





BSC Modification Proposal Form		At what stage is this document in the process?
<h1>P406</h1> <p>Mod Title: Temporary disapplication of Supplier Charge Serials SP08 and SP04 due to COVID-19</p>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p>Purpose of Modification:</p> <p>Due to the ongoing outbreak of COVID-19, the electricity market is experiencing unprecedented challenges. Suppliers and their Party Agents have suspended Meter read collections to align to government social distancing guidelines. However, this will impact Suppliers' ability to meet their Settlement performance standards.</p> <p>This Modification proposes that Supplier Charges for the SP08 and SP04 Serials are suspended from the March 2020 Performance Assurance Reporting and Monitoring System (PARMS) reporting period and set to £0, until further notice. This will help to support Suppliers cash-flow and enable them to concentrate on business critical activities.</p>		
	<p>The Proposer recommends that this Modification should:</p> <ul style="list-style-type: none"> be sent directly into the Report Phase be treated as <u>urgent</u> and progressed under a timetable agreed by Ofgem as the GB Authority <p>This Modification will be presented by the Proposer's representative to the BSC Panel on 9 April 2020. The Panel will consider whether to raise the Modification in accordance with BSC Section F 2.1.1(d)(vi) and determine how best to progress the Modification, including whether to request that it be treated as Urgent by Ofgem.</p>	
	<p>High Impact:</p> <p>Suppliers</p>	
	<p>Medium Impact:</p> <p>All other Trading Parties (except Non-Physical Traders)</p>	

Contents		
1	Why Change?	3
2	Solution	4
3	Relevant Objectives	5
4	Potential Impacts	6
5	Governance	8
Timetable		
The Proposer recommends this Modification be treated as urgent so it can be effective from the March 2020 PARMS reporting period with the following progression timetable:		
Panel considers Initial Written Assessment (IWA)	09/04/2020	
Report Phase Consultation	14/04/2020 - 20/04/2020	
Draft Modification Report presented to Panel	Week commencing (W/C) 20/04/2020	
Final Modification Report submitted to Authority	Panel considers Draft Modification Report +1 Working Day	
Implementation Date	11/05/2020 subject to an Authority decision being received by 05/05/2020.	
If this Modification is not granted urgency, the Proposer recommends the following non-urgent timetable:		
Panel considers Initial Written Assessment (IWA)	09/04/2020	
Report Phase Consultation	14/04/2020 - 29/04/2020	
Draft Modification Report presented to Panel	14/05/2020	
Final Modification Report submitted to Authority	15/05/2020	
Implementation Date	25/06/2020 (as part of the June 2020 BSC Release) subject to an Authority decision being received by 18/06/2020.	




Any questions?


Contact:

Nathan Flood

(Senior Change Analyst)



nathan.flood@elexon.co.uk



0207 380 4130


Proposer:

BSC Panel


Proposer's representative:

Sarah Ross

(Settlement Operations Team Leader)



sarah.ross@elexon.co.uk



0207 380 4322

1 Why Change?

Supplier Charges Background

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 standards set out in [Section S Annex S-1 'Performance Levels and Supplier Charges'](#) of the BSC.

The Supplier Charges technique levies charges for underperformance against NHH (Serial SP08a), HH for 100kW Metering Systems (Serial SP08b), HH for non-mandatory 100kW Metering Systems (Serial SP08c) and Serial SP04 for failure to install mandatory 100kW Metering Systems. 90% of the charges are redistributed to NHH Suppliers and 10% to all other Trading Parties, with the exception of Non-Physical Traders.

What is the issue?

The GB electricity market is currently facing unprecedented challenges due to the recent outbreak of the COVID-19 disease. The current UK Government, and Ofgem advice is to ensure that energy consumers and those working in the sector are protected against COVID-19 as best as they can be. Hence, Ofgem has advised that they expect companies to prioritise customers and staff safety.

