

Attachment 2 to P28 Definition Report
Responses from P28 Definition Consultation

Representations were received from the following parties:

No	Company	File Number
1.	Edison Mission Energy	P28_DEF_001
2.	Powergen	P28_DEF_002
3.	Utility Link	P28_DEF_003
4.	Enron Europe	P28_DEF_004
5.	British Energy	P28_DEF_005
6.	Scottish Power	P28_DEF_006
7.	Scottish & Southern Energy	P28_DEF_007
8.	SEEBOARD	P28_DEF_008
9.	TXU Europe Energy Trading	P28_DEF_009
10.	London Electricity plc	P28_DEF_010
11.	Centrica plc	P28_DEF_011
12.	Dynegy	P28_DEF_012

P28_DEF_001 – Edison Mission Energy

From: Libby Glazebrook[SMTP:LGlazebrook@edisonmission.com]
Sent: 04 July 2001 12:40
To: modifications@elexon.co.uk
Cc: Nigel Hawkins
Subject: Comments on Mod 28 - Review of Governance and Modification Procedures

Edison Mission Energy supports the proposals in Mods 21, 23 and 24.

regards

Libby Glazebrook
Edison Mission Energy
0870 238 5558

P28_DEF_002 – Powergen

4 July 2001

Gareth Forrester

P28 Modification Group

Dear Gareth

INITIAL COMMENT ON MODIFICATION PROPOSAL P28 – REVIEW OF MODIFICATION GROUP AND PANEL PROCEDURES

Thank you for giving us the opportunity to make initial comments on this proposal.

In our view the modifications process is currently well managed within the current modification rules. However, market participants and Elexon seem to be having difficulty in coping with the current level of modifications work. Hence we support both Dynergy and Amerada in desire to improve both transparency and the efficiency of the BSC modification processes.

We would like the following suggestions to be considered by the P28 Modification Group:

- **Modifications to be dealt with by workstreams rather than separate modification groups.** This would stop the proliferation of modification groups but perhaps may be less appropriate for urgent proposals. We would suggest the following workstreams categories; Balancing Mechanism (imbalance cash-out, gate closure, information, etc), Notifications (including Manifest Errors), Credit Cover and Governance. Whatever categories are chosen the number of workstreams should be kept to a minimum.

The workstream concept has worked well under the gas Network Code - meetings are held at regular intervals according to a published schedule enabling individuals to better plan their attendance. One might expect one lead workstream to emerge over time covering the more significant changes to trading arrangements. For example Notifications, Credit Cover and Governance workstreams may meet infrequently as these areas settle down, but the Balancing Mechanism workstream could become the regular workstream.

Workstreams also consider general development issues not necessarily covered by a particular modification proposal. For example the general working of the BM, consideration of NGC's role and general operational issues may be subjects for discussion. Such agenda items could provide an opportunity to develop more robust modification proposals or enable problems to be solved without resorting to modifications in the first place. At the moment some modifications are perhaps raised simply to ensure party's views are heard.

Should Workstreams be introduced one might question the value of other expert groups (e.g. the ISG) as their business could perhaps be more efficiently (and more openly) managed as part of the work of workstreams.

- **Combining the Definition Phase with the Assessment Phase.** Experience to date suggests that much of the discussions that take place at the definition phase seem to be replicated in the assessment stage. Abandonment of the definition phase would reduce the number of meetings and reports and make the modification process more efficient. The current process does seem to be excessively burdensome on Elexon staff. The Panel could set a timetable for a combined definition/assessment stage and brief progress reports could be provided to the Panel as part of monthly workstream reports.
- **Meetings should generally be held in open session, this includes Modification Groups, Expert Groups and the BSC Panel.** The exception being matters that are commercially confidential to particular BSC Parties or Elexon itself. Open sessions are particularly important if issues such as BRL, CAP and CALF are to be discussed, as these (as well as modifications) are of fundamental commercial importance to all BSC participants.

