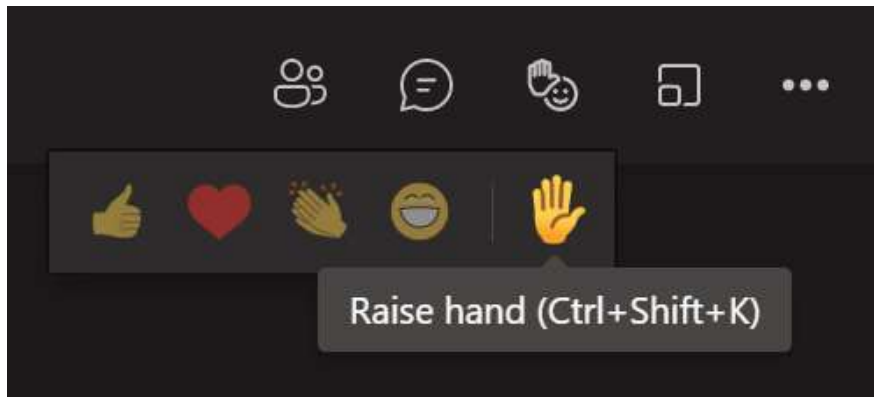


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## Issue 108. Digital Meeting Etiquette

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- Welcome to the Issue 108 Workgroup Meeting 1 – we'll start shortly
- No video please to conserve bandwidth
- Please stay on mute unless you need to talk – use the Raise hand feature in the Menu bar in Microsoft Teams if you want to speak, or use the Meeting chat



- Talk – pause – talk
- Lots of us are working remotely – be mindful of background noise and connection speeds

# ELEXION

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**Issue 108 – ‘Further Extension of RTS Cost Recovery Arrangements Under the BSC’**

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Meeting 1

1 August 2023

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## Slido Guidance

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- In order to make our Workgroups more engaging and to ensure that all participants' voices are heard we've started using the Slido plug-in for MS Power Point.
- After each of the sections, we will be asking the Issue Group about their views on what was presented.
- Everyone should be able to vote and answer questions live during the presentation using Slido

### Requirements:

- Internet access
- Web browser
- Participants can join at [slido.com](https://slido.com) with **#**

**Joining as a participant?**

# Enter code here



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## Meeting Agenda

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Agenda Item	Lead
1. Welcome and meeting objectives	Elliott Harper (Elexon) – Chair
2. Terms of Reference	Elliott Harper
3. Background & history to Issue 108	Yinka Afolabi
4. Issue 108 – what is the issue?	Yinka Afolabi
5. Possible solutions <ul style="list-style-type: none"><li>• Workgroup discussion on solutions to take place here</li></ul>	Yinka Afolabi & All
6. Next steps	Jacob Snowden
7. AOB	Elliott Harper



# TERMS OF REFERENCE

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## Issue 108 Terms of Reference

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ToR	Details
a)	Confirm whether it is still appropriate for RTS operational costs to be passed through the BSC.
b)	How can industry can best be incentivised to move away from the RTS arrangements, through the BSC or otherwise?
c)	Subject to ToR a), consider whether there are any alternative cost recovery arrangements under the BSC.



# BACKGROUND & HISTORY TO ISSUE 108

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## Background to Issue 108 (1/2)

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- The Radio Teleswitch Service (RTS) uses the British Broadcasting Corporation's (BBC) long wave Radio 4 infrastructure to send signals to consumer's premises and control load switching devices, which operate storage and water heaters. The RTS is contracted through a BBC-ENA agreement.
- Issue 84 was raised on 10 July 2019 to find an alternative funding mechanism for the RTS as the access providers (Distributor community) no longer wished to fund the operating costs as most no longer used RTS. Therefore, the primary beneficiaries were customers (through Suppliers). Prior to Issue 84, **ENA apportioned all operating costs for the RTS service to access providers according to message usage.**
- During Issue 84, SSE Networks agreed to contribute costs (as they continued to use RTS) to the RTS extension with the remainder of the costs (c. £1.4m) being recovered from BSC Parties.
- ENA and Elexon had an existing Radio Teleswitching Contract which facilitated the ENA providing data to Elexon for a fee. The contract was extended to include the operational pass-through costs for RTS until 31 March 2021 on the recommendation of Issue 84 in accordance with BSC Section D 'BSC Cost Recovery and Participation Charges'.
- As the RTS arrangements were required post 1 April 2021, Elexon extended its contract with the ENA until 31 March 2023.