Government guidelines on social distancing has led Suppliers and their Party Agents to suspend Meter read collection activities, Meter fixes, Smart/AMR installations and Commissioning on grounds of health and safety. These measures, along with reduced access to sites, have had a direct impact on industry Settlement performance. For instance, ELEXON's Operational Support Managers (OSMs) have had feedback that in one case, Day +1 HH performance has dropped to 93%.

Failure to meet Settlement performance standards is expected to occur quickly (by the SF Settlement Run) and more severely for HH Metering Systems, with NHH performance degrading over a longer timeframe. Profile Classes 3 and 4¹ are expected to be impacted the most, where the Estimated Annual Consumption (EAC) does not reflect site closures. International government rules have also presented operational challenges to some Suppliers who have its settlement operations teams overseas. Therefore, Settlement underperformance for the following PARMS serials is expected to increase for the March 2020 PARMS reporting period, and continue for the duration that COVID-19 measures are in place:

- Serial SP08a (Percentage of Non-Half Hourly (NHH) Energy Settled on Annual Advances);
- SP08b (Percentage of HH Energy Settled on Actual Readings);
- SP08c (Percentage of non-mandatory HH Energy Settled on Actual Readings); and
- SP04 (Installation of Half Hourly (HH) Metering).

The surge in charges levied against the above Serials due to Settlement performance could have a significant financial impact on parties, as the industry manages the current situation and prioritises the health and wellbeing of colleagues, customers, and likely prioritises customer queries. We recognise

¹ Profile Class 3 – Non-Domestic Unrestricted Customers
Profile Class 4 – Non-Domestic Economy 7 Customers

these unique challenges and intend to help mitigate the financial burden placed on parties during this difficult time.

2 Solution

Proposed Solution

This Modification proposes to set SP08a, SP08b, SP08c and SP04 Serials to £0 for all Suppliers from March 2020 PARMS reporting period, until further notice, achieved through an additional clause in BSC Section S. The remaining Serial in Supplier Charges is SP02 (which is only applied in cases where Suppliers fails to provide PARMS data when ELEXON requests it) and is not affected by this Modification.

Supplier Charges are to be reinstated after a period of suspension following any changes to Government guidelines and restrictions which would allow for normal Settlement operations activities to resume. The BSC Panel will actively monitor developments in Government advice aimed at companies to prioritise customers and staff safety, and make the decision to reinstate Supplier Charges based on the following criteria:

- To follow Government announcements for clear guidance on ending social distancing measures.

The BSC Panel will give 3 months' notice before reinstating the charges. The BSC Panel may decide to monitor operational challenges faced by the industry, as a result of COVID-19 outbreak, after Government social distancing measures have ended.

Implementation of this Modification requires minimal changes within the PARMS system, therefore the relevant adjustments can be made in time for the March 2020 PARMS reporting period run scheduled for June 2020. This ensures that this Modification can bring benefit to the industry at the earliest opportunity.

Upon implementation, current charges normally imposed for HH and NHH underperformance (SP08 Serials) and for failure to install mandatory 100kW Metering Systems (SP04) will be suspended. As consequence, redistribution to NHH Suppliers and other Trading Parties, with the exception of Non-Physical Traders, will also be suspended.

Benefits

This Modification sets out to relieve Parties from Supplier Charges against the SP08 and SP04 Serials, by setting the charges to £0 from March 2020 reporting period onwards. This temporary change to Supplier Charges is a response to the challenges the GB electricity industry is now facing due to COVID-19 outbreak, both operational and financial.

Therefore, the PAB and ELEXON expect this Modification to lessen the financial burden on Suppliers and ensure focus on the health and safety of colleagues and end consumers.

3 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	Neutral
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Positive
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

Setting the value of Supplier Charges SP08 and SP04 Serials to £0 shows that the PAB and ELEXON recognises the current challenges faced by the industry with the decline in Meter read activities and installation due to the ongoing COVID-19 outbreak. Implementing this Modification will assist Suppliers in ensuring resource can be allocated to other Settlement operation activities, without the financial burden imposed by Supplier Charges during this period.

This Modification makes the BSC more efficient by suspending Supplier Charges over this time as there are obligations Suppliers cannot meet as a result of wider statutory health and safety considerations.

