

## 'Temporary disapplication of Supplier Charge Serials SP08 and SP04 due to COVID-19'

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.

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.



ELEXON recommends the Panel raises the attached Modification Proposal in accordance with the provisions of Section F 'Modification Procedures' 2.1.1(d)(vi)



ELEXON recommends this Modification is progressed directly to the Report Phase with an initial recommendation to approve



ELEXON recommends this Modification be treated as Urgent and progressed with the timetable outlined in this document

This Modification is expected to impact:

- Suppliers
- Interconnector Users
- Generators
- All other Trading Parties (except Non-Physical Traders)
- ELEXON as the Balancing and Settlement Code Company (BSCCo)

## 1 Contents

1	Contents	2
2	Summary	3
3	Why Change?	4
4	Solution	6
5	Proposed Progression	8
6	Likely Impacts	10
7	Recommendations	13
	Appendix 1: Glossary & References	14



### Contact

**Nathan Flood**

020 7380 4130

[Nathan.flood@elexon.co.uk](mailto:Nathan.flood@elexon.co.uk)

or

[bsc.change@elexon.co.uk](mailto:bsc.change@elexon.co.uk)



## About This Document

This document is a recommendation to the Balancing and Settlement Code (BSC) Panel to raise a Modification Proposal (Attachment A) in accordance with BSC Section F 2.1.1(d)(i). ELEXON will present this paper to the BSC Panel at its meeting on 9 April 2020.

If the Panel agree to raise the Modification Proposal, this document will form its Initial Written Assessment (IWA), and the Proposal Form will be updated and published on the ELEXON Website accordingly. There are three parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress.
- Attachment A contains the Modification Proposal Form.
- Attachment B contains the draft Legal Text to deliver the solution.

301/05

Initial Written Assessment

07 April 2020

Version 1.0

Page 2 of 14

© ELEXON Limited 2020

### What is the issue?

The GB electricity market is facing unprecedented challenges due to the recent outbreak of the COVID-19 disease. UK Government and Ofgem advice is for companies to prioritise customer and staff safety. Suppliers and their Party Agents have therefore suspended 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 a direct impact on industry Settlement performance.

Settlement underperformance for Performance Assurance Reporting and Monitoring System (PARMS) serials SP04 and SP08 is expected to increase for the March 2020 PARMS reporting period, and continue for the duration that COVID-19 measures are in place.

### What is the proposed solution?

This Modification proposes to set SP08a, SP08b, SP08c and SP04 Serials to £0 for all Suppliers from the March 2020 PARMS reporting period, until further notice.

Supplier Charges are to be reinstated by the Performance Assurance Board (PAB) after a period of suspension following any changes to Government guidelines and restrictions which would allow for normal Settlement operations activities to resume.

### Impacts & Costs

Suppliers are impacted as they will no longer be required to pay SP04 and SP08 charges.

Non-Half-Hourly (NHH) and all Trading Parties (except non-Physical Traders) will be impacted by the redistribution of Supplier Charges.

We do not expect there to be any direct market participant implementation costs resulting from this Modification.

### Implementation

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

### Recommendation

We propose this Modification be progressed as an Urgent Modification as it seeks to rectify a current issue that could not have been foreseen. Government guidelines at this unprecedented time are 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.

---

301/05

---

Initial Written Assessment

---

07 April 2020

---

Version 1.0

---

Page 3 of 14

---

© ELEXON Limited 2020

### 3 Why Change?



#### What is the issue?

Supplier Charges are the liquidated damages that Suppliers incur if they fail to meet certain performance levels against six PARMS Serials. Supplier Charges are intended to charge Parties where they fail to meet certain performance levels, and redistribute such funds to disadvantaged Parties. This is regarded as a remedial Performance Assurance Technique (PAT).

With the UK Government and Ofgem advice being that companies are to prioritise the safety of customers and staff, it is clear that Suppliers will not be able to meet BSC obligations around Meter installations and Meter reads, and will therefore incur considerable charges through no fault of their own.