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## Background to Issue 108 (2/2)

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- As the operational RTS costs for 1 April 2023 to 31 March 2024 were due to rise significantly, Issue 104 'Extending RTS Cost Recovery Arrangements Under the BSC' was raised in January 2023 to reaffirm support for passing the operational RTS costs through the BSC, and assessed whether an alternative cost apportionment through the BSC would be suitable.
- For the year 1 April 2023 to 31 March 2024, the RTS operational costs being passed through the BSC are c£5.1m. The costs are apportioned across Supplier and Generator BSC Trading Parties. 50% are recovered from Suppliers via the SVA Metering System Specified Charge and 50% are recovered from Generators via Funding Share.

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## Ofgem Open letter

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- In an open letter\* dated 29 March 2022 Ofgem noted:

**“Currently the technology which operates the Radio Tele Switch meters (RTS) is scheduled to be switched off in March 2023. (...) We fully expect all of industry to be proactively working towards solutions to any potential barriers so that consumers are not left exposed to any potential detriment. (...) If a workable industry solution cannot be reached in a timely manner prior to the cut-off date, then we would expect mitigating arrangements be prepared and implemented well in advance of this date.”<sup>1</sup>**

\*The entire letter can be found in <https://www.ofgem.gov.uk/publications/smart-meter-rollout-energy-suppliers-rollout-delivery-open-letter-march-2022>

- It's worth highlighting that, during Issue 104 discussions, the Issue 104 Group noted that the Supply licence conditions mean that Suppliers are bound to have implemented an alternative to the RTS arrangements before the cut-off date.



# WHAT IS THE ISSUE?

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## What is the issue? (1/2)

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- There are still 993,559 customers (as of 1 May 2023) with active RTS devices (vs 1.45m in September 2019)
  - These customers may rely on their RTS devices to control their heating and/or hot water

### Data calculation notes:

- Elexon calculates this number using the following methodology:

The RTS counts come from a snapshot/extract of the SVAA system, which collates D0041 data from supplier agents (data aggregators, data collectors and meter operators). The extract has a range of variables such as GSP Group, profile class and MPID but the counts and volumes are aggregated to those. We filter by Time Pattern Regime (>999) to select data for RTS meters, then group by the other variables and take the minimum meter count (EAC & AA) to avoid repeatedly counting meters where they appear for multiple TPR IDs.

- Potential Inaccuracy:

RTS meters are identified by Time Pattern Regime ID, which should be four digits for all RTS meters and less for other meters. However the Patterns for RTS meters can include static/uniform options with a single category. It might be possible for a meter to be recorded as non-switching by its behavior but the unit itself be RTS/ RTS capable.

Note that there is no perfect calculation, however it should be a relatively accurate representation.

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## What is the issue? (2/2)

