

Recommendation to Panel on GSP Group Correction Scaling Weights

Meeting Name Supplier Volume Allocation Group

Meeting Date 5 November 2013

Purpose of paper For Decision

Summary

At the SVG's meeting on 30 July 2013, ELEXON presented a paper ([SVG150/04](#)) revisiting previous analysis of sources of error in Suppliers' Metered Volumes. The SVG agreed that the original analysis remained valid and considered our estimation of sources of error that were not quantified in the original work. The SVG agreed that our proposed updated GSP Group Correction (GSPGC) Scaling Weight values should be issued for industry consultation. This paper presents the consultation responses and the results of our further analysis on the impact of the new Scaling Weights. ELEXON invites the SVG to recommend that the Panel approves the new GSPGC Scaling Weights with an implementation date of 1 April 2014.

1. Background

- 1.1 Grid Supply Point (GSP) Group Correction is the mechanism that adjusts Suppliers' Metered Volumes in each GSP Group so that they, in aggregate, match the GSP Group Take. GSP Group Correction is not applied to all Supplier consumption – the mechanism accounts for error in Metered Volumes and is applied to those types of consumption deemed to be the source of this error.
- 1.2 Following the SVG's agreement at its meeting in July 2013, we issued our proposed updated GSP Group Correction (GSPGC) Scaling Weights for [consultation](#). We have also undertaken further analysis on the impact of the new Scaling Weights, by asking the SVA Agent (SVAA) to perform a number of "dummy" Settlement Runs using the new weights.
- 1.3 Table 1 shows the current Scaling Weights effective from 1 April 2013 and the updated Scaling Weights that we propose for use from 1 April 2014 and which were the subject of the consultation and SVA analysis.



Table 1 – Current GSP Group Correction Scaling Weights and proposed new Scaling Weights by Consumption Component Class (CCC)¹

| GSP Group Correction Scaling Weights | | |
|--|---|---|
| Consumption type | Current weights (effective from 1 April 2013) | Proposed weights (for implementation from 1 April 2014) |
| NHH metered (CCCs 17, 18, 19, 32, 33) | 1.00 | 1.00 |
| NHH losses (CCCs 20, 21, 22, 34, 35) | 2.30 | 2.25 |
| HH metered (CCCs 1, 2, 6, 9, 10, 14, 23, 28) | 0.00 | 0.13 ² |
| HH losses (CCCs 3, 4, 5, 7, 8, 11, 12, 13, 15, 16, 25, 26, 30, 31) | 1.00 | 0.94 |

2. SVG's previous July discussion

- 2.1 At its meeting on 30 July 2013, the SVG welcomed the paper and the analysis. It agreed that GSP Group Correction should be applied to SVA quantities where there is error. An SVG Member commented that the revised Half Hourly (HH) figure can be justified as the original was based on the false premise that there was no error in the HH market.
- 2.2 ELEXON confirmed that the only impact of the revised Scaling Weights would be on Settlement volumes, and that no action is required by Suppliers to implement them.
- 2.3 An SVG Member queried whether the error calculated for Gross Volume Correction (GVC) using data from Modification Proposal [P274](#)³ may contain a spike created by the implementation of [CP1310](#)⁴ (which placed restrictions on the use of GVC and therefore led to an increase in instances of GVC in the run-up to its implementation). The SVG Member suggested that, if present, this spike should be removed from the analysis in order to give a truer indication of error. ELEXON confirmed after the meeting that the P274 data analysis did not include the CP1310 usage spike.

¹ See Appendix 1 for a list of the CCCs.

² During the SVG's discussion of this paper at its meeting on 5 November 2013, an SVG Member identified that this was different to the value of 0.10 given in the consultation document. ELEXON confirmed that the value in this paper is an error and should be 0.10 as per the consultation. We have inserted this footnote post-meeting to clarify this and avoid any potential confusion.

³ 'Cessation of Compensatory Adjustments'.

⁴ 'Clarifications to Gross Volume Correction Process'.

