

Issue Report

Issue 108 ‘Further Extension of RTS Cost Recovery Arrangements Under the BSC’

Contents

1. Summary	2
2. Background	3
3. Issue Group’s Discussions	5
4. Conclusions	8
Appendix 1: Issue Group Membership	10



Contact

Jacob Snowden

020 7380 4260

jacob.snowden@elexon.co.uk

BSC.change@elexon.co.uk

About This Document

You can find the definitions of the terms and acronyms used in this document in the [BSC Glossary](#)¹.

This document is the Issue 108 Group’s Report to the BSC Panel. Elexon will table this report at the Panel’s meeting on 14 September 2023.

There are two parts to this document:

- This is the main document. It provides details of the Issue Group’s discussions and proposed solutions to the highlighted issue and contains details of the Workgroup’s membership.
- Attachment A contains the Issue 108 Proposal Form



342/06

Issue 108

Issue Report

14 September 2023

Version 1.0

Page 1 of 10

© Elexon 2023

¹ <https://www.elexon.co.uk/glossary/?show=all>



Not sure where to start?

We suggest reading the following sections:

- Have 5 minutes? Read section 1
- Have 15 minutes? Read sections 1 and 4
- Have 30 minutes? Read all sections
- Have longer? Read all sections and the annexes and attachments

Background

Elexon raised [Issue 108 'Further Extension of RTS Cost Recovery Arrangements Under the BSC'](#) on 20 July 2023 to revisit the issue raised in [Issue 104 'Extending RTS Cost Recovery Arrangements Under the BSC'](#), which concluded in January 2023.

The contract between Elexon and the Energy Networks Association (ENA) to pass operational costs for the Radio Teleswitch Service (RTS) through the BSC as 'BSC Costs' is due to expire on 31 March 2024. The BSC pass-through operational costs for the year 1 April 2023 to 31 March 2024 are ~£5million and there are ~1million RTS devices in use. Issue 104 concluded that the existing incentives (outside of the BSC) for Suppliers to transition from RTS by 31 March 2024 were sufficient. However, the transition has not happened for a variety of reasons, explored further in this report.

Since the transition away from the RTS is unlikely to conclude by 31 March 2024, the Issue 108 Group was formed to reconsider whether targeted charging would be appropriate from April 2024 onwards to increase the incentive on Suppliers to replace devices reliant on RTS. A sole Issue Group meeting was held on 1 August 2023 to discuss the potential options of increasing incentives, particularly by targeting operational costs.

Conclusions

The Issue Group concluded that:

- a) The operational RTS costs should continue to be passed through the BSC past 31 March 2024; and
- b) There are no changes required to the BSC charging arrangements as no further incentives on Suppliers to replace RTS devices are needed.

The Issue Group recognised that all RTS devices need to be replaced by the end of 2025 as the BBC can no longer guarantee operational and maintenance service beyond this date.

Therefore, the Issue 108 group acknowledged that:

- December 2025 is the absolute deadline to replace RTS;
- Customers with RTS meters should be switched over by Summer 2025 at the latest to ensure the end of 2025 deadline is reached; and
- There is sufficient incentive for Suppliers to change consumers from the RTS to new solutions, e.g., smart meters.

2. Background

What is the Issue?

The RTS uses the BBC's long wave Radio 4 service infrastructure to send radio signals to consumer's premises that facilitate remote load management on Radio Teleswitch devices (primary load heaters and hot water boilers).

As the operational RTS costs for 1 April 2023 to 31 March 2024 were due to rise significantly, Issue 104 'Extending RTS Cost Recovery Arrangements Under the BSC' was raised in January 2023 to reaffirm support for passing the operational RTS costs through the BSC, and assessed whether an alternative cost apportionment through the BSC would be suitable.