4 Potential Impacts

Impacts on Core Industry Documents

Impacted Core Industry Documents			
<input type="checkbox"/> Ancillary Services Document	<input type="checkbox"/> Connection and Use of System Code	<input type="checkbox"/> Data Transfer Services Agreement	<input type="checkbox"/> Use of Interconnector Agreement
<input type="checkbox"/> Master Registration Agreement	<input type="checkbox"/> Distribution Connection and Use of System Agreement	<input type="checkbox"/> System Operator Transmission Owner Code	<input type="checkbox"/> Supplemental Agreements
<input type="checkbox"/> Distribution Code	<input type="checkbox"/> Grid Code	<input type="checkbox"/> Transmission License	<input type="checkbox"/> Other (please specify)

No impact on other Core Industry Documents identified.

Impacts on BSC Systems

Impacted Systems				
<input type="checkbox"/> CRA	<input type="checkbox"/> CDCA	<input checked="" type="checkbox"/> PARMS	<input type="checkbox"/> SAA	<input type="checkbox"/> BMRS
<input type="checkbox"/> EAC/AA	<input type="checkbox"/> FAA	<input type="checkbox"/> TAAMT	<input type="checkbox"/> NHHDA	<input type="checkbox"/> SVAA
<input type="checkbox"/> ECVA	<input type="checkbox"/> ECVA Web Service	<input type="checkbox"/> ELEXON Portal	<input type="checkbox"/> Other (Please specify)	

The change to the PARMS system will be an operational parameter change which will not result in any material costs.

Impacts on BSC Parties

Impacted Parties			
<input checked="" type="checkbox"/> Supplier	<input checked="" type="checkbox"/> Interconnector User	<input type="checkbox"/> Non Physical Trader	<input checked="" type="checkbox"/> Generator
<input type="checkbox"/> Licensed Distribution System Operator	<input type="checkbox"/> National Electricity Transmission System Operator	<input checked="" type="checkbox"/> Virtual Lead Party	<input type="checkbox"/> Other (Please specify)

All Parties ability to meet their BSC obligations have been impacted by the Government advice. However the material impact of this change affect Parties in different ways in regard to their net status.

Legal Text Changes

To implement the solution to this Modification, BSC Section S 3.2 requires amendment. The draft legal text to be added can be viewed below and in situ as attachment A to this Modification Proposal Form. Please note the below extract is not redlined as it is entirely new text to be inserted:

3.2A Temporary disapplication of Supplier Charges

3.2A.1 For the purposes of this paragraph 3.2A:

- (a) the "**Coronavirus Disapplication Period**" shall be the period determined in accordance with paragraphs 3.2A.3 and 3.2A.4.; and
- (b) the "**Relevant Supplier Charges**" shall be those charges associated with Serials SP08 and SP04.

3.2A.2 Each Party acknowledge that the Coronavirus epidemic or pandemic is likely to disrupt, prevent or delay Suppliers from complying with the obligations to pay Supplier Charges that arise pursuant to paragraph 3.2.1 and accordingly each Party agrees that:

- (a) for the duration of the Coronavirus Disapplication Period, no Supplier shall be liable to any other Party under paragraph 3.2.1 for any of the Relevant Supplier Charges set out in the Menu of Supplier Charges in Annex S-1 ; and
- (b) without prejudice to the generality of the foregoing, no Party shall be entitled to bring a claim against another Party pursuant to Annex S-1 in respect of Relevant Supplier Charges that relate to the Coronavirus Disapplication Period.

3.2A.3 The Coronavirus Disapplication Period shall commence on the Relevant Implementation Date and shall remain in force until such time as the Performance Assurance Board determines, on the basis of any guidance, direction or Legal Requirement issued by Her Majesty's Government relating to the ending of social distancing measures, that such period should cease.