2.4 ELEXON advised that it was checking the figures used in the analysis of the HH volume errors, as the extrapolated data used from the Technical Assurance Agent (TAA) checks and BSC Auditor may be an overestimate. ELEXON notified the SVG after the meeting of its conclusion that the original figures were an overestimate and that it had amended these to be a mid-point of the Disputes estimate and the BSC Auditor estimate. The new annual error estimate is therefore 0.67TWh in the HH market. The rationale for this is that:

- The BSC Auditor's estimate is a high estimate of the error, because the sample takes in previous non-compliances and the sites identified had Metered Volumes typically higher than the average HH site;
- The Disputes figure is a low amount – as stated in paper [SVG150/04](#), not all sites were visited and errors may already be corrected through the normal Settlement timetable; and
- ELEXON believes that the true figure is likely to lie between the two and so we have proposed the midpoint value.

2.5 The SVG discussed whether the issues lay more on the supply side and whether or not the Scaling Weights should also apply to generation as proposed. The SVG also discussed whether the proposed April 2014 implementation date gave Parties adequate time, based on the Panel making the final decision at its meeting in October 2013. A Member suggested that this implementation date had been tied to the original proposed implementation date for [P272](#)⁵ (still currently with Ofgem for decision), and could be pushed back to 2015. Other Members believed that there was no direct link with P272 and/or that changing the Scaling Weights was the appropriate thing to do regardless of P272. The SVG agreed that the consultation should include specific questions in these areas, and that it would consider the responses returned before forming a view. The SVG also agreed that the consultation should ask separate questions on the proposed Scaling Weight values for Non Half Hourly (NHH) and HH error.

2.6 An SVG Member queried why there are 33 Consumption Component Classes when there are only 4-5 Scaling Weights. Another Member suggested that this could be looked at under Settlement Reform.

3. Consultation responses

3.1 Attachment A contains the complete set of responses. In summary:

- 1) We received seven responses;
- 2) The majority of respondents (five) were in favour of the principle of applying GSP Group Correction to HH Metered Volumes. Of these five respondents:
 - All supported the increased accuracy of cost allocation;

⁵ 'Mandatory Half Hourly Settlement for Profile Classes 5-8'.



