



Consultation Response

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ELEXON's response to 'Balancing and Settlement Code Modification Proposal 272 – draft impact assessment'

Dear Jonathan

We are pleased to have the opportunity to respond to the draft impact assessment for [BSC Modification P272 'Mandatory Half-Hourly Settlement for Profile Classes 5 - 8'](#). As you are aware ELEXON have been investigating the potential benefits of half hourly Settlement, as part of the Profiling and Settlement Review¹, which commenced in 2010. From a BSC perspective we have long believed that the use of half hourly data in Settlement (where the meters have the capability to record this) is most beneficial for simple, transparent and accurate Settlement. This, we consider, will feed through benefits to industry and consumers, subject to appropriate costs. Half hourly Settlement will help create an environment within which Demand Side Response (DSR) is better enabled. Based on our discussions with industry, we envisage the benefits of DSR to 'GB plc.' as very significant. Therefore, we welcome the 'minded to' statement to approve P272 Alternative Modification.

We are aware the difficulties in the evaluation of this Modification through the Cost Benefit Analysis (CBA) we performed as part of the BSC P272 Workgroup assessment. We are pleased that you have been able to build on this CBA for your own impact assessment. Since, the P272 CBA and Ofgem's impact assessment are connected, we believe it is not appropriate for ELEXON to respond to the questions below that relate to the quantification of the costs and benefits of P272. Additionally, we note that a number of questions are aimed specifically at Suppliers. Therefore, we have restricted our response to any additional considerations and the benefits of half hourly Settlement for providing increased opportunities for DSR.

If you have any questions on our response please contact me.

Yours sincerely

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¹ The Profiling and Settlement Review is undertaken through the Profiling and Settlement Review Group, reporting to the Supplier Volume Allocation Group and BSC Panel, see [PSRG](#).



Balancing and Settlement Code Modification Proposal 272 – draft impact assessment

Question 1: Do you agree with our approach to assessing the impacts of P272?

No Response.

Question 2: Are there any additional, material impacts that we should consider?

One of the key issues for the P272 Workgroup and PSRG is the impact of Distribution Use of System (DUoS) charges. DUoS charges are calculated for each HH settled customer by Distributors on a site-specific basis, and switching Non Half Hourly (NHH) customers to Half Hourly (HH) Settlement could increase their DUoS charges. This issue has been examined by several groups across the Industry over the past 2-3 years culminating in the current proposed changes DCPs 160, 165 and 179 (proposed implementation date of 1 April 2015). We are contributing to the assessment of these changes and note the importance of getting these issues resolved by all industry participants in a timely manner. We welcome any further support/guidance Ofgem can provide in this area. The resolution of the HH/NHH DUoS issues must be done in sufficient time as to not disadvantage consumers. Although, we note that there are likely to be winners and losers in any new DUoS charging model.

The P272 Workgroup and the PRSG also noted the impact that Distributors only receive site-specific data for each HH site for use in billing. Through P272 the number of HH sites increases by approx. 150,000, impacting both Distributor and Supplier systems with an increased level of data. A potential solution to this would be to allow for aggregated HH data to be sent to Distributors, as this would reduce the impacts of systems. Such changes were considered by a separate Modification Proposal P280 (subsequently rejected) which would allow for aggregated billing. It should be noted that a further BSC Modification, similar to P280, may be needed if the solutions to the DCPs above require types of aggregation in Settlement to support changes to DUoS billing.

Question 3: Do you agree that P272 would drive suppliers to encourage DSR among their customers?

We believe that implementation of P272 will improve the flexibility of Suppliers to provide DSR products to their customers, due to the more accurate settlement of their energy. There should be more innovation in the products and services that Suppliers can offer their customers. To date we understand there has only been limited capability of customers to move their energy consumption (or production)



Consultation Response

within the Supplier portfolios of customers within Profile Classes 5 to 8 and respond to such signals (customers in this sector that have flexibility may be aware of their HH consumption patterns, if HH capable metering has already been installed and an energy management service is already provided by the Supplier or other agent). However, with further innovation and the changing incentives in the energy market (wholesale prices and policy such as EBSCR, EMR, Smarter Markets work, etc.), there should be more opportunity to realise further benefits from DSR activity in this sector.

Question 4: Do you agree with our approach to quantifying the value of load shifting and load reduction, including the assumptions we made? Is there any evidence we have not identified that could inform our analysis?

No Response.

Question 5: For those impacts stemming from suppliers reducing the costs of supplying energy (for example, by promoting DSR) that we did not quantify, do you have any suggestions on how we might do so?

No response. We believe this is a matter for electricity Suppliers.

Question 6: Do you agree with our approach to quantifying the value of improved forecasting, including the assumptions we made?

No Response.

Question 7: Could the costs of investing in forecasting capability for HH demand impact disproportionately on smaller suppliers or on new entrants?

No response. We believe this is a matter for electricity Suppliers.

Question 8: Do you agree that we have correctly identified the cost savings that suppliers could realise in managing the settlement process?

No response. We believe this is a matter for electricity Suppliers.

Question 9: Do you agree with our assumption regarding the typical size of data quality teams employed by suppliers?

No response. We believe this is a matter for electricity Suppliers.



Consultation Response

Question 10: Do you agree that meters of consumers in Profile Classes 5-8 are mostly read at the end of each month?

No response. We believe this is a matter for electricity Suppliers.

Question 11: Do you agree with our approach to quantifying the costs of P272 for suppliers and DNOs? If not, we encourage respondents to suggest alternative approaches.

No response. We believe this is a matter for electricity Suppliers and DNOs.

Question 12: We welcome evidence from smaller suppliers of larger non-domestic consumers on the costs they could incur if P272 is implemented.

No response. We believe this is a matter for electricity Suppliers.

Question 13: We welcome information from suppliers on (1) how many consumers would need to move electively for them to incur upfront costs and (2) the costs that would be incurred, broken down by the cost categories listed in this chapter.

No response. We believe this is a matter for electricity Suppliers.

Question 14: Would consumers incur costs from termination of contracts with Supplier Agents? If so, we welcome information that could help us to assess these costs.

No response. We believe this is a matter for electricity Suppliers.

Question 15: Do you have any comments on the results of our quantitative analysis?

No.

Question 16: If P272 is approved, would it be possible to implement the modification in less than fourteen months?

No response. We believe this is a matter for electricity Suppliers and DNOs.