ELEXON

BSC SANDBOX IMPACT ASSESSMENT AND CONSULTATION FOR CENTRICA

Elexon's Impact Assessment and a public consultation on Centrica's BSC Sandbox application

Public

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Centrica Proposal

Centrica propose to participate in the Balancing Mechanism (BM) with Half-Hourly (HH) metered flexible assets as a Virtual Lead Party (VLP), where those assets are located at a premises with a Non Half-Hourly (NHH) boundary meter. Currently it is a requirement that a site is settled HH for a VLP to operate assets located on that site. They are working with a company providing controllable storage heaters, and believe they can deliver benefits to customers and to the electricity system by enabling participation in the BM without needing the customer's Supplier to install and settle the boundary meter on a HH basis.

The effect of the current arrangements is that customers without a HH metered and settled boundary meter cannot engage a VLP to deliver services using assets located on their premises. Market Wide Half Hourly Settlement (MHHS) will require HH settlement of customers with HH boundary meters, with implementation starting in 2023 and running through to 2025. Centrica believe they can deliver material benefit to consumers in this window, and further that a significant proportion of retail electricity consumers will remain NHH settled for a material amount of time following the implementation of MHHS due to the low penetration of HH capable meters in the market.

The proposed approach involves submitting details for the sites in question as if the sites are HH settled. Elexon would provide our service providers with the Metering System Identifiers (MSIDs) of the affected premises, such that the validation checks will not fail for the sites being NHH, and we will not send D0354 requests to the site's Data Aggregator (DA). Centrica's Half Hourly Data Aggregator (HHDA) will submit details of the asset Delivered Volumes at the site per the normal VLP process, and the BSC processes will also be carried out as if the sites were HH. Centrica's HHDA will also submit D0385 files to the Supplier Volume Allocation Agent (SVAA) with 0 volume associated, in place of the normal D0385 from the site's HHDA. We do not believe this approach will require any BSC process changes beyond removing the HH validation check and not sending the D0354 to the site's DA (which is not a HHDA). The Site's boundary Supplier will still be identified, and delivery will be calculated against the 0 volumes. Because of these arrangements, the sites must be import only and Centrica will only be able to accept bids to reduce demand for these sites. Any offers accepted will be calculated as having a delivered volume of 0, resulting in imbalance penalties.

This approach will affect the Suppliers of the sites involved. The current arrangements require sites to be HH settled so that when adjustments to Supplier positions are made, they are made against actual data rather than profiled data. This approach ensures that Supplier adjusted positions match expected positions and also enables validation of delivery. It is more difficult to validate the delivery of a HH service when the correction is made against an NHH profile, as there isn't an accurate boundary meter read for comparison.

An enduring solution is likely to involve removing the requirement for sites with VLPs to be HH settled. There could be restrictions to mitigate risk or impacts on boundary Suppliers. For example, the rules could apply only to sites up to a particular consumption/generation capacity.

Eventually, we anticipate the vast majority of sites will be HH metered and any enduring solutions will not be regularly applied.

Draft Elexon consideration of Impacts on other Parties

Elexon are required to provide a view on the impacts that operating the derogation will have on other Parties. This consideration is distinct from our consideration of the risks to settlement of operating the derogation.

We believe that this derogation will impact on the Suppliers of the premises involved in the trial. In normal operation, HH boundary metered volumes are adjusted against HH delivered volumes, ensuring accurate adjustments are made and that Parties can budget and bill effectively. During the trial, boundary volumes will be profiled NHH volumes instead of HH volumes, leading to some inaccuracies in the adjustments. These inaccuracies are a result of the inherent inaccuracies in profiling customer consumption. The aggregate position of the boundary Supplier is in theory unaffected, because the volume that is being adjusted is measured HH.

There may be some 'bounce-back' effect, where the total volume consumed by the assets participating in the trial remains the same over a 24-hour period. This means that total billing position may be unaffected. There may be some impact on consumers if the bounce-back moves consumption from one tariff rate to another.

Each Supplier is able to effectively opt out of the trial by settling their customers HH, either via the elective HH process or eventually via migration to the Market-Wide Half Hourly Settlement (MHHS) arrangements. However, we understand it may inefficient to migrate specific customers to elective HH prior to MHHS migration, especially for Suppliers who do not currently use the elective processes for any customers.

There is also an impact on Elexon's service provider, the SVAA. The SVAA will be required to run an alternative process to ensure the MSIDs involved in the trial do not fail validation due to being NHH. This will require some coordination with Elexon and Centrica, and the implementation of a new process for validating the affected MSIDs.

Consultation questions

1. How, if at all, will you be impacted by the operation of the proposed derogation outlined in this document? Please refer to the draft Elexon consideration of Impacts on Other Parties (in this document) and the draft Centrica Elexon Risk Assessment.