Revised approach to R0207 – Import / Export MOA Charging Clarification

Update to Problem Statement

"Where the same electricity Metering Asset is being used for the measurement of Import and Export for more than one Metering Point, the Export MOA must be the same as the Import MOA. This may result in difficulty agreeing a contract with, or uncompetitive charging by, the MOA as the Export Supplier has no choice in their appointment. It is impractical for all Electricity Suppliers to agree contracts bi-laterally with all MOAs for this purpose. This leaves the Export Supplier at risk of not fulfilling its obligations under the REC and BSC."

Problem	Considerations
Export Supplier has no choice in their appointment	The Export Supplier cannot choose another MOA or refuse to appoint them if they cannot agree contractual terms. The Export Supplier's only options is non-compliance with the REC, and by extension its license.
Risk of uncompetitive charging by the MOA to the Export Supplier	The Export MOA can currently apply uncompetitive / non-cost reflective charges to Export Suppliers with no recourse or alternative options available to the Export Supplier.
Not addressed in problem statement	
Difficulty/complexity in Export Supplier's agreeing contracts with all Export MOA's	*Not specifically addressed in the problem statement but a key part of the issue. Many Suppliers simply don't have contractual relationships with the Export MOA and many MOA's don't want to enter into these arrangements (some may be in-house MOA's with no commercial interest in other Suppliers).*

Alternatives to original solution

- The original proposed solution required that the MOA shall "*so far as reasonably practicable, treat all Suppliers in the same manner as regards costs charged by it when providing the same type of service*".

- For this to be monitored or enforced under the REC, the Supplier and/or the REC PAB / Code Manager would require knowledge of the different rates each MOA charges both Import and Export Suppliers.

- Also, as the legal text refers to "Suppliers" it is not clear if this extends to Import charging arrangements as well as Export charging arrangements.

- For these reasons, the previously proposed solution would not be feasible under the REC, and an alternative solution must be considered to address the problem statement. The revised solution must:
  - Address the risk of unfair / uncompetitive charging arrangements for linked export supplies;
  - Allow MEMs to recover its reasonable costs of delivering its services;
  - Promote competition in the supply of metering services;
  - Protect the interests of consumers; and
  - If required, be measurable and enforceable under the Retail Energy Code

Issues to be addressed from send back letter

Issue	Response / Options to address
Comparison between DNO's charging MOA's on a non-discriminatory as part of the COMCoP to support this modification.	Acknowledgment that this should not have been used as a comparison for this modification, as DNOs operating as monopolies under regulated price control cannot be compared to MOA's acting in an unregulated, competitive market.
PAB ability to oversee disputes relating to commercial agreements and conflict with COMCoP requirement that the PAB is not responsible for the arbitration of commercial disputes.	The PAB can only oversee disputes relating to provisions set out in the REC. Requiring parties to disclose commercially sensitive and confidential information from negotiated contracts would not be appropriate, particularly considering the constitution of the PAB including competitor organisation's.
Risk that Export Suppliers who have negotiated lower rates with MOAs than Import Suppliers or other Export Suppliers could see charges increased, and an obligation requiring all Suppliers to be treated in the same manner could reduce competition, which is already limited as the Export Supplier must chose the Import Suppliers MOA.	It is unlikely that a solution that requires monitoring / knowledge of the charges a MOA applies to different suppliers will be feasible in the REC. Any solution taken forward will need to address this.
As far as reasonably practicable, any solution must promote competition and ensure the interest of consumers, particularly with pass through charges, is protected.	Any revised solution will need to be assessed against these principles as part of its impact assessment and consultation.

MHHS Context

- The MHHS Target Operating Model will implement auto-appointments for Associated Import/Export Metering Points, where only the Import Supplier will be responsible for appointing a MOA for the Import MPAN.

- Where the appointment is accepted, the relevant SMRA will appoint the same MOA to any Associated Export Metering Points and / or any Secondary Related Metering Points.

- Where there are any changes to Meter Technical Details, or other information where the MOA is the data master, the MOA must synchronise the data automatically for both the Import and Export Suppliers.

- This is a fundamental requirement that all MOA's qualifying under MHHS must have designed, built and tested as part of its MHHS Qualification (or future Qualification if entering the market post-MHHS).

- The MOA will be required to do this, as part of its MHHS solution, regardless of whether it has entered into a contract with the Export MOA for the provision of these services. This is a requirement of both the REC and the BSC, supported by automated processes performed by the SMRA and Data Integration Platform (DIP).

- Therefore, MHHS will already introduce an environment where it is not necessary for an Export Supplier to enter into a contract with the Export MOA to receive these basic services, as they should be delivered by the MOA in any case.

Additional Services

- The basic requirement of being appointed/de-appointed as MOA, and synchronising changes to metering information, for an Associated Export MPAN will need to be met by the Export MOA regardless of whether a contract is in place with the Export Supplier.

- However, there may be additional/optional services that a MOA does not have an obligation to deliver in the absence of a contract with a Supplier, such as:
  - New meter installations / meter changes;
  - Fault resolution;
  - General site visits / meter inspections; or
  - Provision of bespoke products or services offered by that MOA on a competitive basis (digital tools, contact centre solutions, etc).

- The REC does not currently distinguish these activities for Import and Export Suppliers in the Metering Operations Schedule. However, a MOA would be within its right to reject a request for work where it does not have a valid contract in place to recover its reasonable costs.

- There is a broader question as to whether the REC should clarify how certain requirements in the Metering Operations Schedule should apply to scenarios where there is an Associated Export MPAN (e.g. faults).

Exceptions

- There are also where the appointment of an Export MEM will not be linked to the Import Supplier, such as Metering Points with stand-alone export meters.