The following image summarises how the operational costs for the RTS became a pass-through cost under the BSC, and how the contract between Elexon and the Energy Networks Association (ENA) was extended over time:

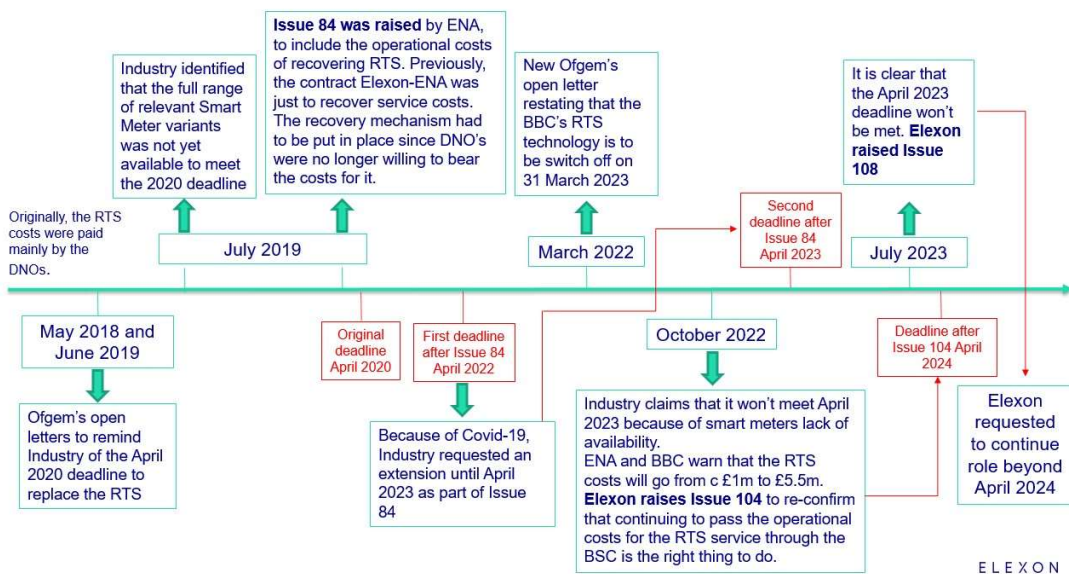


Figure 1: RTS Cost Recovery Arrangements Timeline

The current contract between Elexon and the ENA to pass the operational costs for the RTS through the BSC as 'BSC Costs' is due to expire on 31 March 2024.

The BSC pass-through operational costs are currently circa £5 million and there are circa 1 million RTS devices² in use.

Previous discussions under Issue 104

In January 2023 Elexon closed Issue 104 'Extending RTS Cost Recovery Arrangements Under the BSC' with the recommendation of no change to the charging mechanism (which currently attributes, on average, 50% to Suppliers and 50% to Generators).

The no-change recommendation was based on the Issue Group agreeing that efforts were best focussed on moving customers away from RTS and that there were sufficient

² RTS devices include Radio Teleswitches and Radio Telemeters.

incentives on Suppliers for the transition away from RTS by 31 March 2024. Modifying how costs are charged would have consequential system changes (both for Elexon and Suppliers), so the priorities of the Issue Group members were to focus on the prompt replacement of RTS devices and to work on a communication strategy for those customers unwilling to accept the smart meters.

Therefore, the previous understanding that Elexon would not intend to sign a further contract for the pass-through of RTS costs after 31 March 2024 was no longer considered plausible and it was felt that a further Issue Group (Issue 108) to reconsider industry support for passing RTS costs through the BSC from April 2024 onwards would be valuable.

What has changed?

As per Figure 2 below, there are a considerable amount of RTS devices remaining as of May 2023 which is the latest date that is provided³.

