sup> <https://www.elexon.co.uk/documents/change/modifications/p401-p450/p425-final-modification-report/>

<sup>15</sup> BSC modification proposals, modification reports and representations can be viewed on the [Flexon website](#).

<sup>16</sup> As set out in [Standard Condition C3\(3\) of the Electricity Transmission Licence](#).

<sup>17</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

***(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***

The Proposer asserts that P425 will better facilitate the achievement of Applicable BSC Objective (c) by allowing for a single Supplier to facilitate a Shared SVA Meter Arrangement for all customers involved where desired, improving customer choice of Suppliers both on initial set up and for the lifecycle of the arrangement, thereby removing a potential barrier to competition that currently exists within the industry. The BSC Panel and Workgroup also agreed that the current requirement acts as a barrier to competition as the Primary Supplier is currently prohibited from agreeing supply contracts with all customers involved in a Shared SVA Meter Arrangement.

The Code Administrator, Elexon, has stated that it is unaware of any reason a single Supplier would have been prevented from facilitating a Shared SVA Meter Arrangement. They have suggested that the existing rules reflect an issue that was being solved at the time, and as such, single Supplier Shared SVA Meter Arrangements were not excluded explicitly.

We have considered these positions and the impact of P425 and agree that this modification will better facilitate the achievement of Applicable BSC Objective (c) by allowing customers to engage all relevant Suppliers within the market. We also see no benefit to preventing a single Supplier from being engaged by customers to enter a Shared SVA Meter Arrangement. The current arrangements, which prevent a single Supplier from entering into a Shared SVA Meter Arrangement, impedes a Supplier from competing for both customer loads in the arrangement, therefore limiting competition. This proposal will rectify this and as such, will better facilitate this objective.

***(d) promoting efficiency in the implementation and administration of the  
balancing and settlement arrangements***

The Proposer believes that P425 will better facilitate the achievement of Applicable BSC Objective (d) by allowing a single Supplier to set up a Shared SVA Meter Arrangement, thereby reducing communication requirements between Suppliers and promoting efficiency in

ensuring positive outcomes for customers utilising a Shared SVA Meter Arrangement. The BSC Panel and Workgroup are also in agreement that leaving the current requirements in place would mean that each customer's chosen Supplier would have to work in a timely and co-ordinated manner to achieve the same outcome which can become an administrative burden for both the customer and Suppliers involved in the arrangement.

We have considered these positions and the impact of P425 and agree that this modification proposal will better facilitate the achievement of Applicable BSC Objective (d) by simplifying the process of setting up and administering a Shared SVA Meter Arrangement for both Suppliers and their customers. We believe that the current arrangements could add unnecessary complexity for any customers considering the use of a Shared SVA Meter Arrangement which may increase the likelihood of settlement errors.

We consider that P425 will improve the effectiveness of a Shared SVA Meter Arrangement and will better facilitate objective (d).

### **Decision notice**

In accordance with Standard Condition C3 of the Transmission Licence, the Authority hereby directs that modification proposal BSC P425: 'Amendment to the definition of Shared SVA Meter Arrangement' be made.

**Michael Walls**

**Head of Retail Market Operations**

Signed on behalf of the Authority and authorised for that purpose