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Action:	For Decision

Response to P379 CBA

1. Purpose

This paper sets out a proposed response to a [consultation](#) issued regarding BSC Modification P379 Cost Benefit Analysis (CBA). It also recommends a separate response to Ofgem and the BSC Panel on the wider issues of P379, advocating an Ofgem led Significant Code Review is required to adequately address the issues identified.

2. Background

2.1 Concerns over solution

P379 'Multiple Suppliers through Meter Splitting' is a BSC Modification that seeks to enable consumers to procure energy from multiple Suppliers without the need for an additional supply point. The solution design limits change to the BSC and BSC systems.

In March 2020, the Technical Architecture Business Architecture Sub Committee (TABASC) reviewed the proposed solutions for P379 and identified a number of significant consequences; most notably:

- A customer's IHD would not show the correct information regarding costs and consumption
- Prepayment had not been thoroughly considered and may result in sub meters being cut off if there is insufficient credit with the primary supplier
- Developing a second national metering infrastructure for secondary metering (CoP11) duplicates aspects of the Smart Metering infrastructure, which has been designed to be secure, interoperable and ensure grid stability

TABASC raised the concerns to the SEC Panel noting that if P379 were implemented as proposed, it would damage the benefits case for Smart Metering, since consumers would not be able to rely on cost and usage information provided by the Smart Metering system. It was also noted that the solution was BSC-centric and there had been no consideration of how to support the intent of this modification using the existing Smart Metering infrastructure.

As a result, in April 2020 the SEC Panel Chair wrote to ELEXON (BSCCo) expressing the concerns of the TABASC and asking that the BSC modification team liaise with TABASC to explore the use of Smart Metering infrastructure as part of the P379 solution.

2.2 Cost Benefit Analysis

Coinciding with the issue of the SEC Panel letter to BSCCo, the BSC Panel had requested that a Cost Benefit Analysis of P379 be undertaken. The purpose of the analysis was to determine the merits in continuing with the progression of the Modification, since further work had been identified to fully develop solutions.

BSCCo responded to the SEC Panel concerns agreeing that any solution put forward should be able to integrate with the Smart Metering infrastructure. They agreed to work with the TABASC to help shape a solution whilst work was undertaken to procure a CBA.

Between May and November, TABASC has developed solutions under the Smart Metering infrastructure that would help resolve the issues identified in P379. Whilst not all of the issues relate to, or can be addressed by, Smart Metering, it does provide a potential solution to some of the major concerns raised.

On 24 November 2020 the BSC issued the CBA for P379 seeking a call for evidence to inform an understanding of the costs which P379 could introduce. The CBA is still based upon the original proposals developed under the BSC in February 2020. It is believed this is due to the further development of P379 being on hold pending the outcome of the CBA.

3. Response to the CBA

The TABASC has discussed and identified key points to be raised as part of the response to the CBA consultation. The main driver is to ensure the CBA takes into consideration the large impacts on the SMIP and consumers, that are not currently being assessed. The CBA also needs to be clear that alternative solutions can be delivered that would provide greater value across the energy system than by addressing the problem in the BSC settlement systems on its own. It would be a fundamental flaw with the analysis should it solely focus on those solutions constrained to the BSC.

Appendix A contains a draft response to the consultation. It sets out the issues and concerns raised back in April 2020 and advises how best these issues can be addressed in the CBA. The Panel is requested to review the response and make any necessary amendments.

4. Letter to Ofgem and BSC Panel

In addition to responding to the CBA consultation, we believe it prudent to write to the BSC Panel and Ofgem. The purpose would be to highlight the concerns raised over P379 and to recommend that following the CBA results, a Significant Code Review (SCR) is launched.

We recommend writing to the BSC Panel as it is not clear that the concerns of the SEC Panel have been raised at this forum. The BSC Panel have discussed the potential wide remit of the modification, and some members have noted that the issue and solution in P379 are more far reaching than just the BSC. However, the specific concerns raised by TABASC and the potentially large impact on the SMIP have not been highlighted to the Panel. Stating these issues clearly to the BSC Panel will assist them in making an informed decision post CBA completion.

