

ELEXON Report

Meeting Name	BSC Panel
Meeting Date	10 May 2012
Purpose of paper	For Information
Summary	The paper provides a summary of recent issues and developments in the period 13 April 2012 to 9 May 2012.

1. Overview

- 1.1 This paper is provided for the information of the Panel. It presents an overview of activities and developments within ELEXON and the balancing and settlement arrangements and summarises the business of the Panel meeting. At the end of the report a summary of issues under consideration by other industry Codes is presented for information. Detailed information on operational matters will be provided in other reports, particularly the Trading Operations Report.

2. ELEXON News

European Developments

- 2.1 On 24 April, the Agency for the Cooperation of Energy Regulators, ACER, published the draft Framework Guidelines on Electricity Balancing. This started a two-month consultation closing on 25 June.
- 2.2 This document, once approved by the European Commission, will be the scoping document for the future Electricity Balancing Network Code, which will be superior to the BSC.
- 2.3 The draft Framework Guidelines document is, at this stage, somewhat unclear with regard to its eventual impact on the balancing mechanism and imbalance settlement, but the potential for impact is significant - in particular the requirement that eventually the main features of imbalance settlement shall be harmonised across Europe.
- 2.4 In the current draft there is one definite impact (Balancing Mechanism Bid-Offer Acceptances to be settled at a marginal price, rather than "pay as bid" as now) ; and many potential impacts (on timing of Gate Closure; imbalance pricing; market splitting; etc.)
- 2.5 Ofgem has issued a related, but broader, consultation on implementing the European Electricity Target Model in GB with a deadline of 22 May and held a workshop on 30 April on this.
- 2.6 On 1 May there was a meeting of the Joint European Standing Group (JESG), which covered these issues and the other European Network Codes which are being actively developed. There was also a JESG workshop on the draft Demand Connection Network Code on 26 April; and a 2-day workshop on the draft Capacity Allocation and Congestion Management (CACM) Network Code is scheduled for 14 & 15 May. JESG meeting and workshop dates can be found on the [National Grid: Joint European Standing Group](#) webpage.

Consultation responses

- 2.7 At the time of writing and since the April BSC Panel meeting, so far we have responded to one industry consultation:
- Ofgem's consultation on the Feed-in Tariffs Scheme;
- 2.8 Our responses are available on the [Industry Insights](#) section of ELEXON website.

ELEXON's Governance and Vires

- 2.9 On 30 April, Ofgem published its conclusions letter following its consultation on the expansion of ELEXON's role. This is a great step forward for ELEXON and one that sets a route to enabling ELEXON's skills and resources to be harnessed for the benefit of the industry and, ultimately, the consumer. Further work will be required to implement and restructure the proposals. ELEXON is working with both Ofgem and National Grid, ELEXON's owner, to establish next steps and a way forward. Ofgem's letter can be read [here](#) and ELEXON's press release in response is available on the ELEXON [website](#).

Warm Homes

- 2.10 A Direction, given by the Secretary of State on 16 April, to commence a second reconciliation run, has been received from DECC. The Reconciliation timetable has been communicated and agreed with Scheme Suppliers and is progressing. Subject to the receipt of funds from Suppliers in accordance with the timetable, payments to Suppliers will be made by the FAA on 3 May 2012.

3. Operational News

- 3.1 **LLF Issue** Last month we informed the Panel of an issue relating the annual D0265 LLF file load. At the meeting we confirmed that this had not had any material impact. For the 4 LDSOs where we required an MDD Change Request we have received one which will be entered into the May MDD scheduled release and we expect to receive the remaining three in time for inclusion in the June MCC scheduled release. We have also performed a lessons learnt exercise and identified areas to improve the tracking of expected files to be validated or where a Change Request is required to amend MDD. We will also discuss with the SVAA whether it can process the files earlier so that we can deal with any exception in advance of the go-live date. In addition we will also perform a review of the associated Local Working Instructions.

Panel review of Annual BSC Report

- 3.2 We're currently gathering content for the Annual BSC report, published on behalf of the BSC Panel every year. In previous years, two members of the Panel have agreed to review the report on behalf of the Panel before it goes to the June Panel for sign off in time for publication by the BSC required time of 30 June 2012. We plan to publish the report using a similar format and level and detail as last year, highlighting key events and issues throughout the year and referring to existing reporting where appropriate.

Trading Operations Report

- 3.3 Recent feedback from the Panel's sub-committees and from other users of the Trading Operations Report has highlighted that it is neither widely read nor well-understood. With a view to making improvements to the report we would be interested in the Panel's feedback on the Trading Operations Report as it stands. Specifically, we are interest in what Panel members currently use the report for, whether or not they find it informative, and whether or not they feel the report is currently too long.

4. Summaries of Panel Business – Tabled

Report from the Imbalance Settlement Group (ISG)

- 4.1 The ISG meeting scheduled for 24 April was cancelled. The ISG subsequently considered three decisions ex-committee. It approved the amendment of CVA Configurable Items for the June 2012 Release, Change Proposal CP1372 'Housekeeping Change to Demand BM Unit Example in BSCP75' and Metering Dispensation D/377. These ex-committee decisions will be formally recorded in the report from the next meeting of ISG.