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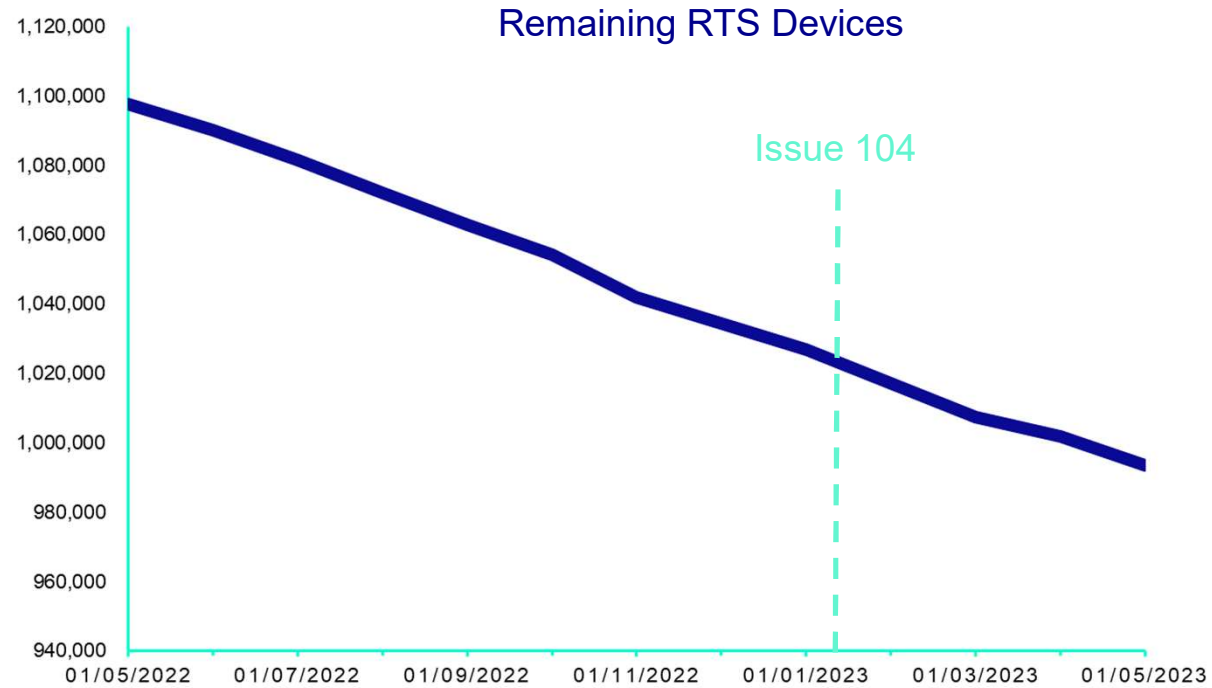
- The Elexon-ENA contract to pass operational costs for RTS through the BSC as 'BSC Costs' expires on 31 March 2024.
- The Elexon-ENA contract was extended to 31 March 2024 as the Issue 104 Group agreed that industry efforts were best focused on moving customers away from RTS and that there were already sufficient incentives on Suppliers to transition away from RTS by 31 March 2024.
- However, at the current RTS replacement rates, it is unlikely that the move away from RTS will be completed by 31 March 2024. 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.
- Therefore, Elexon has re-convened an Issue Group to re-consider 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 are unlikely to have had the desired effect by 31 March 2024 that the Issue 104 group previously hoped, it seems prudent to seriously consider whether targeted charging should be introduced from April 2024 to increase the incentive to replace devices reliant on RTS.
- It is worth noting that the RTS operational costs for 1 April 2024 to 31 March 2025 are unknown at this stage. However, as time goes on and the BBC have noted the desire to cease using long-wave transmission for their own purposes, and that they cannot make a profit/loss on the pass-through costs, there is a continued risk around the future RTS costs if we do not promptly cease reliance on it.

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## Remaining RTS Devices

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- Since the conclusion of Issue 104, there now 33,425 less customers on RTS devices. There are currently 993,559 customers (as of 1 May 2023) with active RTS devices vs 1,026,984 customers (1 January 2023) with active RTS devices





# POSSIBLE SOLUTIONS

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## Solution Options

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- 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.**
- If so, 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 different cost recovery mechanism. This could be for example:
    - a. With a fixed charge per RTS device that offsets the costs passed through the BSC.
    - b. With total RTS cost allocated by Suppliers proportion of all RTS devices (100% RTS cost recovery).



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**Is it still appropriate to pass the operational RTS costs through the BSC?**

