

# ELEXON and P361 Modification Proposal - Supplement

16 March 2018

## 1. INTRODUCTION

- 1.1 In our paper dated 13 March 2018, we provided advice to ELEXON in relation to the P361 Modification Proposal<sup>1</sup> (“13 March 2018 Paper”). Our 13 March 2018 Paper focussed on those BSC Charges that are recovered from Interconnector BM Units on a “Funding Share” basis.
- 1.2 We have been now asked to consider the following costs that are recovered on a tariff-style basis:
- 1.2.1 Base Monthly Charge;
  - 1.2.2 CVA Metering System Monthly Charge;
  - 1.2.3 CVA BM Unit Monthly Charge;
  - 1.2.4 Dataline Monthly Charge;
  - 1.2.5 TIBCO Software Support Charge and TIBCo Set-up Charge; and
  - 1.2.6 Notified Volume Charge.
- 1.3 We deal with each of these below.
- 1.4 This paper is a supplement to our 13 March 2018 Paper.

## 2. SPECIFIED CHARGES

- 2.1 **Base Monthly Charge**, which is payable by each BSC Party at a charge rate determined by the Panel and published on the BSC website (for 2017/18 set at £250).<sup>2</sup> Although a Party must pay this charge in order to use the transmission system, it is paid by all BSC Parties, including NGET and Parties who do not use the system. Given that the Base Monthly Charge is paid by NGET, as well as Parties who do not use the transmission system, in our view, the better argument is that it should not be construed as a network access charge. For the same reason, in our view, the better argument is that it should not be construed as an “additional charge for hosting cross-border flows of electricity” as referred to in the ITC Guidelines. Therefore, in our view, the recovery of Base Monthly Charges from the Lead Parties of Interconnector BM Units is not contrary to the EU Third Package.
- 2.2 **CVA Metering System Monthly Charge**, which is payable for each CVA Metering System of which a Party is Registrant at a charge rate determined by the Panel and published on the BSC website (for 2017/18 set at £50).<sup>3</sup> In the case of Interconnectors, the Interconnected System Operator is required to register Metering Systems in respect of the Interconnector and is the Registrant of such Metering System.<sup>4</sup> The Interconnected System Operator is either NGET (if the Interconnector is to the transmission system) or a distribution company (if the Interconnector is to a distribution system).<sup>5</sup> Accordingly, in our view, the better argument is that CVA Metering System Monthly Charges should not be construed as network access charges. Similarly, given

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<sup>1</sup> “Revised treatment of BSC Charges for Lead Parties of Interconnector BM Units – proposal to exclude Interconnector Balancing Mechanism (BM) Units Credit Energy Volumes from Balancing and Settlement Code (BSC) Charges calculations in order to comply with the EU Third Package”

<sup>2</sup> Annex D.3.1(a) and ELEXON Guidance “Schedule of Main and SVA Specified Charges”

<sup>3</sup> Annex D.3.1(b) and ELEXON Guidance “Schedule of Main and SVA Specified Charges”

<sup>4</sup> Section K.5.3.1(b)

<sup>5</sup> Annex X-1.

that CVA Metering System Monthly Charges are paid by Interconnected System Operators (and not by Interconnected Users) and are payable in respect of all CVA Metering Systems and not just those associated with Interconnectors, in our view, the better argument is that these costs are not “costs of hosting cross-border flows of electricity”. Therefore, in our view, the recovery of CVA Metering System Monthly Charges from Interconnected System Operators is not contrary to the EU Third Package.

2.3 **CVA BM Unit Monthly Charge**, which is a charge for certain BM Units for which a Trading Party is a Lead Party at a charge rate determined by the Panel and published on the BSC website (for 2017/18 set at £100).<sup>6</sup> CVA BM Monthly Charges are payable in respect of Production BM Units and Consumption BM Units allocated to Interconnector Users. Given that:

2.3.1 CVA BM Unit Monthly Charges are payable in respect of Production BM Units and Consumptions BM Units that are allocated to Interconnector Users;

2.3.2 Interconnector Users cannot trade energy over an Interconnector (ie use the system) without having those BM Units,

in our view, the better argument is that the CVA BM Unit Monthly Charge could be seen as a type of network access charge for Interconnector Users. Under the EU Third Package, network access charges should be recovered from generation and consumption only – not from Interconnectors. Accordingly, in our view, compliance with the EU Third Package would be better facilitated by exempting Interconnector BM Units from CVA BM Unit Monthly Charges.

2.4 **Dataline Monthly Charge**, which is a charge payable in respect of the Balancing Mechanism Reporting Service for each data communications line supplied to a Trading Party at a charge rate determined by the Panel and published on the BSC website.<sup>7</sup> It is payable only where a Party requests the Balancing Mechanism Reporting Service and can be requested by non-BSC Parties also.<sup>8</sup> Given that the Dataline Monthly Charge is not compulsory – it is payable only when a specific service is requested, in our view, the better argument is that it should not be construed as a network access charge. For the same reason, in our view, the better argument is that it should not be construed as an “additional charge for hosting cross-border flows of electricity” as referred to in the ITC Guidelines. Therefore, in our view, the recovery of Dataline Monthly Charges from the Lead Parties of Interconnector BM Units is not contrary to the EU Third Package.

2.5 **TIBCO Software Support Charge and TIBCO Set-up Charge**, which are charges for the TIBCO software at a charge rate determined by the Panel and published on the BSC website.<sup>9</sup> They are payable only where a Party requests the TIBCO software and can be requested by non-BSC Parties also.<sup>10</sup> Similar to the Dataline Monthly Charge, given that the TIBCO Software Support Charge and the TIBCO Set-up Charge are not compulsory – they are payable only when a specific service is requested, in our view, the better argument is that they should not be construed as a network access charge. For the same reason, in our view, the better argument is that they should not be construed as an “additional charge for hosting cross-border flows of electricity” as referred to in the ITC Guidelines. Therefore, in our view, the recovery of TIBCO Software Support

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<sup>6</sup> Annex D.3.1(c) and ELEXON Guidance “Schedule of Main and SVA Specified Charges”

<sup>7</sup> Annex D.3.1(d) and 3.3(a).

<sup>8</sup> Annex D.3.3(a).

<sup>9</sup> Annex D.3.1(e) and 3.3(b)

<sup>10</sup> Annex D3.3(b)

Charges and TIBCO Set-up Charges from the Lead Parties of Interconnector BM Units is not contrary to the EU Third Package.

- 2.6 ***Notified Volume Charge***, which is a charge for the Gross Contract MWh of a Trading Party (being the gross aggregate of all Energy Contract Volumes and Metered Volume Fixed Reallocations) at a charge rate determined by the Panel and published on the BSC website (for 2017/18 set at £0.0005/MWh).<sup>11</sup> On the basis that the BSC requires Trading Parties to pay Notified Volume Charges and so Trading Parties cannot use the system without paying those charges, in our view, the better argument is that Notified Volume Charges could be seen as a type of network access charge. Under the EU Third Package, network access charges should be recovered from generation and consumption only – not from Interconnectors. Accordingly, in our view, the better argument is that compliance with the EU Third Package would be better facilitated by exempting Interconnector Users from Notified Volume Charges.

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<sup>11</sup> Annex D.3.1(f) and ELEXON Guidance “Schedule of Main and SVA Specified Charges”