Report from the Supplier Volume Allocation Group (SVG)

- 4.2 At its meeting on Tuesday 1 May2012, the SVG considered five decision papers and one information paper. Key decisions included rejecting CP1362 due to additional information and approving CP1369.
- 4.3 Further information can be found in the SVG Panel report 197/01a.

Report from the Performance Assurance Board (PAB)

- 4.4 At its meeting on Thursday 26 April 2012 the PAB considered 13 decision papers and 5 information papers; it also reviewed the PAB's Terms of Reference.
- 4.5 Further information can be found in the PAB Panel report 197/01b.

Report from the Trading Disputes Committee (TDC)

- 4.6 The table below summarises the TDC's decision on PFSRs for the stated settlement Days, indicating whether PFSRs were authorised or not.

<i>GSP Group</i>	<i>December 2009</i>
<i>Eastern</i>	<i>- Authorised</i>
<i>East Midlands</i>	<i>- Authorised</i>
<i>London</i>	<i>- Authorised</i>
<i>Merseyside &</i>	<i>- Authorised</i>
<i>Midlands</i>	<i>- Authorised</i>
<i>Northern</i>	<i>- Authorised</i>
<i>North Western</i>	<i>- Authorised</i>
<i>Southern</i>	<i>- Not in process</i>
<i>South Eastern</i>	<i>- Authorised</i>
<i>South Wales</i>	<i>- Authorised</i>

<i>South Western</i>	<i>- Authorised</i>
<i>Yorkshire</i>	<i>- Authorised</i>
<i>South Scotland</i>	<i>- Not in process</i>
<i>North Scotland</i>	<i>- Not in process</i>

4.9 Panel paper 197/01c contains a full report of the TDC meeting.

Report from the Joint European Standing Group (JESG)

4.7 The Joint European Standing Group (JESG) met on 01 May 2012. The report from this JESG meeting will be provided to the BSC Panel when it is published. An overview of the matters considered by the JESG is provided in section 2 of this paper.

Peter Haigh
ELEXON Chief Executive

List of Appendices:

Appendix 1 – Smart Update

Appendix 2 – ELEXON Monthly KPI's

List of Attachments:

Attachment A – 190/01a: Report from SVG

Attachment B – 195/01b: Report from PAB

Attachment C – 195/01c: Report from TDC



Appendix 1 – Smart Update

1. Smart Metering

Progressing the Regulatory Design

- 1.1 After the publication of the April ELEXON Report, but prior to the April Panel meeting, DECC published a series of revised impact assessments, conclusions documents and consultations. We alerted the Panel to the event and committed to notifying the Panel any arising issues that may impact the BSC at the May meeting.
- 1.2 The batch of documents is available via the DECC website¹ and comprises:

Updated Impact Assessments

Smart meter rollout for the domestic sector (GB): Impact Assessment

Smart meter rollout for the small and medium non-domestic sector (GB): Impact Assessment

Government Conclusions Documents

Government response to the consultation on draft licence conditions and technical specifications for the rollout of gas and electricity smart metering equipment

Government response to the consultation on licence conditions for a code of practice for the installation of smart electricity and gas meters (SMICoP)

Consultations

Closing Dates

Draft DCC Licence
& Licence Application Regulations

1 June
16 May

Smart Energy Code

1 June

Consumer Engagement Strategy

1 June

Data Access and Privacy

1 June

- 1.3 The combined volume is in excess of 1000 pages. Whilst the documents are broadly consistent, the individual documents have markedly different styles. The consultation documents tend to outline the background, record any earlier views and the state the outstanding issues. This is then followed by a single proposal or a set of options and some related questions. We are currently concluding our review of the documents prior to drafting responses. In common with other consultation responses we will publish our views on the smart pages of the ELEXON website.

¹ http://www.decc.gov.uk/en/content/cms/consultations/cons_smip/cons_smip.aspx

- 1.4 A useful overview of the consultations and future work is provided in the more modest 12 page Programme Update². This document expresses confidence that the overall Programme whilst ambitious is achievable and remains on target. The government continues to state that the Programme will deliver a net benefit of £7bn.
- 1.5 Following our initial review, some key conclusions and observations are:

Rollout Completion Date Set

- 1.6 Suppliers will be required to take all reasonable steps to install compliant smart metering systems by 31 December 2019.
- 1.7 Whilst this provides clarity, there is no estimate for how many consumers will remain without a smart meter. If this were 3 - 4% of the population then this would amount to around 1 million metering systems. Whatever the level, they will need to be catered for in the settlement calculations. The Profiling and Settlement Review Group (PSRG) is considering how best to do this.

Smart Metering Technical Specifications Notified

- 1.8 The initial version of the Smart Metering Technical Specifications (SMETS1) has been notified to the European Commission. Subsequent enhancements will be produced to address outstanding issues such as the communications requirements of the wide area and home area networks (WAN & HAN).
- 1.9 Installed meters will be required to comply with the version of SMETS prevailing at the time of installation, in a similar way to which existing half hourly meters need to comply with prevailing BSC Metering Code of Practice. We have met with the Programme to explain the BSC processes and how we allocate responsibilities for compliance, monitoring and assurance.