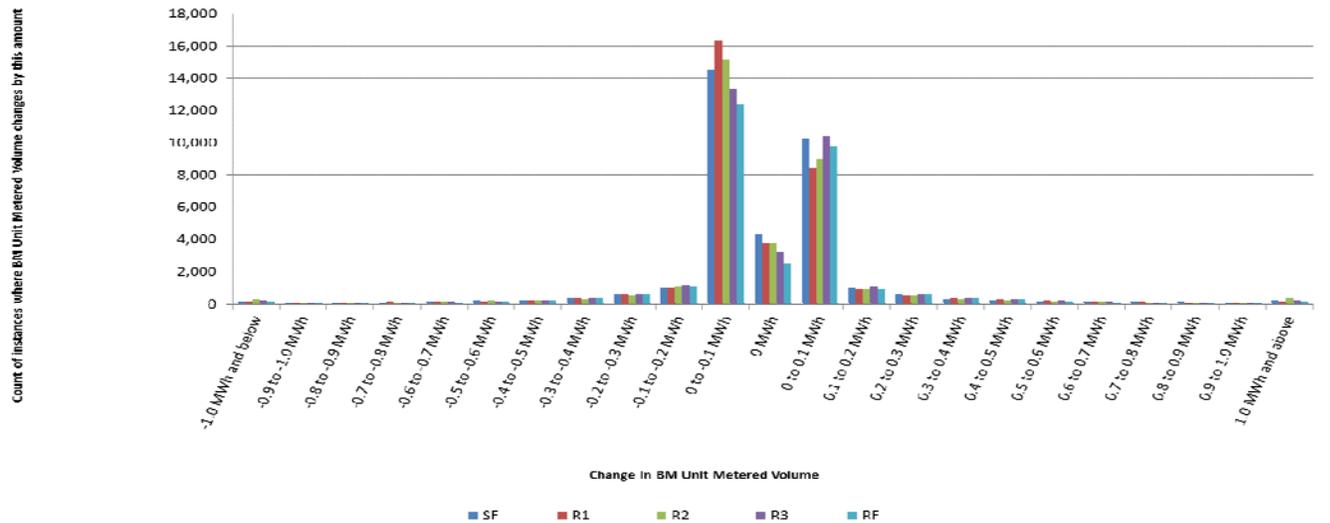
- All believed it was a truer reflection of where the error resides;
 - Four agreed with the analysis and the proposed Scaling Weights values;
 - One agreed in principle subject to further analysis;
 - Four agreed with the proposal to apply the Scaling Weights equally to export and import; and
 - Four supported a 2014 implementation and one supported implementing in 2015.
- 3) Two respondents did not agree with proposal, believing that:
- The costs outweigh the benefits (impact on customers due to increased costs to Suppliers to manage accounts and forecast and contract for energy);
 - There is no cross subsidy and any (low) error cannot be quantified; and
 - More visibility is needed on the calculations.
- 3.2 The respondent that agreed with the proposed Scaling Weights in principle requested further analysis and suggested that volume from the Disputes Final (DF) Run should also be considered. They believed that the impacts of export spill and Smart metering should also be considered. The respondent suggested that implementation should be delayed until April 2015. We have considered these suggestions but conclude that the impacts of Smart metering would be the subject of a future review of the Scaling Weights. Excluding volumes corrected by a DF Run would impact the ability to calculate market error associated with HH or NHH metering, since this is the source of such information. Export spill is more difficult since it is not measured and its volume is unknown; however it impacts all Suppliers equally.
- 3.3 ELEXON has discussed further with the two respondents who disagreed with the proposals:
- One respondent elaborated their view that, in the HH market, error tends to be identified and corrected within Settlement timescales. They stated that they would be more inclined to revisit the proposed HH Scaling Weights if P272 was approved, but that is too early and difficult to justify to HH customers at this time. The respondent argued that HH customers tend to be more aware of their energy usage and tend to have their metered data. The respondent believed that any additional charges for error that is not clearly caused by the customer would be difficult to justify to HH customers, particularly as Suppliers split out price components in their customer billing. The respondent believed that the proposed Scaling Weights should not be applied to HH export consumption since customers cannot steal export energy. We noted that Scaling Weights are already applied to losses so will include the theft component. We also noted that adjustments to volumes due to GSP Group Correction would be modest and only in ratio to the calculated error. The error has been calculated on the best data available (Disputes and TAA checks). No other sources of data have been proposed for the error calculation.

- The other respondent clarified certain elements of their response. The respondent had suggested that the proposed changes in Scaling Weights would affect the pattern of Group Correction Factors (GCFs). We explained that the corrected volume and direction of correction was not impacted by this change, only the quantity of correction applied to NHH or HH consumption. The respondent commented that currently HH customers' volumes tend not to change with Reconciliation Runs except where Transmission Loss Multipliers (TLMs) have changed. Hence they were not in favour of the changes. They noted that impacts are likely to be modest as indicated by the SVAA analysis (see Section 3) and agreed that Group Correction would have to be applied to HH volumes at some point in the future.

4. SVAA analysis

- 4.1 A copy of the SVAA system was run on a test server using the proposed Scaling Weights (1.00 for NHH consumption, 2.25 for NHH line losses, 0.94 for HH line losses and 0.13 for HH consumption).
- 4.2 Using this test system, Metered Volumes were calculated for all Supplier BM Units for five Settlement Dates; 3 September 2013 (SF Run), 6 August 2013 (R1 Run), 4 June 2013 (R2 Run), 20 February 2013 (R3 Run) and 6 August 2012 (RF Run). Note that the R3 and RF Runs pre-date the previous change in Scaling Weights for HH losses from April 2013. This shows the relative change before and after the April 2013 Scaling Weights change and indicate that the relative effect of the new Scaling Weights for HH metered is small.
- 4.3 Chart 1 is based on the calculation of the difference between the live run (current Scaling Weights) and test run (proposed updated Scaling Weights) Metered Volume for each line of data. The results have then been grouped by the magnitude of the difference between the live and test volume. For example, all instances where the Metered Volume increased by an amount between 0MWh and 0.1MWh have been placed in the same group. We then counted the number of instances that fell into each group. The chart shows that in the majority of instances, the Metered Volume increased or decreased by less than 0.1MWh (on a per BM Unit and per Settlement Period basis).

