

# REVIEW OF SPECIFIED CHARGES

---

<b>MEETING NAME</b>	Panel Meeting
<b>Date of meeting</b>	14 February 2019
<b>Paper number</b>	287/08
<b>Owner/author</b>	Darren Draper
<b>Purpose of paper</b>	For Decision
<b>Classification</b>	Public
<b>Summary</b>	This paper reviews the BSC Specified Charges as set out in BSC Section D which are determined by the Panel. The paper recommends the flat charge levied of £0.00632/SVA MSID per month for both Half Hourly and Non Half Hourly, across all Measurement Classes increases to £0.00757 and the introduction of a £125 per month charge for Virtual Lead Parties and £60 per month for each Secondary BM Unit.

---

## 1. Introduction

- 1.1 Section D of the Balancing and Settlement Code (BSC) '[BSC Cost Recovery and Participation Charges](#)' sets out the basis on which costs are allocated between BSC Parties. This includes BSC Specified Charges set out in Annex D-3. The Code stipulates that these charges are to be determined by the Panel, but in the event that these charges are not revised, then the rates prevailing in one BSC Year shall continue to apply in the following year. Any changes to the amount or rates require notification to all BSC Parties no later than the start of the BSC Year (1 April 2019).
- 1.2 ELEXON costs are recovered by a combination of Specified Charges which recover a portion of ELEXON costs, with the remainder allocated to BSC Parties using a variety of funding shares (based on metered energy).
- 1.3 When the Panel last conducted a consultation of the Supplier Volume Allocation (SVA) Specified Charges in 2008 and in subsequent reviews, the option of cost driver was favoured by Parties, i.e. BSC Parties should in general pay for costs in a manner that is reflective of the benefit to them of the product or service giving rise to the cost. This would include costs which are directly cost reflective (e.g. number of Metering System IDs (MSIDs)) or otherwise energy volumes, as this is broadly reflective of the benefit to Parties. Therefore, we endeavour to identify cost drivers for each BSC Specified Charge whenever possible.

## 2. Current Specified Charges

- 2.1 The table below shows the 2018/19 Specified Charges at their current rates. For more details of these charges please refer to Appendix 1.

## REVIEW OF SPECIFIED CHARGES

Specified Charge	Current Rate	Note
Notified Volume Charge (Contracts Traded)	<b>£0.0005/MWh/month</b>	To recover Energy Contract Volume Aggregation Agent (ECVAA) costs
SVA Specified Charge (Half Hourly MSIDs)	<b>£0.00632/MSID/month</b>	To recover Suppliers' share of the SVA costs
Dataline Monthly	Direct recovery of communication line costs charged by the BSC Central Service Agent, varied from <b>£291.25/month</b> to <b>£785.42/month</b> depending on technical specifications chosen.	Pass through
TIBCO Charges	Direct recovery of TIBCO license costs charged by TIBCO Software Inc. currently at <b>£16,426</b> for one off standard set up and <b>£246.39/month</b> for support (18% of installation cost per annum).	Pass through
Base Monthly Charge	<b>£250/month</b>	No driver
CVA Metering System Monthly Charge	<b>£50/month</b>	No driver
CVA BM Unit Monthly Charge	<b>£100/month</b>	No driver
Supplier Base BM Unit Monthly Charge	<b>£60/month</b>	No driver
Supplier Additional BM Unit Monthly Charge	<b>£60/month</b>	No driver

### 3. Proposals

- 3.1 The Notified Volume Charge is intended to recover the costs of Energy Contract Volume Aggregation Agent (ECVAA). The analysis suggests that the amount ELEXON would recover from the current monthly charge of £0.0005/MWh is in line with the budgeted ECVAA costs for 2019/20. Therefore, we propose no change to these charges.
- 3.2 In accordance with [P346 'Changes to the BSC Specified Charges to facilitate Elective HH Settlement'](#), the 'Supplier' half of the total SVA Costs (SVA Consumption) is recovered through the application of a flat charge levied per SVA MSID per month. This is applied equally to all SVA Metering Systems, both Half Hourly (HH) and Non Half Hourly (NHH), across all Measurement Classes. From April 2017, the SVA Specified Charge was determined at £0.00598/SVA MSID/month. Based on the latest financials available and an increase of HH and NHH meters, it is proposed that the SVA Specified Charge is increased to £0.00757/MSID per month.
- 3.3 As a result of Modification [P344 "Project TERRE implementation into GB market arrangements"](#), two new Specified Charges are being introduced: a Virtual Lead Party (VLP) Monthly Charge and a Secondary BM Unit Charge. It is anticipated that those Parties who are solely registered as VLP will not be making use of ELEXON's systems and services in the same way as other registered Parties. As such, the P344 Workgroup proposed an initial charge being set of £125 per month. Secondary BM Units (SBMU's) are registered and maintained in a manner which aligns to the existing processes for Additional BM Units (ABMU's). Therefore, we propose to levy the same charge as that of ABMU's of £60/SBMU per month.

