

ELEXON

20 November 2020

Jonathan Brearley
Chief Executive
Ofgem
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By email to: jonathan.brearley@ofgem.gov.uk

Dear Jonathan

Target Charging Review – concerns over timelines and approach

I write in my capacity as Chair of the BSC Panel.

At the BSC Panel meeting in November, the Panel received a presentation from Elexon on the progress of implementing changes to Market Domain Data (MDD) to support the Ofgem Significant Code Review of Electricity Transmission Charging. The Panel was sufficiently concerned that the Panel agreed that I should write to you on their behalf to set out their concerns.

Background

As a result of the Ofgem Targeted Charging Review (TCR), Licensed Distribution System Operators (LDSOs) need to add ~19,000 new Line Loss Factor Classes (LLFCs) (increasing from the current ~16,000 to ~35,000) and ~262,000 valid set combinations (increasing from the current ~208,000 now to ~470,000) into the Market Domain Database (MDD) by April 2021. These would be used to identify the new network charging categories under the TCR.

To facilitate the change Elexon has been working with LDSOs, Ofgem and the Energy Networks Association (ENA) since December 2019 on the implementation of the TCR.

The outline of the solution was known in 2019 as part of the initial solution design and planning in December 2019 and January 2020, and through the Distribution Connection Use of System Agreement (DCUSA) and Connection and Use of System Code (CUSC) modification processes in February and March,

By March 2020 (at the time of the DCUSA and CUSC discussions), an early estimate of the likely impact on LLFCs could not be accurately quantified by the LDSOs and it was not until June 2020 that the LDSOs were in a position to share more detailed requirements with Elexon. At that point, Elexon was able to assess and understand the scale of the LLFC MDD challenge. Elexon then advised the industry that it may be better to consider creating new registration items rather than relying on LLFCs. LDSOs and some Suppliers considered that there was not sufficient time to develop dedicated registration details and that using LLFCs would be a pragmatic approach.

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Subsequently, Elexon and the LDSOs have been working together to agree a pragmatic approach to introducing the new MDD/LLFC elements into central and participants' systems. Elexon is working on assessing the level of risk and contingency and, as a clearer picture of progress emerges, will be discussing the situation with Ofgem colleagues.

As part of Elexon's planning work, it became apparent during Summer 2020, that whilst DCUSA and CUSC had consulted industry on the related TCR Modifications and the proposed changes to their Codes, the consultations had not described the proposed solution in detail or sought specific views on the impact to industry of increasing the numbers of LLFCs used to support the new DUOS and TNUOS charging arrangements. Consequently, risks to Settlement (Central Systems and to participants' systems and processes) were not identified in those processes. Therefore, in August 2020, Elexon published a Request for Information (RFI) to collect industry views on the impacts of increasing the numbers of LLFCs and Valid Sets in MDD.

The result of the Request for Information was that 17 of the 19 respondents stated that they believed that testing of their systems is needed (rather than just testing of the central systems) and therefore that Industry Testing needs to be completed.

Elexon has been working with both ENA and LDSOs on the phasing of the change requests to introduce the MDD changes and has also been dedicating a lot of time to assessing and determining a test regime, which will not only test central systems, but will make available test files for flows that have been identified as being impacted by the increased LLFC volumes, for Industry to use in their testing. So far the MDD changes that have been approved by the BSC Panel and the BSC Supplier Volume Allocation Group (SVG), and progressed by Elexon, have been introduced with no major problems.

Panel's concerns

The issue of MDD was escalated to the Panel in October by the SVG, due to their concerns about the large-scale nature of the change that is being proposed to MDD and in particular the exceptional level of Line Loss Factor Class combinations required for the solution.

The Panel is concerned that the change proposed is complex, unprecedented and was not fully consulted on, and that Elexon and Suppliers are now in a position of rapidly trying to develop the systems solution to facilitate the change. In tandem with this, there are also a number of other significant industry changes which Elexon is currently implementing and testing, which is adding multi-dimensional risk to the delivery of the MDD change. These changes include **P383** ("Enhanced reporting of demand data to the NETSO to facilitate Modification **CMP280** and **CMP281**") and **CP1531** ("Additionally provide the TUoS Report to National Grid ESO at II Settlement Run") which are also due to be implemented in April 2021. There are, additionally, wider changes such as faster switching and Market-wide Half Hourly Settlement, which are taking up industry and Elexon resource.

The Panel therefore want to highlight their concerns to Ofgem that the system changes and testing necessary to implement the MDD change is extremely challenging in the timescale that Ofgem has directed. In addition, the Panel is concerned that rushing a system change of this magnitude, which impacts across central and participants' own systems, is not prudent and in itself could risk system stability and more worryingly carries a substantial risk that the Central Systems could fail.

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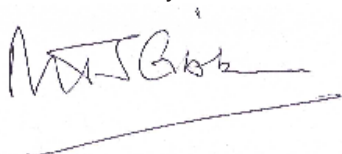
In conclusion

The Panel is concerned that whilst Ofgem colleagues, ENA and Elexon are meeting on a weekly basis on this issue, the scale of the change is so significant and unprecedented that the timetable being pursued is potentially unrealistic. In addition, with so much other industry change, rushing the MDD change could undermine other Ofgem and industry initiatives and obligations.

I would therefore welcome your thoughts on the Panel's concerns and an opportunity to discuss timescales. In learning from this exercise about how best to manage future cross industry change, I understand Elexon is holding a meeting with Energy UK, ENA and your colleagues to discuss how better to plan and take a more strategic/holistic approach to systems change. This is with a view to introducing cross sector planning of change and introducing a systems capacity and capability dimension to industry change.

I look forward to hearing from you.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'M Gibbons', with a horizontal line drawn underneath it.

Michael Gibbons
BSC Panel Chair

CC: Andrew Self
Eleanor Wood
BSC Panel Secretary