3.2A.4 In making a determination under paragraph 3.2A.3, the Performance Assurance Board:

- (a) shall determine a reasonable timeframe for reinstating the Relevant Supplier Charges; and
- (b) may determine to reinstate the Relevant Supplier Charges (or any of such charges individually) generally, progressively, wholly or partially,

in each case taking into account the length of time for which the social distancing measures were in place and any ongoing operational challenges resulting from the Coronavirus epidemic or pandemic.

5 Governance

Self-Governance *(choose one)*

<input checked="" type="checkbox"/> Not Self-Governance – A Modification that, if implemented materially impacts:	
<input type="checkbox"/> the Code's governance or modification procedures	<input type="checkbox"/> sustainable development, safety or security of supply, or management of market or network emergencies
<input checked="" type="checkbox"/> competition	<input type="checkbox"/> existing or future electricity consumers
<input type="checkbox"/> the operation of national electricity Transmission System	<input type="checkbox"/> likely to discriminate between different classes of Parties
<input type="checkbox"/> Self-Governance – A Modification that, if implemented:	
Does not materially impact on any of the Self-Governance criteria provided above	

We do not believe this Modification Proposal should be progressed under Self-Governance arrangements as it could materially impact Self-Governance criterion:

(a)(ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity

Whilst the Supplier Charges are not a payment mechanism directly, rather a redistribution as compensation, we understand some Parties net benefit from Supplier Charge payments. Therefore, there is a possibility that the disapplication of Supplier Charges could impact Parties in a differing manner and the benefits therefore are not equitable across all parties. All Parties are impacted similarly by the challenges of COVID-19 though.

Progression route

<input type="checkbox"/> Submit to assessment by a Workgroup – A Modification Proposal which:	
does not meet any criteria to progress via any other route.	
<input type="checkbox"/> Direct to Report Phase – A Modification Proposal whose solution is typically:	
<input type="checkbox"/> of a minor or inconsequential nature	<input type="checkbox"/> deemed self-evident
<input type="checkbox"/> Fast Track Self-Governance – A Modification Proposal which meets the Self-Governance Criteria and:	
is required to correct an error in the Code as a result of a factual change including but not limited to:	
<input type="checkbox"/> updating names or addresses listed in the Code	<input type="checkbox"/> correcting minor typographical errors
<input type="checkbox"/> correcting formatting and consistency errors, such as paragraph numbering	<input type="checkbox"/> updating out of date references to other documents or paragraphs

☒ **Urgent** – A Modification Proposal which is linked to an imminent issue or current issue that if not urgently addressed may cause:

☒ a significant commercial impact on Parties, Consumers or stakeholder(s)

☐ a Party to be in breach of any relevant legal requirements.

☐ a significant impact on the safety and security of the electricity and/or gas systems

This Modification seeks to be treated as an Urgent Modification as it seeks to rectify a current issue that could not have been foreseen. Government guidelines at this unprecedented time is to ensure social distancing measures and unnecessary travel. Therefore, Suppliers and their Agents cannot obtain Meter readings through usual methods, which in turn may subject them to larger Supplier Charge payments, hence having a greater commercial impact on operations.

Urgency is required in order for ELEXON to have the solution in place before the Supplier Charges for March 2020 are produced, which will be at the start of June 2020. If Urgency is not granted, the March Supplier Charges Reporting Period benefit will not be realised. The Supplier Charges for March are expected to be higher than usual due to COVID-19, and hence we are striving to have the solution in place by this time.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

We do not anticipate that this Modification impacts any Significant Code Review or other major industry change projects. We will seek Ofgem confirmation in advance of Modification progression

Does this modification impact on end consumers or the environment?

End consumers are expected to be impacted positively since the intention of this Modification is to remove the burden of Suppliers' read collection activities. Ofgem has advised Suppliers to focus on customer and staff safety and we are confident that this Modification helps to achieve that goal.

No direct impacts on the environment are anticipated.

Implementation approach

We propose this Modification be implemented on 11 May 2020 as part of a May 2020 standalone BSC Release. This will ensure the provisions can be in force in advance of the March 2020 Supplier Charges run commencing at the start of June 2020, thus realising the benefits of this Modification at the earliest opportunity.