



Stage 04: Draft Mod Report

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

▶ 04 Report Phase

P273: Make the SVA Funding Share calculation robust to changes in Scaling Weights

This Modification Proposal corrects a manifest error/minor inconsistency within the algebra for calculating the SVA (Consumption) Funding Share. It delivers the BSC's original intent and ensures that the calculation remains robust to any future changes in GSP Group Correction Scaling Weights.



Initially, the Panel recommends Approval of the Proposed Modification



Low Impact:
Supplier Volume Allocation Agent (SVAA) and ELEXON



Any questions?

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About this document:

This document is a Draft Modification Report, which ELEXON will present to the Panel on 8 September 2011. The Panel will consider the recommendations, and agree a final view on whether or not this change should be made.

P273

Draft Modification Report

12 August 2011

Version 0.1

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Why Change?

A manifest error/inconsistency has been identified within the algebra for calculating the SVA (Consumption) Funding Share, which means that a change in the GSP Group Correction Scaling Weights may have an unintended effect on this calculation.

This Funding Share is intended as a measure of a Party's Non-Half Hourly consumption. However, it is calculated using Corrected Correctable Supplier Deemed Take, the calculation of which is determined by the Scaling Weights. If these are changed, then Half Hourly consumption could be introduced into this calculation, which would distort the Funding Share and result in incorrect charges.

Solution

The proposed solution would define a new term, Non Half Hourly Supplier Deemed Take, which would be based on data aggregation type and not Scaling Weight. This would replace Corrected Correctable Supplier Deemed Take in the Funding Share calculation.

Impacts & Costs

This Modification would only impact SVAA and ELEXON: a minor System change would be required to the SVA Pool Application to give effect to the new definitions. The estimated BSC Agent and ELEXON implementation cost is approximately £15.5k.

Implementation

The Panel recommends that this Modification is implemented as part of the February 2012 BSC Systems Release.

The Case for Change

The Panel believes that this Modification would better facilitate Applicable BSC Objective (d).

Recommendations

The Panel's unanimous recommendation is that P273 should be approved, and should be progressed as a Self-Governance Modification Proposal.



What are GSP Group Correction and Scaling Weights?

The GSP Group Correction mechanism seeks to mitigate certain types of error in metered energy volumes by adjusting the energy allocated to different Suppliers in each geographic area. This error-correction mechanism is managed through the application of GSP Group Correction Scaling Weights to each Consumption Component Class (CCC), which determines the level of correction applied to the energy within that CCC.

The current values of these Scaling Weights mean that this mechanism is applied only to energy that is settled through Non-Half Hourly (NHH) Meters, and is not applied to energy associated with Half Hourly (HH) Meters. The Scaling Weights that are used in the algorithm have not changed since NETA Go-Live in 2001. As HH metering becomes more prevalent, it becomes more likely that the Scaling Weights may need adjustment.

Following the recommendation of the Profiling and Settlement Review Group (PSRG), the Supplier Volume Allocation Group (SVG) is considering whether GSP Group Correction should be applied to both HH and NHH markets in a cost-reflective way. This would require changes to the Scaling Weights, including introducing non-zero Scaling Weights for HH energy. The SVG is currently assessing what changes should be made to the Scaling Weights, and is considering making any such changes effective from 1 April 2012. You can find further details in SVG Paper [122/09](#).

Changes to the Scaling Weights do not require a Modification Proposal, as the values are not defined in the BSC but are held within Market Domain Data (MDD). The SVG has already notified the industry that it is considering amending the Scaling Weights, and that it will consult on any such amendments as part of the normal MDD change process.

The issue – Calculation of the SVA (Consumption) Funding Share

The SVA (Consumption) Funding Share in Annex D-1 of the BSC is calculated from Corrected Correctable Supplier Deemed Take (CCSDT), the calculation of which is affected by the Scaling Weights.

This calculation currently relies on the assumption that Scaling Weights are zero for energy associated with Half Hourly metering. This has been the case until now, but the assumption will not be valid if non-zero Scaling Weights are introduced for HH GSP Group Correction.

To calculate CCSDT, the BSC defines a parameter, Non-Correctable Supplier Deemed Take (NCSDT), as the sum of consumption for each CCC where the Scaling Weight is zero. It then defines CCSDT as the difference between the total Supplier Deemed Take (SDT) and the NCSDT. This results in CCSDT being the sum of consumption for each CCC where the scaling weight is not zero.

