

SECTION D: BSC COST RECOVERY AND PARTICIPATION CHARGES

BSC Simple Guide

Public

Introduction

Section D outlines:

The recovery by Elexon through BSCCo Charges of BSC Costs, which are the costs that Elexon incurs in operating the trading arrangements.

Elexon's costs and the contracted costs of BSC Agents are paid for by BSC Parties as described in Section D of the BSC. The amount each BSC Party pays (Funding Shares) depends on their market role and the volume of energy they generate, supply or trade. Funding Share data by month can be found on the [Elexon Portal](#).

Note that BSCCo Charges are entirely separate from Trading Charges, which are the charges that Parties incur, or the payment to which they are entitled, as a result of delivering energy to or off-taking energy from the system. The calculation of Trading Charges is provided for in [Section T](#). Trading Charges are recovered under the provisions of [Section N](#).

BSC Costs

BSC Costs are defined as all costs, expenses and other outgoings of BSCCo and its Subsidiaries and other amounts for which BSCCo or any of its Subsidiaries may be liable (other than amounts payable as trustee for any person), net of recoverable VAT.

In the event that one or more Trading Parties fails to pay its BSCCo Charges, any unpaid amounts that Elexon decides to treat as bad debt may be included in BSC Costs as Annual Default Costs.

Elexon will adopt generally accepted accounting policies having consulted with the Panel. Each Party agrees to be bound by any tax treatment that Elexon may agree with any tax authority unless that Party considers, after taking advice, that the arrangement is unlawful.

Annual BSC Costs

Annual BSC Costs in relation to a BSC Year, means all BSC Costs accruing (in accordance with the BSCCo Accounting Policies) in that year.

Funding Shares

The following Funding Shares define the proportions of various categories of costs for which each Trading Party is liable:

- a) Main Funding Share; and
- b) SVA (Production) Funding Share.

In addition, General Funding Shares are calculated for use in the calculation of the following:

- a) Default Funding Shares - where Annual Default Costs are payable; and
- b) Annual Funding Shares - although defined in [Section D](#), Annual Funding Shares are not used in [Section D](#), but are used elsewhere in the BSC to determine the extent of a Trading Party's rights or liabilities (as the case may be) in provisions covering: the winding up of Elexon ([Section C](#)); sharing of the costs of proceedings against BSC Parties ([Section C](#)); the costs of providing joint indemnities (Section H); and in circumstances of payment default ([Section N](#)).

The determination of Annual Funding Shares is final and binding on Trading Parties, notwithstanding the fact that they are based on estimated data. Furthermore, where Funding Shares are determined on the basis of Volume Allocations, it is the Initial Volume Allocations that are used and no routine adjustments to the Funding Shares are made as a result of subsequent reconciliation runs. However, the Panel can require Elexon to make adjustments as a result of Trading Disputes where it considers that the circumstances are exceptional.

For more information on Funding Shares please see [Funding Shares](#) on the [BSC website](#).

Section D: BSC Cost Recovery and Participation Charges

Specified BSC Charges

As a basis for recovering BSC Costs, a number of Specified Charges are defined, comprising:

- a) Various Main Specified Charges;
- b) A SVA Specified Charge;

These are detailed fully in [Section D: Annex D-3](#) of the BSC and include¹ as Main Specified Charges: the Base Monthly Charge for being a Party to the BSC; charges for having BM Units; charges in respect of Energy Contract Volume Notifications (ECVNs) and Metered Volume Reallocation Notifications (MVRNs) involving the Party; and charges for having a communications line to the central service provider.

Where [Annex D-3](#) details the rates/amounts for individual Specified Charges, these are initial rates/amounts which can be changed by the Panel at any time without a change to the BSC. The actual rates/amounts may therefore vary, and the latest charges are published on the [BSC website](#). For some Specified Charges, such as those relating to communications lines, [Annex D-3](#) refers directly to a schedule of charges on the [BSC website](#)².

The SVA Specified Charge is a monthly charge for each HH and NHH Metering System.

Each month, the amounts of Specified BSC Charges are calculated and invoiced in respect of each Party.

