



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**Proposed Modification 174
Energy Reconciliation Prices in AP03**

**A Decision by the Commission for Energy
Regulation under the Trading and Settlement
Code**

CER/05/101

28th June 2005

Introduction

On 27th May 2004, a Proposed Modification (PM 174) was submitted for consideration to the Trading and Settlement Code Modification Panel ('the Panel') by the Green Supplier Representative. PM 174 proposed that the pricing methodology used for the pricing of energy which is subject to the resettlement procedure (NQH Metered Customer Demand Reconciliation) as set out in Agreed Procedure 03 (AP03) of the Trading and Settlement Code ('the Code') should be changed.

Comments on PM 174 were invited from all Panel Members. The issue was discussed at the Code Modification Panel Meeting on 5th November 2004 and consensus could not be reached. It was therefore agreed that the Commission would consider this issue further and having requested final comment from Panel Members, the Commission would then make a final Decision.

The Commission received responses from ESB PES, ESB National Grid and Supplier Representatives in relation to PM 174. Panel members expressed differing views on both the merits of the proposed modification and the appropriate timing for the application of this change, if approved.

Summary of Modification

The present version of AP03 details the process for determining the cumulative kWh, in both day and night time periods, that have been mis-allocated between the total demand of a Supplier with Non-Quarter Hour (NQH) metered customers and ESB PES. This is as a result of determining the Supplier's customers' demands using an estimated annual consumption for each customer and applying an appropriate customer demand profile and determining the financial settlement required between the Supplier and ESB PES in respect of the day and night kWh amount.

- Under the original version of AP03, stage two resettlement was cashed out at a single misallocation price for all energy reconciled in a month irrespective of whether the difference in consumption was due to day or night consumption. It is proposed that this methodology reflected the approach taken to calculate initial settlement volumes .
- A revision of AP03 in 2002 resulted in reconciled volumes during stage two resettlement being split into day and night components and applying different day / night misallocation prices to each.
- PM 174 proposes reverting to the original methodology, as outlined above.
- PM 174 proposes that the original methodology should be reverted to for reconciliation months not yet invoiced.

The proposal contends that the processes used in stage one settlement (initial settlement) should be mirrored in stage two reconciliation (resettlement) with the difference between the two stages being purely a volume correction between the EAC profile and metered usage. It is regarded as inappropriate to introduce a time-of-day correction at

resettlement when this refinement is not regarded as being present during initial settlement¹.

Commission's Decision

This is a Decision by the Commission for Energy Regulation under Regulation 3(4) of SI 49 of 2000 – Electricity Regulation Act, 1999 (Trading Arrangements in Electricity) Regulations, 2000.

The Commission, having considered PM 174 and the comments received on this issue, hereby, decides that AP03 as outlined in the Code should be amended in accordance with PM 174 such that energy reconciliation prices are calculated according to the original methodology used by AP03 (resettlement cashed out at a single misallocation price for all energy reconciled in a month).

This methodology shall apply to the stage two settlement for all months from the point at which the modification was raised (May 2004) onwards (i.e. re-settled energy for June 2004 onwards).

The process for changing Agreed Procedures is as set down in the Trading and Settlement Code in Section 7.2 (a) which states that Agreed Procedures may be revised, amended, varied or modified from time to time by the Settlement System Administrator (SSA) as the case may be, with the approval of the Commission. Therefore, the Commission requests that to give effect to this Decision, the SSA and the MRSO submit a revised version of AP03 for the Commission's approval, in line with the Proposed Modification.

Reasoning behind the Decision

Present settlement profiles are representative of a customer class rather than the actual individual customer demand. Because customer demand shapes on average are close to the settlement profiles, it was felt originally that it was reasonable that volume adjustments in stage two settlement should be based on a similar global approach.

It is understood that the current AP03 process (which revised the original approach) delivers correct resettlement for those customers with day/night metering but, for 24 hour meter customers, depending on their actual night or day consumption relative to the profile, could either be paying too much or too little for their energy. Therefore, AP03 has introduced a level of accuracy, which is not present in the first stage settlement for customers with 24 hours meters.

It is the Commission's considered opinion that for consistency, both stage one and stage two settlement should be either on the basis of either standard load shape or actual day / night split. However, the latter is not acceptable due to the scale, cost and timescale for such a change in light of the limited life of the existing system. Therefore, the Commission is of the view that the more equitable approach going forward is the modification proposed.

¹ The SSA circulated to Panel members the misallocation pricing information using the two methodologies in order to assist in their consideration of this issue.