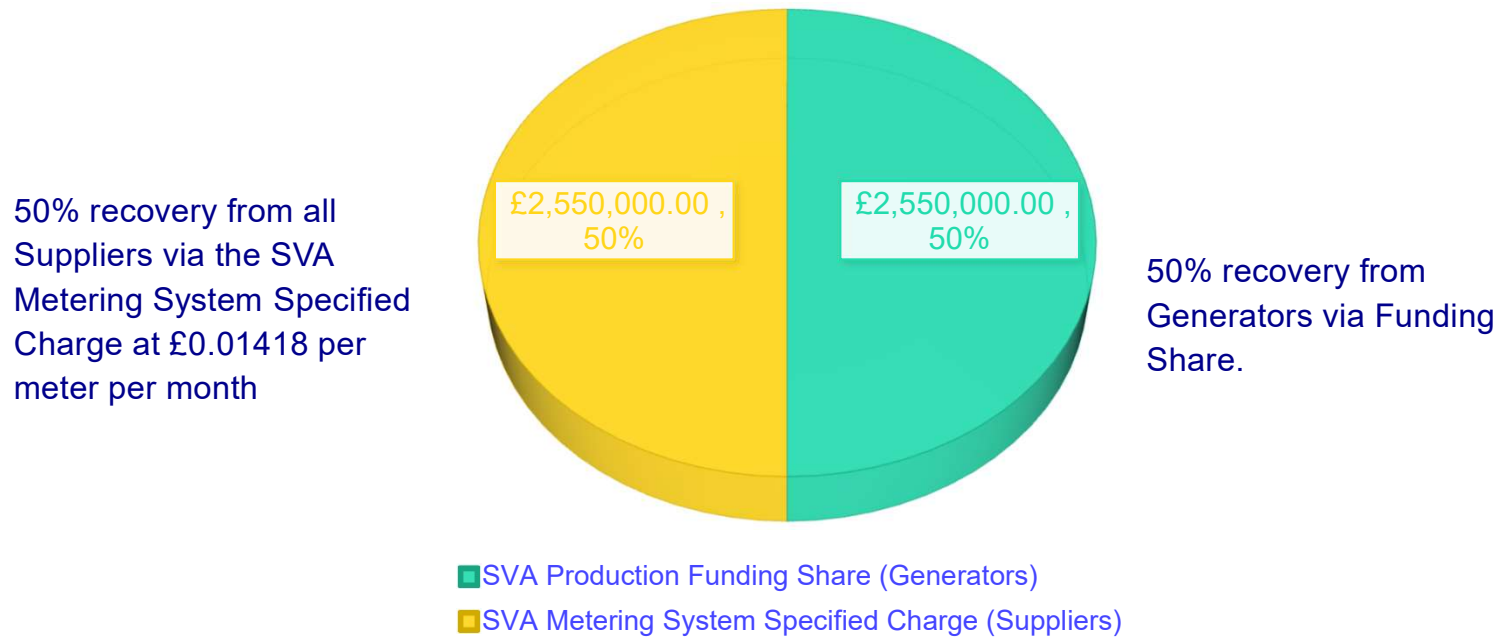
**Are there any alternatives?**

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## Current Solution – Solution 1: No BSC Modification

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Example ~£5.1m apportioned across all Supplier/Generator Trading Parties



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## Solution 2 - Option a.

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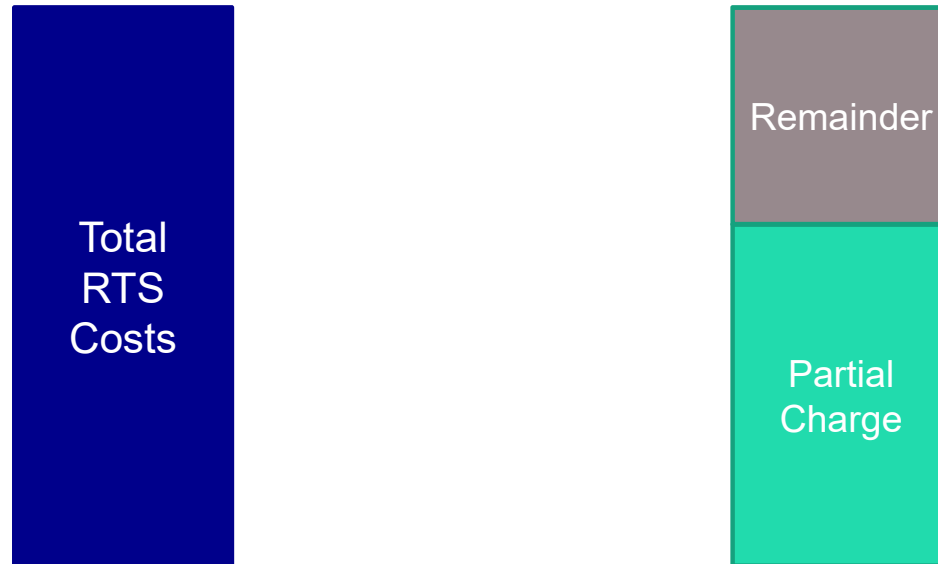
Assuming a fixed charge is set using a Main Specified Charge @£x/RTS Device

The fixed charge would be distinct from the total RTS cost

The current cost recovery mechanism through funding shares would be used for any remainder

In a case where the fixed rate resulted in an over-recovery the excess would off-set other BSC Charges – however we would agree principles as to whether this would be allowed

As the number of RTS devices decreases the cost recovery decreases



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**What would you expect a fixed rate charge per RTS device to be in £/p?**

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## Solution 2 – Option b.