Net Annual Costs

The various Specified Charges recover only a proportion of the total BSC Costs. The remainder constitutes Net Annual Costs, which fall into four categories and are charged out via funding shares:

- Annual Production Charging SVA Costs – 50% of Annual SVA Costs. **Annual Production - Charging Net SVA Costs**
- Annual Default Costs – The total unpaid amounts that ELEXON decides to treat as bad debt. **Annual Default Costs**
- Annual Net Main Costs – Remainder of Annual BSC Costs after the deduction of all amounts included in the other Net Annual Costs above, all Specified Charges and also after deducting any other revenues received by ELEXON, e.g. in respect of liquidated damages from BSC Agents. In practice Annual Net Main Costs are the largest element. Figure 1 shows diagrammatically the breakdown of BSCCo Charges into the various Specified Charges and various net annual costs. **Annual Net Main Costs**

Recovery of BSC Costs

For each “invoice month” Elexon calculates its **Annual BSC Costs** to be recovered from parties by all **Main Specified Charges**, **SVA Specified Charges** and **Net Annual Costs**.

An amount equal to 1/12 of the calculated Annual BSC costs for the current year is then used as the amount to recover from Parties in that invoice month. Elexon then calculates, using this amount the various Funding Shares, Specified Charges and Net Annual Costs during that BSC Year, up to and including the invoice month, for which each Party is liable. Actual SF data is used where available and estimated initial data where SF data is not available, for the calculation of all Funding Shares.

Deducting all amounts previously invoiced in that BSC Year for each Party then gives the amount for which each Party is liable for the current month. Thus any over or under estimate in any month will be reconciled in future months.

A final calculation is made within 28 days of the publication of Elexon’s audited accounts for the BSC Year, and a final invoice ensures that the amounts paid by each Party in respect of the BSC Year are then correct.

Payment of BSCCo Charges

Each Party must pay BSCCo Charges and Party Charges by the due dates irrespective of whether it disputes the payment. Elexon must investigate any dispute and where any adjustment is required, this is done (without interest) on

¹ This is a non-exhaustive list of charges.

² [BSC Costs and Charges](#)

Section D: BSC Cost Recovery and Participation Charges

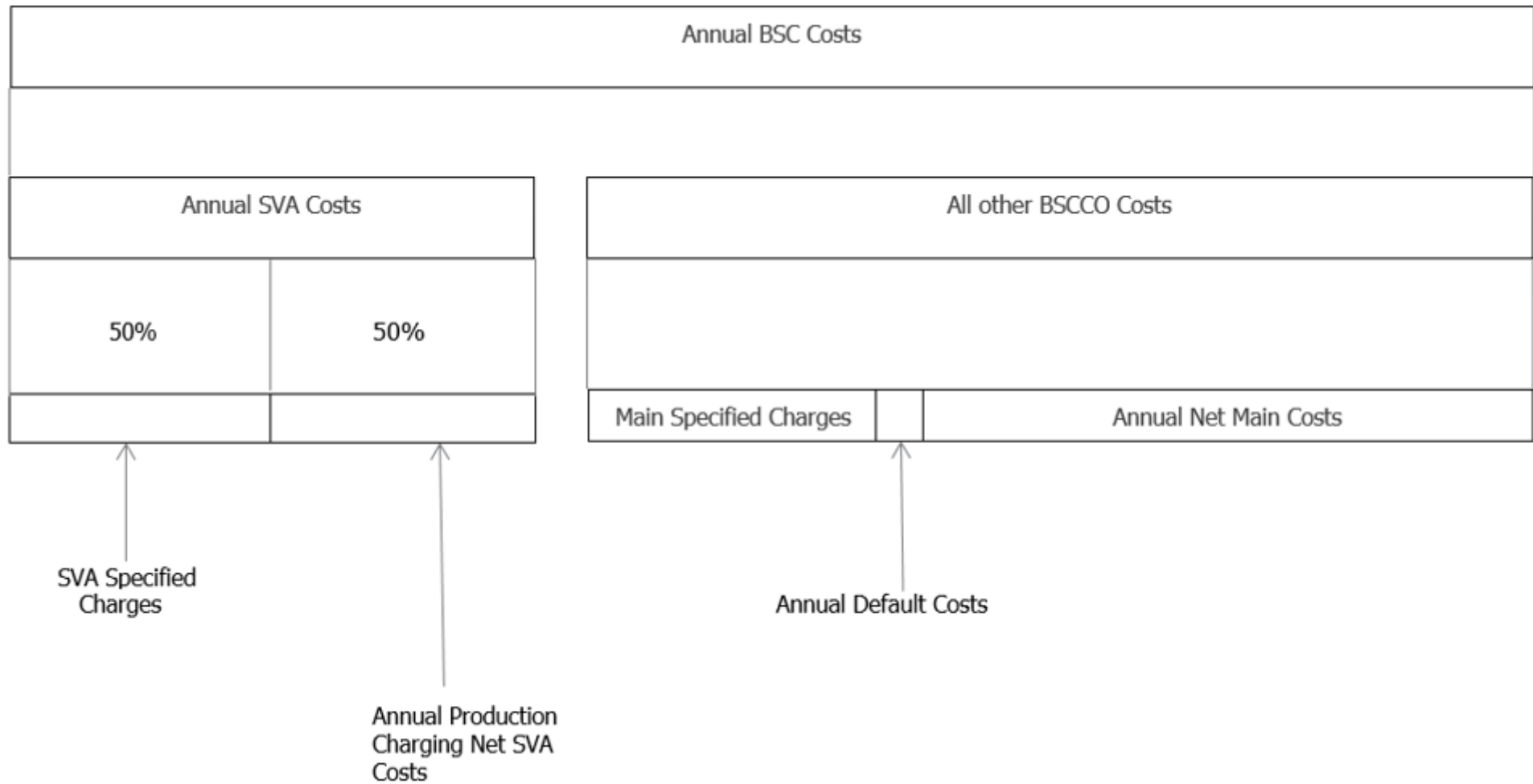
the next occasion when BSCCo Charges or Party Charges, as the case may be, are due. If, however, a Party is late making a payment, interest is payable.