Settlement underperformance for PARMS serials SP04 and SP08 is expected to increase for the March 2020 PARMS reporting period, and continue for the duration that COVID-19 measures are in place. ELEXON has already observed a 4% drop in Half Hourly (HH) read performance at the latest Settlement Final Run (SF), in the short time that COVID-19 has been regarded as a pandemic.

Resolving this issue would allow Suppliers to keep their focus on the safety of colleagues and customers without the concern of financial impact under the BSC.

#### Background and history

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 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.

#### The Performance Assurance Reporting and Monitoring System

As part of the PAF, a set of PATs are used to help mitigate the Settlement Risks. The PARMS is a database containing information about how Suppliers and their Supplier Agents are performing.

The data from PARMS supports PAF techniques of Performance Monitoring, Peer Comparison and Supplier Charge techniques, and provides such data for reporting purposes to Parties for information, and to the PAB for information. Further, data from PARMS supports the BSC Audit and we periodically provide information to the BSC Panel and other Panel Committees or Modification groups.

PARMS data is provided in reports referred to as Serials. A Serial is a defined area for measuring a Supplier or Supplier Agents' performance against key industry processes. The majority of PARMS Serials are submitted by Supplier Agents.

#### What is the PAF?

The Performance Assurance Framework (PAF) is in place to provide assurance that:

Energy is allocated between Suppliers efficiently, correctly and accurately.

Suppliers and Supplier Agents transfer Metering System data efficiently and accurately.

Calculations and allocations of energy and the associated Trading Charges are performed within the BSC requirements.

301/05

Initial Written Assessment

07 April 2020

Version 1.0

Page 4 of 14

© ELEXON Limited 2020

The table below shows the six PARMS Serials and Standards for which Supplier Charges are incurred in instances of underperformance.

PARMS Serials and Standards for which Supplier Charges are incurred in instances of underperformance		
Serial	Serial Description	Standard
SP01	Delivery of Routine Performance Monitoring Reports	Zero Working Days that a full set of PARMS Reports has not been submitted into PARMS
SP02	Delivery of Routine Performance Monitoring Logs	Zero Working Days that Drill Down or Ad-Hoc data has not been submitted to the Performance Assurance Administrator (PAA)
SP04	Installation of Half Hourly (HH) Metering	Zero Calendar Days where a mandatory HH Meter has not been installed
SP08a	Percentage of Non-Half Hourly (NHH) Energy Settled on Annual Advances	R3 – 80% RF – 97%
SP08b	Percentage of HH Energy Settled on Actual Readings	SF – 99% R1 – 99%
SP08c	Percentage of non-mandatory HH Energy Settled on Actual Readings	RF – 99%

Supplier Charges are applied based on underperformance by Supplier ID, Reporting Period (Calendar Month) and Grid Supply Point (GSP) Group.

The SP01 charge will not require setting to zero as this was previously accomplished by [P393](#). This Serial was set to zero with effect from the February 2020 BSC Release.

SP02 is only applied in cases where Suppliers fails to provide PARMS data when ELEXON requests it and is not affected by this Modification.



### What is the Performance Assurance Board (PAB)?

The PAB is a sub-Committee of the BSC Panel, which conducts and administers activities to provide assurance that all participants in the BSC arrangements are suitably qualified and that the relevant standards are maintained.

## 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 upon ELEXON's request) 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. PAB 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 PAB will also decide on a reasonable timeframe to reinstate the charges. An appropriate timeframe has to be proportionate to the length of time for which social distancing Government measures were in place. The PAB may decide to monitor operational challenges faced by the industry, as a result of COVID-19 outbreak, even after Government social distancing measures have ended.

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, there will be no redistribution of charges, which will impact NHH Suppliers and other Trading Parties, with the exception of Non-Physical Traders.

## Applicable BSC 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	<i>Neutral</i>
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	<i>Neutral</i>
(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	<i>Neutral</i>
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	<i>Positive</i>
(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]	<i>Neutral</i>

301/05

Initial Written Assessment

07 April 2020

Version 1.0

Page 6 of 14

© ELEXON Limited 2020

(f) Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	<i>Neutral</i>
(g) Compliance with the Transmission Losses Principle	<i>Neutral</i>

The Proposer believes that the Modification better facilitates the Applicable BSC Objective (d) for the reasons below:

Setting the value of Supplier Charges SP08 and SP04 Serials to £0 shows that the PAB, BSC Panel and ELEXON recognise 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 by ensuring resource can be allocated to other Settlement operation activities, without the financial burden imposed by Supplier Charges.

