

Modification proposal:	<b>Balancing and Settlement Code (BSC) P432: Half Hourly Settlement for CT Advanced Metering Systems (P432)</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:	15 January 2024	Implementation date:	15 April 2024

## Background

Currently, generators and suppliers trade electricity in the wholesale market in half-hourly periods, but most customers are settled on a 'Non-Half-Hourly' (NHH) basis, using consumption estimates based on profiles of average customers and meter readings. There can be considerable variances between these estimates and actual usage. Market-Wide Half-Hourly Settlement (MHHS) will use smart meters to send accurate signals to suppliers about the cost of serving their customers throughout each day. This will place incentives on suppliers to offer new tariffs and products that encourage more flexible use of energy and help customers lower their bills. MHHS will, therefore, bring significant benefits to customers and to wider society.<sup>3</sup>

The Code Change and Development Group (CCDG)<sup>4</sup> recommended moving Current Transformer (CT) Advanced Meters to be settled Half-Hourly (HH) by October 2023 in its consultation on the Transition Approach for MHHS.<sup>5</sup> This recommendation was made to reduce the risk that there would be insufficient time to address any issues that arise as part of these

<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> Our MHHS Final Impact Assessment estimated quantified net benefits of £1.6bn-£4.5bn by 2045.

<sup>4</sup> <https://www.elxon.co.uk/group/code-change-and-development-group-ccdgc/>

<sup>5</sup> [CCDG Consultation on Transition Approach for MHHS - Elxon BSC](#)

migrations, against a backdrop of the industry being required to complete wider MHHS migration activities within the overall MHHS Transition timetable.

### **The modification proposal**

BSC modification P432 was first submitted to us for decision on 20 July 2022. However, the Final Modification Report (FMR) did not provide sufficient evidence that affected consumers would not be negatively impacted by increasing costs, by way of capacity charges, if migration were to be delivered on the existing implementation timeframe, or that the timeframe specified was necessary to de-risk overall MHHS implementation. We were therefore unable to make a decision. We sent the modification back to the BSC Panel on 26 August 2022 to be revised.

The revised Modification would amend the BSC definition of an Advanced Meter to that in the Electricity Supply Standard Licence Conditions and will require Half Hourly (HH) Settlement for CT Advanced Meters by the date of Milestone M14 in the MHHS Programme Plan.<sup>6</sup> It would also require all new connections with CT Advanced Meters to settle half-hourly from the P432 Implementation Date (29 June 2023 or 3 months following Ofgem's decision on P432). On 16 November 2022, P432 was resubmitted to the Authority for decision.

The Proposer, Npower,<sup>7</sup> considered that the revised P432 would better facilitate Applicable BSC Objectives (c) and (d)<sup>8</sup> because it would prioritise the migration to MHHS of a particularly complex class of meters, CT Advanced Meters, and thereby de-risk the overall transition to MHHS. The Proposer noted that MHHS is expected to strengthen competition in the supply of electricity and, by promoting greater settlement accuracy, will promote efficient balancing and settlement. The Proposer stated that P432 would be neutral against the other BSC objectives.

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<sup>6</sup> Following the MHHS replan exercise and Ofgem's decision to approve MHHS Change Request CR022, MHHS Programme has published a revised baseline plan confirming that the M14 deadline is March 2026.

<sup>7</sup> Npower Business Solutions

<sup>8</sup> Applicable BSC Objective (c) is "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". Applicable Objective (d) is "promoting efficiency in the implementation and administration of the balancing and settlement arrangements".

As a result of our Send Back, DCUSA modification DCP414 was raised to address excess capacity charging.<sup>9</sup> The aim of that modification was to ensure that the end consumer has the opportunity to discuss their appropriate capacity charging before/when they are migrated to HH and that any associated charges will be fair and appropriate. The Authority approved DCP414 on 31 July 2023 and it will be implemented with effect from 1 April 2024.<sup>10</sup>

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

At the BSC Panel meeting on 10 November 2022, a majority of the BSC Panel (the Panel) considered that P432 would better facilitate BSC objectives (c) and (d) and the Panel therefore recommended its approval.

### **Our decision**

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 16 November 2022. We have considered the responses to the industry consultations which are attached to the FMR.<sup>12</sup> We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC;<sup>13</sup> and
- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>14</sup>

### **Reasons for our decision**

We consider that this modification proposal will better facilitate BSC objectives (c) and (d) and will have a neutral impact on the other applicable objectives. Furthermore, in reaching our

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<sup>9</sup> [Transitional Protection for NHH CT Customers affected by regulatory change - DCUSA](#).

<sup>10</sup> [Decision to Approve DCUSA Modification DCP414 'Transitional Protection for Non-Half Hourly Current Transformer Customers affected by regulatory change' with Solution B | Ofgem](#)

<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 modification proposals, modification reports and representations can be viewed on the [Elxon website](#).

<sup>13</sup> As set out in [Standard Condition C3\(3\) of the Electricity Transmission Licence](#).

<sup>14</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed (most pertinently for present purposes) in section 3A of the Electricity Act 1989.

decision, we have taken on board all comments and contributions made throughout the working groups process, consultations and BSC Panel discussions. Our previous decision to Send Back the original P432 modification proposal, alongside our ongoing non-domestic review demonstrates the action we have taken in response to concerns raised during the process of this modification. We are satisfied that all views were appropriately considered and discussed throughout the P432 modification process.