Chart 1. Change in BM Unit Metered Volume between the live and test SVAA Run Data



A positive change in Metered Volume indicates that the live Metered Volume was higher than the test run Metered Volume.

5. Next steps

- 5.1 At meeting 150, the SVG agreed in principle that error should be allocated to its origin and agreed that the revised analysis is performed on the best available data for such an assessment. The data for the HH error was based on data from the Disputes and Technical Assurance (agreed Performance Assurance Techniques) areas of the BSC. We believe that applying GSP Group Correction to HH Metered Volumes is more cost reflective and removes any cross subsidies.
- 5.2 We invite the SVG to recommend the approval of these new Scaling Weights to the Panel. We believe that the proposed updated Scaling Weights support the principle of applying error where it resides, and we note that the majority of respondents agree with the principle and the revised analysis of errors in the SVA market. We also note that the SVAA analysis identified only minimal impacts to BM Unit Metered Volumes. We believe that the HH Scaling Weights should be applied to import and export equally as proposed since metering errors can occur regardless of the direction of energy flow (this approach was supported by the SVG at meeting 150 and by the majority (4 of 7) of consultation responses).
- 5.3 We invite the SVG to recommend an implementation date of 1 April 2014. This was the date originally identified to the SVG, Panel and market participants in 2011. If the SVG supports the principle that this is a more cost-reflective allocation of error, then we believe that the industry should aim to implement it at the earliest date.

- 5.4 The next steps are to take the SVG's recommendation to the Panel meeting on 14 November 2013. If the Panel approves the Scaling Weights, we will raise the appropriate MDD change with a go-live date of 1 April 2014.

6. Recommendations

6.1 ELEXON invites the SVG to:

- a) **CONSIDER** the consultation responses received;
- b) **AGREE** the following recommendations to the BSC Panel:
 - i) **RECOMMEND** that the Scaling Weights should be set to:
 - 1.0 for NHH metered;
 - 2.25 for NHH line losses;
 - 0.94 for HH line losses; and
 - 0.13 for HH metered;⁶
 - ii) **RECOMMEND** that the Scaling Weight changes should be effective from 1 April 2014; and
 - iii) **RECOMMEND** that the Scaling Weights should be reviewed one year after implementation and at least once every two years thereafter.

List of Appendices:

Appendix 1 – List of Consumption Component Classes

List of Attachments:

Attachment A – Consultation responses

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⁶ During the SVG's discussion of this paper at its meeting on 5 November 2013, an SVG Member identified that this was different to the value of 0.10 given in the consultation document. ELEXON confirmed that the value in this paper is an error and should be 0.10 as per the consultation. We have inserted this footnote post-meeting to clarify this and avoid any potential confusion.



Appendix 1 – List of Consumption Component Classes (CCCs)

There are 35 CCCs as follows:

| Consumption Component Class Id | Measurement Quantity Id | Data Aggregation Type | Metered/ Unmetered Indicator | Consumption Component Indicator | Actual/ Estimated Indicator | AA/EAC Indicator |
|--------------------------------|-------------------------|-----------------------|------------------------------|---------------------------------|-----------------------------|------------------|
| 6 | AE | H | M | C | A | |
| 7 | AE | H | M | M | A | |
| 8 | AE | H | M | L | A | |
| 14 | AE | H | M | C | E | |
| 15 | AE | H | M | M | E | |
| 16 | AE | H | M | L | E | |
| 32 | AE | N | M | C | | E |
| 33 | AE | N | M | C | | A |
| 34 | AE | N | M | L | | E |
| 35 | AE | N | M | L | | A |
| 1 | AI | H | M | C | A | |
| 2 | AI | H | U | C | A | |
| 3 | AI | H | M | M | A | |
| 4 | AI | H | M | L | A | |
| 5 | AI | H | U | L | A | |
| 9 | AI | H | M | C | E | |
| 10 | AI | H | U | C | E | |
| 11 | AI | H | M | M | E | |
| 12 | AI | H | M | L | E | |
| 13 | AI | H | U | L | E | |
| 17 | AI | N | M | C | | E |
| 18 | AI | N | M | C | | A |
| 19 | AI | N | U | C | | E |
| 20 | AI | N | M | L | | E |
| 21 | AI | N | M | L | | A |
| 22 | AI | N | U | L | | E |
| 23 | AI | H | M | C | A | |
| 25 | AI | H | M | M | A | |
| 26 | AI | H | M | L | A | |
| 28 | AI | H | M | C | E | |
| 30 | AI | H | M | M | E | |
| 31 | AI | H | M | L | E | |

