

4.7 Issue Form

Issue Form - BSCP40/04	Issue Number 113 <i>(mandatory by BSCCo)</i>
Issue Title <i>(Mandatory by originator)</i> Introduction of an RTS user charge	
Issue Description <i>(Mandatory by originator)</i> 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' are currently circa £3.5 million and there are circa 1 million RTS devices (Radio Teleswitches and Radio Telemeters) in use. Currently, these costs are treated as BSC Costs and therefore all BSC Trading Parties pay for them (based on their Funding Share). However, Ofgem would like to consider appropriate incentives for Suppliers to replace RTS meters promptly. Ofgem has asked Elexon to reconsider a solution that was discussed in Issue 108: to target the RTS cost recovery to the relevant Suppliers. It should also be considered what reporting should be provided to impacted parties and also published for transparency purposes.	
Justification for Examining Issue <i>(Mandatory by originator)</i> A new issue group is needed to explore solutions to the issue that suppliers are slow to switch from RTS for several reasons: Operational Costs per device: The operational costs for the RTS are ~£3.5m per year and support a declining number of devices. Financial Incentives: The current charging mechanism, which attributes costs equally between Suppliers and Generators, does not provide sufficient incentives for Suppliers to transition away from RTS. Furthermore, BSC Parties that have invested in removing RTS devices promptly, continue to promptly pay for the service. Slow Rate of Switching: The current linear trend suggests that the 2025 deadline for switching from RTS will be unlikely to be met unless the rate of meter switches increases significantly. Targeted Cost Recovery: Ofgem suggested targeting the RTS cost recovery to the relevant Suppliers as a potential solution. This approach could incentivise Suppliers to replace RTS meters. Transparency and Reporting: There is a need to consider what reporting should be provided to impacted parties and also published for transparency purposes. Therefore, a new issue group could provide valuable insights and potential solutions to these challenges.	

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

Introduce an RTS device charge at a monthly rate as determined by the BSC Panel on a quarterly basis. The charge would be determined against a set of principles defined in a RTS charging methodology statement introduced via BSC Modification.

The approach would allocate some/all of the costs of the RTS to those Suppliers with RTS devices. For example, if the RTS cost are £4m and there are one million RTS meters (customers), then there would be a maximum charge of £4/meter charge. At present this would result in the top five suppliers, by number of RTS meters, paying 70% of the total cost.

As the meter stock reduces, the charge per meter could increase. This would add additional incentive for suppliers to keep pace with the rest of the market in reducing the number of RTS meters: as others reduce their stock, a greater proportion of the charge could fall on those not making progress. The methodology would need to reach a cap which prevents any adverse impact, e.g. £1m per device.

The costs would continue to be charges as per the current arrangements across all suppliers, apportioned in the same way as other general costs. The RTS device charge would be used to offset the current charging and therefore the two do not need to match exactly. This would also reduce the complexity and cost to implement.

This would provide the incentive element, as suppliers can reduce the amount they pay under the charge element by reducing their estate of RTS meters. As the charge would be approved by the Panel, in accordance with a principles based methodology, this would avoid the charge to any one supplier becoming excessive as the number of suppliers with meters reduces.

Potential principles:

- The RTS Charge can be set to zero
- The RTS Charge will not exceed £10 per month per device
- The sum of all RTS charges will not exceed the annual RTS operational costs.
- The RTS Charge will be determined and published at least 10 working days before the start of the BSC Season.
- The RTS Charge will be reviewed each BSC Season.

A charging solution would require an accepted method of measuring the number of RTS meters operated by each supplier. Currently, Elexon receives SVAA data which includes meter counts by various attributes. RTS meters are assigned a 4 digit Time Pattern Regime ID, this is used to identify meters. Further filtering is done to avoid double counting these meters where they appear under multiple attributes such as different Standard Settlement Configuration IDs.

Proposer's Details***Name***

Matthew Slocombe

Organisation

Elexon

Email Address

Matthew.Slocombe@elexon.co.uk

Telephone Number

020 7380 4119

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