Therefore, this Modification makes the BSC more efficient as there are obligations Suppliers cannot meet as a result of wider statutory health and safety considerations, and provides the opportunities for such parties to focus on discharging their other BSC Obligations during the pandemic

The Proposer believes this Modification is neutral against all other Applicable BSC Objectives.

## Implementation approach

Implementation of this Modification requires minimal configuration changes within the PARMS system, therefore the relevant adjustments can be made in time for the March 2020 PARMS reporting period run scheduled for early June 2020. This ensures that this Modification can bring benefit to the industry for the first Supplier Charge period directly impacted by the COVID-19 pandemic.

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 the start of June 2020, thus realising the benefits of this Modification at the earliest opportunity.

The Proposer/ELEXON recommends an Implementation Date for this Modification of:

- 11 May 2020 if an Authority decision is received on or before 5 May 2020; or
- 25 June 2020 if an Authority decision is received on or before 18 June 2020.





### What is an Urgent Modification?

Ofgem provides [guidance](#) on its website that an Urgent Modification should be linked to an imminent issue or current issue that if not urgently addressed may cause:

- (i) a significant commercial impact on Parties, consumers or stakeholders,
- (ii) significant impact on the safety and security of electricity systems or
- (iii) a party to be in breach of any legal requirements.

### PAB Endorsement

At its meeting on 26 March 2020, the PAB requested that ELEXON seeks to stop Supplier Charges from the March 2020 Reporting Period onwards, subject to a technical solution. The PAB believed it appropriate to stop Supplier Charges, as Suppliers are unable to meet Settlement performance standards due to the challenges faced from the COVID-19 pandemic.

ELEXON investigated this request and deemed that a Modification for the temporary disapplication of Supplier Charges be the most appropriate mechanism to enact the PABs request.

ELEXON provided a draft Modification Proposal Form to the PAB ex-committee on Thursday 2 April 2020. On 3 April 2020, the PAB **unanimously** recommended to the Panel that the Modification be raised in accordance with [BSC Section Z 'Performance Assurance'](#) 8.2.

### Report Phase Modification

We propose this Modification be sent directly to the Report Phase, thus not convening a Workgroup to devise the solution. This Modification is self-evident in that it seeks to stop Supplier Charges over the COVID-19 pandemic.

All interested market participants will have the opportunity to comment on whether they support the Modification as written as part of the Report Phase progression.

### Urgency request

The Proposer believes this Modification should be treated as an Urgent Modification, and should follow an accelerated timeline.

This Modification seeks to rectify a current issue that could not have been foreseen. Government guidelines at this unprecedented time are 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 for the March 2020 Supplier Charges (the first period impacted by the COVID-19 pandemic). The Supplier Charges for March are expected to be higher than usual due to COVID-19, hence we are striving to have the solution in place by this time.

### Timetable

Where Ofgem as the GB Authority grants a Modification Urgent status, it may approve a timetable that it believes is appropriate for the progression of the Modification. Therefore, we propose the below timetable for the progression of this Modification as Urgent:

301/05

Initial Written Assessment

07 April 2020

Version 1.0

Page 8 of 14

© ELEXON Limited 2020



Proposed Progression Timetable – <b>with</b> Urgent status granted	
Event	Date
Present Initial Written Assessment to Panel	09 April 2020
Consultation – 5 working days	14 April 2020 – 20 April 2020
Present Draft Modification Report to Panel	Week commencing 20 April 2020
Issue Final Modification Report to Ofgem	Panel considers Draft Modification Report +1 Working Day
Implementation Date	11 May 2020

In order for this timetable to be effective, an Ofgem decision on Urgency is kindly requested by 19 April 2020. In order for the Modification to be subsequently implemented by 11 May 2020, an Ofgem decision would be required by 5 May 2020

If Ofgem do not grant this Modification Urgency, we propose the following Modification progression timetable:

Proposed Progression Timetable – <b>without</b> Urgent status	
Event	Date
Present Initial Written Assessment to Panel	09 April 2020
Consultation – 12 working days	14 April 2020 – 29 April 2020
Present Draft Modification Report to Panel	14 May 2020
Issue Final Modification Report to Ofgem	15 May 2020
Implementation Date	25 June 2020

## Self-Governance

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 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.