2013 Review of Scaling Weights for GSP Group Correction: Consultation Responses

Overview

Seven responses were received to the 2013 review of GSP Group Correction Scaling Weights [consultation](#) issued on 12 August 2013 (as of Monday 16 September 2013).

Responses were received from:

| No. | Company | Confidential | Role of Parties/non-Parties represented |
|-----|---------------------------------|--------------|---|
| 1. | EdF Energy | N | Generator / Supplier / Party Agent / Consolidator / Exemptable Generator / Trader |
| 2. | Scottish & Southern Electricity | N | Supplier |
| 3. | E.ON UK | N | Supplier |
| 4. | British Gas | N | Supplier |
| 5. | Scottish Power | N | Supplier, NHHDC, NHHDA |
| 6. | Smartest Energy | N | Supplier |
| 7. | RWE Npower | N | Supplier/Generator |

Summary

Of the seven responses the majority (5) were in favour of the principle of applying GSP Group Correction to Half Hourly (HH) metered volumes. 4 agreed with the Scaling Weights values proposed within the consultation with one subject to further analysis. The rationale for applying it to HH metered volumes was:

- Supported the increased accuracy of cost allocation, it is a truer reflection of where the error resides and if there is error in the HH market it is being currently picked up by Non Half Hourly customers;
- Agreed with the analysis for the NHH and HH errors and the proposed Scaling Weights within the consultation; and
- Agreed with allocation to both HH import and export equally.

4 respondents agreed with the implementation date of 01 April 2014. One respondent who agreed in principle suggested the 01 April 2015 implementation date, to allow for the further analysis and a longer lead time they felt was required by parties.



Consultation Responses

Two responses did not agree with proposal as they believed that:

- costs outweigh the benefits due to the cost impact on HH customers due to impact of HH processes and imbalance volumes (impact on forecasting models);
- there is no cross subsidy and the error cannot be quantified and is low in the HH market and more visibility is needed on the calculations; and
- the impact on embedded generation of applying GSP Group Correction.

Responses

Q1. The Supplier Volume Allocation Group (SVG) has reviewed the updated analysis on the errors in the Non Half Hourly (NHH) market and agreed the revised volumes of error (see consultation document).

**Do you have any comments on the updated analysis for error volumes for NHH?
Please give your rationale.**

| Respondent | Q1. Response |
|-------------------------|---|
| EDF Energy | <p>EDF Energy notes from table 2 (quantification of errors) that the majority of errors are sourced only from NHH demand; only the shape error in estimation of technical losses, has an HH demand source component. Therefore HH demand is responsible for a small single figure percentage of the errors in the Non Half Hourly (NHH) market, according to Elexon's analysis.</p> <p>Our reply to questions 2 and 4 describes some deficiencies we perceive in the reported analysis.</p> <p>We expect only a small benefit – if any – to NHH customers would arise from the proposed change, which would be more than offset by other, adverse effects. The net impact on NHH customers seems likely to be negative, since a revision of the scaling weights would alter the pattern of GSPGCFs. This may have the unintended consequence of increasing imbalances for the NHH segment, because statistical forecasting models are best calibrated using long data series with consistent behaviour. It follows that accuracy is typically compromised for a number of years following a system change that disrupts that behaviour.</p> <p>On the other hand, the proposed change would incur costs to HH customers that are real and definite, due to its impact on the processes involved in managing HH customer accounts – as discussed further in our response to question 3 below.</p> <p>Therefore, from a practical perspective, the proposal to introduce a non-zero Scaling Weight for HH metered volume does not appear to be favourable on the balance of costs and benefits.</p> |
| SSE Energy Supplies Ltd | <p>1) It would be better to see that DF volumes are factored into the modelling of NHH Errors. There is no indication that this has been taken into consideration, therefore the approach of assuming error & adjusting for error in each of the settlement runs (SF,R1,R2,R3,RF,DF) could essentially compound the NHH error into GCF calculations where the final DF runs seek to redress and account for the whole error volume.</p> <p>2) There is no indication that NHH Spilled Export has been factored into error volume analysis. The Feed-In-Tariff initiative has led to the deeming of export currently at a</p> |