Equally, in recommending a SCR we would suggest the work undertaken to date by BSCCo and TABASC is not discarded but progressed jointly. Since P379 is a BSC Modification, it is right that we inform the BSC Panel of the desire to move the BSC Modification into the governance of a SCR and note that a BSC-centric approach to resolving the issue is not the most efficient approach.

We also recommend writing to Ofgem since it is not clear they fully appreciate the repercussions of the P379 solutions as proposed on the SMIP. Furthermore, issues regarding pre-payment have been passed from the P379 workgroup to Ofgem for resolution. It is again unclear how these issues will be mitigated, and without understanding the full proposed solution, an assessment of the Modification is extremely difficult. Similarly, it is unclear how issues affecting Electricity Supply Standard Licence Conditions concerning provision of Consumer Information will be addressed.

We are aware from discussions at the BSC Panel that Ofgem are supportive of investigating the issue in P379 and are keen to use this Modification to understand the potential uptake and any other potential solutions. However, it is not clear the issues created by a purely BSC solution have been fully considered. Nor does leaving the Modification solely in the BSC change process provide any certainty that wider issues can or will be addressed.

Ofgem noted in March 2020 that they are considering using an SCR for the progression of this topic, but to date there has been no further communication of Ofgem's desire to use the SCR mechanism. As noted above, this seems a sensible approach to efficiently progress the issue and an appropriate time to raise the method with Ofgem.

We appreciate that the results of the CBA will impact the direction and scope of P379, and therefore that decisions on progression should be taken at the appropriate time following the CBA conclusion. However, it is sensible to raise the issues and present a potential way forward now.

5. Recommendations

The Panel is requested to:

- **APPROVE** the response to the P379 CBA consultation in Appendix A;
- **APPROVE** a letter is issued to Ofgem and the BSC Panel setting out the concerns, and the suggestion of using the SCR process to resolve the issue identified by P379.

Adam Lattimore

SECAS Team

06 January 2021

Attachments:

- Appendix A – Draft SEC Panel response to P379 CBA

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15 January 2021

Re: Consultation on P379 CBA

Dear BSC Change Team,

I am writing to you on behalf of the SEC Panel regarding a response to the Cost Benefit Analysis for P379.

In April 2020 I wrote to ELEXON to outline concerns regarding the significant impact P379 could have on the Smart Meter Implementation Programme (SMIP). These concerns are reiterated below as it is imperative that they are properly assessed as part of the P379 CBA.

To assist in the development of the CBA, this letter also sets out how the concerns raised could be included in any analysis that is undertaken.

The CBA needs to take into account the far-reaching impacts on the SMIP and on the end consumer. Equally, it should consider that alternative solutions can be delivered that would provide greater value across the energy system than by addressing the problem solely in the BSC settlement systems. The Technical Architecture Business Architecture Sub Committee (TABASC) and SECAS have developed a number of solutions utilising the existing Smart Meter infrastructure that would help to resolve some of the issues set out in P379. I would encourage you to contact them to discuss these potential alternative solutions and for any other information that may help in the completion of a full and thorough CBA.

If you would like to discuss this further, please do not hesitate to contact myself or the SECAS team on 020 7090 7755 or SECAS@gemserv.com.

Yours sincerely,



Peter Davies
SEC Panel Chair

Summary of concerns raised in April 2020

Provision of Consumer Information¹

- It is likely the IHD/PPMID will not accurately show the quantity or cost of electricity supplied by just the licensee. The boundary meter measures total import energy, so the IHD/PPMID will show an aggregated volume;
- Similarly, the price and cost of consumption shown to the consumer on the IHD/PPMID will be determined by the tariff sent by the import supplier; this means that the cost displayed may not be the true total cost incurred by the end consumer (due to the consumption likely being apportioned at different rates).

