

Modification proposal	Balancing and Settlement Code (BSC) P292: Amending Supplier & Meter Operator Agent responsibilities for smart Meter Technical Details (P292)		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	National Grid Electricity Transmission Plc (NGET), Parties to the BSC and other interested parties		
Date of publication:	19 June 2013	Implementation Date:	June 2014

Background to the modification proposal

The Smart Metering Implementation Programme ('SMIP') is a major energy infrastructure project that the Department of Energy and Climate Change ('DECC') are leading for the replacement or upgrade of over 50 million domestic and non-domestic electricity and gas meters by the end of 2020.

SMIP, under its Business Process Design Group (BPDG), has described a revised operating model for the sending of Meter Technical Details (MTDs). MTDs are sets of data relating to the Metering Equipment installed at each customer premises. These data sets are currently maintained by Meter Operating Agents (MOAs) and are distributed to the relevant supplier, data collector (DC) and licensed distribution system operators³ for each Metering System to which the MOA is appointed. They are needed to allow recipient systems to accurately interpret and process meter readings. DCs are responsible for collecting data from metering systems to determine the electricity consumption in accordance with the BSC rules. Inaccuracy in the MTDs passed on to the DC has a negative impact on the accuracy of settlement.

Under SMIP's operating model, suppliers will take direct responsibility for how smart meters operate and will also take responsibility for sending MTDs to all industry users. This is necessary because only the supplier will be permitted to configure a meter due to the security controls on SMETS meters.⁴ In the government response on the Smart Energy Code⁵, DECC set out that "the MOP [ie the MOA] would not be able to... send "write" commands or firmware updates to the meter. Suppliers would remain responsible for the activities of the MOP". The existing BSC provisions reflect that the MOAs are currently responsible for sending MTDs.

The modification proposal

P292 proposes to amend Section S of the BSC to reflect that suppliers, rather than MOAs, would be responsible for establishing and maintaining MTDs for smart Non Half Hourly (NHH) metering systems under the operating model proposed by SMIP. It is also proposed to amend Section X to include a definition of SMETS. The modification will only apply to NHH metering systems that have been installed in compliance with SMETS and

¹The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

²This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³Licensed distribution operators are also known as distribution network operators or DNOs; they are responsible for carrying electricity from the transmission systems and some generators that are connected to the distribution networks to industrial, commercial and domestic users.

⁴The requirement to install metering equipment in Great Britain that complies to Smart Metering Equipment Technical Specifications (SMETS) arises in standard licence conditions 39 and 33 in electricity and gas supply licences respectively.

⁵ Stage 1 of the Smart Energy Code – a Government response and a consultation on draft legal text: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181562/smart_energy_code_stage_1_gov_response.pdf

registered as NHH metering systems. Arrangements for meters that do not comply with SMETS remain unchanged, because these are not within the scope of SMIP's proposed operating model.

Certain industry parties considered that detailed changes to the Code Subsidiary Documents (CSDs) regarding the management of MTDs could not be fully developed without the BSC first being amended. P292 would introduce a provision in the BSC to enable a detailed solution regarding the management of MTDs to be incorporated in the CSDs. The proposer considers that without changes to the BSC to reflect the shift in responsibility for MTD flows from MOAs to suppliers under SMIP's operating model, the relevant CSDs could not be amended. P292 does not prescribe any particular detailed solution, but would enable the implementation of a detailed solution.

The proposer believes that this modification would better facilitate the achievement of Applicable BSC Objective (d) 'promoting efficiency in the implementation of the balancing and settlement arrangements'. The proposer believes that this would enable suppliers and NHH MOAs to fulfil their future responsibilities as is being defined under SMIP's operating model.

BSC Panel⁶ recommendation

The Panel voted on P292 on 9 May 2013. The majority of the Panel considered that P292 would better facilitate Applicable BSC Objective (d) by enabling Suppliers and NHH MOAs to fulfil their future responsibilities as defined under SMIP's operating model.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 14 May 2013. The Authority has considered and taken into account the responses to Elexon's⁷ consultation which are attached to the FMR.⁸ The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the BSC;⁹ and
2. directing that the modification to be made is consistent with the Authority's principal objective and statutory duties.¹⁰

Reasons for the Authority's decision

We consider that P292 has a positive impact on applicable objective (d) and is neutral in respect of the other applicable objectives.

Applicable objective (d): promoting efficiency in the implementation and administration of the balancing and settlement arrangements

The Authority agrees with the proposer, and the majority of the Panel, that P292 would better facilitate objective (d). Under SMIP's operating model, energy suppliers will have direct responsibility for how smart meters operate and will take responsibility for sending

⁶ The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC.

⁷ The role and powers, functions and responsibilities of Elexon are set out in Section C of the BSC.