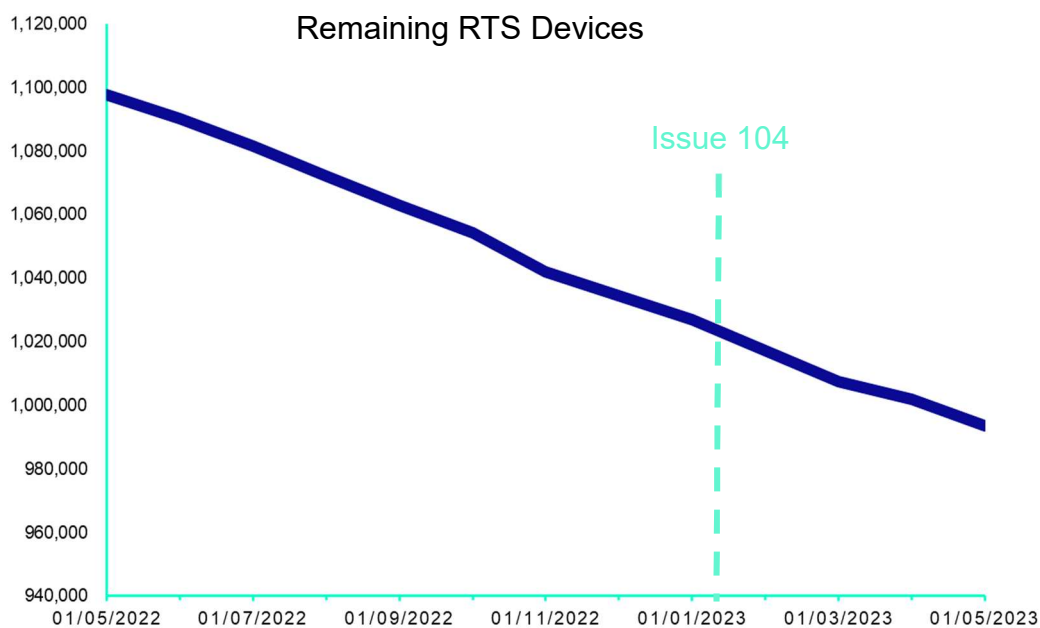


Figure 2: Demonstrating the remaining RTS devices vs time since December 2022 to May 2023.

The current linear trend from the data suggests that achieving the 2025 deadline will be unlikely unless the rate of Meter switches increases.

Issue 108 aims

Since the future costs of the RTS from 1 April 2024 onwards are not known, the cost per RTS device could keep increasing exponentially. Because the costs are spread almost equally between different parties, Elexon wished to re-confirm that the BSC is best placed to pass through the costs, and how should they be apportioned.

Given that prior to Issue 108, it appeared that the existing incentives were not having the desired effect by 31 March 2024, it seemed prudent to consider whether targeted charging would be relevant from April 2024 onwards to increase the incentive to replace devices reliant on RTS.

342/06

Issue 108

Issue Report

14 September 2023

Version 1.0

Page 4 of 10

© Elexon 2023

³ <https://www.elexon.co.uk/data/trading-operations-report/metering-data-trading-operations-report/>

3. Issue Group's Discussions

Terms of Reference

The Issue Group met on 1 August 2023 and were presented the following Terms of Reference (ToR):

- a) Confirm whether it is still appropriate for RTS operational costs to be passed through the BSC;
- b) How industry can best be incentivised to move away from the RTS arrangements, through the BSC or otherwise; and
- c) Subject to ToR a), consider whether there are any suitable alternative cost recovery arrangements under the BSC.

ToR a): Confirm whether it is still appropriate for RTS operational costs to be passed through the BSC

Elxon presented two options to the Workgroup, these were:

1. Continue to recover operational RTS costs through the BSC as a 'BSC Cost' (as per the current arrangement); or
2. Modify how RTS costs are recovered under the BSC if the BSC Issue Group wished for a different cost recovery mechanism. This could be for example:
 - a. With a fixed charge per RTS device that offsets the costs passed through the BSC; or
 - b. With total RTS cost allocated by Suppliers proportion of all RTS devices (100% RTS cost recovery).

Option 1 – retain current arrangements

Option 1 would entail retaining the current arrangements of a 50/50 split of the total RTS operational costs between Supplier/Generator Trading Parties. For Suppliers, their 50% being calculated via the SVA Metering System Specified Charge, and for Generators, their 50% calculated via Funding Share.

Option 2.a. – fixed charge using a Main Specified Charge

Option 2.a. assumes a fixed charge is set using a Main Specified Charge, i.e., £X amount per RTS Device. The fixed charge would be distinct from the total RTS cost and the current cost recovery mechanism through funding shares would be used for any remainder. Where the fixed rate results in an over-recovery, the excess would off-set other BSC Charges. The incentive arises as Suppliers would be charged for each RTS device and thus there would be a financial incentive to encourage customers to allow their replacement.

