



17 October 2008

Ngaio Wallis  
Energy Markets Unit  
Department for Business, Enterprise and Regulatory Reform  
Bay 146  
1 Victoria Street  
London SW1H 0ET

Dear Ngaio,

**ELEXON Response to: 'A consultation on smart and advanced metering for small and medium sized businesses and sites, and other non domestic customers'.**

This is the response of ELEXON Limited to the consultation issued by BERR in July 2008 on smart and advanced metering for small and medium sized businesses and sites, and other non domestic customers.

ELEXON is the Balancing and Settlement Code (BSC) Company for Great Britain. Its role is to ensure the proper, effective and efficient implementation of the BSC, which is established under the electricity System Operator's transmission licence for the purposes of electricity balancing and settlement. To enable the settlement process, the BSC contains requirements for the submission of electricity metering data, and the Central Systems which ELEXON manages receive and process this information.

Accordingly, ELEXON has confined its response to those questions that relate to the BSC. In general, this means that, whilst we recognise the importance of such matters, we have not responded to commercial or customer orientated questions.

**Section 7: Impact Assessment of Options**

**Market Segmentation**

ELEXON appreciates that Profile Class is an attractive means of segmenting the market for advanced and smart metering regulatory purposes. However, as we indicated in our response to the BERR Consultation on Energy Billing and Metering on 29 October 2007, we believe that it is important that these regulatory provisions take into consideration:

- the possibility that the BSC definition of Profile Classes might need to be refined in the future to continue to provide for equitable half hourly allocation of energy based on infrequent meter readings;
- the implications of different metering-related regulatory requirements for different Profile Classes when the BSC requires the Profile Class to be changed.

ELEXON also believes that, when assessing the costs and benefits of market segmentation for the purposes of smart and advanced metering regulatory purposes, consideration should be given to:

- the number of sectors the marketplace is divided into, particularly if these sectors require variations in industry processes; and
- the extent to which movement between sectors is impacted by regulatory metering requirements.

#### Experience of Providing Smart or Advanced Metering and Other Issues

The existing trading arrangements (as defined in the BSC and its subsidiary documents and in the Master Registration Agreement (MRA) and its subsidiary documents) were designed when conventional “dumb” meters were used almost exclusively in the non half hourly (Profile Class 1-8) sector. As a consequence, issues specific to advanced and smart metering are not always dealt with in an optimum manner within the existing arrangements and this does present a barrier to smart and advanced metering to some extent. Classic operational issues are:

- Being aware of the type of metering and communications in place upon a change of Supplier;
- Appointing agents that have the capability to read the meters remotely;
- Provision of the additional information agents require to read the meters remotely.

These operational issues are in addition to the commercial considerations and complications with respect to the ownership and provision of the metering assets upon a change of Supplier.

ELEXON has undertaken significant work in this area over the last three years and is currently leading the interoperability work stream in the Profile Class 5-8 sector. It is likely that the volume of transactions in this sector means that only limited changes to the arrangements will be required to support the rollout of advanced metering – possibly with this sector adopting some of the features and practices currently associated with the half hourly sector.

However, ELEXON suggests that the volume of transactions in the Profile Class 3-4 sector is likely to result in opportunities and issues that are more akin to those present in the domestic (Profile Class 1-2) sector than the Profile Class 5-8 sector. Consequently, the solutions being developed for the domestic sector might be better suited to the Profile Class 3-4 sector than those solutions being developed for the Profile Class 5-8 sector.

### **Section 9: Supplier and Meter-owner Issues**

#### Interoperability

As mentioned above, interoperability issues do currently exist with the deployment of smart and advanced metering. Suppliers and agents appear to be overcoming many of these issues at the moment with arrangements outside of the defined industry processes and ELEXON is currently leading the Profile Class 5-8 interoperability work stream in anticipation of the

advanced metering Supply Licence changes that have been drafted. However, the volume of transactions associated with the Profile Class 3-4 sector is likely to present different issues and so further interoperability work is likely to be required. ELEXON would be pleased to contribute as appropriate.

### Profiling and Settlement

The impact on settlement of large-scale rollout of smart or advanced metering would depend on the method of settlement that Suppliers selected. Assuming that the smart or advanced metering will have both interval and register reading capability, Suppliers would have the choice of settling within the half hourly arrangements based on interval readings or the non half hourly arrangements based on less frequent meter register readings.

Should Suppliers select to settle within the half hourly arrangements such that, collectively, there was whole-scale migration from the non half hourly to the half hourly arrangements, this would present settlement with two key challenges. Firstly, to ensure that the profiling arrangements continued to result in appropriate half hourly allocation of energy as the numbers in each Profile Class set diminished. And secondly, to ensure that the difference between the energy measured as entering each GSP Group and the energy measured as being supplied with the GSP Group (post adjustment for line losses) continued to be dealt with appropriately. This difference is currently allocated to Suppliers in the non half hourly sector in proportion to their market share of non half hourly energy. Continuing to do this with an ever diminishing number of non half hourly settled MPANs might not be appropriate<sup>1</sup>.

The central systems accept aggregated data from Supplier agents. As a consequence, the volume of data these systems have to process is not materially sensitive to the proportion of MPANs being settled in the non hourly arrangements compared to the number being settled in the half hourly arrangements. It is highly unlikely that these systems would pose a barrier to smart and advance metering roll out. However, Supplier agent systems process meter readings and requiring them to process interval data as opposed to less frequent register readings is likely to have a significant impact on the overall data volumes that they would need to process.

### Summary

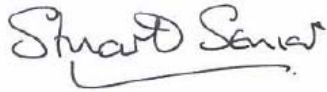
The existing arrangements would support migration from the non half hourly settlement arrangements to half hourly arrangements, with the non half hourly arrangements 'withering on the vine'. It is likely that the data volume implications on the central system of such a migration would be negligible, but the volume allocation implications would need to be considered beforehand. This is something ELEXON would progress if 'withering on the vine' of the non half hourly arrangements became a distinct possibility. Irrespective of whether the smart and advance metering recorded interval data, ELEXON currently considers it unlikely that Suppliers would elect to effect whole-scale migration from the non half hourly to the half hourly arrangements, particularly in the Profile Class 3 & 4 and below sectors.

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<sup>1</sup> The settlement systems have been designed such that the proportion of this difference allocated to each Profile Class and to the half hourly sector is configurable.

Should you have any questions on this consultation response or would like to discuss any matters raised in more detail, we would be pleased to help. In the first instance please contact Peter Davies (020 7380 4036) or Jon Spence (020 7380 4313).

Yours sincerely

A handwritten signature in black ink that reads "Stuart Senior". The signature is written in a cursive style with a long horizontal flourish underneath the name.

Stuart Senior  
**Chief Executive**