Currently, all NHH CCCs have non-zero Scaling Weights, while all HH CCCs have zero Scaling Weights. This means that, at the moment, CCSDT is comprised only of NHH consumption, and accounts for all NHH consumption.

Annex D-1 clearly states that the SVA (Consumption) Funding Share is intended to be a measure of NHH consumption. This is because Half Hourly Suppliers fund their share of SVA costs separately through the Half Hourly Metering System Monthly Charge. However, if the Scaling Weights are changed then CCSDT may, as a result, be comprised of some

What is the defect?

The SVA (Consumption) Funding Shares is intended as a measure of a Party's NHH consumption. However, the calculation is determined by the Scaling Weights used in GSP Group Correction. If these are changed, the calculation of the Funding Share will be distorted, leading to incorrect charges.

HH consumption. As the calculation currently stands, these changes would then feed into the calculation of the SVA (Consumption) Funding Share.

If the Scaling Weights are changed, this will introduce HH consumption into the calculation of CCSDT, which will, in turn, introduce HH consumption into the Funding Share calculation. The SVA (Consumption) Funding Share is used to split the Annual Consumption-Charging Net SVA Costs, which is the portion of the BSC Costs that is paid by Parties in line with their NHH consumption. Should HH consumption be introduced to the calculation of this Funding Share, this will distort the Funding Share, and will result in Parties contributing an incorrect amount of the Annual Consumption-Charging Net SVA Costs, or even being incorrectly asked to pay towards this cost when they have no NHH consumption.

The intent of Annex D-1 is clear, but a technical change is required to the algebra in order to ensure that the calculation continues to deliver the intended results, and is robust to any future changes in the Scaling Weights.

The PSRG and the SVG have asked us to bring this defect to the Panel's attention, and to recommend that the Panel raise a Modification Proposal.



Proposed solution

The solution involves defining a new term, 'Non Half Hourly Supplier Deemed Take' (NHHSDT), to be used in the calculation of the SVA (Consumption) Funding Share.

The calculation of Supplier Deemed Takes uses the Corrected Component (CORC) for each CCC, which is the amount of consumption for each CCC after the application of GSP Group Correction. CCSDT is defined as the sum of the CORC from each CCC where the Scaling Weight is non-zero. The new parameter, NHHSDT, will be defined as the sum of the CORC for CCCs where the data aggregation type is NHH. This means that NHHSDT, like CCSDT, will have already had GSP Group Correction applied by the point where it is calculated.

NHHSDT will then replace CCSDT in the calculation of the SVA (Consumption) Funding Share. This will exactly replicate the results of the current algebra with the current Scaling Weights. However, as NHHSDT will not be based on Scaling Weights but on the data aggregation type, it will not be affected by subsequent changes in Scaling Weights. The change will therefore align the algebra to match the BSC's original intention that the calculation of the SVA (Consumption) Funding Share reflects a Supplier's share of NHH consumption.

As CCSDT is only used in the calculation of the SVA (Consumption) Funding Share, and is not used anywhere else in the BSC or in any other calculations, the draft legal text removes it from the BSC entirely to avoid any confusion. In addition, as NCSDT is calculated only as an intermediate step of the calculation of CCSDT, and is not used elsewhere, it is also removed.

The Modification Proposal is not dependent on the outcome of the SVG's discussions regarding the introduction of new Scaling Weights, as it relates to an existing defect in the BSC. However, the SVG has asked that the defect be rectified before April 2012 so that, if it does decide to change the Scaling Weights in the future, the calculation remains robust.

What is the solution?

A new term, NHHSDT, will be defined that is based on the data aggregation type of a CCC and not the Scaling Weight. This new term will replace CCSDT in the Funding Share calculation.

Report Phase Consultation question

Do you agree with the Panel's unanimous view that the Proposed Modification should be approved?

The Panel invites you to give your views using the response form in Attachment C

Legal text

The proposed changes to the legal text can be found in Attachment B.

Report Phase Consultation question

Do you agree that the legal text delivers the intention of P273?