⁸ BSC modification proposals, modification reports and representations can be viewed on the Elexon website at www.elexon.com

⁹ As set out in Standard Condition C3(3) of NGET's Transmission Licence, see: <http://epr.ofgem.gov.uk/index.php?pk=folder380751>

¹⁰ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

MTDs to all industry users. If changes to the current arrangements are not made, the BSC will not be aligned with SMIP's operating model once that model is operational. P292 is an enabling modification that allows a technical solution to be incorporated into the CSDs to meet the change of responsibilities that is being developed under SMIP. Increased clarity over responsibilities will enable more efficient balancing and settlement arrangements. Furthermore, increasing certainty for BSC participants on the nature and scale of any changes they may need to make, and providing such certainty in good time, will provide the opportunity for parties to implement any changes in a cost effective way. This should ultimately benefit consumers.

Applicable objective (c): promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

In response to the Report Phase Consultation, an argument was put forward that P292 removes the option as to who the supplier is able to delegate responsibility to for maintaining and providing MTDs. They noted "that removing a Supplier's ability to delegate responsibility may mean that the supplier incurs significant costs in system changes". Given that different suppliers have different operating models, some suppliers may incur higher costs than others. If this were the case, it could be argued that this would negatively impact objective (c) by impacting on competition in the supply of electricity.

Under SMIP's operating model, energy suppliers will have direct responsibility for how smart meters operate and will take responsibility for sending MTDs to all industry users. We note the concerns from respondents over possible ambiguity in the legal drafting; specifically, that P292 could prevent suppliers from delegating this task to a MOA. Our opinion is that the legal text of P292 is not ambiguous and it does not, of itself, preclude the development of a CSD change proposal (CP) that allows suppliers to delegate the task of sending MTD data flows to another party.¹¹ Thus P292 is unlikely, of itself, to result in suppliers incurring significant additional costs. Any additional costs incurred by suppliers will pertain more to the detailed technical solution in the CSDs, rather than P292. Suppliers can take this into account during the development of an appropriate and what they consider cost effective change to the CSDs. We therefore conclude that P292 is unlikely to have a detrimental effect on competition in the supply market.

Proposed timetable

We agree with the Panel and the proposer's views that P292 should be implemented in parallel and alongside any CP that delivers the detailed requirements. The Panel's view was that this should be part of the June 2014 BSC Systems Release.

On 10 May 2013, the Secretary of State announced that government had decided to move the completion date for the mass roll out of smart meters from end 2019 to end 2020 and also noted that they expect a delay to when suppliers will be ready to start their full scale roll-out.¹² This announcement was made after the Panel's meeting held on 9 May. Therefore the Panel's decision on the proposed implementation date was not privy to this information.

Implementation of P292 will require only minimal changes to the BSC. However, the detailed amendments to the CSDs may require significant changes and development of parties' systems and processes. It is important that sufficient time is given to develop a

¹¹ Irrespective of who actually undertakes this task, the relevant supplier bears ultimate responsibility and liability for any errors or omissions in the MTD.

¹² <https://www.gov.uk/government/speeches/written-ministerial-statement-by-edward-davey-smart-metering>

solution that is both consistent with SMIP's policy and provides flexibility in the approach that suppliers can adopt. We note that SMIP's BPDG Legacy System Changes (Enduring) Paper published on 6th October 2011¹³ suggested a principle of minimal change.

The change in the completion date for mass roll out provides an opportunity for additional work to develop an appropriate technical solution. However, it is uncertain how long the development of a suitable technical solution will take, in particular given the rejection of the CP aimed at delivering a technical solution, CP1388, by the Supplier Volume Allocation Group on 5 March 2013.¹⁴ Furthermore, it is impossible to accurately assess the length of time needed by parties to implement the relevant CP until the technical solution has been fully refined and developed.

Despite this uncertainty, we do not believe that the implementation date needs to change at this stage. The provisions contained in the BSC allow for an amended implementation date should this become desirable eg if CP1388 is further refined, or alternative CPs are developed.¹⁵ We would encourage parties to submit any relevant evidence that supports a delay in the implementation date for P292 during the further discussion of CP1388.

Decision notice

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority, hereby directs that modification proposal BSC P292 *Amending Supplier & Meter Operator Agent responsibilities for smart Meter Technical Details* be made.

Maxine Frerk
Partner Retail Markets & Research

Signed on behalf of the Authority and authorised for that purpose.

¹³ <http://webarchive.nationalarchives.gov.uk/20130109092117/http://www.decc.gov.uk/media/viewfile.ashx?filetype=4&filepath=11/tackling-climate-change/smart-meters/3781-smart-metering-regulation-working-group-4--meetin.zip>

¹⁴ <http://www.elexon.co.uk/meeting/svg-145/>

¹⁵ BSC Section F, 2.11.7 and 2.11.8.