If a Party fails to pay a charge then Elexon notifies all Trading Parties, the Panel and the Authority, and the other Trading Parties become liable to pay the amount in proportion to their Default Funding Shares or Default Party Charge Share (which is the charge owing by each non-defaulting Party divided by the total for all such Parties), as appropriate.

Where an unpaid amount is recovered, in the case of Party Charges, the amount is refunded on the basis of the Default Party Charge Shares which applied at the time the payment was due, or in the case of BSCCo Charges, is treated merely as an amount already paid in the calculation of the liabilities in subsequent invoice months.

If Elexon anticipates that the BSCCo Charges will be insufficient to cover BSC Costs falling due for payment, and it has insufficient working capital, it may, with the approval of the Panel, make a cash call to Trading Parties in proportion to their Main Funding Shares requiring payment within 3 Business Days. Cash calls will be regarded as BSCCo Charges and will be reconciled in the calculation of subsequent BSCCo Charges.

Figure 1 – Breakdown of Annual BSC Costs (not to scale)



Section D: BSC Cost Recovery and Participation Charges

Table 1 – Summary of BSC Costs and Charges

Cost or Charge		Basis of Allocation				
Name	Description	Monthly Name	Acronym	Name	Description	Acronym
Annual BSC Costs	All BSC Costs incurred by ELEXON plus any bad debt	-	-	-	-	-
Annual SVA Costs	SVAA costs incurred by ELEXON.	-	-	-	-	-
Annual Production-Charging Net SVA Costs	50% of Annual SVA Costs.	Production-Charging Net SVA Costs	MPCS _m	SVA (Production) Funding Share	For Non Interconnector Production BM Units only, Parties' Credited Energy Volumes in delivering Trading Units and minus the Credited Energy Volumes in off-taking Trading Units as a proportion of the total for Trading Parties as a whole.	FSPS _{pm}
SVA Specified Charges	50% of Annual SVA costs	-	-	-	A monthly charge for each HH and NHH Metering System registered.	-
Main Specified Charges	Charges to recover part of Annual BSC Costs less SVA Costs.	-	-	-	Scale of specific charges by BM Units, Metering Systems and contract notifications.	-

Section D: BSC Cost Recovery and Participation Charges

Cost or Charge				Basis of Allocation		
Name	Description	Monthly Name	Acronym	Name	Description	Acronym
Annual Net Main Costs	Annual BSC Costs less Annual SVA Costs, Main Specified Charges, Annual Default Costs and any amounts recovered from BSC Agents other than the SVAA (which are accounted for within Annual SVA Costs) and other payments to Elexon.	Monthly Net Main Costs	MNMC _m	Main Funding Share	Party's Credited Energy Volumes in delivering Trading Units and minus the Credited Energy Volumes in off-taking Trading Units as a proportion of the total for Trading Parties as a whole. Calculated separately for Non Interconnector Consumption and Non Interconnector Production BM Units and the average of the two taken.	FSM _{pm}
Annual Default Costs	Amounts payable to Elexon as BSCCo Charges, but which ELEXON decides to treat as bad debt.	Monthly Default Costs	MDC _m	Default Funding Share	The General Funding Share is the proportion of all BSCCo Charges paid by a Party. The Default Funding Share is the General Funding Share calculated ignoring the defaulting Party.	FSD _{pm}

Need more information?

For more information please contact the [BSC Service Desk](#) or call 0370 010 6950.

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