No Exemptions

- 1.10 Following the two open letter consultations earlier in the year, the government has decided against granting any licence exemptions for non-compliant smart meters installed prior to that date. This approach is seen as avoiding undue complexity and cost. As a consequence some of the early smart meters will need to be replaced in order to meet the SMETS. The absence of any exemptions means that instituting the initial SMETS is critical to establishing confidence and certainty and thereby promoting the smart meter rollout.

Confirmation of DCC Priorities

- 1.11 The government recognises the importance of establishing a stable and robust DCC from the onset and that in the early stages effectiveness is paramount. The documents emphasise that the initial focus of the DCC should be on delivering the core services and proposes that this should be reflected in an evolving incentive scheme that recognises the different challenges of establishment, mass roll-out and full operations. Driving out cost reductions and expanding services are seen as activities for the mature DCC service.

DCC Contract Duration

² <http://www.decc.gov.uk/assets/decc/11/consultation/smart-metering-imp-prog/4938-smart-metering-imp-prog-update-apr2012.pdf>

- 1.12 The initial award is now expected to be for 12 years, with an option to extend this by up to 6 years. This model recognises the need to avoid co-termination of the DCC licence and the DCC service provider contracts.

DCC Award Process continues as planned

- 1.13 The programme plans to grant the first licence in Q1 2013 (i.e. by April). It is confirmed that the initial award will be made by the Secretary of State and overseen by a DECC licence application panel. It will follow a four stage competitive tender process comprising:

- Qualification
- Proposal
- Best and Final Offer
- Preferred Applicant

- 1.14 It is anticipated that the process will start no earlier than June. The dates will be confirmed when the application documentation is published. The overall process has now extended to 11 months (from 6). The latest DECC illustrative process diagrams now show the licence award as occurring either coincident with or after the appointment of the data and communications service providers. This situation would mirror that of ELEXON under NETA.

Support for the Installation Code of Practice

- 1.15 Suppliers will be obliged to develop and comply with a Code of Practice governing the consumer experience of the installation visit. Sales cannot be concluded during the visit and any marketing activity will require prior consumer consent.
- 1.16 Development of the document has been led by the Electricity Retail Association (ERA). Governance of the Code will be a matter for the industry, with regulatory oversight at a level yet to be defined.

Establishing the initial draft of the Smart Energy Code

- 1.17 The Smart Energy Code (SEC) will be delivered in stages, each with attendant consultations. This initial consultation is around the scope and governance of the SEC, along with key areas such as accession, charging and service provision. It is anticipated that a legal draft of the SEC incorporating these elements will be produced in summer 2012. This draft will form the basis of an initial version of the SEC that will go live post the appointment of the DCC. Additional sections will be produced in stages to address outstanding matters (e.g. the security requirements and governance and incorporation of the SMETS).
- 1.18 We are reviewing the narrative to clarify how the SEC will interact with the BSC and to understand the risk allocations and how these may impact the effectiveness of the new arrangements.

Servicing the Smart Energy Code

- 1.19 The programme has identified the separate roles of SEC secretariat and SEC administration, noting that these may be undertaken by the same body. We believe that separating these activities would trigger extra cost and complexity. This is principally because there are strong synergies and overlaps in the delivery of these code support functions (e.g. in supporting modifications).
- 1.20 DECC has expressed a preference for the new code body to be appointed by the Panel but contracted through the DCC, however, they have asked for views on the other option of establishing a 'SECCo' as an alternative.

- 1.21 The consultations express the need for the code administrator to provide support to the Panel independent of the DCC. This implies a separation between the SEC roles and the DCC, but no such requirement has been specified. Under the BSC, ELEXON covers both aspects, and whilst we recognise the concerns we believe there are merits in allowing (but not mandating) the roles to be combined.
- 1.22 We have met with the Programme to share our experiences on supporting the BSC and to explain the steps and timings for how and when ELEXON and the BSC Panel was established to support the NETA arrangements.

Supplier Data Access

- 1.23 The government has proposed that Suppliers should have access to customer electricity consumption data at the following granularity:

Maximum Data Frequency	Access Rules
Monthly	Unrestricted for billing and regulated duties
Daily (for purposes other than marketing)	Customer has an opt out right
Half Hourly (or for marketing)	Customer has to opt in

The consultation recognises the on-going discussions around settlement granularity and that decisions here may result in a need to revise these bandings.

1.24 Network Operator Data Access

- 1.25 Network Operators are likely to be subject to the same rules unless they can prove to DECC that they can find a way to anonymise half hourly data to protect privacy.

Third Party Data Access

- 1.26 Consumers can choose to share their consumption data directly with third parties. In such circumstances the third parties will need to protect the data in accordance with the existing data protection obligations. The Programme is also consulting on mechanisms for ensuring that third parties have a right to access data through the DCC, where the customer has consented.