Option 2.b. – pro rata charge

Option 2.b. assumes a pro rata charge is set, any remainder would be relatively small and charged through the existing mechanism. The Charge would then be recalculated monthly and cost recovery remains the same as the number of RTS devices decrease. The charge per RTS device is also driven by the pass-through cost determined by BBC. The incentive is

driven by the financial impact borne by the Suppliers with the slowest replacement of RTS devices.

Issue group discussions on ToR a)

The Chair opened up the discussion to the Workgroup on the options presented. One Workgroup member stated that Option 2.a. was possibly workable, however, it would only create a relatively small charge for customers with an RTS device. Even if Elexon split ~£5million across the ~1million RTS devices, the charge on customers with RTS devices would be ~£5 per metering system and therefore would likely not incentivise those customers enough to switch their meters.

The Workgroup also stated that Option 2.b. would create an unreasonable incentive on Suppliers to get the meters changed, therefore, this would not be in the interest of consumers. Another Workgroup member agreed with this assessment stating that they did not think it necessary to change the current arrangements and confirming that they had a preference for Option 1.

Elexon then posed two questions to the Issue Group to clarify their views. The questions and results are in the below table.

Voting Results			
Question	Yes	No	Total votes
1. Should the BSC be modified to allow for a differing cost recovery mechanism?	0	9	9
2. Is it still appropriate to pass the operational RTS costs through the BSC? Are there any alternatives?	9	0	9

There was unanimous agreement that it is still appropriate to pass the operational RTS costs through the BSC. Issue group members did not provide any alternatives as they felt the current arrangements are the most suitable of the options presented. One member cited that their agreement was based on the understanding that any change would take longer than the period left to switch from RTS, i.e., the BSC change would need to be implemented some time before the 2025 deadline to have an effect. Two others noted that timescales were a factor, as the deadline of 2025 is too soon to make any fundamental changes to the cost arrangements.

The Issue Group agreed the incentives issue is not one that sits under the BSC as the responsibility lies with Suppliers and Ofgem to ensure RTS devices are changed. The barriers are not BSC related and stems from customer uptake of smart/replacement meters. Therefore, the most appropriate option is to maintain the current cost recovery arrangements as further BSC incentives would not facilitate a faster transition.

Overall, the Issue Group agreed that maintaining the current arrangements is the best option and no change via the BSC is required to further incentivise suppliers to change RTS devices.

ToR b): How can industry best be incentivised to move away from the RTS arrangements, through the BSC or otherwise?

December 2025 deadline

One member notified the group that the BBC issued a statement that it will begin to change their long wave service to digital solutions. They also informed the group that the service providers on behalf of the BBC who maintain the RTS, Cygnet Solutions, have stated that they are unable to do anything beyond 2025. Therefore, all of the RTS needs to be replaced by this point.

The Issue Group recognised that December 2025 is the absolute deadline for Suppliers to replace all RTS devices, otherwise there is risk of an unreliable and unpredictable service for Suppliers' customers still relying on RTS beyond this point.

One Workgroup member notified the group that Ofgem are planning to send an RFI to Suppliers at the end of this month about RTS; the aim is to gain a better understanding of where Suppliers are in the process of replacing RTS. As the deadline is 2025, they expect the vast majority of RTS devices to be changed by Summer 2025. There would also need to be a managed shutdown of RTS.

Tor C): Subject to ToR a), consider whether there are any alternative cost recovery arrangements under the BSC.

ToR a) revealed there were no changes required to the BSC, hence, the Issue Group agreed that further consideration of ToR c) was not necessary.

Wider discussion points

Barriers to change

The Issue Group confirmed they were aware of the deadline of 2025. However, they considered that the real barrier to the transition away from RTS was getting customers to change from RTS devices to smart meters (or other technology solutions).

One Workgroup member noted that there is a small customer cluster who have RTS but no Wide Area Network (WAN⁴) and that there is work ongoing to uncover the full scale of this. Currently, there are roughly 33,000 postcodes that do not have WAN. The next step is to find the number of premises within the postcodes to then create a map of GB of where all RTS customers are with no WAN. Although there they are not a large proportion, these customers need a solution. There is ongoing work with the Data Communications Company (DCC) and the Department for Energy Security and Net Zero (DESNZ) to see what can be done to reduce the number of customers that would get a smart meter with no WAN. This work is in an exploratory phase and there is still uncertainty regarding what the technology solution is for these scenarios.

