

Review of BSC Specified Charges

BSC Panel

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Summary **Elxon reviews the BSC Specified Charges as set out in BSC Section D which are determined by the BSC Panel. Elxon recommends the flat charge levied of £0.01001/SVA MSID per month for both Half Hourly and Non Half Hourly, across all Measurement Classes reduces to £0.00992 and the MHHS Monthly Implementation Charge increases from £0.02235/SVA MSID per month to £0.05074**

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 as 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 2022).
- 1.2 Elxon costs are recovered by a combination of Specified Charges which recover a portion of Elxon 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 From 2021/22 the MHHS Monthly Implementation Charge was introduced to recover the costs of the MHHS Programme costs from Supplier's. A cost driver was established for the recovery, using the number of Metering System ID's (MSIDs) as a reflective way of enduring Supplier's pay cost proportionate to their size.

2. Current Specified Charges

- 2.1 The table below shows the 2021/22 Specified Charges at their current rates. For more details of these charges please refer to Appendix 1.

Specified Charge	Current Rate	Note
Notified Volume Charge (Contracts Traded)	£0.0005/MWh/month	To recover Energy Contract Volume Aggregation Agent (ECVAA) costs
SVA Specified Charge (Half Hourly MSIDs)	£0.1001/MSID/month	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 £291.25/month to £785.42/month depending on technical specifications chosen.	Pass through
TIBCO Charges	Direct recovery of TIBCO license costs charged by TIBCO Software Inc. currently at £16,426 for one off standard set up and £246.39/month for support (18% of installation cost per annum).	Pass through
Base Monthly Charge	£250/month	No driver
CVA Metering System Monthly Charge	£50/month	No driver
CVA BM Unit Monthly Charge	£0/month	No driver
Supplier Base BM Unit Monthly Charge	£0/month	No driver
Supplier Additional BM Unit Monthly Charge	£60/month	No driver
Virtual Lead Party Monthly Charge	£125/month	No driver
Secondary BM Unit Charge	£60/month	No driver
MHHS Monthly Implementation Charge	£0.02235/MSID/month	To recover the costs of the MHHS Programme

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 2022/23. 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 reduced to £0.00992/MSID per month.
- 3.3 When Modification P346 was introduced, it gave no mechanism to perform a reconciliation at the end of the year (unlike those implemented as part of P413 for MHHS). Any over/under recovery would be washed up in the Net Main Cost. Over the years this has been sufficient as the variance has been small (<£70k), however the variance for 2021/22 is forecast to be £400k. Given that this variance is largely made up Profiling and Teleswitch costs being postponed until 2022/23, we feel a reconciliation should be performed at Final Reconciliation, and a new rate set for the 2021/22 year, in the same way that the MHHS Monthly Implementation Charge is reconciled. This will mean Suppliers are not paying for services that have not been performed. This new rate would be noted to Panel prior to the Reconciliation Run being performed (expected August 2022).
- 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 2022/23 will be available in March 2022 and it will be notified to BSC Parties via the BSC website.

3.5 The MHHS Monthly Implementation Charge is intended to recover the full costs of the Programme. The analysis suggests that a charge of £0.05074/SVA MSID/Month would recover the 2022/23 budgeted costs.

4. Proposals

1.1 We invite you to:

- a) **APPROVE** the new SVA Specified Charge of £0.00992/SVA MSID per month.
- b) **APPROVE** the new MHHS Monthly Implementation Charge of £0.05074/SVA MSID per Month
- c) **APPROVE** a reconciliation of the SVA Specified Charge rate in the 2021/22 Final Reconciliation process

Appendices

Appendix 1 – Detailed Analysis of BSC Specified Charges at their current rates

For more information, please contact:

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Appendix 1 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.

Compared to the last review in March 2021, ECVAA costs for 2022/23 are expected to be £0.77m down from £0.9m, due to a revised contract with our service provider, whilst contracts decrease from 1650TWh to 1430TWh. A direct recovery of the ECVAA cost suggests maintaining the current level of £0.0005MW/h.

	21/22 Budget	22/23 Budget
Notified Volumes	1,650,000,000	1,430,000,000
Total ECVAA Costs	902,366.00	766,608.00
Notified Volume charge	0.0005	0.0005

2. SVA Specified Charge

2.1 SVA Specified Charge was last reviewed in early 2021 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 a reduced rate of £0.00992 per SVA MSID based on HH and NHH meters (approximately 31,980,612) to recover the budgeted SVA Consumption costs of £3,808,441. SVA costs have risen by £41k for the 22/23 year, the main drivers for the increase are a £97k increase in Profiling costs, as a result of postponed meter removals and disposals, and a £346k increase in Performance Assurance, due to an increase number of Qualifications and Assurance required in preparation for the MHHS implementation. These increase however are offset by lower DTS and Teleswitch charges.

	21/22 Budget	21/22 Forecast	22/23 Budget
Number of Metering Systems	31,525,844	TBC	31,980,612
<i>SVA Costs calculation</i>			
DTS	2,844,602.00	2,734,676	2,654,547.17
Profiling	184,812.01	66,841	282,167.11
Teleswitch	1,813,135.42	1,231,408	1,544,805.54
Performance Assurance	1,843,275.07	1,944,260	2,189,708.33
SVAA (1/7 of BSC Agents costs)	890,073.00	806,448.22	945,655.60
TOTAL SVA	7,575,897.50	6,783,633	7,616,883.75
50% of annual costs	3,787,948	3,391,816	3,808,441
Monthly	315,662	282,651	317,370
Specified charge calculation	0.01001	TBC	0.00992

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 2022/23 will be available in March 2022 and it will be notified to the Parties via the BSC website.

4. MHHS Monthly Implementation Charge

- 4.1 The MHHS Monthly Implementation Charge was last reviewed in November 2021 where due to uncertainty around the timings of on-boarding service providers, the charge rate was reduced significantly, with the revised budget being reduced to £8.5m, with the expectation that the charges would fall into the following financial year once the services had been procured. This explains the increase in the 22/23 Budget to £19.4m. The table below shows the initial rate set for the 21/22 financial year. The revised rate set in November 2021 was £0.02235.

MHHS Implementation Management Monthly Charge	21/22 Budget	22/23 Budget
Number of Metering Systems	31,525,844	31,980,612
Annual MHHS Budget	14,553,035	19,471,486
Monthly	1,212,753	1,622,624
Specified Charge Calculation	0.03847	0.05074

5. Specified Charges with No Cost Drivers

- 5.1 The [Issue 77](#) Workgroup concluded in 2019 that certain Specified Charges with no Cost Drivers are necessary to ensure a fair recovery of Elexon charges across industry, and that the current values were appropriate.
- 5.2 As such we propose no change to these rates at present.