The need for consumer engagement recognised

- 1.27 The programme recognises the need for effective consumer engagement and now advocates the creation of a central consumer engagement body. It is suggested that the central body could be delivered by Suppliers with independent oversight.
- 1.28 We have regularly supported the need for consistent consumer messaging as key to delivering behavioural changes and acceptance of the technology. We will support the initiative in our response and provide some limited commentary on the proposed governance arrangements.

Ongoing SMIP Support

- 1.29 We continue to support the Programme in developing a full DCC Services catalogue. This will continue to 31 July and is conducted under our existing framework agreement and is supported by a brief that sets out the scope of the work. We, together with other code administrators, are also involved in the consequential

changes working group which is looking at the changes that will be necessary to the existing Code and Agreements.

- 1.30 We are also now members of the 'Foundation' working groups which are considering what the Programme needs to do to enable an appropriate regime for the installation and operation of smart metering in the period between the development of the early technical specifications (SMETS1) and the assimilation of these metering systems into the DCC service.

Profiling and Settlement Review

- 1.31 We are continuing our work with the industry through the Profiling and Settlement Review Group (PSRG). This work is currently focussing on 2 areas. First, obtaining meter data from smart meters already installed to work out the impacts on settlements and in particular non half hourly settlement. Discussions with the Information Commissioner's Office indicates that our proposed use of the data is unlikely to cause any data privacy issues. Second, we are exploring the requirements for dynamic switching of loads and meter registers and we have issued a consultation with the aim of better understanding the current situation with respect to installed teleswitched meters and presenting a roadmap for dynamic switching.
- 1.32 We hosted a one day PSRG workshop on 24 April to look at the longer term future of settlement. With active participation from across the supplier community and support from Ofgem's Smarter Markets team we have scoped a programme of work to establish this vision.

2. Smarter Markets

- 2.1 Ofgem's Smarter Markets consultation closed on 7 March and a plan for future work is promised for Summer 2012. We await confirmation of the priorities and understanding of what support Ofgem requires from ELEXON as part of its programme of work.

3. Smart Grids

- 3.1 A restricted draft Licence has been issued to Western Power Distribution allowing it to use the NHHDA and SVAA software for the purposes of the Low Carbon Network Fund (LCNF) Project Falcon. In line with the Panel's instruction the draft asserts BSCCo's IPR over any developed software.
- 3.2 Meanwhile we continue to field queries from the Distribution community around using settlement data to aid their initiatives related to planning and establishing a demand response market to alleviate operational constraints and defer / avoid unnecessary system reinforcements.
- 3.3 A meeting of the Smart Demand Forum was held at ELEXON's offices on 25 April. We are members of the project's sponsor group alongside several suppliers, distributors, DECC and Ofgem. The meeting provided an update on the project work (which is currently focused on establishing the level and nature of switchable load) and that of the related LCNF projects. ELEXON's understanding of the current data structures is highly valued and in turn we receive insight into how industry is progressing demand side response.
- 3.4 Smart Grids are seen by many, including Charles Hendry, as being the longer term prize enabled by smart metering. Two reports have recently been published analysing the benefits to GB arising from the roll out of smart grids.

3.5 The first, *A Framework for the evaluation of smart grids*³ was produced by Frontier Economics on behalf of the DECC/Ofgem Smart Grid Forum. The report primarily focuses on the distribution networks and in particular seeks to inform their forthcoming business plans for the period 2015 to 2023. The report concludes that:

- By 2050 the NPV arising from smart grid development is between £10bn and £20bn. Benefits are still evident with low levels of decarbonisation and electrification – and highest where low carbon technologies are maximised.
- With a business-as-usual approach to 2050, £46bn is required for grid investment if conventional technologies are employed, whereas a total of £27bn (£23bn of which is the smart component) is predicted if smart technologies are employed.

3.6 The second report *A smarter choice for Great Britain*⁴ focuses on the economic benefits of smart grids, and was produced by Ernst & Young on behalf of Smart Grid GB. This report centres on why investment in the smart grid industry is attractive, and how it links with the government's growth agenda for other sectors such as electric vehicles and the electrification of heat. The report concludes that:

- Were GB industry to deliver the underlying smart grid technologies, there would be a NPV of £13bn over the 2012-2050 period and this could generate around 12,000 jobs. To maximise this possibility it is necessary to build up the expertise and capabilities now and to aim to be a 'first mover'.
- Secondary investments and benefits will also arise especially around electric vehicles, electric heat, renewables and distributed generation. The report notes that economic benefit in these sectors will not necessarily be additive, as it will be mostly replacing existing industries. However the costs of inaction could be loss of these secondary industries to other countries.
- The rate of smart grid adoption pre 2023 is likely to be slow largely due to high levels of uncertainty and inherent complexity – this would limit GB ability to capture full value of benefits that smart grids can offer.