Consultation Responses

| Respondent | Q1. Response |
|----------------------------------|--|
| | <p>rate of 50% of total NHH embedded generation. This volume has been ramping up since 2011, the total deemed export for 2012/13 has been calculated by Ofgem as 437,716.228MWh. Spilled export is likely to offset errored volumes.</p> <p>3) Smart Metering may improve meter data quality and lead to greater accuracy .The uptake of Smart Metering could also be factored into the error analysis.</p> |
| E.ON | No comments |
| British Gas | We do not have any comments on the analysis |
| ScottishPower Energy Retail Ltd. | <p>We note the updated analysis performed in the NHH market and, in the main, agree with its quantification of NHH error. We would however welcome renewed focus on profiling accuracy in the future given the magnitude of NHH profile errors and because this is where it is believed the majority of NHH error resides.</p> <p>In addition we believe the estimates for both technical and non-technical losses should be considered in future analyses as well as rigorous examination of the detailed Audit records which Suppliers and Agents will be required to keep for GVC activity to allow accurate quantification of perceived errors from GVC.</p> |
| SmartestEnergy Limited | <p>It is not clear how the proposed scaling weights derive from the revised analysis. It is also not clear how the scaling weights in conjunction with those proposed for HH relate to total error.</p> <p>It would be inappropriate to proceed with this change given this lack of visibility</p> |
| npower | No comment (the analysis looks fine) |

Q2. The SVG has considered the analysis of errors in the Half Hourly (HH) market and agreed the volume of error (see consultation document). Do you have any comments on the analysis for HH error volumes? Please give your rationale.

| Respondent | Q2. Response |
|-------------------------|---|
| EDF Energy | <p>It would be worth bearing in mind that HH metering is more accurate and less susceptible to erroneous or false meter readings. We would expect that the GC factors should decrease over time as the number of supplies on HH settlement will increase. This is not being factored into the analysis, but it should, and is certainly worthy of contextual comment.</p> <p>EDF Energy questions the calculation of the share of HH meters' group correction due to metering error. Evidence quoted included a sample of only 1% of HH metered sites in the UK ("GSP Group Correction consultation 2013_v1 0" - section 4.2.3 of the supporting document), which we consider to be an insufficient statistical sample to validate the proposed change. The other source of data was a survey conducted in only 2 GSP groups by a distribution company (no details of audits and controls of that survey were provided in the document). The final conclusion, taking an average of these figures, is viewed as being ill-substantiated as a result, and too arbitrary.</p> |
| SSE Energy Supplies Ltd | 1) Any error volume identified in the Dispute Process and subsequently corrected for within a DF Run should be discounted from the error modelling, as this has had a volume correction route, albeit post-RF. The GCF at DF and potentially ES runs are |



