

Overview of BSC Annual Cost Recovery

Introduction

This document provides a high level overview of the Balancing and Settlement Code (BSC) Annual Cost Recovery process. This subject is covered in Sections D – ‘BSC Cost Recovery and Participation Charges’ and H – ‘General’ of the BSC. Supplementary information can also be found in the ELEXON Business Strategy and Annual Budget. All BSC Parties must contribute to the BSC Annual Costs, which are composed of BSC Costs and Party Funded Charges.

BSC Annual Charges are separate from Trading Charges relating to energy imbalance costs. Information regarding the calculation and settlement of Trading Charges is provided in Sections T – ‘Settlement and Trading Charges’ and N – ‘Clearing, Invoicing and Payment’ of the BSC. The BSC, a Summary of the BSC and subsidiary documents can be downloaded from the BSC (ELEXON) website – www.elexon.co.uk

BSC Costs

BSC Costs are charged to BSC Parties to recover expenses incurred by ELEXON and its subsidiaries (ELEXON Clear Limited, Poolserco Limited and Poolit Limited). As ELEXON is a not for profit company the amount charged to BSC Parties exactly matches ELEXON’s costs for each financial year. The majority of BSC Costs are allocated on the basis of Funding Shares, which are determined by a BSC Party’s metered data compared with the total energy produced and consumed by all BSC Parties. BSC Costs are charged to BSC Parties on a monthly basis. A final charge or credit is issued some months after the financial year end to match charges with ELEXON’s costs for the year.

ELEXON’s costs are recovered from BSC Parties using three types of charges: BSC Charges; Supplier Volume Allocation (SVA) Charges; and Default Charges.

BSC Charges

BSC Charges comprise three types of charge as outlined below.

1. Net Main Charges recover approximately 55 percent of ELEXON’s costs and are calculated on the basis of each BSC Trading Party’s Main Funding Share. Net Main Charges must be paid by all BSC Trading Parties (BSC Annex D-1 refers).
2. Main Specified Charges recover approximately 10 percent of ELEXON’s costs and are charged on a tariff basis. For example BSC Parties must pay £100 per month for each BM Unit they own (BSC Annex D-3 refers). Other tariffs include: a Base Monthly Charge that allows a company to be a Party to the BSC; Central Volume Allocation (CVA) Metering System Monthly Charge; Dataline Monthly Charge and TIBCO Software Support Charge. These charges are paid by BSC Parties using the services to which each tariff applies.
3. Further Charges are determined by the BSC Panel and charged to BSC Parties to recover the cost of any services that ELEXON provides or procures on a Party’s behalf. For example, relocation/re-configuration of High Grade Data Links, Participant Test Service fees and fees in respect of Certification. These charges are levied only on the BSC Parties that request additional services (BSC Annex D3 refers).

Supplier Volume Allocation (SVA) Charges

SVA Charges cover the operational aspects of SVA and amount to approximately 15 percent of ELEXON's total costs. There are three types of charge: Production Charging SVA; Consumption Charging SVA; and SVA Specified.

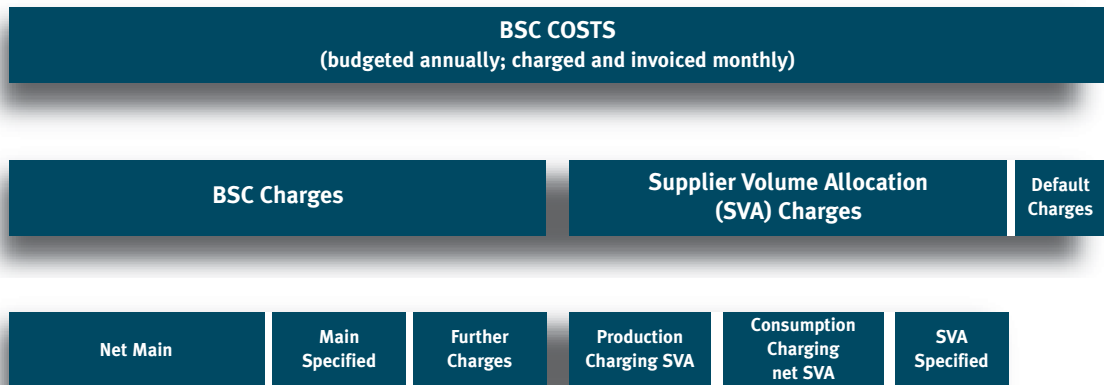
Half of SVA costs are allocated to those BSC Trading Parties with Production credited energy using the SVA (Production) Funding Share. This portion is known as Production Charging SVA.

The remaining half of SVA Costs are made up of the SVA Specified Charges and the Consumption Charging SVA. The SVA Specified Charges are allocated to BSC Trading Parties whose customers have Half Hourly meters. A fixed tariff of £1.25 per month is charged for each meter supplied. This tariff recovers a small percentage of the SVA charges from BSC Trading Parties in proportion to the quantity of SVA Half Hourly meters they supply. Once costs have been allocated to BSC Trading Parties through the SVA Specified Charges, the remainder is charged to BSC Trading Parties that supply customers with Non Half Hourly meters through Consumption Charging SVA. This is calculated using the SVA (Consumption) Funding Shares.