Value of secondary industries			
2030	2050	2030	2050
EV (GVA, NPV)		Distributed generation (undiscounted annual exp)	
£16bn	£52bn	£1-4bn	£3-41bn
Heat (undiscounted annual exp)		Renewables (undiscounted annual exp)	
£17-26bn	£21-46bn	£7-25bn	£5-28bn

³ <http://www.frontier-economics.com/library/publications/A%20framework%20for%20the%20evaluation%20of%20smart%20grids.pdf>

⁴ <http://www.smartgridgb.org/>

4. Smart Budget

4.1 We have started the 2012/13 Financial Year and are reporting activity in the first month (April 2012):

	Released Funds	Spend across the month (April)	Forecast (to end of Sept 12)
Smart Support	- £ 300 k	- £ 18 k	- £ 298 k

4.2 In line with the 2012-13 Business Plan and Budget there is no longer any budget for Smart Opportunities and we have therefore removed the line from this report.

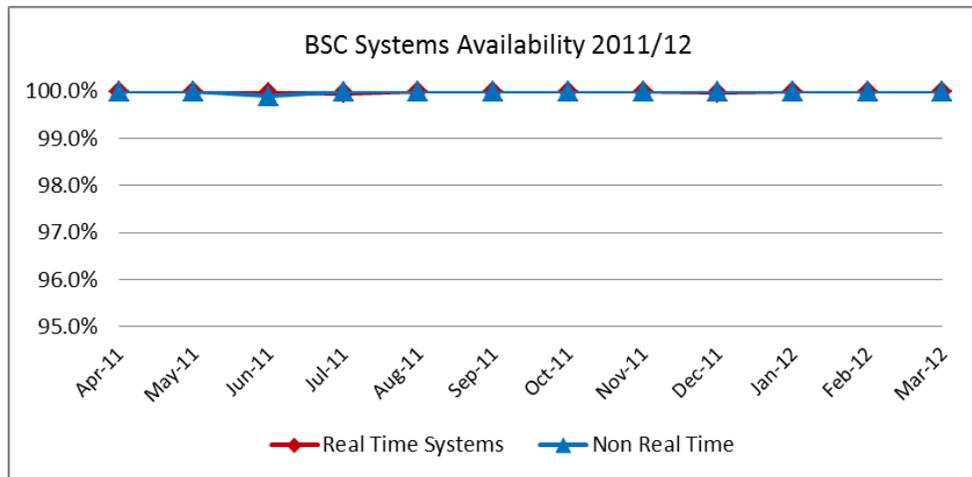
4.3 We have planned our smart support spend for the 6 months from April to September 2012 only and funds have been released for that period. We will continue the approach practiced during 2011- 12 of using internal resources where possible to limit our external spend and employing established controls and processes to authorise and monitor all expenditure.

4.4 During April 2012 we have incurred expenditure for:

- Expert support around the emerging security obligations and ensuring that our current BSC activities are ISO27001 compliant;
- Back fill for the operational resources who are supporting the SMIP and addressing how we evolve the settlement arrangements; and
- Payment for attendance at conferences/seminars and membership of smart grid groups;
- Expert support around the emerging security obligations and ensuring that our current BSC activities are ISO27001 compliant; and
- Back fill for the operational resources who are supporting the SMIP and addressing how we evolve the settlement arrangements.

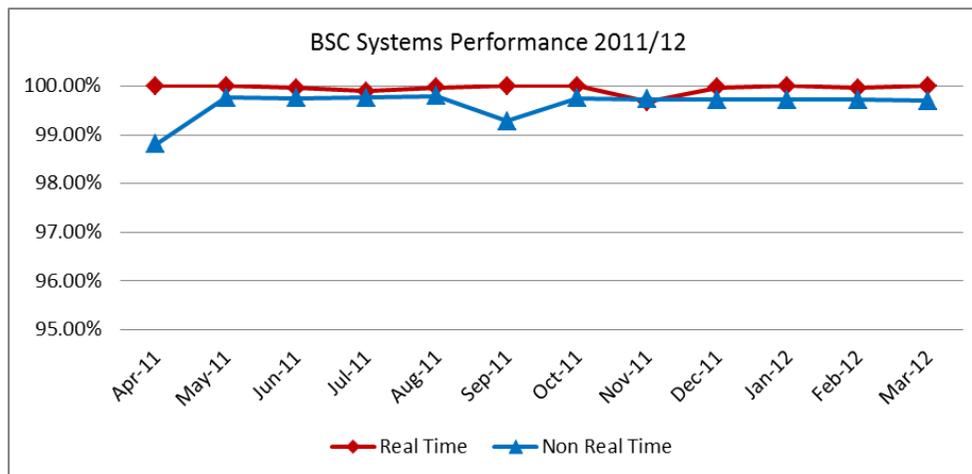
ELEXON Key Performance Indicators

March 2012



BSC Systems Availability

During March 2012 there were no service breaches affecting the BSC system availability.