- **Abandon the distinction between Modification Group "experts" and "attendees".** The appointment of experts may be useful in that it helps ensure a minimum attendance at meetings but doesn't in itself necessarily add any extra value. However, experience to date has shown that even the level of attendance of experts at modification meetings is waning. It requires yet another process for Elexon to manage the database of experts. Under the gas Network Code the concept of "Modification Group members" was abandoned with the introduction of workstreams. Those parties truly interested in proposals opt into workstream discussions. Attendance at meetings finds its own natural level.
- **Attendees other than the proposers of modifications should have the opportunity to address the Panel at Panel meetings.** This could be achieved by requiring the Panel Chairman to solicit views from representatives of BSC signatories prior to any vote. This would ensure any material points that may not have already been considered by the Panel are brought to their attention.

I trust you find these comments useful. Please feel free to contact me on 024 7642 5441 if you wish to discuss this further.

Yours sincerely

Peter Bolitho
Head of Modifications
Powergen UK plc

P28_DEF_003 – Utility Link

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28 August, 2001

Dear Sirs,

Subject: Modification P28 Review of Modification Group and Panel Procedures

Listed below are comments on the above Modification. For clarity I have tried to deal with the issues on a point by point basis relating to the original modifications which have been amalgamated into P28.

Modification P21

While not against the Panel opening up its meetings to Industry observers, we do not support the proposal that industry participants should be allowed to participate in Panel meetings, or any of the Panel sub-groups. If this was allowed, then there would be an unfair advantage to those larger parties who can afford to employ 'full time meeting attendees' and parties that are London based.

Smaller, non-London based parties such as ourselves, would be unable to have the same level of representation, and as such would be disadvantaged.

The Panel industry members are elected by the industry, and parties should have confidence in their ability. Parties are also able at any time to contact Panel members to put forward their point of view. It would assist however, if Panel papers were made available earlier so parties have a chance to comment should they so wish.

With regard to the modification groups, we support increasing the transparency of working groups by publishing details of members and minutes of the meetings.

Modification P23

We believe that the ISG should remain closed for the reasons stated above. However, ISG & SVG Papers should be made available to the industry in sufficient time before a meeting to allow parties to send in comments if they so wish.

Modification P24

We support the setting up of additional 'expert' groups to deal with modifications and other issues. However, we believe such groups should have a balance of industry participants to ensure all points of view are covered. Elexon should also publish Agenda Papers, minutes and memberships of groups, so that Parties can send in comments on papers if they should wish. We do not support the view that these meetings should be open for the reasons already mentioned.

The modification process itself should be merged with the change process contained in BSCP40. We are presently in the process of raising both a Modification to change the BSC, and a change request to change the BSCPs on a single issue, which is overly bureaucratic.

Any changes/modifications should be sent directly to the appropriate sub-group to be dealt with. The Panel should then endorse the sub-group decisions, or hear appeals if a party objects to the decision of a sub-group.

I hope these comments assist in the assessment of the proposal, should anyone require clarification, please feel free to contact me.

Yours sincerely,

Chris Welby
Regulation Manager

**MODIFICATION PROPOSAL P28: REVIEW OF MODIFICATION GROUP AND PANEL PROCEDURES;
REVIEW OF THE IMBALANCE SETTLEMENT GROUP; AND REVIEW OF THE MODIFICATION
PROCEDURES**

**Response by Enron Europe
12 July 2001**

Enron Europe welcomes the opportunity to respond to the consultation on proposed modification P28. In responding, Enron Europe represents the views of four BSC Parties: Enron Direct, Enron Capital and Trade Resources, Enron Gas and Petrochemicals Trading, and Enron Teesside Operations Limited.

To date, the modification procedures have worked reasonably well and have allowed significant informed debate and decisions to be made. Without wholesale changes, the existing procedures could be improved to better achieve the applicable BSC objectives.

Open Meetings Aid Transparency

To aid transparency in the market all modification group meetings, panel meetings, and panel sub-group meetings should be open by default. Transparent decision-making is consistent with the applicable BSC objective of promoting effective competition because all BSC Parties would have the same access to information about potential changes to the BSC. However, some business is genuinely confidential and the panel must have the discretion to designate part or all of a panel meeting or panel sub-group meeting as confidential and hold it behind closed doors.

