Balancing and Settlement Code Modification Proposal 272 – draft impact assessment Consultation Utilita Energy Ltd Response

CHAPTER: Three Approach to assessment

Question1: Do you agree with our approach to assessing the impacts of P272?

Utilita response:
No additional comments

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

No additional comments

CHAPTER: Four Impacts from changes to how suppliers buy and sell energy
Question3: Do you agree that P272 would drive suppliers to encourage DSR among their customers?

Utilita response: We agree that P272 would drive Suppliers to encourage Demand Side Response among their customers. Suppliers would be incentivised to create ToU tariffs in order to benefit from the potential savings DSR could offer. Failure to do so could be adversely punitive to a supplier. Whilst P272 does relate to PC5-8 there would appear to be a natural progression to the 1-4 market in time. Adding additional complex ToU tariffs to reap the benefits of DSR does appear at first glance to be at odds with Ofgem's desire to reduce the complexity of tariffs for the consumer. This will need to be given careful consideration to understand the cost/benefit impact this would have.

Question 4: Do you agree with our approach for 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?
Utilita response: No further comment

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?
Utilita response: No further comment

Question 6: Do you agree with our approach to quantifying the value of improved forecasting, including the assumptions we made?
Utilita response: No further comment

Question 7: Could the costs of investing in forecasting capability for HH demand impact disproportionately on smaller suppliers or on new entrants?
Utilita response: We would welcome the increased speed in which the reconciliation process could be completed. Cash flow as a small supplier is a much more sensitive issue

than for a larger supplier. The ability to reconcile and gain an accurate understanding of energy volumes in a far greater timescale than 14 months so allow for greater certainty in cash flow, which is a key driver for a small business.

CHAPTER: Five Cost savings in managing the settlement process

Question 8: Do you agree that we have correctly identified the cost savings that suppliers could realise in managing the settlement process?
Utilita response: We agree that savings have been identified through the reduction in the timescales of the energy reconciliation process. This would seem to be an obvious benefit of the suggested change. As a supplier we would raise some concern to a potential increase in agent costs and UoS charges. There would be a significant increase, potentially, in the cost of serving a 5-8 under current arrangements vs a potential HH model. Whilst we appreciate that an increase in the affective size of the HH market might bring economies of scale and encourage agents to reduce service charges, it may, through the use a mandated process, result in the cost to serve of customers increasing. If this is not counterbalanced by the savings made via updated settlement arrangements then the end user consumer may suffer adversely. The issue of agent costs and UoS charges needs to be confirmed in order to ensure that the obvious benefits of enabling real time data to be used in the settlement process are not outweighed by any potential increase in costs.

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

Question 10: Do you agree that meters of consumers in Profile Classes 5-8 are mostly read at the end of each month?
Utilita response: Legacy billing arrangements do typically involve a month end read to facilitate invoicing, however profile data is typically available for these meters.

CHAPTER: Six Implementation costs

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.
Utilita response: No comment

Question 12: We welcome evidence from smaller suppliers of larger non-domestic consumers on the costs they could incur if P272 is implemented.
Utilita response: Larger non-domestic customers will benefit from this proposed change with the removal estimated invoices, the requirement for reconciliations and the potential for any back billing which may be required due to historical invoicing inaccuracies. This would provide customers with greater certainty and allow for a more accurate understanding of cash flow.

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.
Utilita response: No comment

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.
Utilita response: No comment

CHAPTER: Seven Results of quantitative analysis
Question 15: Do you have any comments on the results of our quantitative analysis?
Utilita response: No comment

CHAPTER: Nine Assessment against decision-making criteria
Question 16: If P272 is approved, would it be possible to implement the modification in less than fourteen months?

Utilita response: No comment