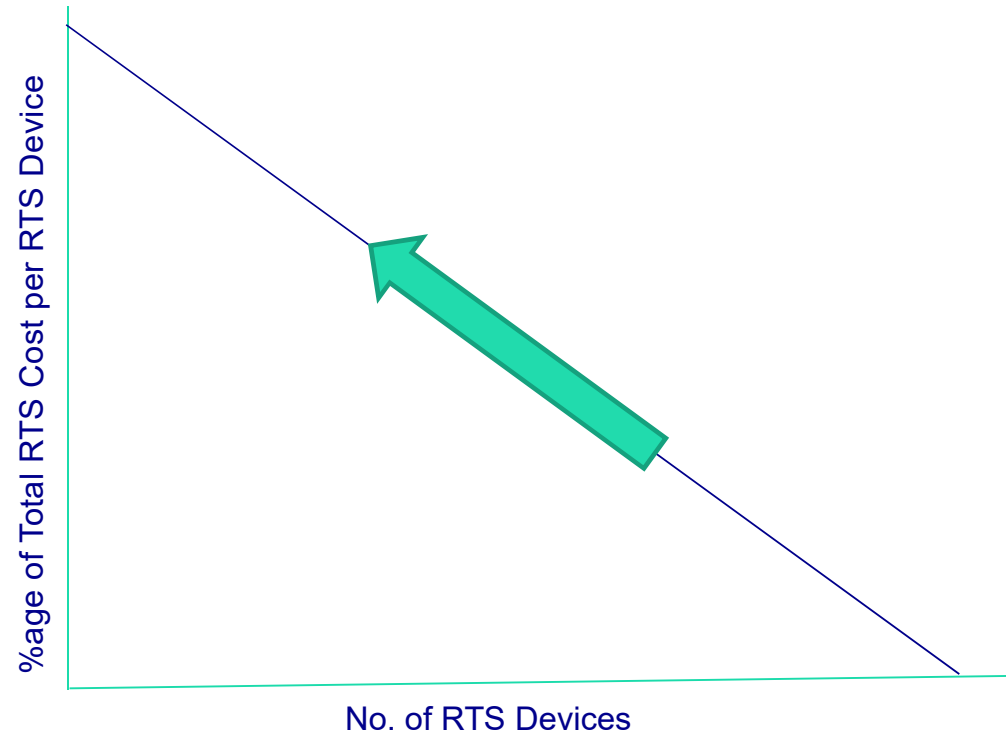
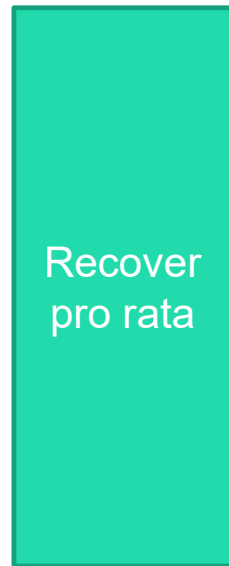
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Assuming a pro rata charge is set, any remainder would be a small and charged through existing mechanism

Charge is recalculated monthly and cost recovery remains the same as the number of RTS devices decrease

The charge per RTS device is also driven by the pass-through cost determined by BBC

The financial risk is borne by the Suppliers with the slowest replacement of RTS devices (noting challenges in replacing devices as an issue)



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## Should we have RTS cost recovery principles?

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**In setting a per RTS device charge, a set of principles may support the decision process. If principles were set, what should they be?**

RTS costs should be targeted to Suppliers with RTS devices

100% of RTS costs are recovered from Suppliers with RTS devices

A fixed charge per RTS related MSID should be reviewed every X months

Sum of fixed charges should not exceed the total RTS costs in a year

etc

## Solution options – pro's & con's

Solution	Pros	Cons
<b>Solution 1:</b> extend the existing RTS Contract between the ENA and Elexon	<ul style="list-style-type: none"> <li>Utilises existing BSC provisions where all trading Parties pay for the RTS costs</li> <li>Simplest solution</li> <li>No further change required</li> </ul>	<ul style="list-style-type: none"> <li>Funded by Generators (not just Suppliers)</li> <li>Does not incentivise a transition away from the use of RTS</li> </ul>
<b>Solution 2 – option a.:</b> Mod to introduce a fixed charge per RTS device that offsets the costs passed through the BSC	<ul style="list-style-type: none"> <li>More targeted at Suppliers only</li> <li>Incentivises Suppliers to replace RTS devices</li> <li>Fixed charge can adjust via Panel Decision at specific intervals</li> </ul>	<ul style="list-style-type: none"> <li>Change to Invoice</li> <li>Minor imperfection in MSID counts</li> </ul>
<b>Solution 2 – option b.:</b> Mod to introduce a total RTS cost allocated by Suppliers proportion of all RTS devices	<ul style="list-style-type: none"> <li>More targeted at RTS users</li> <li>Cost reflective</li> </ul>	<ul style="list-style-type: none"> <li>Change to Invoice</li> <li>Minor imperfection in MSID counts</li> <li>Last to exit could be charged full cost</li> <li>Increasing liability for RTS costs</li> </ul>

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**Should the BSC be modified to allow a differing cost recovery mechanism?**



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Should option 2. a) be adopted?



