

PERFORMANCE ASSURANCE BOARD RECOMMENDATIONS FOR REINSTATING SUPPLIER CHARGES

MEETING NAME BSC Panel

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Purpose of paper For Information

Classification Public

Summary This paper highlights the recommended criteria by the Performance Assurance Board (PAB) to reinstate Supplier Charges following the implementation of [P406 'Temporary disapplication of Supplier Charge Serials SP08 and SP04 due to COVID-19'](#). The discussion was held at the July PAB meeting as Elexon presented three criteria for discussion, of which two were agreed by the PAB for the Panel's consideration.

1. Introduction

- 1.1 At the Performance Assurance Board (PAB) meeting on 30 July 2020, Elexon presented a paper ([PAB234/03](#)) 'Criteria for Reinstating Supplier Charges' inviting the committee to discuss the viability of each criteria to re-establish Supplier Charges outlined in BSC Section S.
- 1.2 The aim of the paper was to begin a discussion on the three criteria proposed by Elexon for when and how Supplier Charges should be reapplied, following an Action (303/01) raised at the June 2020 Panel meeting.
- 1.3 Modification P406 was implemented following Authority approval. This Modification set Supplier Charges for the SP08 and SP04 Serials to £0 from the March 2020 Performance Assurance Reporting and Monitoring System (PARMS) reporting period, until further notice.
- 1.4 Following the discussion, the PAB was invited to make recommendations to the Panel and encouraged to highlight any further criteria for consideration. This paper sets out these recommendations to the Panel.

2. Criteria for Reinstating Supplier Charges Discussed by the PAB

Criteria 1 - Follow Government guidance on COVID-19 lockdown restrictions

- 2.1 The first criteria for discussion was for any decision to re-apply Supplier Charges to consider further Government advice to ease COVID-19 lockdown.
- 2.2 Future changes in relaxing lockdown restrictions would make site visits increasingly possible and see a return to 'normal' operational activities.
- 2.3 A PAB Member commented that as a Supplier they have noticed an abort rate for Half Hourly (HH) site visits remained high at around 50% and around 30% for Non-Half Hourly (NHH) site visits, despite new measures introduced to ease the lockdown.
- 2.4 At the Panel meeting on 11 June 2020, Elexon presented paper ([303/05 'Considering The Opportunity For Flexibility In The Disapplication Of Supplier Charges Due To COVID-19'](#)) where the Panel discussed the possibility of applying Supplier Charges per individual Grid Supply Point (GSP) Groups and deemed it to be discriminatory to Parties.
- 2.5 Therefore, the decision to re-apply Supplier Charges should take into account Government advice to ease COVID-19 lockdown in all GSP Groups.

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- 2.6 The PAB agreed that no decision to reinstate Supplier Charges should be made until Criteria 1 is met. That is, until the Panel are satisfied that future easing on lockdown restrictions by the UK Government will ensure that normal operational activities by Suppliers and Supplier Agents can resume.

Criteria 2 - Evidence increase in consumption or a return to 'pre-lockdown' levels

- 2.7 Elexon's derogations for HH and NHH Metering systems have allowed Suppliers to instruct Data Collectors to make adjustments which best reflect the site demand profile during the lockdown period.
- 2.8 The PAB discussed the possibility of monitoring consumption for evidence of a return to 'pre-lockdown' levels, taking into account seasonality. Whereby, Supplier Charges technique could only be reinstated if consumption levels increased to a new normal, or similar to the consumption levels for the Settlement Dates up until lockdown began in March 2020.
- 2.9 The PAB agreed that a return to pre-lockdown consumption may never happen, and that determining what a new normal level of consumption to expect may not be possible.
- 2.10 This led the PAB to conclude that Criteria 2 was not viable and would not be recommending it to the Panel.

Criteria 3 - Wait until Estimated EACs leaves Settlement after Final Reconciliation (RF) Settlement Run

- 2.11 Criteria 3 explored the possibility of only reintroducing Supplier Charges after the Settlement Dates during the lockdown period no longer had an impact on Settlement.
- 2.12 As a result of the derogations, the majority of estimation of consumption has been made by NHH Suppliers for non-domestic customers.
- 2.13 Therefore, NHH Suppliers who have opted for estimating consumption would be at an advantage when the Settlement Dates in question reach RF, as their performance have been inflated.
- 2.14 This outcome would result in Suppliers who have not adjusted consumption to be the net payers of Supplier Charges, and the funds would be redistributed to the Suppliers that had performance inflated due to the derogations.
- 2.15 The PAB were in favour of Criteria 3 being met before Supplier Charges could be reinstated.
- 2.16 The PAB also agreed that Criteria 3 would provide an opportunity to understand how Supplier's behaviours have changed since [P393 'Disapplication of Supplier Charge SP01'](#) was implemented in February 2020 for the December 2019 PARMS reporting period.

3. Conclusion

- 3.1 The outcome of the discussion at the July PAB meeting was that the following criteria should be recommended to the BSC Panel for their consideration:
1. Follow UK Government guidance on lockdown restrictions - **Recommended**
 2. See evidence of increase in consumption or a return to 'pre-lockdown' levels – **Not Recommended**
 3. Wait until estimated EACs from lockdown period leaves Settlement after RF Settlement Run – **Recommended**
- 3.2 The PAB thought that it was logical that both recommended criteria could be combined, as they are not mutually exclusive. That is, Criteria 3 should only be considered after the Panel deems that Government lockdown restrictions has been sufficiently lifted, allowing for normal Settlement operations to restart.

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- 3.3 Further, the Panel would decide on a final Settlement Date for which lockdown restrictions still applied. After which a 14 month period would follow until the final Settlement Date from the lockdown period was no longer Settlement impacting after completing the RF Settlement Run.
- 3.4 Finally, the PAB were interested in the opportunity which would arise from delaying Supplier Charges for 14 months following the end of lockdown.
- 3.5 They agreed that Elexon could use this opportunity to understand the effectiveness of Supplier Charges technique as it is currently designed, by monitoring Suppliers' Settlement performance during its inactive period.
- 3.6 During this period, Elexon could review areas within the technique for which they believe there is room for improvement. This includes, the way charges are redistributed (currently 90% NHH Suppliers and 10% Trading Parties) and introducing the possibility to apply charges to HH Metering systems only.

4. Recommendations

- 4.1 We invite you to:
 - a) **NOTE** the recommended criteria by the Performance Assurance Board to reinstate Supplier Charges.

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