Default Charges

Default Charges relate to unpaid BSC and SVA Charges due from Defaulting BSC Parties. These unpaid amounts are recognised by ELEXON as a bad debt and charged to all BSC Trading Parties in proportion to their Default Funding Share. (BSC Section D 1.3 refers)

Costs and charges are summarised in the diagram below:



Funding Shares

Funding Shares define the proportions of various categories of costs for which each BSC Trading Party is liable. This includes Net Main costs, Specified NETA, SVA Production and Consumption charging which are mentioned above. As Funding Shares for each BSC Trading Party will differ, each BSC Trading Party's contribution to BSC Costs will vary in proportion to their Funding Shares. Funding shares are initially calculated using estimated metered data, which is replaced by actual metered data as it becomes available (BSC Annex D-1 refers)

There are five types of Funding Share outlined in the BSC:

1. Main Funding Share for the Monthly Net Main Costs – a BSC Trading Party's Main Funding Share reflects its proportionate share of total Credited Energy Volumes for all BSC Trading Parties for that month. Note that Credited Energy Volumes take account of Metered Volume Reallocation Notifications (MVRNs).
2. Supplier Volume Allocation (SVA) Funding Share for Monthly Production Charging SVA Costs – a BSC Trading Party's SVA (Production) Funding Share reflects its proportionate share of total Credited Energy Volumes for Production of BM Units for all BSC Trading Parties for that month.
3. SVA Funding Share for Monthly Consumption Charging SVA Costs – a Supplier's SVA (Consumption) Funding Share reflects its proportionate share of total Non Half Hourly consumption for all BSC Trading Parties for that month. Note that this reflects metered energy and but not MVRNs.
4. General Funding Shares – a BSC Trading Party's General Funding Share reflects its proportionate share of the aggregate of all BSC Section D Charges for that month.
5. Default Funding Share of Monthly Default Costs – these are determined using General Funding Shares excluding any Defaulting BSC Parties.

Party Funded Charges

The remainder of the BSC Annual Charges is made up of Party Funded Charges. These are known as the 'BETTA Member NETA Funding' charging arrangements. The cost of implementing BETTA was incurred by Trading Parties before BETTA Go Live (1 April 2005). The Parties who contributed to these costs are known as 'Funding Parties' and are entitled to recuperate these costs in proportion to their recovery shares. These costs are recovered by ELEXON through the 'BETTA Charge' on behalf of Trading Parties. ELEXON has not incurred these costs but is acting in an administrative role on behalf of Funding Parties. The expenditure associated with BETTA is collected from BSC Parties and reimbursed to the Funding Parties over the course of five years. These costs are allocated to all Trading Parties using Main Funding Shares and reimbursed to Funding Parties on a quarterly basis by ELEXON.

BSC Section D Charges Calculator

ELEXON has produced a BSC Section D Charges Calculator to help participants estimate the charges they may incur when they operate in the BSC arrangements. The spreadsheet calculations are approximate and for illustrative purposes only. It is available from the Publications section of www.elexon.co.uk. If you have any questions about the BSC Section D Charges Calculator, please email communications@elexon.co.uk.

Payment Terms

Section D6 of the BSC outlines a number of payment terms for paying BSC Costs and Party Funded Charges.

- The due date of each invoice in respect of BSC Costs is the tenth Working Day after receipt of the invoice.
- Each BSC Party is obliged to pay all amounts invoiced in respect of BSC Costs and Party Funded Charges in cleared funds no later than the due date.
- Payment can be made by company cheque or direct bank transfer, either through the Bankers Automated Clearing System (BACS) or Clearing House Automated Payment System (CHAPS). BSC Parties can also request to pay by Direct Debit.
- ELEXON notifies all BSC Trading Parties of the separate accounts in respect of BSC Costs and Party Funded Charges. The correct bank account details for payment are printed on each invoice.
- Any BSC Party that disputes any amount shown in an invoice in respect of BSC Costs or Party Funded Charges is compelled under the BSC to pay the amount shown in full and may not withhold payment. Once the dispute has been investigated, any amount owed to BSC Parties will be reimbursed.
- Payment of BSC Costs or Party Funded Charges are to be paid in full, free and clear of any restriction, and except to the extent (if any) required by law, without deduction, withholding, set-off or counter claim of any kind. For example, payments from abroad should also cover any bank handling charges incurred.

Late Payment and Payment Default

If a Party fails to pay their BSC Charges on or before the due date, the non-paying Party will pay interest on the amount owed from the due date until the day on which payment is received. Default notifications are sent to all non-paying BSC Parties on the date that interest is charged. On receipt of the Default Notification, BSC Parties have fifteen business days to forward the amount due. However, if funds are not received within this time, the BSC Panel is informed of the Party's non-payment under Section D 6.5 – 'Failure to pay of the BSC'. The BSC Panel will then notify all Trading Parties, the Authority and the Funds Administration Agent (FAA) of a BSC Party's failure to meet its financial obligations. Additional information on the steps the BSC Panel may choose to take in these circumstances is detailed in Section H 3.2 – 'Consequences of Default' of the BSC. Other Trading Parties may then become liable to pay the default amount in proportion to their Default Funding Shares or Default Party Charge Share.