

TEMPORARY DEROGATIONS TO IMPROVE SETTLEMENT ACCURACY DURING CORONAVIRUS RESTRICTIONS

MEETING NAME Performance Assurance Board

Date of meeting Ex Committee

Paper number Ex-Committee 2

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Purpose of paper For Decision

Classification Public

Summary PAB is invited to agree temporary derogations that permit Half Hourly Data Collectors (HHDCs) and Non Half Hourly Data Collectors (NHHDCs) to deviate from the usual data estimation methods specified in BSC Procedures BSCP502 and BSCP504, where instructed to do so by the Supplier, and provided that this is done in accordance with the attached guidance. These temporary derogations are intended to reduce the risk of Suppliers being exposed to Trading Charges and Credit Cover requirements that do not reflect their true liabilities, and which present material cash flow implications for their business.

1. Potential Impact of Inaccurate Estimates on Suppliers

- 1.1 In recent days, ELEXON has been contacted by a number of electricity Suppliers expressing concern that whilst Settlement is proceeding as required, it is not reflecting reductions in their customers' demand resulting from movement restrictions imposed by the Government's coronavirus regulations. Suppliers in this position are faced with two options, both very unattractive:
- They can reduce their contracted positions to match their view of their customers' true usage, which means they will be exposed to Imbalance Charges and excess Credit Cover requirements until such time as Reconciliation processes catches up and correctly estimate their customers' usage; or
 - They can continue to buy that power their customers have not actually used, knowing that in a subsequent Reconciliation Run they will be reimbursed for this at the Imbalance Price (which may result in them incurring a significant loss).
- 1.2 Suppliers have already been facing this dilemma for nearly two weeks, since the lockdown began. There is clearly a risk that some Suppliers will not be able to fund either of these strategies for any sustained period of time, and will face severe financial consequences, not because of any fundamental issue with their business, but because BSC Data Collection processes have not been able to accurately reflect the changes in consumption caused by coronavirus restrictions.
- 1.3 On 1 April 2020 ELEXON held a call with a number of industry experts to discuss potential approaches to increasing the accuracy of data entering Settlement, particularly for customers whose consumption has changed suddenly as a result of coronavirus restrictions.

2. Issues in the Non Half Hourly Market

- 2.1 In our call with experts, it was noted that the best way to address this issue is to obtain actual reads from customers, and a number of Suppliers are known to be making efforts to do so. However this approach is unlikely to work for premises that have been shut down, which are a particular concern for some B2B Suppliers.
- 2.2 The call considered both targeted and non-targeted approaches to improving the accuracy of Settlement:

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- A targeted approach would aim to improve the estimates for particular Metering Systems where the Supplier had evidence that it was affected by coronavirus restrictions e.g. by using reduced Estimated Annual Consumption (EAC) values in Settlement where the Supplier knew that a particular business had shut as a result of restrictions; whereas
 - A non-targeted approach would aim to adjust data for broad categories of customer (e.g. Profile Classes) without considering circumstances at individual premises. For example, this could be a temporary reduction in EACs for Profile Classes 3 and 4
- 2.3 A non-targeted approach is the only one that could realistically be applied to all affected customers, due to the workload involved in making targeted adjustments for large numbers of sites. However, it runs the risk of creating new inaccuracies in Settlement, and unfairly disadvantaging some Suppliers. We are therefore recommending a targeted approach for those customers whose consumption is most affected. This will allow Suppliers to provide NHHDCs with an EAC that reflects their estimate of reductions in consumption at a property, where they have evidence of such a reduction.
- 2.4 We believe that use of Supplier-provided EACs in this way is not currently permitted by BSC Annex S-2 and BSCP504 section 4.12.1.3, which require a calculated EAC to be used in preference to a Supplier-provided EAC. A derogation from these requirements is therefore required, as discussed in section 4 below, and we have drafted guidance for Suppliers and NHHDCs (Attachment A) setting out the proposed approach.
- 2.5 The call with experts also considered that once a Meter Advance covering the period of restrictions is obtained, normal Settlement processes will allocate too much of that Advance to the period when consumption was reduced. Suppliers may wish to address this by deeming a Meter Advance at the start and end of the restrictions, and the attached guidance permits this.
- 2.6 We acknowledge that it will not be practical to use these measures for all sites (due to the numbers involved), and Suppliers and Data Collectors will need to prioritise. In general the experts believed that it is appropriate to prioritise the Non-Domestic sector (where consumptions are higher and the impact of restrictions greater). Customer-own reads (to obtain actual data) are an option in both Domestic and Non-Domestic sectors.