## REVIEW OF SPECIFIED CHARGES

---

- 3.4 Dataline Monthly Charge, TIBCO Set-up and Software Support Charge are purely pass-through costs charged by the BSC Central Services Agent. They are fixed but subject to indexation. The actual indexed charge for 2019/20 will be available in March 2019 and it will be notified to BSC Parties via the BSC website.
- 3.5 For the Specified Charges with no specified cost drivers (listed in the table above), we are aware that the charges are under review. Due to the fact that at present, there is not a strong case for an increase or a reduction of these charges, we propose no change to these charges pending the outcome of the review. We also recognise that introducing two new Specified Charges with no drivers is not ideal and contrary to Panel opinion, especially whilst the charges are under review. We will ensure that these new charges will also fall under any review to ensure consistency remains; however as an interim measure it is necessary to set an initial rate.

### 4. Recommendations

4.1 We invite you to:

- a) **APPROVE** the new SVA Specified Charge of £0.00757/SVA MSID per month;
- b) **APPROVE** the new Secondary BM Unit Charge of £60/SBMU per month; and
- c) **APPROVE** the new Virtual Lead Party Monthly Charge of £125 per month.

### Appendices

Appendix 1 – Details of BSC Specified Charges

Appendix 2 – Detailed Analysis of BSC Specified Charges at their current rates

### For more information, please contact:

Darren Draper, Finance Operations Manager

[darren.draper@elexon.co.uk](mailto:darren.draper@elexon.co.uk), 020 7380 4106

# REVIEW OF SPECIFIED CHARGES

## Appendix 1 Details of BSC Specified Charges

All Specified Charges are set out in Annex D-3 of the BSC. They are categorised into charges aiming to recover specific cost drivers in Table 1 and charges that are not specifically linked to any cost drivers in Table 2. The two tables also detail the latest changes to each charge if applicable.

**Table 1 Detail of Specified Charges with Specified Cost Drivers**

Specified Charges	Descriptions and Charge
Notified Volume Charge	For the Gross Contract MWh determined for a Trading Party in accordance with paragraph 3.2 of Annex D-3, at a charge rate of £0.0006/MWh per month. The charge was established to recover the costs of the ECVA. This rate was reviewed and approved by the Panel in February 2011 and reduced from £0.0007/MWh subsequently in February 2014 and March 2015 when no change was proposed. This rate was again reviewed and approved by the Panel in March 2016 and reduced from 0.0006/MWh to 0.0005/MWh.
SVA Specified Charge	<p>For each HH Metering System for which a Supplier is Registrant for all or any part of that month, at a charge rate of £0.7 per HH Meter per month. The charge was established to recover the Suppliers' share of the HH related SVA costs. This rate was reviewed and approved by the Panel in March 2008 to reduce from the original rate of £1.25 per month set at NETA go-live. No change was proposed in the February 2011 or February 2014 reviews. A further reduction to £0.60 was approved in March 2015 and £0.35 March 2016.</p> <p>This method was replaced to include each NHH Metering System for which a Supplier is Registrant for on the 1<sup>st</sup> day of the month. An initial charge rate of £0.00598 per meter per month was approved in March 2017.</p>
Dataline Monthly Charge	For each high grade data communication line a Trading Party has chosen to order, from £291.25 per month to £785.42 per month based on the technical specifications chosen. The charge is a direct recovery of communication line costs charged by the BSC Central Services Agent.
TIBCO Set-up and Software Support Charge	For use of the TIBCO Software Inc ("TIBCO") Rendezvous software if a Trading Party has chosen to procure the licence from the BSC Central Services Agent through ELEXON. The charge is a direct recovery of TIBCO license costs charged by the BSC Central Services Agent, currently at £16,426 for one off standard set up and £246.39/month for support (18% of installation cost per annum).

