

BY EMAIL



16 November 2010

Chris Chown
Department of Energy and Climate Change
Area 4C
3 Whitehall Place
London
SW1A 2HD

Dear Chris,

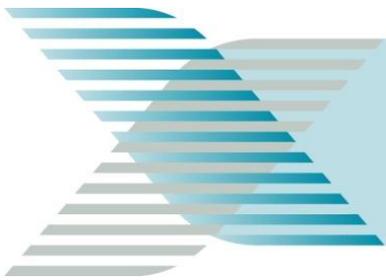
Response to your consultation: the provision of third party access to licence exempt electricity and gas networks

I attach ELEXON Limited's response to the above consultation. Please do not hesitate to contact me if you wish to discuss any aspect. I can be contacted on 020 7380 4253 or steve.wilkin@elexon.co.uk

Yours sincerely

Steve Wilkin

Market Advisor



The provision of third party access to licence exempt electricity and gas networks

Our general observations

This is ELEXON Limited's response to DECC's consultation on the provision of third party access to licence exempt electricity and gas networks. When we responded to the earlier informal request for information on this subject in July 2010, we put forward comments on a number of possible options to deliver a solution in the context of electricity imbalance settlement and settlement metering. These options are set out in Annex A to the latest consultation document.

Some of the options are immediately available and others require system or agreement changes. Accordingly, I would like to draw the attention of potential suppliers and private distribution network operators to the fact that not all the options set out in Annex A can be delivered at short notice. Indeed, the 'deemed' metering option will need changes to the provisions of the Balancing and Settlement Code (BSC). The 'Opt in/Opt out' option includes a range of potential solutions, some of which may also require a change to the BSC to enable them to work.

The 'deemed' metering option will require a Modification to the Balancing and Settlement Code and possibly secondary legislation

As noted in our earlier response, the 'deemed' metering option in particular cannot currently be offered under the existing Balancing and Settlement Code (BSC) provisions. We also thought that this option may need secondary legislation (analogous to the Unmetered Supply Regulations) to allow suppliers to supply electricity without use of a meter.

To make this option available, a BSC Party would need to raise a suitable Modification Proposal to the BSC to enable the local administrator role to be recognised in the settlement process. This Proposal may also need to cover other issues raised in our earlier response, such as the 'deeming rules'. A Modification Proposal takes time to be assessed and then approved or rejected and then, if approved, implemented.

On average, Modification Proposals take four months to progress through the process before they are issued to the Gas and Electricity Markets Authority for determination. However, this timescale depends upon the complexity of the issue. In limited circumstances (including time-related events) the Authority may authorise a more compressed 'urgent' timetable. Once issued for determination, the Authority would need time to determine whether or not it approved the change. Following approval would be an implementation lead time to develop the BSC Systems. For a complex change, that this could take between six months and a year.



Please contact
Steve Wilkin at
steve.wilkin@elexon.co.uk
or on
0207 380 4253 for
more information.



Consultation Response

Time to implement each of the options in settlement

To assist private distributors and third party suppliers meet their supplier switching obligations for the first customer or supplier in a private network to request third party access, we are available to discuss settlement options with interested parties. We are available to offer help and advice on settlement issues, for example the need to get a suitable metering dispensation for the 'Opt in/Opt out' option.

Without an early discussion, we may need to advise them that their options to implement may be limited to a subset of those set out in Annex A (or, in the case of a 'deemed' metering and some of the sub-options of 'Opt in/Opt out', unavailable).

Therefore, we suggest that along with the list of obligations on the exempt distribution network operator set out in paragraph 2.25 of the consultation, if any option other than commercial agreement is being considered, it is recommended that the network operators should discuss with ELEXON at the earliest opportunity how the supply may be registered and represented in BSC Settlements.

Once a private network has successfully implemented third party access for its first customers, we see no settlement reason why subsequent customer requests for third-party supply cannot be progressed as any other customer switch, provided the same third party access option is used by that network for its subsequent customers.

We can provide settlement data to support billing for use of licence exempt distribution networks via the associated Licensed Distribution System Operator

Currently, we support licensed distribution businesses in compiling bills under their distribution use of system tariffs by supplying settlement metering data to those businesses.

For licence exempt distribution networks, under the 'deemed' metering and 'Opt in/Opt out' options a Licensed Distribution System Operator may still need to be involved to provide meter registration and associated services. Alternatively, new industry arrangements would need to be developed. The 'Full Settlement Metering' option requires a Licensed Distribution System Operator to interface with BSC processes. In all these cases, we could provide settlement metering data to the appropriate Licensed Distribution System Operator. They could be required to pass these data on to the associated private network operator to support their tariff billing.

The Guidance Document

For all the above reasons we strongly support producing the guidance document that you have proposed in paragraph 2.5 of the consultation document.



Consultation Response

I would be grateful if you could reinforce the message in this document that:

- the 'deemed' metering option and some of the sub-options of the 'Opt in/Opt out' solution can be made available only if a BSC Party raises a suitable BSC Modification and it is subsequently approved; and
- the 'Opt in/Opt out' option currently requires the approval of a suitable metering dispensation.

In conclusion

We are ready to discuss the implementation of settlement options with any private network owners/operators and interested suppliers that approach us and would welcome early discussion with any party considering this. I can be contacted by phone on 020 7380 4253 or by email: steve.wilkin@elexon.co.uk

And, of course, we are ready and willing to help with compiling the guidance if required.