Consultation Responses

| Respondent | Q2. Response |
|----------------------------------|---|
| | essentially made right following the dispute process. Therefore, only HH error that could not be corrected for DF and ES runs should be extrapolated to the rest of the HH market. |
| E.ON | No comments |
| British Gas | We do not have any comments on the analysis for the HH error volumes |
| ScottishPower Energy Retail Ltd. | We welcome the consideration of errors in HH metered volumes and its inclusion in this work given the number of material disputes centring on HH meter errors. |
| SmartestEnergy Limited | The document states the following: "When agreeing the revised weights, the SVG noted that GSP Group Correction would not be applied to HH consumption because the error associated with these volumes could not be quantified. Nevertheless, the SVG agreed (and Panel endorsed) that GSP Group Correction should be applied to HH consumption from April 2014 subject to a review of the Scaling Weights in 2013." It is still in our view the case that the error cannot be quantified, is particularly low, and can be corrected when identified. |
| npower | No comment (agree that there will be error but no where near NHH error) |

Q3. It is proposed that GSP Group Correction is applied to both HH import and HH export? Do you agree? Please give your rationale.

| Respondent | Q3. Response |
|-------------------------|---|
| EDF Energy | No. EDF Energy is not in favour of increasing the level of GSPGCF applied to HH volumes. There would be a lot of costs for little gain from the proposed change. Many suppliers' "B2B" (sales to HH metered customers, as they are today) processes would be affected. These processes around back-to-back hedging followed by contractual payments for imbalance and volume tolerance charges for differences vs forecast, are premised on volumes that are well defined by the HH meter reads and do not subsequently move. The change would result in large numbers of re-bills, i.e. operational expense – potentially every account, in theory. To summarise the essence of our response: EDF Energy is not in favour of applying GSPGCF to HH metered volumes. We are concerned that this would not be aligned with the new standards of conduct implemented by Ofgem in August, principally because it would increase uncertainty and operational burden on consumers that have already taken the initiative to install more accurate metering. It would also lead to the potential re-opening of closed accounts (where customers have moved on to another supplier), meaning continuing uncertainty for those customers. The risk of non-payment by those customers, in instances where additional energy has to be billed months after the event, is difficult to estimate, but will certainly result in a greater unbilled energy cost than exists today – costs which would be likely, in our competitive market, to be recovered via a risk premium in Suppliers' contracts. |
| SSE Energy Supplies Ltd | 1) The case for applying GCF Scaling to HH Import and HH Export should be made from the error analysis on each component separately. By extrapolating HH Import dispute |



Consultation Responses

| Respondent | Q3. Response |
|----------------------------------|--|
| | <p>errors (some of which extend to long historic time), and applying generically to Import and Export may lead to distortion and less accuracy, as opposed to resolving a known problem in the HH Export market.</p> <p>2) The roll-out of Smart Metering has not yet impacted the HH Market due to non-resolution of P272; P280 and associated DCUSA changes, therefore the assumption of growing error in HH volumes may have been exaggerated.</p> |
| E.ON | Yes |
| British Gas | We agree that GSP Group Correction should be applied to both HH import and HH export for the reasons set out in the review paper. |
| ScottishPower Energy Retail Ltd. | This would appear to be a sensible proposal, however we feel future analyses should explore whether particular types of error are more likely to exist within the HH Import or HH Export sector |
| SmartestEnergy Limited | <p>Generally speaking, if everyone had a half hourly meter then all of the correction could only be losses/theft. Losses have been dealt with in the HH arrangements with their inclusion from April 2013. Where is the theft associated with export?</p> <p>As an aggregator of embedded generation how are we credibly supposed to go to a generator (some of whom have zero distribution losses) and say that they didn't generate the amount of energy their meter reading says they did?</p> <p>There is a further problem for embedded generation because the proposal undermines the ability to trade thermal distributed assets (you don't know how much energy you will get paid for, but you will have a gas bill!).</p> |
| npower | <p>Agree</p> <p>If HH volume is incorrect then just like NHH volume a factor should be applied to correct, as this volume will only be picked up in the NHH pot. However from a business perspective this will impact financial planning and further exploration is required to understand this impact.</p> |

Q4. Do you have any comments on the GSP Group Scaling Weights proposed in the consultation document (1.0 for NHH Metered, 2.25 for NHH Losses, 0.94 for HH Losses and 0.10 for HH Metered)? Please provide rationale and supporting data.