Modification Group Meetings Should be More Representative

Modification Group meetings are the fora for informed debate of proposed modifications. Therefore, it is essential to the modification process that the industry be represented at these meetings to allow an informed and objective debate. Currently, only Modification Group Members can take part in decisions. Yet, Modification Group Members have demonstrated their apathy towards an issue by not attending the relevant meeting. In contrast, interested industry members attend but cannot take part in decisions. With no established process for changing a Modification Group how can interested parties take part in the debate? Possible solutions include:

- Forming standing groups for specific issues, with a well-defined process for admission and exclusion, from which Modification Groups are composed. In order to take any decisions a quorum of Modification Group Members would be required.
- Allowing all Modification Group Meeting attendees to take part in discussions and decisions.

Expedition does not Require Curtailing the Process

The existing modification process should not be bypassed because this could result in dangerous decisions being made. Expedition of the process without compromising quality would be better achieved through bi-monthly Panel meetings.

More Guidelines Would Improve the Quality of the Process

To aid the quality of decisions the modification process should set out guidelines for consultation and debate. The very short consultation periods for urgent modifications mean that interested parties may not have sufficient time to produce a well-developed response to a consultation. This hinders an informed debate at Modification Groups. The modification process would resolve this by specifying a minimum consultation period, eg, 5 business days. Also, the short time between a Modification Group receiving relevant information and discussing the information makes it difficult for the group to make an informed and proper decision. The modification process would resolve this by specifying that relevant documentation for a Modification Group Meeting must be circulated 24 hours prior to the meeting.

P28_DEF_005 – British Energy

From: Ace Rachel[SMTP:rachel.ace@british-energy.com]
Sent: 12 July 2001 15:05
To: 'modifications@elexon.co.uk'
Subject: P28 Definition Comments

To: Modification Secretary, Elexon

From: Rachel Ace, British Energy, 6 July 2001

British Energy does not support modification P28 at this early stage the BSC governance arrangements have not been given sufficient time to bed down following the implementation of NETA.

The internal governance procedure of the BSC are designed to promote an efficient and fair review of modification proposals. The Panel and its sub groups are still finding their feet and as far as we are concerned doing a sensible job consistent with their vireos. There is always room for improvement but we believe we need to see the process work for longer before changes should be made.

All parties whether they are members of sub groups or not have the opportunity to comment and influence change. Anyone can send a representative to the modifications meetings. So we do not accept the suggestion in the proposals regarding independence of Panel Members. Arrangements should be allowed to bed in for 12 months post go live before review.

Regards

Rachel Ace

For
British Energy Power and Energy Trading
British Energy Generation Ltd
Eggborough Power Ltd

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13th July 2001

Mr Gareth Forrester
Modifications Manager
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Modification Proposal P28 Definition Comments

Dear Mr Forester,

Thank you for the opportunity to comment on this modification proposal which amalgamates the issues raised in Modification Proposals P21, P23 and P24. Please note that these comments are submitted on behalf of ScottishPower plc, Manweb plc and Manweb Services Ltd.

General Comments

It is our view that the BSC Panel procedures and the Modifications process outlined in Sections B and F of the BSC respectively are generally sound. There is no particular need, therefore, to rewrite many of the relevant clauses in the BSC as has been implied by P21, P23 and P24. However, this does not imply that we accept that the procedures and process are being effectively applied in practice. Indeed, the experience of our representatives at recent Panel and Modification Group meetings has been that the BSC rules are occasionally applied in an arbitrary fashion. This cannot provide confidence that the Panel objectives in Sec. B1.2.1(c) - application of the BSC without undue discrimination between Parties; and Sec. B1.2.1(e) - transparency and openness in the conduct of the Panel's business - are being properly met. We provide specific examples below of how the procedures and process can be tightened on a practical basis.