**“Modifying how RTS costs are recovered under the BSC with a fixed cost per RTS device charges to Suppliers”**

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Should option 2. b) be adopted?



**“Modifying how RTS costs are recovered under the BSC with 100% of RTS costs charged pro rata for the number of RTS Devices registered to each Supplier”**



# NEXT STEPS

ELEXON

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## Progression plan

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Event	Date
Issue raised	20 July 2023
<b>Workgroup meeting 1</b>	<b>1 August 2023</b>
Workgroup meeting 2 (if needed)	W/C 21 or 28 August 2023
Present Issue Report to Panel	September 2023



AOB

ELEXON

# ELEXON

THANK YOU

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**Jacob Snowden**

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1 August 2023

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## Annex: What is a Supplier Volume Allocation (SVA) cost?

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- SVA costs are defined in the BSC Section D and are recovered equally between Suppliers & Generators:
  - 50% of SVA costs recovered from generators by way of the SVA Production Funding Share
  - 50% of SVA costs recovered from Suppliers by way of the SVA Metering System Specified Charge

### ANNEX D-2: SVA COSTS

1. SVA Costs shall be those BSC Costs determined by BSCCo to be operational costs directly or indirectly referable to Supplier Volume Allocation.
2. Subject to paragraph 3 and paragraph 5, SVA Costs shall include the following amounts and costs payable or incurred by BSCCo or any of its Subsidiaries:
  - (a) amounts payable to the Supplier Volume Allocation Agent;
  - (b) amounts payable in respect of the use by the Supplier Volume Allocation Agent of the Managed Data Network;
  - (c) amounts payable to the Profile Administrator;
  - (d) amounts payable to the Teleswitch Agent;
  - (e) amounts payable to the Technical Assurance Agent for Supplier Volume Allocation;
  - (f) amounts payable to BSCCo agent (if any), so far as relating to the Qualification of Supplier Agents;
  - (g) costs of the maintenance and support of the software and systems referred to in paragraph 4;
  - (h) the costs of resolving Trading Disputes relating to Supplier Volume Allocation;
  - (i) the costs of implementing, conducting and administering the Qualification Processes relating to Suppliers and Supplier Agents;
  - (j) amounts payable to the BSC Auditor, in respect of the functions of the BSC Auditor referable to Supplier Volume Allocation;
  - (k) costs of the operation of the Performance Assurance Reporting and Monitoring Systems (other than any such operation not referable to Supplier Volume Allocation);
  - (l) costs of providing advice and support to Parties in connection with those provisions of the Code relating to Supplier Volume Allocation.
3. SVA Costs shall not include
  - (a) any such costs (as described in paragraph 2) in respect of services provided by a BSC Agent in connection with the implementation of an Approved Modification of otherwise for the development of any BSC Systems;
  - (b) any such costs in respect of services which are not directly or indirectly referable to Supplier Volume Allocation.
4. The software and systems referred to in paragraph 2(g) are software and systems made available by BSCCo to Trading Parties for estimation of annual consumption and annualised advance, and for non half hour data aggregation; and the Supplier Volume Allocation System.
5. SVA Costs shall include the costs of implementing Approved Modification P246 ("Reporting to LDSOs of Aggregated Metering Data for Embedded Networks") which shall be payable by all Licensed Distribution System Operators in equal proportion, provided that such implementation costs shall not be treated as Annual SVA Costs.

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## Annex: Per Metering System Charges

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There are Specified charges in BSC Section D that are under BSC Panel governance, reviewed annually. For example SVA Metering System Charge applies to the count of metering systems for which the Supplier is a registrant.

### **SVA Metering System Charge (D-3 4)**

In addition to the Main Specified Charges detailed above, Suppliers also have to pay a charge per SVA Metering System that it is the Registrant for during the month.

Original Charge	2023/24 Charge
£0.35	£0.01418