***(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***

MHHS will promote competition and innovation in supply and help deliver the benefits set out in Ofgem’s MHHS Final Impact Assessment, including facilitating a cost-effective transition to Net Zero. Doing this in a timely way, facilitated by P432, will enable the earliest possible realisation of those GB-wide consumer benefits. The MHHS Programme recognises that it will have an important role in ensuring that parties do not miss the M14 deadline for migrating these meters.<sup>15</sup>

We note that some Panel and consultation respondents have expressed concern that P432 could have a detrimental impact on affected consumers by exposing them to high network capacity charges. We consider that the approved modification DCP414 satisfactorily addresses this risk by preventing those customers from being subject to excess capacity charging after a Change of Measurement Class (CoMC) from NHH to HH settlement.

We also note concerns that the cost to serve affected customers could rise and that such customers might face higher charges when they enter into revised or new supply contracts. Network capacity charges are applicable for higher consuming meter points and intends to apply to all consumers with CT metering. However, following the approval of modification DCP414, these charges will not immediately impact consumers within scope of P432.

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<sup>15</sup> MHHS Programme Milestone 14 defines the date by which all suppliers need to be able to accept meter points under the new HH arrangements.

The solution presented by DCP414 ensures that when those in scope of P432 have had 12 months of HH data recorded, their Maximum Import Capacity (MIC) can be appropriately calculated. As such, the charge will be appropriately reflective of any additional demand a meter point places on the grid outside of the agreed maximum. These charges are intended to encourage consumers with high usage meter points to remain within their reported maximum required capacity. Additionally, this cost is charged to energy suppliers who can choose whether or not to pass this charge onto consumers. We require suppliers to be compliant with the Supply Licence Conditions and, as per SLC 0 and 0A, to treat customers fairly.<sup>16</sup> As such, we expect suppliers to pass costs through to their customers only where appropriate.

Ofgem acknowledges that some non-domestic and microbusiness customers currently face challenges in obtaining competitive NHH and HH contracts. This issue is not within the scope of P432. However, in February 2023, responding to reports of consumer harm, Ofgem issued a call for evidence on the non-domestic gas and electricity market. Following which, we opened a policy consultation in July 2023.<sup>17</sup> In this consultation we noted that while the number of contracts available to most non-domestic customers was improving, not all businesses experienced this improvement in outcomes such as those in reported higher risk sectors. We cannot address sector-specific challenges. However, we are currently consulting on proposed licence changes, which we believe will help all non-domestic customers more broadly, in a statutory consultation which closes on 31 January 2024.<sup>18</sup> We invite all interested stakeholders to comment on our consultation.

As set out above, we agree that P432 will, by segregating the migration to MHHS of these relatively complex meter points, de-risk the overall transition to MHHS. Consequently, and after taking into account all the concerns raised throughout the development process for this modification, we consider on balance that the Proposal better facilitates BSC Objective (c).

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

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<sup>16</sup> [Licences and licence conditions | Ofgem](#)

<sup>17</sup> [Non-domestic market review: Findings and Policy consultation | Ofgem](#)

<sup>18</sup> [Non-domestic market review: findings and statutory consultation | Ofgem](#)

We agree with the majority of the Panel and consultation respondents that P432 will better facilitate objective (d). P432 will facilitate the removal of redundant references to modification P272 within the BSC, as well as ensure that the definition of an 'Advanced Meter' within the BSC is consistent with that of the Electricity Supplier Standard Licence Conditions. As a result, P432 will simplify and clarify the arrangements for HH settled CT metering systems.

We note that, when the industry was considering P432 in late 2022, a minority of respondents believed it should be progressed as part of the wider MHHS migration plan. These respondents pointed out that the implementation dates referred to in the P432 consultation were uncertain and subject to the MHHS replanning exercise. Following Ofgem's decision on Change Request CR022, MHHS Programme published a revised baselined implementation timetable making clear that the M14 deadline is March 2026. This date is seven months before the October 2026 deadline for completing the wider MHHS migration process. We agree with the Panel's view that this period is sufficient to preserve the de-risking objective of the Proposal. Industry now has clarity about the required timescale for compliance. MHHS Programme will play a key role in monitoring industry progress in implementing the modification.

When considering the points raised surrounding P432 mandating the CoMC of MPAN's in scope, specifically concerning customers' ability to choose, we note that our decision to modify SLC 47 published in September 2022<sup>19</sup> brings into effect decisions made relating to data access in our June 2019 decision<sup>20</sup>. This modification to the SLC addresses customers' opt-in/opt-out rights regarding data sharing. Underpinning all our work on the access to data framework has been a desire to maintain a fair and proportionate balance between the rights of individual customers over their personal data, with the need to ensure we have granular data available to the settlement system to maximise the benefits of MHHS and of smart meters more widely. However, the changes to the BSC and SLC 47 do not make it compulsory for customers to accept a smart meter, and as such customers will retain a degree of choice. For clarity, situations where premises do not have an Advance Meter, or have an Advance Meter with no working communications, would not fit the criteria to be settled half hourly

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<sup>19</sup> [MHHS: Decision on Statutory Consultation on Proposals to Modify Standard Licence Condition 47 | Ofgem](#)

<sup>20</sup> See [Decision on access to half-hourly electricity data for settlement purposes](#), June 2019.

using accurate data, so they would not be in scope of P432. However, we consider this modification proposal will better facilitate the achievement of Applicable BSC Objective (d) by ensuring that the BSC aligns with SLC 12. By aligning the definitions and removing references to P272 activity specifically, there will be greater settlement accuracy.

### **Decision notice**

In accordance with Standard Condition C3 of the Transmission Licence, the Authority hereby directs that modification proposal BSC P432 'Half Hourly Settlement for CT Advanced Metering Systems' be made.



**Melissa Giordano**

**Deputy Director Retail**

Signed on behalf of the Authority and authorised for that purpose.