Specific Comments

a) *Openness of, and participation at, Panel meetings* - we have found that Panel meetings are generally open and that comments are invited from the floor on occasion. There are clearly practical limitations to openness, e.g. if a Panel meeting can only be held by telephone conference call in certain circumstances or if the cost of a meeting is inflated due to the number of Parties wishing to attend. In these respects, P21 and P24 would not meet the Applicable BSC Objective 7A(3)(d) of promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

However, we also consider that such limitations should be employed sparingly and should not be to the detriment of any Parties with a direct involvement in an agenda item, e.g. the proposer of a modification should

not be excluded from participation in a Panel meeting held by teleconference when that proposal is being discussed and has reached a critical stage in its development.

b) *Openness of Panel committees (ISG and SVG in particular)* - while these meetings are not currently open and Elexon does not tend to advertise them to all BSC Parties, the BSC (Sec. B5.4.2) can be read to imply that these meetings are open and can involve the participation of non-members. We would consider it to be a matter of judgement as to whether these meetings can be as transparent as Panel meetings because of the commercially confidential nature of some of the material being discussed.

c) *Formation and operation of Modification Groups* - we regard the process by which Modification Groups are formed and their mode of operation to be generally satisfactory with some practical exceptions. For instance, there is a requirement in the BSC (Sec. F2.4.20) that the Terms of Reference of each Group is published on the Elexon website. With a few exceptions, this requirement is not currently being met.

Furthermore, and perhaps more importantly, our experience of Modification Groups in some cases has been that a clear distinction has not been drawn between those named as Group members, who would attend, speak and make decisions at Group meetings in that capacity, and other attendees who may be invited to speak at Group meetings but are not entitled to take part in decision making. We consider that this part of the process requires to be tightened up at a practical level.

d) *Review of the role of the ISG* - P23 does raise some important issues in our view. We have indicated above that the openness of ISG meetings is a matter of judgement and should not compromise the commercial sensitivity of some of the issues discussed.

We would support the proposition that ISG should become a standing committee with a remit to undertake a general review of imbalance pricing and settlement issues. The need for ISG to adopt this role has been made apparent by the number of modification proposals raised in relation to this subject matter since Go Live. It is arguable that ISG is already a standing committee by virtue of Sec. B5.1.2. However, it may be necessary to amend Sec. B5 to extend ISG's remit in more explicit terms. It may also be necessary to provide ISG with the power to raise modifications, a power which it does not currently enjoy.

I hope that you find these comments helpful. If you wish to discuss any of the matters raised please do not hesitate to contact me.

Yours Sincerely,

Abid Sheikh

P28_DEF_007 – Scottish & Southern Energy

P28 - Review of Modification Procedures

This response is presented on behalf of Southern Electric, Scottish and Southern Energy, Keadby Generation Limited and SSE Energy Supply Limited.

Background

This Modification Proposal is the amalgamation of P21, P23 and P24 which seek to improve the operation of the Panel, Panel Committees and Modification Groups in relation to modification procedures. SSE supports this Modification Proposal. We believe significant changes are required to improve the efficiency in operation of procedures and market arrangements and to improve competition in generation and supply.

Strategic / Developmental Role

One of the biggest failings of the current arrangements is the lack of apparent forward planning or “blue sky thinking”. We believe there is a real need for Ofgem and the Panel to consider on an annual basis what aspects of the arrangements need to be reviewed and consulted on and then set priorities. In this way issues could be identified earlier, considered as part of the “bigger picture”, rather than as isolated ad hoc modification proposals and could be dealt with according to importance. The modification procedure as it stands does not lend itself to deal with fundamental market issues and is not prioritising effectively. We believe issues should be dealt with in a more structured, planned and co-ordinated way, perhaps with more strategic input from groups such as ISG.

Modification Procedure

We believe there is significant scope for streamlining current modification procedures.

We believe the number of stages in the process needn't necessarily be reduced but better use could be made of each stage. For instance a number of Modification Proposals are raised with limited detail or analysis. This makes it difficult for Parties to understand the issues or comment on proposals during the initial stages and delays progress. Provisions exist under the BSC to refuse to accept submissions if they fail to provide a reasonable description of the issue or defect which the proposal is seeking to address or a description of the proposed modification. These powers could be exercised more stringently.

