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Dear Jonathon,

Balancing & Settlement Code Modifications proposals 272 – draft impact assessment

Electricity North West hold a distribution licence and have an interest in the proposals associated with P272. In principle we are supportive of the change associated with larger consumers being measured on a half-hourly basis.

However, as the consultation identifies, we have raised a change proposal to DCUSA. This is slightly different to this modification in that it effectively moves away from profile class as a determining factor to one of physical assets at the property linked to the national terms of connection i.e. any consumer with current transformer metering (and as such having a need for an agreed capacity) being measured on an half-hourly basis and those on whole current metering being measured on a non half-hourly profiled basis until smart metering is installed and we can move to an (as yet to be developed) aggregated half-hourly tariff.

We welcome Ofgem's comments relating to our change proposal and its development as part of their decision making process associated with P272 especially when both are planned for implementation in April 2015.

In relation to Ofgem seeking views on this draft impact assessment, please find enclosed our response to the questions raised.

Yours sincerely



Tony McEntee
Head of Customer Contracts & Supplier Liaison

Responses to Questions

Draft impact assessment

Chapter: Three

Question 1:

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

We agree with the approach taken.

Question 2:

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

Whilst we have an alternative approach (CT metered rather than PC5-8) the quantified impacts are likely to be the same but the outcome slightly different due to the volume of customers impacted.

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Chapter: Four

Question 3:

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

This should drive the correct behaviours because the impact can be identifiable down to specific hour-hour periods whereas in the non half-hour market the consumption is over a monthly period with no benefit passed to the customer irrespective of what demand side response they undertake or wish to undertake. The implementation of P272 will provide the customer with the information they require to leverage on any demand side response the supplier provides to them, or if not available from their current supplier they can move to one that provides such a product to the benefit of both themselves and the supplier.

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?

Yes, and we agree that the assumptions made are on the conservative side.

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?

There are perceived benefits such as the reduction of carbon, sustainability and security of supply. We believe it would be very difficult to quantify these. Perhaps consideration needs to be given to those customers already on half-hourly tariffs to assess how they are benefiting from DSR and then see if this can be modelled at a lower level.

Question 6:

Do you agree with our proposal to quantifying the value of improved forecasting, including the assumptions we made?

Yes, all quantifiable costs should be considered.

Question 7:

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

When you consider that this change proposal was raised by what may be considered at the time to be a 'smaller supplier' and that no issues have arisen from this sub set of suppliers we tend to support Ofgem's view that there is no evidence to support such a conclusion

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Chapter: Five

Question 8:

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

From a network operator perspective it is difficult for us to comment in this area.

Question 9:

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

We have more queries and discussions with suppliers on non half-hourly customer's data than on half-hourly so we would expect to see improved quality data, however it is difficult to comment any further in this area.

Question 10:

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

This tends to be the case. When we billed these sites on a site specific basis we used to receive the readings during the first week after the previous month. That said we should be considering how communications can obtain such data on a daily basis rather than physically reading the meter together with the costs associated in doing so.

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CHAPTER: Six

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.

This modification has already produced significant analysis both within the BSC working group and that of this consultation. We do not believe there are other alternative approaches otherwise they would have been raised during the working group discussions.

Question 12:

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

This question is specific to 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.

This question is specific to 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.

This question is specific to suppliers

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CHAPTER: Seven

Question 15:

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

Evidence was provided at the time of the working group discussions that some customers would benefit from moving to half-hourly on an elective basis but this never materialised.

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CHAPTER: Nine

Question 16:

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

From a distributor perspective our IT systems and business processes are capable of billing PC5-8 sites half-hourly since there is nothing stopping suppliers, in conjunction with their customers, from moving to an elective half-hourly measurement class now. We used to bill this type of customer on a site specific basis, albeit based on the consumption data rather than on half-hourly data, until the CDCM was introduced in April 2010. Even though we no longer have an obligation to maintain the capacity from a billing perspective, we continue to manage capacity where the customer site is CT metered in line with the national terms of connection.

The only issue we would have to consider is the increase in the half hourly data flows, their processing time and the capacity of the system to retain such data. Based on a 14 month lead time this should be possible.