BSC Systems Performance

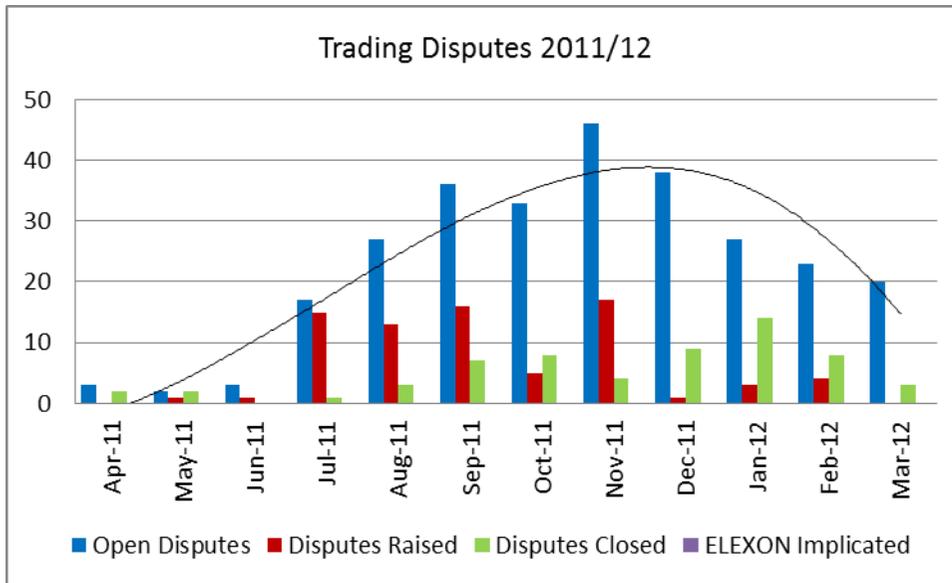
On 2 March 2012 a software issue prevented IMServ dialling some metering outstations overnight. As a result a reduced amount (86.21%) of metering data was collected for 1 March 2012. The software supplier initiated an emergency fix and the full set of metering data was collected successfully for the following day. There was no impact on Settlements.

For Board and External Publication.

Service Quality/Processes

ELEXON Key Performance Indicators

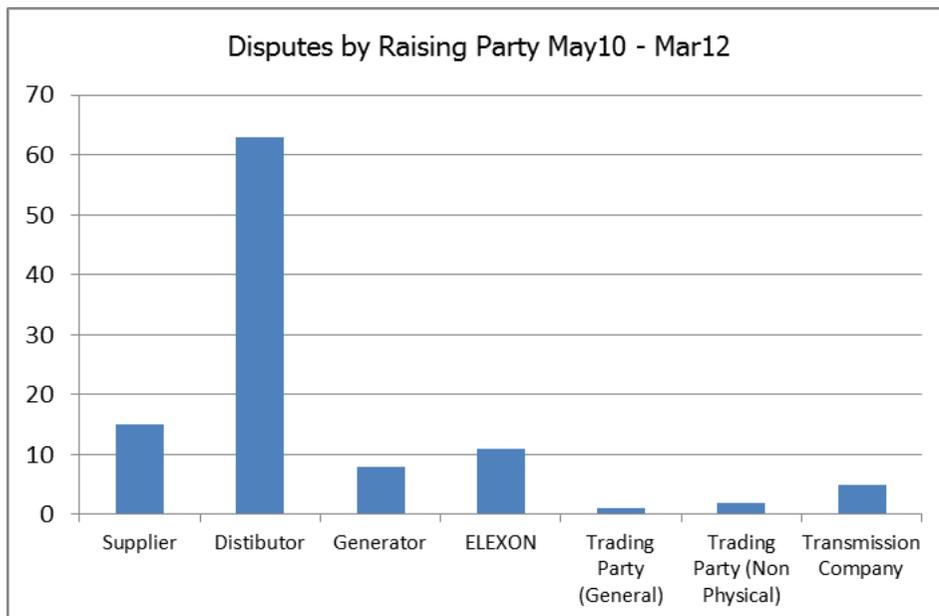
March 2012



Trading Disputes

Trading Disputes can be raised by any BSC Party, including ELEXON, and are assessed by the Trading Disputes Committee (TDC).

No new disputes were opened and 3 were closed in March. For the 2011/12 financial year, 76 new disputes have been raised and 61 closed leaving 20 open.