The Initial Written Assessment and Definition Reports sometimes add very little additional value. Reports are often too lengthy, repetitive and provide very little qualitative or quantitative analysis..

If the quality of the Modification Proposal and Reports were improved this should cut down on the amount of time required to progress proposals and the number of stages required. Stages could be amalgamated.

Significant improvements are required in terms of the timing and circulation of reports. There is often insufficient time for Parties to review details, consult or carry out their own analysis. In some recent cases the timetable seems to have been pursued at the expense of analysis and quality of decision.

There are currently two change processes running concurrently, one for the Modifications Proposal and the other for Change Proposal Circulars. There seem to be no clear rules regarding the inter-operation of these arrangements and unfortunately they do not seem to be synchronised. For instance details were recently issued as Modification Proposal P7 under CPC 024, the CPC required a response to the Change Control Co-ordinator but they were to be sent to the Modifications mailbox. Dates for response under the CPC have also been inconsistent with the dates given under the Modification Proposal. There is also no obvious relationship between the numbering of Modifications Proposals and CPC's and this causes

confusion. It would be helpful to have one department managing all aspects of modifications and co-ordinating these issues.

Nature of Meetings

SSE agrees there are potential benefits associated with non confidential elements of Panel, Modification Group, ISG and SVG meetings being held as open sessions. The main benefits are:

- improved transparency in the process
- broader discussion and understanding
- possible improvement in the quality of decisions
- improved confidence in the outcome.

A number of such meetings have been held as open sessions recently and this seems to be working relatively well.

Our main concerns are that for open sessions to be effective they would need to be well managed to ensure:

- they did not become talking shops
- ensure progress was not delayed
- ensure all parties were given equal opportunity to participate
- logistical restrictions in accommodating the number of attendees did not hold up progress or result in unreasonable costs
 - Panel Members, Modification Group Members or other attendees didn't feel inhibited when voicing opinions or making decisions.

It is also important that open sessions don't detract from the importance or weight given to formal written responses submitted following invitation, as some Parties will not be able to spare the time or resource to send representatives to all meetings.

Modification Groups

We agree there are merits in having standing Modification Groups. The main benefit is obviously consistency, increased knowledge and understanding of the issues. Our only concern is that Parties may have difficulty supporting this, particularly with the current volume of modifications. The fact that modifications are difficult to predict in terms of timing, issues and input required might also mean that it would not be efficient use of resource.

Administration

We believe improvements are required to the management of BSC Panel meetings and the Elexon web site. As far as Panel papers and Modification Proposals are concerned:

- Panel Papers should be available on the web site no later than 3 working days before the meeting in order to give Parties time to consider papers.
- Invitations to provide comments on Modification Reports should be issued at least one week prior to the deadline.

Whilst we accept that on occasion there will be a need to issue papers or reports at short notice or submit verbal reports to Panel Meetings this should be the exception.

At least one weeks notice should be given for Modification Group meetings and they shouldn't be arranged for the same day and time, as happened recently.

Beverley Grubb
Market Development
Scottish and Southern Energy

P28_DEF_008 – SEEBOARD

P28 Definition Comments

In general we feel that modification process is currently in a period of stress due to high volume of changes. As such perceived problems could be due to high levels of activity currently being undertaken. We feel that the current arrangements are generally operating successfully and would not support major changes at this time.

In particular we do not feel that holding open meetings is a sensible step. It is likely that only participants with sufficient resources would be able to attend these meetings. This could mean that open meetings are more likely to lead to an uneven playing field giving competitive advantage to a minority of participants. This would be counter to BSC objectives.

We have also studied the Network Code for Gas that was suggested as a potential framework for BSC procedures. Our view is that current BSC modification procedures allow for a flexible approach to issue management. Once a steady state has been reached further more reflective changes might be considered. That being said we do have one concern. At present Elexon manage implementation process for modifications using Change Proposal Circulars (CPCs). This gives participants an overhead in managing a modification end to end. For changes to documents we can see the need for using CPC process. However, in terms of determining implementation dates and impacts of a modification we feel that this needs to be run under auspices of modifications process to provide an end to end solution to an issue. We do not believe that this requires any changes to BSC but might require changes to Elexon procedures and possibly target audience for implementation part of modification process.

