

Supplier Charges Review

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| Meeting Name | Performance Assurance Board |
| Meeting Date | 28 June 2012 |
| Purpose of paper | For Decision |
| Summary | In the PAB Strategy paper (PAB133/05), we outlined possible options for a Supplier Charge Review. This paper describes the current considerations in more detail. |

1. Background

- 1.1 In February we brought to you detailed potential elements for inclusion in a review of Supplier Charges. In this paper we investigate potential options that the review could cover, and present our recommendations to PAB.
- 1.2 Modification P99 which was implemented in May 2004 resulted in changes to the serials that were associated with Supplier Charges. However P99 did not review the principle of Supplier Charges or how they are derived or calculated. Additionally, there were a number of Modifications raised around the time of P99, including P115¹, P157² and P182³. All of these Modifications were rejected.
- 1.3 In December 2010 as part of the 2010/2011 Risk Operating Plan, ELEXON issued a questionnaire to determine whether participants considered that a review should be performed. This provided mixed messages. The outcome of the consultation was that the respondents supported us carrying out a review, but had no appetite to conduct it at that time. Since then, ELEXON has not seen any increase in this appetite or requests from any Suppliers to conduct a review.
- 1.4 To date, no participant has raised an Issue with Supplier Charges, or contacted ELEXON about possibly raising a Change Proposal or Modification.

2. Options

- 2.1 We could consider reviewing the SP01 element of Supplier Charges. However, since the introduction of the new PARMS Serials in July 2011, we have seen a marked improvement in all parties submission rates. We now regularly achieve 99.6% of all submissions successfully made before the deadline each month.
- 2.2 We have investigated the SP04 Serial following PAB133/09. Our investigations reached similar conclusions to those following a similar investigation in 2010 (PAB110/05). We will provide the PAB with more details at the meeting, but given the considerations outlined in section 3 below, we do not feel it is appropriate to consider reviewing the associated Supplier Charge for the SP04 Serial at present.
- 2.3 The SP08 Serials (SP08a, SP08b and SP08c) have associated Supplier Charges levied, based on a Supplier's performance against the volume of energy settled on Actual readings. One Supplier has raised a question with ELEXON regarding the calculation of this Serial (and the associated charges). This is discussed in section 4.1 below.

¹ P115 – 'Disapplication Of Supplier Charges Under Certain Circumstance'

² P157 – 'Replacement of current Supplier Charge Rules'

³ P182 – 'Review and redefinition of the Non Half Hourly Settlement performance measures'

2.4 A review of Supplier Charges could consider any, all or none of the existing serials. Any changes would likely require extensive support from our Legal team and require a Modification to be raised to amend the BSC.

3. Current Considerations

3.1 A review of the Supplier Charges would require a substantial level of resource (based on the resources that were required to perform the PARMS Serial review), from not only the Operations teams, but also our Change Management team and legal advisors. This would impact the volume and detail of other analysis work we would be able to carry out for the PAB.

3.2 In the PAB Strategy paper, we noted that there were a number of Modifications and Change Proposals in the process of being raised or currently being progressed. These changes could have a big impact on elements of Settlement arrangements and in turn could affect areas associated with Supplier Charges.

3.3 For example, as a result of P280, there is potential for movement for all Profile Class customers to enter Half Hourly Settlement. Similarly, under the Supply Licence requirement, advanced meters are being installed and should P272 be implemented all of Profile Classes 5-8 will be Settled HH. Therefore, it would be appropriate at that stage to re-consider the differences between the Half Hourly and Non-Half Hourly elements of Supplier Charges.

3.4 A table is included below of the current implementation dates of these Modifications:

| Modification | Description | Implementation Date |
|--------------|---|--------------------------|
| P280 | New Measurement Classes – the introduction of 3 new Measurement Classes for Half Hourly settled customers in the domestic and SME Markets | October 2013 |
| P272 | Mandatory Half Hourly Settlement – Mandating that all SVA Metering Systems for Profile Classes 5-8 shall be settled as Half Hourly metering equipment | April 2014 or April 2015 |

4. Next Steps

4.1 We intend to bring a paper to the PAB's July meeting to address the issue raised by a Party surrounding the SP08 calculations. This paper will present the different options available with regards to making any changes to the calculation steps, but not seek to make any alterations to the serial itself or the underlying principles behind it.

4.2 As a result of the current changes being progressed, as detailed in section 3 above, and the resulting uncertainty and resource constraints, ELEXON believes that now would not be the most appropriate time to conduct a review of Supplier Charges. We believe that waiting until these changes are in place (or at least P280 which may give an indication of the impact of P272) would provide a much more stable baseline against which to review the Supplier Charges.



4.3 Therefore, we believe there is little value in undertaking a review of Supplier Charges at this point in time. The earliest we should consider starting a review of Supplier Charges is in Quarter 4 of 2013.

5. Recommendations

5.1 We invite you to:

- a) **NOTE** the contents of this paper;
- b) **NOTE** the current Modifications and the impact they may have on Supplier Charges;
- c) **NOTE** the findings from the SP04 investigation; and
- d) **AGREE** to postpone any review of Supplier Charges until at least Quarter 4 2013.

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