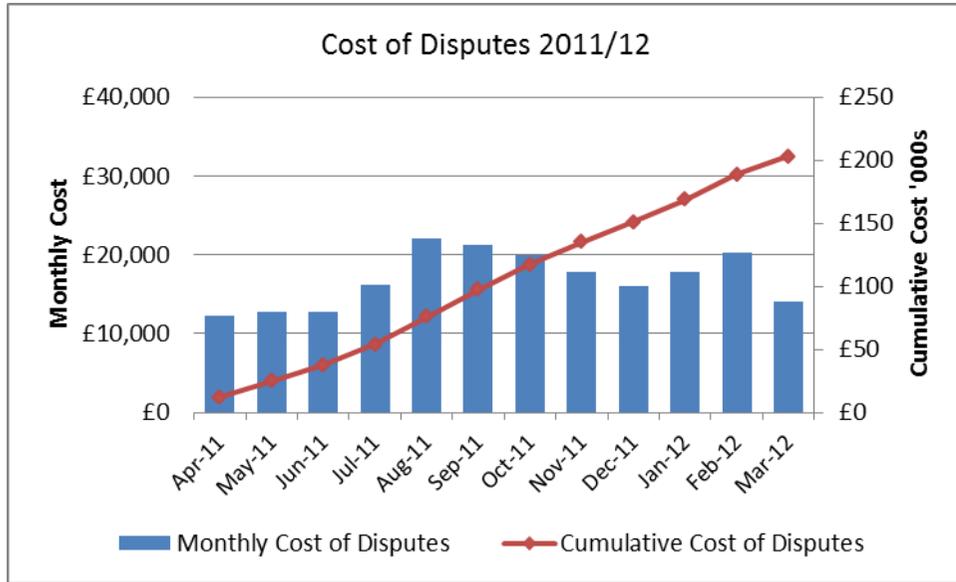
Disputes by Raising Party Type

This KPI shows all Disputes since May 2010 by the type of participant who raised the Dispute. A Distribution Business had indicated that approximately 60 Trading Disputes will be raised as a consequence of site visits. 53 Disputes have been received (July – 15, August – 13, September 15, November 10).

For Board and External Publication.

ELEXON Key Performance Indicators

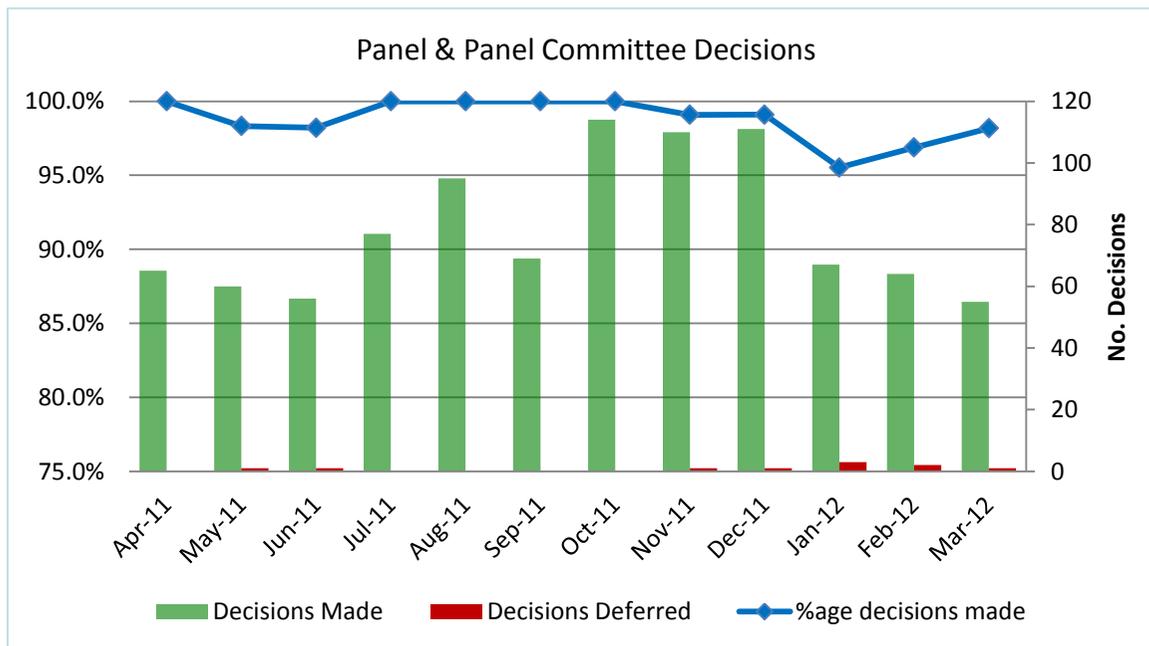
March 2012



Cost of Processing Disputes

Within the Metering and Disputes team there are two dedicated resources dealing with Trading Disputes with, going forward, some flexibility for others to help out.

The costs for March 2012 represent 25 man days of dedicated resource. There is an additional 1 man day for the on-going Erroneous EAC/AA Trading Dispute plus 2 man days covering the administration around the monthly TDC meeting. A total of 28 man days expended for March. Using a day rate of £500 gives a monthly cost of £14,000.