Ofgem highlighted to the Issue Group that it has produced a new [webpage](#)⁵ containing useful information for consumers regarding switching from RTS meters. This can also be

⁴ The Smart Metering Wide Area Network (SMWAN or WAN for short)

⁵ <https://www.ofgem.gov.uk/information-consumers/energy-advice-households/radio-teleswitch-electricity-meters-consumer-guidance>

used by Suppliers to add weight when talking to consumers who are still on the RTS services and need to switch. Issue Group members welcomed this.

Elexon raised a concern that given the barriers discussed, the 2025 target is possibly unachievable. Issue 108 was raised following the Issue 104 Group's conclusion that there is enough incentive to switch by March 2024, which now appeared to be overly optimistic. One workgroup member highlighted that this is not the first time industry have resolved the issue of replacing legacy technology (e.g., token meters) - this issue is similar and not insurmountable. However, Issue Group members recognised that the 2025 deadline is final and that the transition would have to be completed by this time.

Actions taken following the first meeting

Generator engagement

The workgroup noted the absence of generator involvement in the Issue 108 group despite the fact they contribute 50% of the total RTS recovery costs via the BSC.

To ensure that generators are engaged with the process as they contribute the same amount as Suppliers to RTS operational costs, Elexon took an action to engage with generators regarding Issue 108 outcomes and reconfirm that the generator position under Issue 104 remained. For clarity, Generators' position under Issue 104 was that the primary beneficiaries of the RTS are consumers and therefore, continuing with the BSC RTS funding arrangements as-is was for the greater good of industry and consumers and thus did not require a differing cost apportionment.

Elexon reached out directly to 7 companies which have a diverse range of generators including: Nuclear, Wind, Combined-Cycle Gas Turbine (CCGT) and Biomass, plus other forms of generation. There have been no comments or objections from these contacts. Elexon therefore, conclude that there has been no change on the view of generators since Issue 104 and do not object to the outcomes of Issue 108.

4. Conclusions

In conclusion, there are no required changes to the RTS cost recovery mechanism as laid out currently in the BSC. Elexon provided two alternate solutions to cost recovery which would require BSC change. Issue 108 Group's verdict was maintaining the current cost arrangements is the best course of action and there is enough incentive to change RTS outside of the BSC.

The Issue Group also recognise that December 2025 is the hard deadline for all RTS devices to be replaced and that, ideally, most if not all, RTS devices should be replaced by Summer 2025.

The final conclusion is to close Issue 108 with the decision to not raise any changes to the BSC.

The Issue 108 group concluded that:

- December 2025 is the absolute deadline to replace RTS;
- Customers with RTS meters should be switched over by Summer 2025 to ensure 2025 target is reached;
- There are enough incentives in place for suppliers to change consumers from the RTS to new solutions, e.g., smart meters;

342/06

Issue 108

Issue Report

14 September 2023

Version 1.0

Page 8 of 10

© Elexon 2023

- Suppliers understand they are obligated to switch consumers over from RTS; and
- There are no required changes to the BSC.

Actions:

- Elexon to engage with generators regarding the results of Issue 108; and
- Elexon to extend its current contract with the ENA to pass through RTS operational costs via the BSC.

Issue Group membership and attendance

Issue 108 Group Attendance		
Name	Organisation	1 August 2023
Elliot Harper	Elexon (<i>Chair</i>)	✓
Jacob Snowden	Elexon (Lead Analyst)	✓
Yinka Afolabi	Elexon (Proposer)	✓
Roger Harris	Elexon (<i>Head of Settlement and Insight</i>)	✓
Daniel Simpson	Energy Networks Association	✓
Emslie Law	SSE	✓
Jason Stevens	Energy UK	✓
Mark Jones	SSE	✓
Kevin Woollard	Centrica	✓
Jim Nield	Secure Meters (UK) Ltd	✓
Michael Walls	Ofgem	✓
Jamie Flaherty	Ofgem	✓
Denise Willis	EDF	✓
Rustam Majainah	OVO	✓
James Nixon	ScottishPower	✓
Clare Manning	E.on	✓
Trevor Taylor	EDF	✗
Rob Steele	Aclara	✗