Payment & Billing Functions

- Prepayment, currently in scope of P379, needs to be thoroughly thought through. The boundary meter retains the capability to disable supply to the premise if consumer credit falls below the disablement threshold, regardless of credit positions that the consumer may have with other sub Suppliers. In this instance, those sub Suppliers will be unable to fulfil their commitments to the consumer, and the consumer cannot receive energy or reconcile their credit status, despite having credit with the sub Supplier;
- There is a lack of clarity in proposed apportionment algorithms. For example, premises with import and export warrant further thought, as readings on the meter beyond the boundary may not add up to those on the meter at the boundary.

Security, Interoperability & Other Regulations

- The current intention is to use a COP11 meter as the sub meter, which is being developed via BSC Modification P375 and is external to the smart infrastructure. At this stage, there is no expectation that the meter will be integrated with Smart Metering and an alternative means of communication will be implemented. This could confuse the consumer, and should the solution not be as secure as the Smart Metering service, could impact consumer confidence in Smart Metering. This is particularly relevant if load control is implemented;
- There was concern on the accuracy and display requirements for meters to be used beyond the boundary. As these Devices will be used for consumer billing, they should be MID compliant, and such overarching regulatory implications need consideration in all analyses and sub meter specifications.

¹ Electricity Supply Standard Licence Condition 49.20 defines "consumer information" as the "quantity of electricity measured by the electricity meter as having been supplied by the licensee"

Approach for the Cost Benefit Analysis

The remainder of this letter details how we consider that you should incorporate the earlier considerations into the P379 CBA.

Provision of consumer information and the impact on consumer engagement & savings

P379 has the potential to increase the level of consumer engagement in their energy supply and associated bills. However, if implemented poorly, could have detrimental impacts.

If a non-SMETS CoP11 meter is installed to measure Secondary Supply, near-real time consumer information presented via any medium will be incorrect, as it will present to the consumer the wrong quantity and cost of energy supplied. This would have a detrimental impact on consumer engagement and the savings that could be achieved.

Conversely, if a SMETS-based solution is designed that allows the consumer to see and manage the cost of each supply, the level of information available, engagement and consumer savings is likely to be enhanced.

The latest Cost Benefit Analysis of the Smart Meter Roll-Out was published by BEIS in 2019². Page 36 sets out the assumptions for consumer benefits relating to, amongst other factors, enhanced consumer information.

We recommend that your Cost Benefit Analysis considers:

- The expected number of installations likely to overlap the smart metering mandate;
- The loss of consumer benefits associated with providing a non-SMETS solution;
- The additional consumer benefits if a SMETS-based solution is employed; and
- The costs of developing a SMETS or non-SMETS based solution.

BEIS is the owner of the Smart Meter Roll-Out CBA and, should you need support in understanding relevant inputs to your CBA, we recommend that you engage with the department.

We note that your document “P379 Cost Benefit Analysis Scope”, published with the consultation document, recognises some impact on the smart meter roll-out. As you can see from above, the impacts are more nuanced than you set out in that document.

Clearly the extent of any benefit creation or destruction is dependent on the overlap of P379 and the smart meter roll-out. Our strong recommendation, even if the overlap is at the lower end of your estimate, is that you consider a solution utilising smart metering.

Billing function impacts

Suppliers using smart meters typically bill using 'billing data log' alerts generated by a smart meter. These alerts will be incorrect if a Secondary Supply is in place (although this impact could potentially, although not easily, be designed out using smart meters to measure Secondary Supply).

There is likely to be some confusion around consumer billing data arising from the discrepancy between the customer information provided (see above) and the algorithms used to allocate energy between Suppliers, especially when export is involved. We expect Suppliers to include this impact in their responses.

Prepayment function impacts

The impact on consumers with smart or legacy prepayment metering needs to be thoroughly thought through. We consider this not to be specific to smart metering as the impact on Secondary Supply of the Primary Supplier disabling supply is identical, regardless of the type of boundary meter employed.

However, we consider it impossible to estimate this impact as the solution appears not to be defined, and would expect that Suppliers may want clarity through regulation and can only then estimate the cost on their businesses.

Compliance with policy principles

Smart meters, and other developments impacting the energy system including electric vehicle charging & control of smart appliances, must comply with policy principles covering interoperability, data privacy, grid stability and cyber security. We expect that any solution, using smart or non-smart metering, will comply with these principles.