## Next steps

ELEXON recommends this Modification is progressed as an Urgent Modification to ensure that Suppliers and their Party Agents are able to prioritise the safety of their customers and staff, as advised by the UK Government and Ofgem without financial concern.



### What is the Self-Governance Criteria?

A Modification that, if implemented:

(a) is unlikely to have a material effect on:  
 (i) existing or future electricity consumers; and  
 (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and  
 (iii) the operation of the national electricity transmission system; and  
 (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and  
 (v) the Code's governance procedures or modification procedures; and

(b) is unlikely to discriminate between different classes of Parties.

301/05

Initial Written Assessment

07 April 2020

Version 1.0

Page 9 of 14

© ELEXON Limited 2020

## 6 Likely Impacts

### Central Implementation Costs

The Central implementation costs to amend documentation and internal working practises for this Modification will be approximately £720. There will be no system costs as a result of the PARMS system parameter change.

### Market Participant Implementation Costs

We do not expect there to be any direct market participant implementation costs resulting from this Modification Proposal.

### Impacts

Impact on BSC Parties and Party Agents	
Party/Party Agent	Potential Impact
Suppliers	Suppliers are impacted as they will no longer be required to pay Supplier Charges for Serials SP08 and SP04, nor will they receive redistribution of charges for the duration of the Supplier Charges suspension.
Interconnector Users	Interconnector Users will not receive redistribution of charges as a Trading Party for the duration of the Supplier Charges suspension.
Generators	Generators will not receive redistribution of charges as a Trading Party for the duration of the Supplier Charges suspension.

Impact on the National Electricity Transmission System Operator (NETSO)
No impact identified

Impact on BSCCo	
Area of ELEXON	Potential Impact
Metering	May experience more phone calls or emails about access to metering or the Technical Assurance Agent (TAA)
Settlement Operations	Supplier Charges Local Working Instruction will need updating. Section S Simple Guide will need updating. Instruction will need to be issued to our external service provider to implement the system parameter change required. '2019/20 GSP Group Take, Supplier Charges and GSP Caps' spreadsheet needs to be updated on the ELEXON website to reflect changes in charges for SP08 and SP04.

301/05

Initial Written Assessment

07 April 2020

Version 1.0

Page 10 of 14

© ELEXON Limited 2020

Impact on BSC Settlement Risks
Serial SP08 has a direct impact on risks 7 and 8 - 'Retrieval of Metered Data' and 'Processing of Metered Data'.
Serial SP04 has a direct impact on risk 3 – 'Metering Equipment installation, programming, maintenance and Commissioning'
The impact on the three risks is thought to be minimal as, prior to the approval of P393, the incentive effect of Supplier Charges was ineffective due to exaggerated cumulative SP01 charges.
The Performance Assurance Board are supportive of the approach and therefore supportive of any resulting impact to risks.

Impact on BSC Systems and processes	
BSC System/Process	Potential Impact
PARMS	The SP04 and SP08 charge parameters in the PARMS system will need to be changed to zero, to implement this solution on the Implementation Date (once approved).

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Potential Impact
No impact identified.	

Impact on Code	
Code Section	Potential Impact
BSC Section S	The Legal Text for BSC Section S will need to be amended to give effect to the solution (new section required within paragraph 3.2)

Impact on Code Subsidiary Documents	
CSD	Potential Impact
There are no CSDs requiring amendment to implement this Modification Proposal. SP04 and SP08 Supplier Charge provisions will remain in the BSC and its subsidiary documents, but the charge will be set to zero.	