## REVIEW OF SPECIFIED CHARGES

**Table 2 Details of Specified Charges with No Cost Drivers**

Specified Charges	Descriptions and Charge
Base Monthly Charge	A Base Monthly Charge, payable by each Party, at an initial charge rate of £250 per month.
CVA Metering System Monthly Charge	For each Central Volume Allocation (CVA) Metering System (including a Metering System at a Systems Connection Point) of which a Party is Registrant for all or any part of that month, at an initial charge rate of £50 per month.
CVA BM Unit Monthly Charge	For each BM Unit (other than a Supplier BM Unit and other than BM Units as provided in paragraph D-3 3.1 (c) (ii)) for which a Trading Party is Lead Party for all or any part of that month; and for: (1) each Consumption BM Unit associated with an Exemptible Generating Plant for which (Consumption BM Unit) the Trading Party is Lead Party for all or any part of that month (and, in this case, no charge will be made for any Exempt Export BM Units at the Exemptible Generating Plant); or (2) (if there are no Consumption BM Units associated with an Exemptible Generating Plant) all Exempt Export BM Units at the Exemptible Generating Plant for which the Trading Party is Lead Party for all or any part of that month (as a single charge taking such Exempt Export BM Units in aggregate) at an initial charge rate of £100 per month.
Base BM Unit Monthly Charge	For a set of Base BM Units (in aggregate) automatically allocated (in accordance with Section K3.3.1(a)) to a Supplier (in respect of each of its Supplier IDs), and held by a Supplier for all or any part of that month, at an initial charge rate of £100 per month.
Additional BM Unit Monthly Charge	For each Supplier BM Unit for which a Supplier is Lead Party for all or any part of that month, and which is not charged for under paragraph D-3 3.1 (g), at an initial charge rate of £100 per month
Replacement Supplier BM Unit	Replacement Supplier BM Unit held by a Replacement Supplier for all or any part of that month: (i) which corresponds to a Base BM Unit, to the Replacement Supplier, one twelfth of the Base BM Unit Monthly Charge; (ii) which corresponds to an Additional BM Unit, to the Replacement Supplier, the Additional BM Unit Monthly Charge, and no charge will be made in respect of Replacement Supplier BM Units under paragraphs D-3 3.1 (g) or (h) provided that, for the purposes of this paragraph 3.1, a BM Unit shall cease to be considered a Replacement Supplier BM Unit when all the Metering Systems associated with that BM Unit are no longer registered in the name of the relevant failing Supplier.

# REVIEW OF SPECIFIED CHARGES

---

## Appendix 2 Analysis of BSC Specified Charges at Their Current Rates

### 1. Notified Volume Charge

- 1.1 The Notified Volume Charge was established to recover the costs of the ECVAA so that Parties not involved in physical trading are required to bear some of the costs of contract notification.
- 1.2 Compared to the last review in March 2018, ECVAA costs for 2019/20 are expected to be £0.88m (down from £0.90), whilst contracts decrease from 1793TWh to 1680TWh. A direct recovery of the ECVAA cost suggests maintaining the current level of £0.0005MW/h.

### 2. SVA Specified Charge

- 2.1 SVA Specified Charge was last reviewed in early 2018 using the SVA Cost Drivers method which was favoured by the majority of the responses from BSC Parties from a 2008 consultation. This method involves analysing the underlying SVA costs to determine how much relates to HH meters and how much relates to NHH meters. As a result of Modification P346, all SVA Consumption costs should be recovered using a Specified Charge. In 2017, ELEXON conducted a similar exercise to include both HH and NHH Metering Systems (approximately 30,582,820) and recommended an initial rate of £0.00598 per SVA MSID per month. This has been reviewed again and we now recommend an increased rate of £0.00757 per SVA MSID based on HH and NHH meters (approximately 31,049,998) to recover the budgeted SVA Consumption costs of £2,821,742.50

### 3. Dataline Monthly Charge, TIBCO Set-up and Software Support Charge

- 3.1 These charges are purely pass-through costs charged by the BSC Central Services Agent and they were reviewed and approved by the Panel in a "Schedule of Specified Communication Charges" placed on the BSC website. They are fixed but subject to indexation, using the Computer Economics Limited Index ("CEL") and the Retail Price Index ("RPI") measures. The actual indexed charge for 2019/20 will be available in March 2019 and it will be notified to the Parties via the BSC website.

### 4. Specified Charges with No Cost Drivers

- 4.1 There is no evidence that these initial rates set at go-live were based on any specifically identified costs ELEXON incurs, either through our Agents or internally. Further documentation obtained from Ofgem's archives has also proved inconclusive.
- 4.2 No indexation has been applied to any of the above charges since go-live. Whilst the rates have remained constant there has been an increase in the amounts recovered due to changes in the numbers of Parties, Metering Systems, BMUs etc. The proportion of cost recovered in percentage terms has increased to a greater extent due to the reduction in ELEXON's costs over the last 15 years. ELEXON costs that are not recovered via Specified Charges form part of the Net Main Cost.
- 4.3 If the same proportion of cost recovery delivered through these Specified Charges as at go-live were to be maintained, then the current rates would need to be reduced (by approximately 76% for these charges). However, it could also be argued that as these charges were not intended to recover a specific area of cost, but were set at a level thought to be "reasonable" at that time; indexation could have been applied in the past.
- 4.4 At previous Panel meetings, papers were presented to Panel, requesting the formation of an Issue Group to review the current Specified Charges and, as there is not a strong case for an increase or a reduction at this

## REVIEW OF SPECIFIED CHARGES

---

stage, we propose no changes to these Specified Charges without cost drivers pending the outcome of the Issue Group.