3. Issues in the Half Hourly Market

- 3.1 The HH market has significantly higher levels of remote Meter reading than the NHH market, which will mitigate the impact of coronavirus restrictions on Settlement accuracy, as they do not require a physical visit to the premises. However, HHDCs have told us that 8-10% of their portfolio is typically read using hand-held devices. This figure would be expected to increase gradually over time while restrictions prevent Meter Operators fixing problems.
- 3.2 In our call with experts we discussed various estimation approaches that could provide more accurate outcomes in Settlement. For Import Metering Systems, the recommendation is that where a Supplier has evidence that the consumption of a site has changed as a result of the restrictions, they should provide their HHDC with an EAC that reflect this, and the HHDC should use this EAC for estimation.
- 3.3 This approach requires a derogation to the usual order of precedence for estimation techniques in sections 4.2 and 4.12 of BSCP502. Normally these rules would require an HHDC to use actual data rather than an EAC (even if the actual data predated the restrictions and was therefore inaccurate).
- 3.4 For Export Metering Systems, BSCP502 requires HHDCs to use zero estimates “*until such time that evidence of Export energy transfer is provided*”. We recommend that in the current circumstances Suppliers and HHDCs should not take too narrow a view of what sort of evidence is acceptable (to ensure that generators are not settled on zeroes inappropriately). We do not believe a formal derogation is required for this.

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4. Process for derogating Suppliers and Supplier Agents

- 4.1 Section J3.9 of the BSC gives the Panel broad powers (delegated in practice to PAB) to relieve Supplier Agents of their usual obligations to comply with BSC and BSCP obligations. We have received legal advice that these powers have been broadly drafted, and that a J3.9 derogation is therefore an appropriate mechanism for PAB to allow Supplier Agents to vary their estimation processes.
- 4.2 J3.9.1 requires that derogations can only be issued in accordance with BSCP537, and the current process is not intended to deal with a market-wide emergency. Because of the urgency of the issues facing some Suppliers, Mark Bygraves, ELEXON's CEO, has authorised an Emergency Fix (in accordance with section 3.7 of BSC Procedure BSCP40 (['Change Management'](#))) to include the following new provision in section 2.7 of BSCP537: *The process steps below describe the usual process for handling derogations specific to an individual Qualified Person or Applicant. Where an urgent and unforeseen market event requires a temporary market-wide dispensation the PAB may vary this process, but ELEXON will in all cases notify interested parties of PAB's decision.*

5. Implementation of Guidance

- 5.1 We recognise that Suppliers and Supplier Agents may be implementing this guidance with very constrained resources, using systems not designed to support such a process. For this reason the guidance is not prescriptive about data flows or process steps. However, it is important that key principles are followed. In particular, any adjustment to estimates should be authorised by the Supplier and based on evidence (which Suppliers must retain and make available for subsequent assurance activities if required).
- 5.2 The derogations (and associated guidance) will remain in place until such a time as the PAB determines that manual data collection activities and field visits should be able to be resumed, in line with the lifting of restrictions.

6. Recommendations

- 6.1 We invite you to:
- a) **NOTE** that ELEXON has employed the Emergency Fixes process (defined in section 3.7 of BSCP40) to clarify in BSCP537 that PAB may use its powers under BSC Section J3.9 to issue temporary market-wide derogations when (as a result of unforeseen circumstances) they are necessary to ensure the integrity of Settlement;
 - b) **AGREE** (in accordance with BSC Section J3.9 and BSCP537) that, to the extent necessary to follow the attached guidance notes, Qualified Data Collectors should be temporarily relieved of the following obligations:
 - i) The requirement (in BSCP502 Appendix 4.2 and 4.12) that HHDCs can only estimate data for Import Metering Systems using an EAC provided by the Supplier if other estimation methods higher in the order of precedence are unavailable;
 - ii) The requirement (in Annex S-2 and BSCP504 4.12.1.3) that an NHHDC cannot use an EAC provided on a D0052 in preference to a calculated EAC; and
 - iii) The requirement that a Deemed Meter Advance may only be calculated in the circumstances specified in BSCP504 4.5.2(a)–(p)
 - c) **NOTE** that the guidance requires that Qualified Data Collectors only use these derogations when so requested by the Supplier, and that Suppliers retain evidence of the appropriateness of the instruction.

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Attachments

Attachment A – COVID-19 Demand Change – Non Half Hourly (NHH) Estimation Guidance

Attachment B – COVID-19 Demand Change – Half Hourly (HH) Estimation Guidance

For more information, please contact:

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