

4.7 Issue Form

Issue Form - BSCP40/04	Issue 108 <i>(mandatory by BSCCo)</i>
Issue Title <i>(Mandatory by originator)</i> Further Extension of RTS Cost Recovery Arrangements Under the BSC	
Issue Description <i>(Mandatory by originator)</i> <u>Summary</u> The contract between Elexon and the Energy Networks Association (ENA) to pass the operational costs for the Radio Teleswitch Service (RTS) through the BSC as ‘BSC Costs’ is due to expire on 31 March 2024. The BSC pass-through operational costs are currently circa £5 million and there are circa 1 million RTS devices ¹ in use. In January 2023 Elexon closed Issue 104 ‘Extending RTS Cost Recovery Arrangements Under the BSC’ with the recommendation of no change to the charging mechanism (which currently attributes, on average 50% to Suppliers and 50% to Generators). The no-change recommendation was based on the Issue Group agreeing that efforts were best focussed on moving customers away from RTS and that there were sufficient incentives on Suppliers for the transition away from RTS by 31 March 2024. However, this has not happened, for a variety of reasons, some of which we detail below. Therefore, the previous understanding that Elexon did not intend to sign a further contract for the pass-through of RTS costs after 31 March 2024 may no longer be plausible. Issue 104 considered an extension of the RTS cost recovery arrangements out to 31 March 2024 along with a targeted charging approach. The considerations of the Issue Group members were focused on the prompt replacement of RTS devices, a replacement schedule that is unlikely to be met. Therefore, Elexon wishes to re-establish an Issue Group to reconsider industry support for passing RTS costs through the BSC from April 2024 onwards, and confirm how the costs should be apportioned. Given the existing incentives will not have had the desired effect by 31 March 2024, it seems prudent to consider whether targeted charging would be relevant from April 2024 onwards to increase the incentive to replace devices reliant on RTS. The challenges for Suppliers to facilitate replacement of an RTS supported device with the customer is noted and wider policy approaches beyond the BSC will likely factor into any recommendations. <u>Further Information</u> Elexon took on the billing role for RTS in 2020 following Issue 84 ‘Enable the cost recovery of the Radio Teleswitch Service (RTS) arrangements extension’ . As per the statement below the Issue Group expected the RTS to be required until 2022. <i>Since Issue 84 was raised, Energy UK’s continued discussions with the Supplier community have concluded that in order to ensure a stable transition away from the current RTS arrangements through to the deployment of the necessary Smart Meter variants, the current RTS service will be required until 31 March 2022.</i> The agreement between the ENA and the British Broadcasting Corporation (BBC) for the operation of RTS is coming to an end on 31 March 2024. The BBC are assessing RTS operational costs for the 2024/25 financial year and beyond . It’s worth noting that due to its strict internal financial governance controls, the BBC is not permitted to make a profit on, nor subsidise any of the costs of providing the RTS service. As a result, any maintenance costs could rapidly increase the cost of the service. We understand that circa 1 million customers (as of X date) continue to rely on RTS to manage load switching, which may include storage heaters and hot water. Alternative off-the-shelf technologies to replace RTS devices, for example 5-terminal and twin-element Smart Meters are still limited in availability due to	

¹ RTS devices include Radio Teleswitches and Radio Telemeters

delays in their manufacture. In combination with competing Supplier priorities, the replacement of RTS devices has not been as timely as desired.

Therefore, we believe the RTS arrangements will most likely still required for a further period beyond the current contract end date of 31 March 2024.

Currently, the RTS operational costs are passed through the BSC as 'BSC Costs'. In general, this means the RTS costs are spread across BSC Parties based on market share (derived from metered volumes), on average attributed 50% to Suppliers and 50% to Generators.

Although Suppliers are the primary users and thus beneficiaries of RTS, we encourage other market participants impacted by this Issue to engage in this process. For example, Generators who currently contribute to RTS costs.

What is the Radio Teleswitch Service?

The RTS uses the BBC's long wave Radio 4 service infrastructure to send radio signals to consumer's premises that facilitates remote load control capability on Radio Teleswitch and Radio Telemeter devices.

The system relies on a chain of messaging, rules and contractual agreements among Suppliers (acting as group code sponsors), Licensed Distribution System Operator (LDSO) (acting as access providers), ENA and the BBC.

Justification for Examining Issue *(Mandatory by originator)*

As the long wave radio hardware reaches the end of its life, there is a risk of significant maintenance costs to all BSC Parties whether they use the RTS or not. BSC Parties should consider whether they accept the risk or wish to make a change to target the RTS costs to the users.

Whilst Suppliers are continuing the rollout of Smart Meters, there is a need to extend and utilise RTS to ensure that customers using Load Switching devices can continue to be supported until a Smart metering solution, or alternative proposals, are installed. Any Supplier can gain customers with RTS metering arrangements.

Without the RTS service operating, and without an alternative solution, it is highly likely that the way in which existing RTS Load Switching equipment operates will become very unpredictable, and in extreme cases, some consumers could lose hot water and heating functionality.

Potential Solution(s) *(Optional by originator)*

We would like to invite industry to confirm that continuing to pass the operational costs for the RTS service through the BSC is the right thing to do. Subject to this confirmation, we would like to invite industry views on the potential options to take forward. We suggest that the Issue Group may wish to consider:

1. Continue to recover operational RTS costs through the BSC as a BSC Cost (as per the current arrangement).
2. Modifying how RTS costs are recovered under the BSC if the BSC Issue Group wished for a differing cost recovery mechanism other than the current BSC Cost recovery provisions (as outlined in [Section D](#)). This could be for example (other options may be presented by the Issue Group):
 - a. With a fixed charge per RTS device that off sets the costs passed through the BSC.
 - b. With total RTS cost allocated by Suppliers proportion of all RTS devices.

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