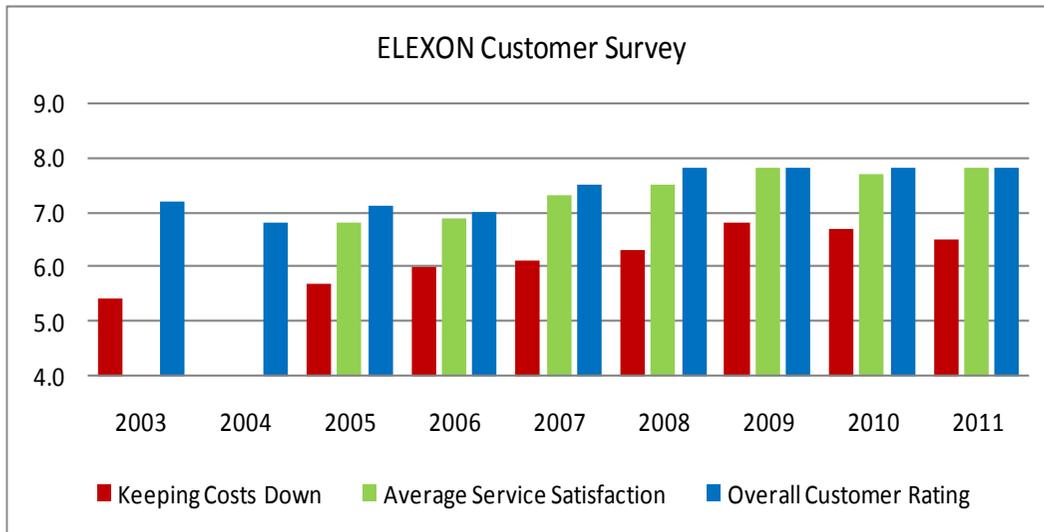


Panel & Panel Committee Decisions

For the month of March 54 of the 55 decisions submitted to the Panel and its committees were made.

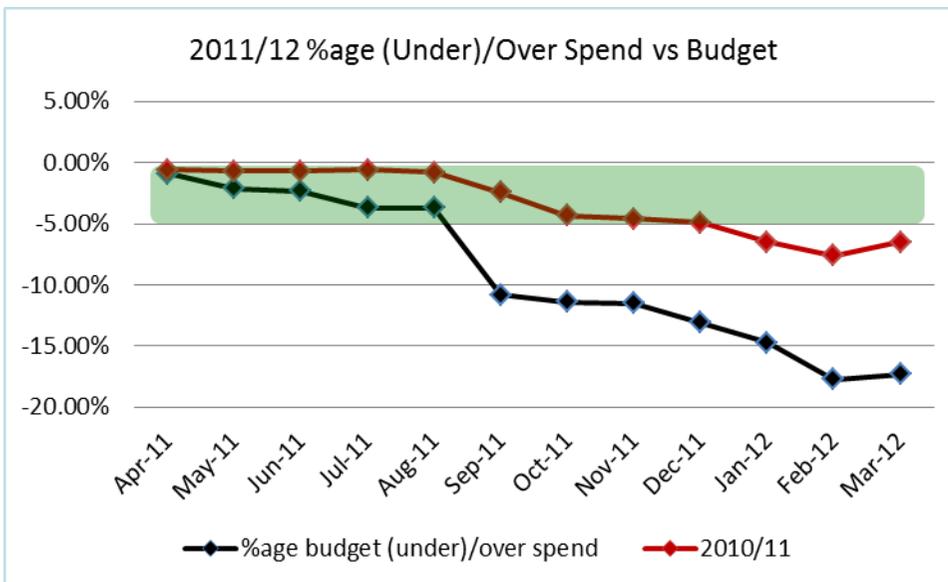
ELEXON Key Performance Indicators

March 2012



ELEXON Customer Survey

This graph has been updated to include the 2011 Customer Survey. ELEXON's scores for 2011 are overall 7.8 (unchanged), average service satisfaction 7.8 (+0.1), and keeping costs down 6.5 (-0.2).



Spend against Budget 2011/12

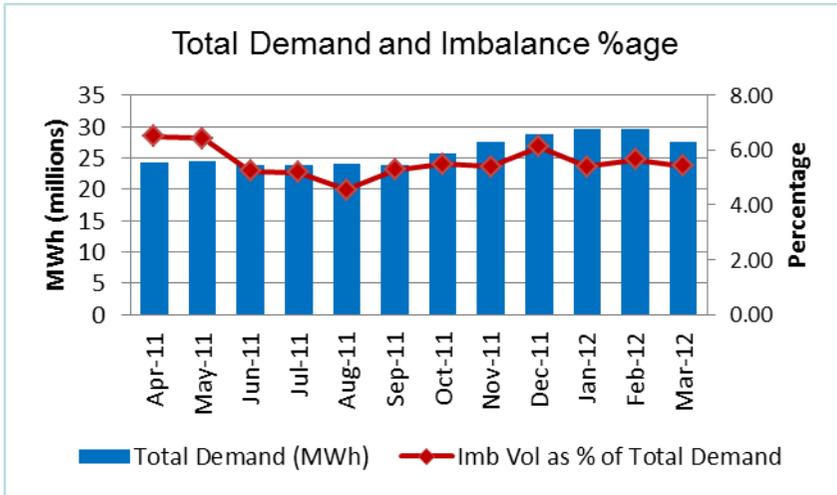
The budget under-spend for the financial year was 17.3%. 2.8% of under spend relates to a reduction in demand led work which is driven by industry. The operational under-spend is 3.9% (1.7% relates to lower than expected NGC pension deficit repair and employer contribution).

Contracted costs for the year were 3% below budget (0.7% relates to releasing the provision for TAA contract re-procurement & transition). SMART costs are 7.6% under budget.

Staff Capability & Financial

ELEXON Key Performance Indicators

March 2012



Value of Imbalance Settlement

These graphs are for information only to put ELEXON’s role in context. The graph below is also reported in the Trading Operations Report.