- In these cases, the Export Supplier will be free to select their preferred MOA (or the customers appointed MOA) and not be required to select the Import Supplier's MOA.

- It is already possible for Supplier's to propose to the LDSO that an Import/Export association is removed where it is no longer appropriate for same MOA to be appointed to both Metering Points by sending an IF-019 DIP message (as set out in BSCP705).

- These cases would need to be acknowledged as part of any solution.

Potential solution - Strawman

- The REC could set out that in the case of an Associated Export Metering Point, the MOA shall be required to provide the “Associated Export MOA Services” to the Export Supplier. These services would be defined to relate specifically to the services required under the REC Metering Operations Schedule and BSCP706 (auto-appointments, updates to meter information, etc.).

- The MOA would be required to provide these services under the REC, without requiring a separate contract with the Export Supplier or direct payment for the provision of these services.

- The requirement would clarify that this only applied to Associated Export Metering Points where the same electricity Metering Asset is being used for the measurement of Import and Export through multiple Metering Points.

- The requirement would also clarify that the provision of “Associated Export MOA Services” does not include “Optional Associated Export MOA Services”, which would be subject to a contract being agreed between the Export Supplier and MOA. This would enable MOA’s that wished to provide additional services to these Suppliers to do so.

Impact to competition

- An MHHS Qualified MOA must provide the minimum services referenced (auto-appointment/de-appointment, updates to meter information) as part of its services provided to an Import Supplier. This is required regardless of whether a contract is in place with the Export Supplier.

- Each MOA providing this service must therefore already consider the cost of these services when determining charges to the Import Supplier, as there is no guarantee it will be able to recover costs from the Export Supplier.

- It is therefore reasonable to assume that a MOA may consider these costs in its charges to the Import Supplier. In this scenario, the Import Supplier is still able to benefit from competition, as it would be down to the MOA to determine if and how these costs would need to be recovered.

- Some MOA's could factor in an explicit charge to the Import Supplier, some may factor this in their margins, some may implement operational efficiencies meaning this does not require additional cost recovery, etc.. The MOA's overall approach to charging would influence the outcome of any competitive process employed by the Supplier seeking to procure its services, ensuring a fair, competitive process would still apply.

- Where an Export Supplier sought to procure additional/optional services from that MOA, the MOA and Supplier would be able to negotiate to agree a mutually acceptable arrangement (or not) without either risking non-compliance with the REC.

Consumer impact

- Where the Export MOA's costs of providing "Associated Export MOA Services" would need to be factored into the charges it applies to the Import Supplier, there is a perceived risk that this charge could be passed on to the consumer of the Import Metering Point.

- While in many cases the same Consumer will be responsible for the Import and Export Metering Points, this is not always the case and there will be cases where there are different Consumers responsible for the Import and Export Metering Points.

- This could lead to a perception where a Consumer is paying higher charges to offset the costs for another Consumer. In this case there is a greater risk of vulnerability and increased likelihood for the Import Consumer to experience detriment compared to the Export Consumer. This is because the Import Consumer must make payment to the Import Supplier whereas the Export Consumer will receive payment from the Export Supplier.

- The requirement to pass through additional charges to the Import Consumer would only be the case where the costs of providing the limited definition of "Associated Export MOA Services" was significant enough that it exceeded existing allowances the Import Supplier has for the cost of Metering Services.

Consumer impact (Cont'd)

- As already set out, the current market arrangements and requirements of MHHS mean that in the absence of this proposal, MOA's will be required to make similar assumptions relating to the provision of these services.

- Therefore, it is not expected that any costs a MOA may choose to recover in its charges to Import Suppliers would be material beyond those charges currently agreed. In the event that individual MOA's choose to introduce significant cost uplifts, the benefits of competition would still be available to the Import Supplier to validate and benchmark costs in the market.

- These assumptions would need to be validated as part of the impact assessment of this proposal.

Draft legal text (pre-WG and Legal Review)

Metering Operations Schedule (MHHS version):

- New paragraph 2.7B
  - “Where the MOA accepts an Appointment for an Associated Import Metering Point and is therefore also Appointed as MOA for the Associated Export Metering Point, the MOA shall provide the Associated Export MOA Services to the Export Supplier. The Associated Export MOA Services shall be provided to the Export Supplier without requiring direct payment or a contract to exist between the Export Supplier and the MOA. The provision of Associated Export MOA Services shall not require the MOA to provide Optional Associated Export MOA Services to the Export Supplier and shall not preclude an Export Supplier and MOA entering into a contract for the provision of these services.”

Draft legal text (pre-WG and Legal Review)

Interpretations Schedule

- New Interpretations
  - “Associated Export MOA Services”
    - means the processes associated with the Appointment of the Meter Operator Agent, maintenance and synchronisation of accurate Meter Technical Details, and sending and processing of relevant Market Messages in accordance with the Metering Operations Schedule.
  - “Export Supplier”
    - means the Electricity Supplier of an Export Metering Point.
  - “Optional Associated Export MOA Services”
    - means the provision of additional services other than Associated Export MOA Services which may be agreed bi-laterally between an Export Supplier and Meter Operator Agent.

Consequential Review of Metering Operations Schedule

- The Metering Operations has limited distinction between the activities for import and export metering.
- These provisions were not specifically developed to support a market with high volumes of small-scale microgeneration with shared metering assets for import and export.
- Due to this, there is no recognition of how certain activities should be managed where there is a shared metering asset with separate import and export Suppliers. E.g. whether there are specific services that should only be requested by one of these Suppliers.
- Are there any provisions in the REC Metering Operations Schedule that should be reviewed to consider how these should apply to Associated Export Metering Points?
- This may be more appropriate to be progressed as part of a separate Change Proposal, which will be reviewed following the discussion.