The Panel invites you to give your views using the response form in Attachment C

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4 Impacts & Costs

Implementation Costs

| Implementation costs | |
|------------------------|---|
| ELEXON effort | 5 man days, equating to approximately £1k |
| Service Provider costs | Approximately £13.5k |
| Total costs | Approximately £14.5k |

Impacts

| Impact on BSC Systems and process | |
|-----------------------------------|--|
| BSC System/Process | Potential impact |
| SVAA | Minor changes to the SVA Pool Application to give effect to the new definition. These changes will not impact Parties. |

| Impact on BSC Agent/Service Provider contractual arrangements | |
|---|--|
| None. | |

| Impact on BSC Parties and Party Agents | |
|--|--|
| None. The Modification Proposal will not cause any changes to Parties' SVA (Consumption) Funding Shares. | |

| Impact on Transmission Company | |
|--------------------------------|--|
| None. | |

| Impact on ELEXON | |
|---|--|
| Minor impact to update the BSC and manage the necessary system changes. | |

| Impact on Code | |
|-----------------------|---|
| Code section | Potential impact |
| Section D – Annex D-1 | Changes will be required to implement the solution. |
| Section S – Annex S-2 | Changes will be required to implement the solution. |
| Section X – Annex X-2 | Changes will be required to implement the solution. |

| Impact on Code Subsidiary Documents | |
|-------------------------------------|--|
| None. | |

| Impact on Core Industry Documents and other documents | |
|---|--|
| None. | |

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5 Implementation

Panel's suggested implementation approach

This Modification Proposal would require minor System changes as well as Code changes. It would be implemented as part of the **February 2012 BSC Systems Release**.

The Panel have agreed a provisional implementation date of:

- 23 February 2012 if the Modification Proposal is approved on or before 14 December 2011; or
- 31 March 2012 if the Modification Proposal is approved after 14 December 2011 but on or before 11 January 2012.

Report Phase Consultation question

Do you agree with the Panel's suggested Implementation Date?

The Panel invites you to give your views using the response form in Attachment C

6 The Case for Change

Panel's view against the Applicable BSC Objectives

The Panel believe this Modification would better facilitate **Applicable BSC Objective (d)** 'promoting efficiency in the implementation and administration of the Balancing and Settlement arrangements'.

They believe it is self-evident that removing a manifest error/inconsistency in the Code better facilitates the efficiency of the BSC arrangements, by ensuring that the original intention of the BSC is given effect and that the calculation of SVA Funding Shares remains robust to any future changes in Scaling Weights.

Straight to Report Phase

The Panel agreed that P273 should proceed directly to the Report Phase. The Panel noted that the clear intention of the BSC is that the SVA (Consumption) Funding Share is a measure of NHH consumption, but that the algebra does not facilitate this in all scenarios. Any changes to the Scaling Weights will distort the Funding Share, which will result in Parties being charged incorrect amounts, or even being incorrectly charged when they have no NHH consumption. P273 amends the algebra to realise the BSC's original intent. Hence, this is a self-evident change, and so should proceed directly to Report Phase.

Self-Governance

The Panel agreed a provisional recommendation that P273 should be progressed as a Self-Governance Modification Proposal. P273 has no material impact on consumers, competition, the Transmission System or BSC governance. It corrects a known manifest error/ inconsistency, and enables the original intention of the BSC to be given effect in the event that the SVG separately decides to change the Scaling Weights. The Modification Proposal itself has no impact on Parties as it will not alter the SVA Funding Shares. Any future change to the Scaling Weights will be the subject of a separate industry consultation.

Report Phase Consultation question

Do you agree with the Panel's view that P273 should be progressed as a Self-Governance Modification Proposal?

The Panel invites you to give your views using the response form in Attachment C

Panel's consideration of the proposed solution

The Panel commented on the new term proposed in the solution, and asked that it be made clearer that the calculation of NHHS DT uses the corrected values of consumption. Following this, the proposed definition of NHHS DT in Table X-6 of Annex X-2 in the draft legal text has been amended to add this point of clarity.



Self-Governance Criteria

(a) it is unlikely to have a material effect on:

(i) existing or future consumers;

(ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity;

(iii) the operation of the national electricity transmission system;

(iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and

(v) the BSC's governance procedures or modification procedures; and

(b) it is unlikely to discriminate between different classes of BSC parties.

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8 Recommendations



Panel's initial recommendations

The Panel initially recommends:

- that the Proposed Modification should be made;
- that the Proposed Modification should be progressed as a Self-Governance Modification Proposal;
- a provisional implementation date of:
 - 23 February 2012 if the Modification Proposal is approved on or before 14 December 2011; or
 - 31 March 2012 if the Modification Proposal is approved after 14 December 2011 but on or before 11 January 2012; and
- the Proposed Modification legal text for modifying the Code.

Recommendation

The Panel unanimously recommends that the Proposed Modification should be made.

9 Further Information

More information is available in:

Attachment **A**: Modification Proposal

Attachment **B**: Proposed Legal Text

Attachment **C**: Report Phase Consultation Questions

All P273 documentation can be found on the P273 page of the ELEXON website.