

# REVIEW OF BSC SPECIFIED CHARGES AND MINIMUM INVOICE AMOUNT

**MEETING NAME** Panel Meeting

**Date of meeting** 13 February 2020

**Paper number** 299/11

**Owner/author** Darren Draper

**Purpose of paper** For Decision

**Classification** Public

**Summary** This paper reviews the BSC Specified Charges and minimum invoice amount as set out in BSC Section D which are determined by the Panel. The paper recommends the flat charge levied of £0.00757/SVA MSID per month for both Half Hourly and Non Half Hourly, across all Measurement Classes increases to £0.00915 and the minimum invoice amount reduces to £250.

## 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 2020).
- 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.
- 1.4 The minimum invoice amount as set out in Section D 4.3.5 is the accumulated amount of BSCCo charges a BSC Party can incur before an invoice is triggered, with the exception of the Final Reconciliation billing run, which has no minimum invoice amount.

## 2. Current Specified Charges

- 2.1 The table below shows the 2019/20 Specified Charges at their current rates. For more details of these charges please refer to Appendix 1.

## REVIEW OF BSC SPECIFIED CHARGES AND MINIMUM INVOICE AMOUNT

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>£0.00757/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>£0/month</b>	No driver
Supplier Base BM Unit Monthly Charge	<b>£0/month</b>	No driver
Supplier Additional BM Unit Monthly Charge	<b>£60/month</b>	No driver
Virtual Lead Party Monthly Charge	<b>£125/month</b>	No driver
Secondary BM Unit Charge	<b>£60/month</b>	No driver

# REVIEW OF BSC SPECIFIED CHARGES AND MINIMUM INVOICE AMOUNT

---

## 3. Minimum invoice amount

- 3.1 The minimum invoice amount as set out in Section D is currently £500, and has never been reviewed since it was initially set.
- 3.2 The amount was introduced as a way of avoiding low value invoices, which required processing and in many instances would incur bank charges for an amount higher than the value of the invoice. However with technological advancements in invoice processing and particularly the banking sector, low value invoices no longer pose such a burden.
- 3.3 BSC Parties do not receive an invoice until this amount has been reached, meaning some Parties only receive an invoice every two months. This can cause confusion to new entrants in particular who are expecting to have to pay the Base Monthly Charge of £250 per month from the point of Accession
- 3.4 Among the other benefits of reducing the minimum invoice amount are;
- Reduces ELEXON's unbilled liability, therefore increasing cash.
  - Reduces potential exposure to defaults, as earlier warnings of a Party's inability to pay.
  - Reduces administrative effort when an "off the shelf" company changes ownership and the billing position needs to be reconciled between the two companies concerned. This can cause delays in payment, while the matter is resolved.
  - Reduces the number of ad-hoc invoices needed for withdrawing parties, as it is unlikely they would have any unbilled amounts, meaning a swifter and more efficient exit process.
  - Regular monthly payments can encourage Parties to pay by direct debit, further reducing the risk of non-payment, while also slightly reducing the administrative effort for Parties.
  - Better facilitates modification P385 'Improving the efficacy and efficiency of the Section H Default provisions' as Parties will generally receive invoices at the same frequency meaning a level playing field for reporting purposes.

## 4. Proposals

- 4.1 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 2020/21. Therefore, we propose no change to these charges.
- 4.2 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 £0.00915/MSID per month.
- 4.3 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 2020/21 will be available in March 2020 and it will be notified to BSC Parties via the BSC website.
- 4.4 It is proposed to reduce the minimum invoice amount to £250, meaning BSC Parties for the most part will receive an invoice every month in relation to BSCCo charges.

# REVIEW OF BSC SPECIFIED CHARGES AND MINIMUM INVOICE AMOUNT

---

## 5. Recommendations

5.1 We invite you to:

- a) **APPROVE** the new SVA Specified Charge of £0.00915/SVA MSID per month and
- b) **APPROVE** the new minimum invoice amount of £250

## Appendices

Appendix 1 – Details of BSC Specified Charges

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

Appendix 3 – Detailed Analysis of impact on previous reduction to zero for CVA & SVA BMU 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 BSC SPECIFIED CHARGES AND MINIMUM INVOICE AMOUNT

## 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 BSC SPECIFIED CHARGES AND MINIMUM INVOICE AMOUNT

**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 BSC SPECIFIED CHARGES AND MINIMUM INVOICE AMOUNT

## 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 ECVAAs 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 2019, ECVAAs costs for 2020/21 are expected to be £0.84m (down from £0.88), whilst contracts decrease from 1680TWh to 1560TWh. A direct recovery of the ECVAAs cost suggests maintaining the current level of £0.0005MW/h.

	18-19 Budget	19-20 Budget	20-21 Budget
Notified Volumes	1,792,459,150	1,680,000,000	1,560,000,000
Total ECVAAs Costs	897,147.41	879,861.07	844,465.00
<b>Notified Volume charge</b>	<b>0.0005</b>	<b>0.0005</b>	<b>0.0005</b>

### 2. SVA Specified Charge

- 2.1 SVA Specified Charge was last reviewed in early 2019 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 £0.00915 per SVA MSID based on HH and NHH meters (approximately 31,785,166) to recover the budgeted SVA Consumption costs of £3,489,777. SVA costs have risen by £1.6m for the 20/21 year, the main drivers for the increase are, an increase in Teleswitch costs of £1.4m as a result extending the existing Radio Teleswitch Service (RTS) Contract between Energy Network Association (ENA) and ELEXON, to facilitate the RTS operational cost recovery across all Trading Parties as noted in Issue 84. An increase in DTS costs of £146k and the new costs of the Azure platform of £120k, however these increases have been offset by a £116k reduction in Operational Audit costs after a review of the contract scope.

