

Modification proposal:	<b>Balancing and Settlement Code (BSC) P406: Temporary disapplication of Supplier Charge Serials SP08 and SP04 due to COVID-19</b>		
Decision:	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>		
Target audience:	National Grid Electricity System Operator (NGESO), Parties to the BSC, the BSC Panel and other interested parties		
Date of publication:	05 May 2020	Implementation date:	11 May 2020

## Background

Supplier Charges are applied as a remedial technique within the BSC Performance Assurance Framework (**PAF**). They are liquidated damages, applied to suppliers who do not meet the required Half Hourly (**HH**) and Non Half Hourly (**NHH**) settlement performance 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 movement restrictions, 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, this will impact the supplier's ability to meet their settlement performance standards, thus exposing them to additional Supplier Charge payments.

## The modification proposal

P406 was raised by the BSC Panel (the **Panel**) on 9 April 2020, and at the same time requested P406 should be treated as an urgent modification. On the 16 April Ofgem approved the Panel's request to treat P406 as an urgent modification.

<sup>1</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.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

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

P406 seeks to suspend Supplier Charges for the SP08<sup>4</sup> and SP04<sup>5</sup> Serials from the March 2020 Performance Assurance Reporting and Monitoring System (**PARMS**) reporting period, and to set this charge to £0, until further notice. The Proposal has been raised with the aim of supporting suppliers' cash-flow and enabling suppliers to concentrate on business critical activities.

P406 gives the Panel the power to reinstate Supplier Charges after a period of suspension following changes to government guidelines and restrictions which would allow for normal settlement operational activities to resume. Parties would be provided with three months' notice of charges being reinstated.

### **BSC Panel<sup>6</sup> recommendation**

At an ad-hoc Panel meeting on 23 April 2020, the Panel unanimously agreed that P406 would better facilitate the BSC objective (d)<sup>7</sup> and, therefore, recommended its approval.

### **Our decision**

We have considered the issues raised by the modification proposal and the Final Modification Report (**FMR**) dated 24 April 2020. We have considered and taken into account the responses to the industry consultation which are attached to the FMR.<sup>8</sup> We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC;<sup>9</sup> and
- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>10</sup>

### **Reasons for our decision**

We consider this modification proposal will better facilitate BSC objective (d), and has a neutral impact on the other applicable objectives.

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<sup>4</sup> SP08 Serial levies charges for underperformance against NHH (Serial SP08a), HH for 100kW Metering Systems (Serial SP08b) and HH for non-mandatory 100kW Metering Systems (Serial SP08c).

<sup>5</sup> SP04 Serial levies charges for failure to install mandatory 100kW Metering Systems

<sup>6</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and Standard Special Licence Condition C3 of the Electricity Transmission Licence available at: [www.epr.ofgem.gov.uk](http://www.epr.ofgem.gov.uk)

<sup>7</sup> This objective consists of promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

<sup>8</sup> BSC modification proposals, modification reports and representations can be viewed on the Elexon website at [www.elexon.co.uk](http://www.elexon.co.uk)

<sup>9</sup> As set out in Standard Condition C3(3) of the Electricity Transmission Licence: <https://epr.ofgem.gov.uk>

<sup>10</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

***(d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements***

The Panel explained that implementing P406 will assist suppliers by ensuring resource can be allocated to other settlement operation activities, without the financial burden imposed by Supplier Charges. They believe this modification makes the BSC more efficient as these are obligations suppliers cannot meet as a result of wider statutory health and safety considerations, and this would provide the opportunity for such parties to focus on discharging their other BSC obligations during the coronavirus national emergency. All respondents to the consultation agreed with the Panel's view and recommendation to approve P406.

We agree with the conclusions of the Panel that P406 better facilitates objective (d) by promoting a more efficient use of resource and will reduce the financial burden imposed by Supplier Charges during this unprecedented time. We note the one-off cost of implementing P406, and agree that the benefit of the modification outweighs the cost. We note the one-time use of the legal text and we expect the Panel to re-instate the Supplier Charges at a time when changes to the current circumstances allow for normal settlement operational activities to resume.

**Decision notice**

In accordance with Standard Condition C3 of the Transmission Licence, the Authority hereby directs that modification proposal BSC P406: 'Temporary disapplication of Supplier Charge Serials SP08 and SP04 due to COVID-19' be made.

**Jacqui Russell**

**Head of Metering and Market Operations – Consumers and Markets**

Signed on behalf of the Authority and authorised for that purpose