4.7 Issue Form

Issue Form - BSCP40/04	Issue 104 *(mandatory by BSCCo)*

Issue Title *(Mandatory by originator)*

Extending RTS Cost Recovery Arrangements Under the BSC

Issue Description *(Mandatory by originator)*

Summary

The contract between Elexon and the Energy Networks Association (ENA) to pass the operational costs for the Radio Teleswitch Service (RTS) through the BSC as 'BSC Costs' is due to expire on 31 March 2023. The BSC pass-through operational costs are expected to rise from c.£1.5m to a possible c.£5.5m. Therefore, Elexon wishes to re-establish industry support for passing RTS costs through the BSC from April 2023 onwards, and confirm how the costs should be apportioned.

Further Information

The agreement between the ENA and the British Broadcasting Corporation (BBC) for the operation of RTS is coming to an end on 31 March 2023. The BBC have advised the ENA that the operational costs for the RTS are due to increase to a maximum of £5.5m for the 2023/24 financial year, primarily due to increases in the cost of electricity needed to power the Long Wave Radio transmitters (as advised by the BBC). It's worth noting that due to its strict internal financial governance controls, the BBC are not permitted to make a profit on, nor subside any of the costs of providing the RTS service.

We understand that circa 1 million customers continue to rely on RTS to manage load switching, which may include storage heaters and hot water. Alternative off-the-shelf technologies to replace RTS Meters, for example 5-terminal and twin-element Smart Meters are still limited in availability due to delays in their manufacture. In combination with competing Supplier priorities, the replacement of RTS Meters has not been as timely as desired.

Therefore, the RTS arrangements are still required for a further period beyond the current contract end date of 31st March 2023.

Currently, the RTS operational costs are passed through the BSC as 'BSC Costs'. In general, this means the RTS costs are spread across approximately c.31m MPANs, on average attributed 50% to Suppliers and 50% to Generators.

Although Suppliers are the primary users and thus beneficiaries of RTS, we encourage other market participants impacted by this Issue to engage in this process. For example, Generators who currently contribute to RTS costs.

What is the Radio Teleswitch Service?

The RTS uses the BBC's long wave Radio 4 service infrastructure to send radio signals to consumer's premises that facilitates remote load control capability on Radio Teleswitch devices.

The system relies on a chain of messaging, rules and contractual agreements among Suppliers (acting as group code sponsors), Licensed Distribution System Operator (LDSO) (acting as access providers), ENA and the BBC.

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Justification for Examining Issue *(Mandatory by originator)*

Whilst suppliers are continuing the rollout of Smart Meters, there is a need to extend and utilise RTS to ensure that customers using Load Switching devices can continue to be supported until a Smart metering solution, or alternative proposals, are installed. Any Supplier can gain customers with Teleswitch metering arrangements.

Without the RTS service operating, and without an alternative solution, it is highly likely that the way in which existing Radio Teleswitched equipment operates will become very unpredictable, and in extreme cases, some consumers could lose hot water and heating functionality.

Potential Solution(s) *(Optional by originator)*

We would like to invite industry to confirm that continuing to pass the operational costs for the RTS service through the BSC is the right thing to do. Subject to this confirmation, we would like to invite industry views on the potential options to take forward. We suggest that the Issue Group may wish to consider:

1. Continue to recover operational RTS costs through the BSC as a BSC Cost (as per the current arrangement).
2. Modifying how RTS costs are recovered under the BSC if the BSC Issue Group wished for a differing proportional cost recovery mechanism other than the current BSC Cost recovery provisions (as outlined in Section D).This could be for example:

    a. proportionately across all Suppliers; or,
    b. by RTS user on a market share basis (with a clear definition of what this entails).

We also suggest the Issue Group consider how Suppliers can be incentivised to transition away from the use of RTS (if the significant increase in costs outlined above is not already a sufficient incentive), so that a further extension of the service may not be required past March 2024. This could include further assurance and monitoring activities of the transition.

Proposer's Details

Name

Derek Weaving, Market Architect, Design Authority

Organisation

Elexon

Email Address

Derek.Weaving@elexon.co.uk

Telephone Number

Direct line: 0207 380 4183

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