A major concern has arisen from comments within proposal P24. Under description section point (2) there is a suggestion that modifications group members do not act independently of their company views. This is a BSC requirement on all modifications group members and if any member feels their company is unduly influencing them then they have the option of standing down. The market relies on this independence otherwise smaller participants could end up at a commercial disadvantage. It might be worth considering that a memorandum on this needs to be sent to all market participants. This should remind them of this fact and that if a company is unwilling to allow this level of independence to their modification group members that they should be withdrawn. It would seem this is a simpler way forward than wholesale changes to BSC. Issues in this area also raise concerns regarding creating standing groups. If these standing groups have a membership that is not acting independently then the operating arena of BSC could be seen as being biased.

Dave Morton
SEEBOARD
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P28_DEF_009 – TXU Europe Energy Trading

TXU Europe Energy Trading

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Gareth Forrester
Modifications Manager
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13 July 2001

Dear Gareth

P28 Initial Comments

Thank you for the opportunity to comment on Modification Proposal P28. TXU Europe Energy Trading Ltd would like to make the following comments on behalf of all TXU Europe companies.

TXU believe that modification procedures should be streamlined and that modification groups should be replaced with standing workstreams as exist under the modification arrangements for Transco's Network Code. We also believe that all such meetings should be open to all industry members and that there should be no standing lists from which group members are chosen.

Industry workstreams would be able to discuss the wider issues than just the subject of modifications and would be able to perform much of the development work prior to modifications being raised.

Further, we believe that there would no longer be a need for workstream members to act independently as all companies would be invited to send representatives. As participants would be acting independently, there would no longer be a requirement for Elexon to reimburse group members' travel expenses.

We hope that you have found our comments useful and should you wish to discuss any aspect of this response please contact me on the above number.

Yours sincerely

Nicola Lea
Market Development Analyst

P28_DEF_010 – London Electricity plc

P28 Definition Comments from London Electricity plc

Early experience of the NETA Trading arrangements suggests to us that a comprehensive review of the performance of the Balancing Mechanism should be undertaken now. We would want this review to be wide ranging and to include the performance of NGC's system operation incentive scheme. Given the generous level of plant margin and the near absence of transmission constraints, prices in the Balancing Mechanism are higher than we would expect. We are particularly concerned about how the Balancing Mechanism might perform during winter peak levels.

Trading Parties still have only a few months experience with NETA. Consequently any shortcomings in the designated arrangements will only be seen in their infancy. However, we would agree that Parties and the Panel should be monitoring both the governance arrangement and the performance of the Balancing Mechanism, with a view to making improvements.

On the issues raised in Modification Proposals 21,23,24, we would make the following comments:

As the Panel has an open session, we have no difficulty with the same principle being applied to its sub-groups; ISG and SVG and to Modification Groups. We do however appreciate that some of the Panel's business and views may more appropriately be conducted in a confidential environment. Therefore we would not support calls for the whole for Panel meetings to be 'in public'.

We would agree that the procedure for formation of Modification Groups might, on occasion appear informal. However, we support the present intention that these groups should be comprised of people with relevant expertise. We believe that the present method by which Modification Groups are formed, effectively yields 'standing groups' to consider modifications which are similar in nature.

LE would stop short of removing any distinction between group members and observing attendees. However, we would be happy to see an understanding (formal if necessary) that observing attendees are given an opportunity to contribute to the debate.

There may well be scope for streamlining the Modifications process. Given the present heavy workload generated, both for Elexon and Trading Parties, due to the large number of proposals, we would explore the case for some form of filter at the beginning of the process. This could serve to defer or even dismiss some issues. However, this would need careful thought since a valuable characteristic of the present arrangement is that Parties can be confident of an airing of their proposal.