Impact on other Configurable Items	
Configurable Item	Potential Impact
No impacts on other BSC Configurable Items	

301/05

Initial Written Assessment

07 April 2020

Version 1.0

Page 11 of 14

© ELEXON Limited 2020

Impact on Core Industry Documents and other documents	
Document	Potential Impact
Ancillary Services Agreements	No impact identified.
Connection and Use of System Code	No impact identified.
Data Transfer Services Agreement	No impact identified.
Distribution Code	No impact identified.
Distribution Connection and Use of System Agreement	No impact identified.
Grid Code	No impact identified.
Master Registration Agreement	No impact identified.
Supplemental Agreements	No impact identified.
System Operator-Transmission Owner Code	No impact identified.
Transmission Licence	No impact identified.
Use of Interconnector Agreement	No impact identified.

#### Impact on a Significant Code Review (SCR) or other significant industry change projects

We do not believe there are any impacts on any of Ofgem's ongoing SCR's, and requested exemption on 7 April 2020.

#### Impact on Consumers

The Proposer believes that this Modification will impact customers positively since the intention of this Modification is to remove the burden of Suppliers' read collection activities and allow focus on customer and staff safety.

#### Impact on the Environment

We do not anticipate there to be any direct impacts on the environment resulting from this Modification Proposal.

## 7 Recommendations

We invite the Panel to:

- **RAISE** the Modification Proposal in Attachment A (in accordance with F2.1.1(d)(vi));
- **RECOMMEND** to the Authority that this Modification should be treated as an Urgent Modification Proposal;
- **AGREE** the Urgent progression timetable for recommendation to the Authority;
- **AGREE** that this Modification progresses directly to the Report Phase;
- **AGREE** that this Modification:
  - **DOES** better facilitate Applicable BSC Objective (d);
- **AGREE** an initial recommendation that this Modification should be **approved**;
- **AGREE** an initial Implementation Date of:
  - **11 May 2020** if the Modification is granted Urgent status and an Authority decision is received by 5 May 2020; or
  - **25 June 2020** if the Modification is not granted Urgent status and an Authority decision is received by 18 June 2020;
- **AGREE** the draft legal text;
- **AGREE** an initial view that this Modification should not be treated as a Self-Governance Modification; and
- **NOTE** that ELEXON will:
  - Subject to Urgency being granted, issue the draft Modification Report (including the draft BSC legal text) for a five Working Day consultation, and will present the results to the Panel at an ad-hoc meeting during week commencing 20 April 2020; or
  - If Urgency is not granted, issue the draft Modification Report (including the draft BSC legal text) for a for 12 Working Day consultation, and will present the results to the Panel at its meeting on 14 May 2020.

## Appendix 1: Glossary & References

### Acronyms

Acronyms used in this document are listed in the table below.

Acronym	
Acronym	Definition
BSC	Balancing & Settlement Code
HH	Half Hourly
IWA	Initial Written Assessment
NHH	Non Half Hourly
OSM	Operational Support Manager
PAA	Performance Assurance Administrator
PAB	Performance Assurance Board
PAF	Performance Assurance Framework
PARMS	Performance Assurance Reporting and Monitoring System
PAT	Performance Assurance Technique
R1	1st Reconciliation
RF	Final Reconciliation Settlement Run
SF	Settlement Final (Run)

### External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
4	Section S Annex S-1 'Performance Levels and Supplier Charges'	<a href="https://www.elexon.co.uk/the-bsc/bsc-section-s-annex-s-1-performance-levels-and-supplier-charges/">https://www.elexon.co.uk/the-bsc/bsc-section-s-annex-s-1-performance-levels-and-supplier-charges/</a>
5	P393 - 'Disapplication of Supplier Charge SP01'	<a href="https://www.elexon.co.uk/mod-proposal/p393/">https://www.elexon.co.uk/mod-proposal/p393/</a>
8	BSC Section Z 'Performance Assurance'	<a href="https://www.elexon.co.uk/the-bsc/bsc-section-z-performance-assurance-3/">https://www.elexon.co.uk/the-bsc/bsc-section-z-performance-assurance-3/</a>