	18-19 Budget	19-20 Budget	20-21 Budget
Number of Metering Systems	30,711,940	31,049,998	31,785,166
<b>SVA Costs calculation</b>			
DTS	1,640,556.00	2,441,923.00	2,476,996.00
Profiling	196,432.98	242,000.00	153,046.00
Teleswitch	105,133.00	104,349.00	1,510,164.00
Qualification	460,383.00	400,696.00	281,436.00
75% Of operational Audit	1,016,147.25	1,156,620.00	1,011,529.00
SVAA (1/7 of BSC Agents costs)	897,147.41	879,861.07	1,029,379.00
Timesheet data	345,263.97	418,035.93	517,004.00

## REVIEW OF BSC SPECIFIED CHARGES AND MINIMUM INVOICE AMOUNT

<b>TOTAL SVA</b>	<b>4,661,063.61</b>	<b>5,643,485.00</b>	<b>6,979,554.00</b>
50% of annual costs	2,330,531.80	2,821,742.50	3,489,777.00
Monthly	194,210.98	235,145.21	290,814.75
<b>Specified charge calculation</b>	<b>0.00632</b>	<b>0.00757</b>	<b>0.00915</b>

### 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 2020/21 will be available in March 2020 and it will be notified to the Parties via the BSC website.

### 4. Specified Charges with No Cost Drivers

- 4.1 Issue 77 workgroup concluded that certain Specified Charges with No Cost Drivers are necessary to ensure a fair recovery of ELEXON Charges across industry.
- 4.2 The workgroup also deemed the current values appropriate, as such we propose no change to these rates at present.

## Appendix 3 Detailed Analysis of impact on previous reduction to zero for CVA & SVA BMU rates.

At it's August 2019 meeting, the Panel agreed that the monthly Specified Charge for CVA & SVA BM Unit's should be reduced to zero, and that these costs will be recovered via way of the Main Funding Share, with the intention that analysis be conducted prior to setting the rates for the financial year 2020/21 to ensure the Supplier community had not been adversely impacted by the change.

The below workings, provide such analysis for the period September 2019 – January 2020.

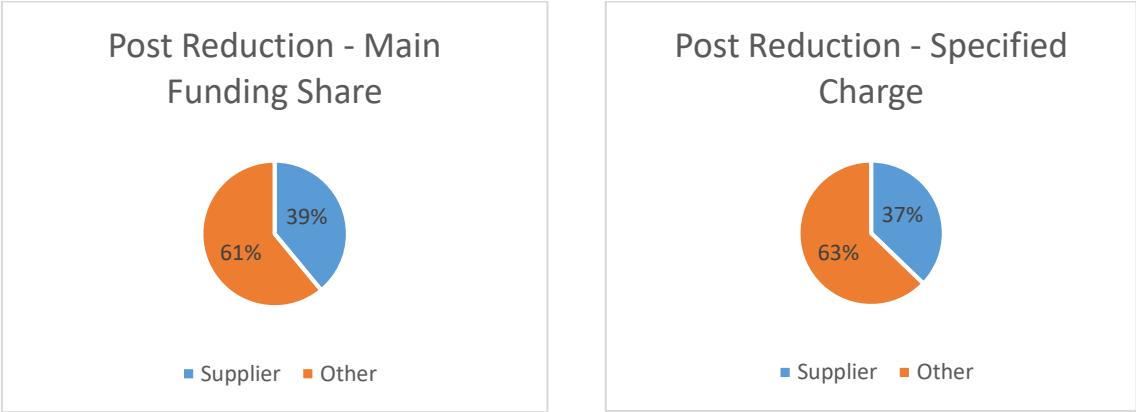
**Table 1 – Recovery by Party Type**

Month	Total billed by BMU Type		Billed by Funding Share		Equivalent if billed by Specified Charge	
	CVA BMU	SVA BMU	Supplier	Other	Supplier	Other
Sep-19	£ 83,900.00	£ 22,600.00	39%	61%	38%	62%
Oct-19	£ 84,200.00	£ 22,500.00	39%	61%	37%	63%
Nov-19	£ 84,600.00	£ 22,300.00	39%	61%	37%	63%
Dec-19	£ 84,600.00	£ 22,300.00	39%	61%	37%	63%
Jan-20	£ 84,600.00	£ 22,300.00	39%	61%	37%	63%



# REVIEW OF BSC SPECIFIED CHARGES AND MINIMUM INVOICE AMOUNT

Totals	421,900.00	112,000.00	39%	61%	37%	63%
--------	------------	------------	-----	-----	-----	-----



The total across all BMU’s attributed to Suppliers by way of the Main Funding Share was £208,221. Had the charges remained as a Specified Charge, the total would have been £198,610.80 which is a variance of £9,610.20 across the 5 months, confirming the assumption that the impact on consumers after the change in rate would be immaterial.