

CIRCULAR

TYPE & NUMBER EMR Circular 148

Date 14 February 2018

Purpose For information

Introduction of seasonal Zonal Transmission Losses from 1 April 2018

On behalf of [Low Carbon Contracts Company](#) (LCCC) and [Electricity Settlement Company](#) (ESC), [EMRS](#) would like to inform **CFD Generators** and **Suppliers** of the introduction of seasonal Zonal Transmission Losses from the **1 April 2018** as a result of BSC Modification P350 'Introduction of a seasonal Zonal Transmission Losses scheme'.

The circular provides further details on this change, how it will be applied in calculating EMR payments, where to locate Transmission Loss Factors (TLF) and associated data and which EMRS documents will be updated.

What is the background of this change?

The Competition and Markets Authority (CMA) [Energy Market Investigation](#) concluded that the absence of locational pricing for transmission losses has an adverse effect on competition. Therefore, in line with the CMA's determination, BSC Modification [P350](#) will introduce a TLF for each TLF zone (which will align with the existing Grid Supply Point (GSP) Groups) for each BSC Season in order to allocate transmission losses on a geographical basis. The CMA is mandating this through secondary legislation and licence changes. The [P350 implementation](#) page on the ELEXON website has the latest updates.

BSC Modification P350 introduces the concept of Zonal Transmission Losses where the transmission loss varies according to the geographic location of a BMU in the Transmission System. All of the BMUs in a zone will be allocated the same Transmission Losses Multiplier (TLM's). The component of the transmission loss is represented in the TLF which will be calculated by the Transmission Loss Factor Agent (TLFA) for each zone where the zone corresponds to a GSP Group. The non-zero TLFs will be calculated in advance using historic data by no later than 31 December of the year prior to when they take effect.

What is the impact to EMRS?

EMRS identified and developed changes to the EMR Settlement System to accommodate the necessary requirements of BSC change P350. EMRS also updated its operational processes to support this change. Deployment is scheduled and aligned with the go-live date for P350.

The 'new' zonal based TLM will be distributed, as now, in the SAA-I014 file. The 'new' zonal based TLM will also be applied to metered data within the SAA-I042 (BM Unit Gross Demand Report). However, other sources of metered data EMRS receive would require EMRS to adjust them using the applicable TLM.

How will this change apply for CFD Generators in calculating EMR payments?

CFD Generator's daily payments are calculated using TLM adjusted metered volumes. As of **1 April 2018** EMRS will receive the new value of TLM based on the zonal and seasonal TLFs and Transmission Losses Adjustment (TLMO) in the SAA-I014. EMRS will use this 'new' value in adjusting the metered volumes for transmission losses.

For all Settlement Dates and all Settlement Runs after the **1 April 2018**, the data provided in the SAA-I014 file will contain the new zonal based TLMs.

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How will this change apply for Suppliers in calculating EMR payments?

This change will apply to Suppliers as follows:

- **CFD Suppliers** Levy Rate Payments, Reserve Amount and Operational Cost Levy payments are calculated using TLM adjusted metered volumes.
- **Capacity Market Suppliers** Settlement Costs Levy and Supplier Capacity Market Charge will also be impacted by this change due to the [Electricity Capacity \(Amendment\) Regulations 2017](#) replacing **net demand** with **gross demand** in calculating these charges. On 1 February 2018, EMRS issued [EMRC147](#) which provides Suppliers further details of how the change to using gross demand is applied.

From the **1 April 2018** EMRS will receive SAA-I042 (BM Unit Gross Demand Report) from ELEXON which will contain the TLM adjusted data using the new values of TLM based on the zonal and seasonal TLFs.

How will this change impact CFD Supplier Credit Cover?

CFD Supplier Credit Cover is calculated by using both Interim Information (II) and Settlement Final (SF) metered volumes for a 21 day reference period multiplied by the current Interim Levy Rate. As a result of this change an overlap period using both TLMs (TLM adjusted metered volumes and new values of TLM based on the zonal and seasonal TLFs) will occur in determining the Credit Cover amounts for CFD Suppliers. [G5 – Supplier CFD Credit Cover](#) provides details on how Credit Cover is calculated.

What EMRS documents will be updated and when will these be published?

The following documents will be updated to reflect these changes:

- WP24 – CFD Settlement Required Information
- WP25 – EMR Aggregation Rules

These documents are scheduled to be published on **1 April 2018**. EMRS will confirm to CFD Generators and Suppliers when these documents have been published.

Are the Transmission Loss Factors and associated data published?

On 8 December 2017, ELEXON issued [P350 Implementation Circular](#) to notify that the TLF and associated data for the BSC Year 2018/19 for BSC Modification P350 has been published on the BSC website. All the files can be found on the ELEXON Portal under section '[TLFs determination](#)'.

ELEXON Webinar: Increase your understanding of Seasonal Zonal Transmission Losses?

On **27 February 2018 at 12:00**, [ELEXON](#) is hosting a 30-minute webinar to support industry's understanding of BSC Modification P350.

[Register now](#) as this webinar will:

- Give background on transmission losses, and describe what will change post 1 April 2018
- Explain how TLF values are estimated, and where information on them can be found
- Step through some worked examples, for both generators and suppliers
- Give a timeline for consultations and decisions on values for BSC Year 2019/2020.

Where can I get more information?

If you have any questions, please email contact@emrsettlement.co.uk or call us on 020 7380 4333.