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for energy consumers

Michael Gibbons  
BSC Panel Chair  
ELEXON Limited  
350 Euston Road  
London  
NW1 3AW

Direct Dial: 020 3263 2789

Email: [Jasmine.Killen@ofgem.gov.uk](mailto:Jasmine.Killen@ofgem.gov.uk)

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Dear Michael,

**BSC Modification Proposal P406 'Temporary disapplication of Supplier Charge Serials SP08 and SP04 due to COVID-19' – decision on urgency**

On 9 April 2020, the BSC Panel raised P406.<sup>1</sup> Following the Panel meeting, we received a request from the BSC Panel Chair that P406 be treated as an Urgent Modification Proposal.<sup>2</sup>

**This letter sets out our decision that Modification Proposal P406 should be progressed on an urgent basis.**

**Background**

P406 seeks to suspend Supplier Charges for the SP08 and SP04 Serials from the March 2020 Performance Assurance Reporting and Monitoring System (PARMS) reporting period, and to set this charge to £0, until further notice.

Supplier Charges is a remedial technique within the BSC Performance Assurance Framework (PAF). It is intended to apply liquidated damages to suppliers who do not meet the required Half Hourly (HH) and Non Half Hourly (NHH) Settlement performance

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<sup>1</sup> <https://www.elexon.co.uk/mod-proposal/p406/>

<sup>2</sup> References to the "Authority", "Ofgem", "we", and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

standards set out in Section S Annex S-1 'Performance Levels and Supplier Charges' of the BSC.<sup>3</sup>

Due to the ongoing outbreak of COVID-19, the electricity market is experiencing unprecedented challenges. Due to government social distancing guidelines, and in order to protect the health and safety of colleagues and customers, suppliers and their agents may be unable to obtain meter readings through usual meter read activities. Where this is the case, the Proposer argues that this will impact suppliers' ability to meet their settlement performance standards, thus exposing these suppliers to additional Supplier Charge payments. The Proposal has been raised with the aim of supporting suppliers cash-flow and enabling suppliers to concentrate on business critical activities.

### **Panel View**

At the BSC Panel meeting on 9 April 2020, the Panel unanimously agreed to recommend to Ofgem that P406 should be progressed as an Urgent Modification Proposal.

The March 2020 Supplier Charge period will be the first Supplier Charge period impacted by COVID-19. The BSC Panel considers P406 to be urgent in order for the solution to be implemented for the March 2020 Supplier Charge calculations, which are run in June 2020 (subject to Ofgem approving P406). If P406 is not granted urgent status, the earliest it would be effective – if approved - would be for the April 2020 Supplier Charge period (run in July 2020).

### **Our views**

In reaching our decision on the urgency of the Modification Proposal we have considered the details within the Proposal, the justification for urgency, the views of the Panel and we have also assessed the request against the urgency criteria set out in Ofgem's published guidance.<sup>4</sup>

Our guidance sets out that an urgent modification should be linked to an imminent issue or a current issue that if not urgently addressed, may cause:

- a significant commercial impact on parties, consumers or other stakeholder(s); or
- a significant impact on the safety and security of the electricity and/or gas systems;
- or
- a party to be in breach of any relevant legal requirements.

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<sup>3</sup> <https://www.elexon.co.uk/the-bsc/bsc-section-s-annex-s-1-performance-levels-and-supplier-charges/>

<sup>4</sup> <https://www.ofgem.gov.uk/publications-and-updates/ofgem-guidance-code-modification-urgency-criteria-0>

In assessing whether to grant P406 urgent status, we have considered the Panel's representations. It is clear the government's social distancing guidelines are likely to have a significant adverse impact on suppliers' ability to obtain meter readings, and therefore their ability to meet the settlement performance standards. We agree with the view of the Panel that this will subject suppliers to larger than usual charges against the SP08 and SP04 Serials. These charges will have a commercial impact, and when combined with the wider pressures that suppliers are facing due to COVID-19, the overall commercial impact could be significant. Additionally, this impact would be during an unprecedented period when suppliers are likely to be prioritising the health and wellbeing of their colleagues and customers and concentrating on business critical activities.

We agree that the nature of these potential impacts meets the urgency criteria (in particular, the first criteria listed above) and warrants urgent consideration of the Proposal.

If you have any comments or questions about this letter, please contact Jasmine Killen at [Jasmine.Killen@ofgem.gov.uk](mailto:Jasmine.Killen@ofgem.gov.uk).

Yours sincerely,

**Jacqui Russell**  
**Head of Metering and Market Operations**  
**Consumers and Markets**