| Respondent | Q4. Response |
|-------------------------|--|
| EDF Energy | EDF Energy questions the calculation of the share of HH meters' group correction due to metering error. Evidence quoted included a sample of only 1% of HH metered sites in the UK ("GSP Group Correction consultation 2013_v1 0" - section 4.2.3 of the supporting document), which we consider to be an insufficient statistical sample to validate the proposed change. The other source of data was a survey conducted in only 2 GSP groups by a distribution company (no details of audits and controls of that survey were provided in the document). The final conclusion, taking an average of these figures, is viewed as being ill-substantiated as a result, and too arbitrary. |
| SSE Energy Supplies Ltd | Given our view above we think there may be a little more analysis is required in order to |



Consultation Responses

| Respondent | Q4. Response |
|----------------------------------|--|
| | generate a valid set of scaling factor values, at this time. |
| E.ON | No comments |
| British Gas | We do not have an comments on the GSP Group Scaling Weights proposed. We agree with the analysis and the proposed values. |
| ScottishPower Energy Retail Ltd. | While we welcome the inclusion of HH Metered error and the proposed scaling weights, we would expect future consultations to be responsive to changes in identified HH metered error. Recent trends show an increase in the level of material Trading Disputes raised in relation to HH metered sites; an area that was, until recently, thought to have such negligible levels of error that it was not included within GSP Group Correction. |
| SmartestEnergy Limited | It is not really clear how these numbers have been calculated. |
| npower | Our internal analysis, using the new and old scaling factors, show that the GSP Group Scaling Weights proposed in the consultation document is immaterial. |

Q5. Do you agree with the proposed implementation date of 01 April 2014? If not, please provide alternative date with rationale.

| Respondent | Q5. Response |
|----------------------------------|---|
| EDF Energy | No, our comments against the boxes above indicate why we oppose this change entirely, at any date. |
| SSE Energy Supplies Ltd | It may be more prudent to delay the implementation to April 2015, allowing P272; P280 and associated DCUSA changes to conclude. In addition, further analysis could be carried out in the areas mentioned above. |
| E.ON | Yes |
| British Gas | We agree with the proposed implementation date. We do not believe it would be appropriate to delay the implementation of these new values beyond 1 April 2014. |
| ScottishPower Energy Retail Ltd. | Yes, we agree with the proposed implementation date. |
| SmartestEnergy Limited | No. We do not agree with any date on the grounds that this proposal is not justified. However, if it were to go ahead it would be appropriate to give at least two years' notice, since agreements with customers may have to change. This could invoke "industry change" clauses in contracts. |
| npower | Yes |

Q6. Do you have any additional comments?

| Respondent | Q6. Response |
|------------|--------------|
| EDF Energy | No |



Consultation Responses

| Respondent | Q6. Response |
|----------------------------------|---|
| SSE Energy Supplies Ltd | We could have responded with more confidence if the result of the impact analysis were published in advance of the consultation questions. |
| E.ON | No |
| British Gas | We do not have any other comments. |
| ScottishPower Energy Retail Ltd. | We note Elexon's continued efforts in identifying and reducing error within the Electricity market and we will continue to support any analysis which helps provide a truer reflection of where error resides and assists in the increased accuracy of cost allocation. |
| SmartestEnergy Limited | <p>The consultation document states that amending the scaling weights would "reduce the cross-subsidy between different classes of Supplier. It would also seek to mitigate the impact of increased volumes of energy settled Half Hourly (HH) on the volatility of GSP Group Correction Factors."</p> <p>There is currently no cross-subsidy, merely differences in portfolio composition. Mitigating the impact of the volatility is what will create a cross-subsidy.</p> <p>In our view there is a principle that a HH meter reading is sacrosanct. If everyone had a half hourly meter then all of the correction could only be losses/theft.</p> <p>The analysis in 2011 confirmed that the only source of error in HH was the losses and this has been corrected since April 2013.</p> <p>There has been no cross-referencing to any known instances of theft in the HH market.</p> <p>Elexon/SVG have not demonstrated why the correction should be applied to HH metering, and why they think that the amount apportioned to losses should be different for HH and NHH metering at the same voltage.</p> |
| npower | No |