Liz Anderson
General Manager, Energy Strategy & Regulation
London Electricity plc

13 July 2001.

P28_DEF_011 – Centrica plc

From: Lane, Danielle[SMTP:Danielle.Lane@centrica.co.uk]
Sent: 13 July 2001 15:27
To: 'modifications@elexon.co.uk'
Subject: P28 Definition Comments

Dear Sir

Modification 21: Review of Modification Group Procedure and Panel Procedures
Modification 23: Review of the Imbalance Settlement Group (ISG)
Modification 24: Review of the Modification Procedures

Thank you for the opportunity on the above consultations. Whilst British Gas Trading (BGT) welcomes this timely review of the Modification Procedures, we are concerned that changes to the Balancing and Settlement Code are not made unnecessarily. Potential improvements need to be identified, but consideration must also be given as to whether these changes can be made within the existing arrangements.

We suggest that the following areas should be considered within this review procedure:

Modifications Procedure

- * The definition and assessment procedures should be merged. There is currently an artificial distinction between the two procedures. Much time is taken up with debating what should be discussed and when, rather than with the Proposal itself.
- * The potential for workstreams, held on a regular basis should be considered. We believe this would streamline the process and allow more effective representation by Parties. It would also allow for broader discussion of issues surrounding modifications, allowing a more effective conclusion to be reached.
- * Opening the workstreams to all participants on an equal basis. All views should be considered on an equal basis, including those from people not listed as 'experts'. Meeting times and papers should be sent to all those who have requested this information or the information being freely available on the Elexon website.
- * Reconsider the obligation to provide experts.

BSC Panel

- * We believe that participation from observers will improve the understanding of the Panel members and lead to more efficient Panel meetings. As this is the only occasion where Parties could address the entire Panel, we believe that full participation would have the added advantage of improving the openness and transparency of the Process.

- * Fewer special Panel meetings should be called. Some business could wait to the normal cycle of meetings, which we believe would be more efficient.
- * The closed session of the Panel meetings should be open. This will require a modification. For any items where it is deemed necessary to discuss them in closed session should be handled at a separate meeting, with an open report back to the Panel.

Yours sincerely

Danielle Lane

P28_DEF_012 – Dynegy

Mr G Forrester
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16 July 2001

Dear Gareth,

Modification Proposal P28: Review of Governance and Modification Procedures.

The definition, assessment and report procedure should be reviewed with the objective of shortening and removing the unnecessary reports back to the Panel. Dynegy proposes that the definition phase needs to be combined with the assessment phase. It is difficult to distinguish between the objectives of the two phases. It is apparent that the discussions that take place in the definition phase are repeated in the assessment stage. By incorporating the two stages it would facilitate a reduction in the number of meetings and reports, thus reducing the present lengthy modification process. Dynegy therefore suggests that once a raised modification goes to the relevant group, it should be worked through to the report stage in as quick a time scale as the group believes still facilitate the main aims of the existing procedures. The Panel would check that the modification goes to the correct group and would still make recommendations on modifications to the Authority.

Dynegy believe all meetings, modification groups, expert groups and BSC Panel, should be held in open session and the views of all participants must carry equal weight. Open meetings are vital if issues like the BRL and CAP are to be discussed, as these discussions are of huge commercial importance to all market participants. There is no benefit to exclusive groups and the definition of experts, rather than company representatives is difficult to maintain, as most attendees are experts because of their employment by a given company. We appreciate commercially confidential issues need to be dealt with separately, but this can be accommodated.

Finally the length of written reports need reviewing. The industry is very busy and opening a paper that is 50 plus pages is not encouraging people to participate in consultations. Dynegy see no need for such lengthy reports and believe some standing points could be better communicated via other communications means such as the Elexon web-site.

As part of the modification process, Dynegy suggest that the meeting reviews the governance process used by the gas industry and invites someone from Transco, the administrator of that process, to attend. It seems it is a more flexible governance arrangement and while not perfect, may provide a basis, on which we can build and improve.

I hope these comments are useful at this stage. Dynegy look forward to participating in the modifications group meetings.

Yours sincerely

A handwritten signature in black ink that reads "Lisa Waters". The signature is written in a cursive, flowing style.

Lisa Waters
Senior Regulatory Analyst